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, 8:15-11:15, E259, GSB Faculty Block.

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 (30%): 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 (15%): 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: (15%): You will take the lead presenting and critiquing a working paper directly related to your research proposal.

4. Research paper: (40%): 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 11:
   (a) Overview and introductions
   (b) Why development is hard: constituencies and losers from reform.
   (c) Financial solutions to the political economy of development Part I: Historical Natural Experiments

2. Session 2 January 18:
   (a) Financial solutions Part II: Field Experiment methodologies
   (b) Social and ethnic identities as political constituencies
   (c) Complete CITI training if not already done

3. Jan 17-27: One on one meetings to discuss research proposal.


5. Session 4 February 1:
   (a) Ethnic and civil conflict Part II
   (b) Post-conflict environments and leaders in development.
   (c) research outline due

6. Session 5 February 8: TBA; referee report due.

7. Session 6 February 15:
   (a) Non-violent protests and political mobilization
   (b) Mini-discussion simulation

8. Session 7 February 22:
   (a) Institutions
   (b) If time: additional topics (e.g. Corruption and forensic economics)

9. Session 8 March 1: The bookends of political development.
   (a) The origins of the state and state capacity
   (b) Democratisation and threats to democracy

10. March 8: No class: Work on paper and presentations.

11. March 2- March 7, March 13-14: One on one meetings to discuss research and student presentations.

12. Session 9: March 15: 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

7. Saumitra Jha, Peter Koudijs and Marcos Salgado (2022) Markets under Siege, Stanford GSB working paper


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

### 5.3 Understanding ethnic and social identity

**Discussion focus**


2. Sahil Chinoy, Nathan Nunn, Sandra Sequeira and Stefanie Stancheva (2022) *Zero-Sum Thinking and the Roots of US Political Divides*, mimeo, UBC.


**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**


2. Saumitra Jha (2023) *Civil and Ethnic Conflict in Historical Political Economy*, *Oxford Handbook of Historical Political Economy*


Background papers


Historical Cases: Colombia (20C), India (6C-21C), Mexico (16C-21C), Spain (15C) / Ottoman Empire (15-20C)

5.5 Non-Violent Protest and Political Mobilization

Discussion focus

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

Background papers


5.6 Post conflict environments

Discussion focus


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Background papers


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

5.7 The importance of leaders in development

Discussion focus


5.8 Institutions
Discussion focus


Background papers


Historical Cases: Russia, Poland, Czech Republic (20C), Mexico (15C)
5.9 The origins of the state and state capacity


**Historical Cases:** Egypt, Mesopotamia, the Pacific Northwest

5.10 Democratisation and threats to democracy

Discussion focus


**Background**

1. Daron Acemoglu, Suresh Naidu, Pascual Restrepo, James Robinson (2014) “Democracy Does Cause Growth” NBER *working paper*


**Historical Cases:** England (19C)

### 6 Fun Additional Topics (if time permits!)

#### 6.1 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)

### 6.2 Political risks and uncertainty


3. TBA

### 6.3 Media and Politics


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


5. Karsten Müller and Carlo Schwarz (2021) *Fanning the Flames of Hate: Social Media and Hate Crime*, *Journal of the European Economic Association*


6.4 Globalization, populism and political backlash


Background


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

Discussion Focus


Background


