1 Introduction

There is a growing awareness that many of the key challenges in fostering development in poor societies are political challenges. What can we do to encourage trade, cooperation and peace in environments riven with social and ethnic divisions? How do we foster broadly beneficial political reforms and good governance when the potential losers to reforms are able to mobilise to prevent them? How do we detect and mitigate the effects of corruption? What role may modern finance play in creating or mitigating political economy challenges in developing countries?

These problems are modern and endemic, but many are also old problems, and economic theory and the practical experiences of different countries have much to tell us both about what has worked in the past, and what policy experiments we may try in new environments. Rather than a survey, the objective of this course is to selectively discuss new and open research areas in political development economics and the theoretical and empirical tools necessary to contribute to them, with the topics chosen to complement other Stanford courses in applied microeconomics, development, political economics and economic history. By the end of the course, the student will have analysed a theoretical or historical solution to a key political development challenge and proposed a natural or

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field experiment to test it empirically. Graduate level proficiency in microeconomics and empirical methods will be required.

2 Practicalities

Session times Winter Quarter: Wednesdays, 8:30-11:30, E301, GSB Faculty Block. First two sessions on zoom: Link

Pre-requisites Proficiency in microeconomics and econometrics at the level of the 1st year GSB / economics graduate sequence, or by permission.

Office hours By appointment; Wednesdays after class/ afternoons generally best.

Course websites On Canvas

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3 Course requirements

1. Class participation (15%): this class will combine lecture and seminar. Participants will be expected to have done the discussion reading before class and be prepared to answer questions during the session. Each student can choose one “mulligan”-one day, mentioned to me at the beginning of class, when they will not be evaluated on class participation.

2. Referee report with modeling/ discussant exercise (20%): This exercise will take you through the process of critiquing an applied model in a current working paper and begin crafting your own alternative.

3. Class presentation: (20%): You will take the lead presenting and critiquing a working paper directly related to your research proposal.

4. Research paper: (45%): By the end of the course, you will have analysed a theoretical or historical solution to a key political development challenge and proposed a natural or field experiment to test it empirically.
4 Schedule

1. Session 1 January 5 (on zoom):
   (a) Overview and introductions
   (b) Why development is hard: constituencies and losers from reform.
   (c) Financial solutions to the political economy of development.

2. Session 2 January 12 (on zoom):
   (a) Social and ethnic identities as political constituencies
   (b) Understanding identity and identity change.

3. Session 3 January 19: Ethnic and civil conflict (in E259, omicron-willing!)

4. Week of Jan 17-21: One on one meetings to discuss research proposal.

5. Session 4 January 26:
   (a) Violence vs non-violent mobilization
   (b) The aftermath of conflict
   (c) Complete CITI training if not already done

6. Session 5 February 2:
   (a) Complementarities and institutions (research outline due)
   (b) Leaders

7. Session 6 February 9: Corruption and “forensic” economics

8. Session 7 February 16:
   (a) The political economy of trade, populism and political backlash
   (b) referee report due. Mini-discussion simulation

9. Session 8 February 23: Political risks and uncertainty

10. Session 9 March 2:
    (a) The origins of the state and state capacity
    (b) Democratisation and threats to democracy

11. That Week of Jan 28- March 4: One on one meetings to discuss student presentations.

12. Session 10 March 9: Student presentations

5 Reading list

This reading list is meant to be inclusive. Each week, I will ask you to prepare to discuss and answer questions on two or three papers, while I cover the others (and several not listed), highlighting useful methods or intriguing ideas.

5.1 Why development is hard: constituencies and losers

Discussion focus


5.2 Financial solutions to political economy problems


**Historical Cases**: The USA, 1790s, Japan, 1850s, England, 17C-19C, Russia 20-21C, Israel, 21C.

### 5.3 Understanding ethnic and social identity

**Discussion focus**


**Background**


Historical Cases: Indigenous Communities in Mexico (15C-21C) Islamisation in sub-Saharan Africa (20C), Indonesia (Financial crisis)

5.4 Ethnic and Civil Conflict

Discussion focus


Background papers


Historical Cases: Colombia (20C), India (6C-20C), Spain (15C) / Ottoman Empire (15-20C)

5.5 Violence vs non-violent mobilization

5. Sofia Correa (2021) “Persistent Protests”, mimeo, NYU.

6 Background


### 6.1 The aftermath of conflict


Background


Historical Cases: India (1947), Japan (20C), Spain (20C), Uganda (1990s-2000s), Africa (20C), Israel (21C)

6.2 Corruption and “forensic” economics

Discussion focus

1. Melissa Dell “Trafficking Networks and the Mexican Drug War” *American Economic Review*.*


**Background**


**Historical Cases:** Guatemala, Iran (20C), Indonesia (20C), Mexico (21C)

6.3 **Complementarities and institutions**

**Discussion focus**


**Background**


**Historical Cases:** Russia, Poland, Czech Republic (20C), Mexico (15C)

### 6.4 Political risks and uncertainty


3. TBA

### 6.5 Media and Politics


2. Song, Lena (2021) “The Heterogeneous Effects of Social Media Content on Racial Attitudes”, NYU job market paper


6.6 The importance of leaders in development

Discussion focus


6.7 The origins of the state and state capacity


Historical Cases: Egypt, Mesopotamia, the Pacific Northwest

6.8 Democratisation and threats to democracy

Discussion focus


Background


Historical Cases: England (19C)
6.9 Globalization, populism and political backlash

1. Autor, Dorn, Hansen, Majlesi (2017) Importing Political Polarization: The Electoral Consequences of Rising Trade Exposure. NBER working paper


Background


**Historical Cases** Venice (9C-18C), Caribbean (19C), Latin America (20C), South Asia (20C)