

Economic Seminar: Economic Development

(Seminario de Economía II (H) – LCCECO 202402)

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Course Description:

This course investigates why some nations are rich while others are poor. We will take a comparative institutional approach to development. This method compares political and economic institutions not by their theoretical intentions, but by their effects in the real world. The papers we read will have both theory and evidence, but they will mostly be evidence-based. While theoretical claims are important and worthy of discussion (we'll do a lot of it!), this approach allows us to assess the world through a perhaps clearer lens.

More importantly, this is a discussion-based seminar. Reading and engaging the texts will be fundamental for the seminar's success.

Grading:

- 8 discussion question sets (1 question per reading, 8.75 points per week, 70 total)
- Presentation (10 points)
- Participation (20 points)

Reading and Discussion Questions.

Each session will have assigned readings (PDFs of each of the papers will be provided to you on the course page), which you must read and submit a discussion question. **You must submit one discussion question for each reading.** This is to (i) assess that you did the readings, and (ii) to motivate our discussions with the insights that most interest you.

See some tips at the end on **How to Prepare Discussion Questions?**

Participation.

20 points from the class will be based on “participation.” This is based on you asking questions, providing feedback throughout the course (both to me and your fellow students), and giving your thoughts. These are the easiest points to earn this semester!

Presentation:

You will each give one short presentation this semester. The presentation will be a broad overview of one of the papers assigned during the semester. The plan is to each week have two of you present. On the first day of class, we will decide who will cover which papers. On the papers that are not assigned to a student, I will give a short presentation on them.

The presentations will be 8-10 minutes each. Your job is to provide a summary. Note that this means you will need to decide *which* parts of the paper you think are the most relevant since there

isn't enough time to cover everything. If it is an empirical paper, **I do not expect you to know the methods**, but simply be able to talk about the motivation, research questions, and the general findings. Please send me the slides of the paper by Tuesday 11:59 PM the night before you present. This way, I will have time to look at the slides beforehand and be able to fairly grade you on the slides and your presentation. This is worth 10 points of your grade.

Office Hours:

I am available for virtual office hours (by appointment). You can use this time, for instance, to quiz me on the assigned paper that you will be presenting. After you've done your first reading, think of formulating questions to ask me and create a template highlighting the most important points. Write down what you couldn't understand, and we'll discuss it. This will make you think more carefully about the reading and come up with strategies that will also help you in preparing discussion questions for the course. The puzzles you have can be great discussion questions to begin with!

Week 1. August 28 - Course Overview & The Wealth of Nations

Rodrik, D., Subramanian, A., & Trebbi, F. (2004). Institutions rule: the primacy of institutions over geography and integration in economic development. *Journal of Economic Growth*, 9, 131-165.

Week 2. September 4 - Capitalism

Leeson, P. T. (2010). Two cheers for capitalism?. *Society*, 47, 227-233.

Grier, K. B., & Grier, R. M. (2021). The Washington Consensus works: Causal effects of reform, 1970-2015. *Journal of Comparative Economics*, 49(1), 59-72.

Lawson, R. (2022). Economic freedom in the literature: What is it good (bad) for?. *Economic freedom of the world: 2022 annual report*, 187-199.

Week 3. September 11 - Socialism

Toews, G., Vézina, P.-L. (2020) Enemies of the People. QPE Working Paper 2020-20. King's College London.

Bastos, J.P., Geloso, V., Bologna-Pavlik, J. (2024) The Forsaken Road: Reassessing Living Standards Following the Cuban Revolution and the American Embargo. Working Paper.

Week 4. September 18 - The Long Shadow of History

Becker, S. O., Boeckh, K., Hainz, C., & Woessmann, L. (2016). The empire is dead, long live the empire! Long-run persistence of trust and corruption in the bureaucracy. *The Economic Journal*, 126(590), 40-74.

Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The colonial origins of comparative development: An empirical investigation. *American Economic Review*, 91(5), 1369-1401.

Dell, M. (2010). The persistent effects of Peru's mining mita. *Econometrica*, 78(6), 1863-1903.

September 25 - NO CLASS

Week 5. October 2 - The Problem of the Leviathan

Olson, M. (1993). Dictatorship, democracy, and development. *American Political Science Review*, 87(3), 567-576.

North, D. C., & Weingast, B. R. (1989). Public choice in seventeenth-century England. *The Journal of Economic History*, 49(4).

Truitt, T. (2023) The Secret of the Singaporean Success. Working Paper.

Week 6. October 9 - Corruption

Svensson, J. (2005). Eight Questions about Corruption. *The Journal of Economic Perspectives*, 19(3), 19–42. <http://www.jstor.org/stable/4134971>

Fisman, R., & Miguel, E. (2007). Corruption, norms, and legal enforcement: Evidence from diplomatic parking tickets. *Journal of Political Economy*, 115(6), 1020-1048.

Week 7. October 16 – Foreign Aid

Easterly, W. (2003). Can foreign aid buy growth?. *Journal of Economic Perspectives*, 17(3), 23-48.

Skarbek, D. B., & Leeson, P. T. (2009). What can aid do? *Cato Journal*, 29, 391.

Week 8. October 23 – Immigration

Clemens, M. A. (2011). Economics and emigration: Trillion-dollar bills on the sidewalk?. *Journal of Economic Perspectives*, 25(3), 83-10

Borjas, G. J. (2015). Immigration and globalization: A review essay. *Journal of Economic Literature*, 53(4), 961-974.

Powell, B., Clark, J. R., & Nowrasteh, A. (2017). Does mass immigration destroy institutions? 1990s Israel as a natural experiment. *Journal of Economic Behavior & Organization*, 141, 83-95.

How to Prepare Discussion Questions?

Below I provide some examples of how you can ask questions that seek to **engage the article**. Let's use Melissa Dell's paper on the Mita in Peru as an example:

"In Dell (2010, p. 1876-7), the author acknowledges the potential problem of 'selective sorting' in her estimates. However, she argues that 'individuals do not arbitrage income differences' between mita and non-mita areas because it is difficult to be a member of different indigenous communities. Would the effects of the mita persist if migration were significant?"

"The articles we read suggest that institutions, whether formal or informal, have lasting effects. At the same time, other institutions change extremely rapidly, such as norms about same-sex marriage or smoking, which changed in just a few decades. How can we predict the degree to which these institutions endure, or which ones will endure? Is there any theory that predicts the longevity of institutions?"

Crucially, these examples attempt to do at least one of the following things:

1 - Connect with a specific part of the article's argument to show what is missing. This could be a contradiction, an omission, or a counterexample that demonstrates that the opposite could happen in another context.

2 - Provide a simple "hypothesis" that the discussion will attempt to answer. Note the difference between: "What social and economic mechanisms have allowed the effects of the mita to persist for centuries after its abolition?" and "Would the effects of the mita persist if migration were significant?" The second is a new hypothesis.

The first is a very good starting point. But notice that's the question you should ask yourself (or ask whether the article provide a good explanation for that!). What is the mechanism? Well, the author provides this answer (p. 1865):

"I hypothesize that the long-term presence of large landowners in non-mita districts provided a stable land tenure system that encouraged public goods provision. The property rights of large landowners remained secure from the 17th century onward. In contrast, the Peruvian government abolished the communal land tenure that had predominated in mita districts soon after the mita ended, but did not replace it with a system of enforceable peasant titling."

Once you got the authors argument, ask critically: Does this mean that the effect of the mita persists due to the lack of enforceable property rights? Would a property title reform improve the quality of life in the mita district? If so, how? Can a system of individual property rights coexist with indigenous communal institutions?

These last ones are examples of specific questions (instead of very broad and open-ended ones) that will improve your critical reading skills and the quality of class discussion.

In summary, think first about the mechanisms yourself, and then ask yourself whether the author does a good job providing an explanation. If not, try to find flaws in the author's argument and think about alternative explanations. Create a new hypothesis and bring it to class to discuss with your colleagues. A very interesting strategy is to "play the devil's advocate": you don't have to personally agree with an alternative explanation to entertain it carefully, strengthen what would be the arguments for and against it, to understand its implications or to challenge its assumptions. Regardless of whether you agree, this encourages deeper consideration and carefully thinking from several points of view. I hope these examples are useful!