

COURSE NAME:	Development: Conflicts and Institutions
TERM:	Spring
PROFESSOR:	Hannes Mueller www.politik-salon.de
PROGRAM:	Master in International Trade, Finance and Development
ECTS:	3
HOURS:	20
OVERVIEW:	This course is designed to give students a snap-shot of current research in the political economy of economic development. The focus is on work which tries to understand (some of) the massive income differences between countries by analyzing how (political) conflict, institutions and economic outcomes interact.

This interaction is analyzed in three ways. First, the course discusses how institutions affect economic outcomes. Secondly, it presents recent research on how economic interests and political power affect institutions. Finally, the course briefly touches upon the fringes of effective states and discusses the causes and economic effects of violence.

The close relation to development economics means that the course will offer some "policy conclusions" to take home. At the end of the course students will have an understanding for how institutions, power and economic outcomes interact with each other. They will also be familiar with a wealth of concepts used in political economy, conflict studies and development economics today.

However, the main objective of the course is to teach the joint use of theoretical and empirical research tools. Regular homework will let students refine their skills in using both together.

OUTLINE: **Session 1: Motivation and Empirical Tools**

This session will motivate the focus on political economy and political conflict for studying development. We will also discuss the empirical methods. These methods will thereafter be assumed as understood.

Main source are lecture slides. Further reading in "Mostly Harmless Econometrics" by Angrist and Pischke.

Not covered but extremely useful: <http://econ-www.mit.edu/files/806>

Part 1 (session 2-5): Institutions and Political Conflict

The first part of the course focuses on how institutions deal with conflicts of interest (between citizens and between officials and citizens). We will also study how these conflicts can carry into the institutions and corrupt them.

Session 2: Political Accountability

- Maskin and Tirole (2004) The Politician and the Judge: Accountability in Government. American Economic Review 94(4), pages 1034-1054
- Besley, Persson and Sturm (2010) Political Competition, Policy and Growth: Theory and Evidence from the United States. Review of Economic Studies, 77, pp. 1329--1352.

Session 3: The Politicisation of Government

- Mueller, Hannes (2009) Patronage or Meritocracy: See www.politik-salon.de section (research).
- Iyer, Lakshmi and Anandi Mani (2010) Traveling Agents: Political Change and

Bureaucratic Turnover in India. *Review of Economics and Statistics*.

- Hanssen, Andrew (2004) Is There a Politically Optimal Level of Judicial Independence? *American Economic Review*, 94(3), pp. 712-729.

Session 4: The Media as a Watchdog?

- Snyder, James and David Strömberg (2010) Press Coverage and Political Accountability. *Journal of Political Economy*, 118(2), pp. 355-408.
- Besley, Timothy, and Robin Burgess (2002) The Political Economy of Government Responsiveness: Theory and Evidence from India. *Quarterly Journal of Economics*, 117, pp. 1415-52.
- DellaVigna, Stefano and Ethan Kaplan (2007) The Fox News Effect: Media Bias and Voting. *Quarterly Journal of Economics*, 122, pp. 1187-1234.

Session 5: The Corruptive Force of Economic Power

- Baland, Jean-Marie and James A. Robinson (2008) Land and Power: Theory and Evidence from Chile. *American Economic Review*, 98(5), pp. 1737-65.
- Kuziemko, Ilyana and Eric Werker (2006) How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations. *Journal of Political Economy*, 114(5), pp. 905-930.

Part 2 (sessions 6-10): Violent Conflict and Institutions

Shifts in coercive power threaten the institutional balance. In part 2 illustrates this endogeneity. In the most extreme cases states fail and violence breaks out on a large scale. Part 3 discusses the causes and economic consequences.

Session 6: Violence and the State

- North, Wallis and Weingast (2009) Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History. Introduction.
- Besley, Tim and Torsten Persson (2010) State Capacity, Conflict, and Development. *Econometrica*, 78(1), pp. 1-34.

Session 7: On the Fringes of Statehood

- Dube; Kaplan and Naidu (2011) Coups, Corporations, and Classified Information. *Quarterly Journal of Economics*. 126(3), pages 1375-1409.
- Acemoglu, Daron; James A. Robinson and Rafael J. Santos Villagran (2010) The Monopoly of Violence: Evidence from Colombia. Mimeo.

Session 8: Organized Crime

- Besley, Tim; Thiemo Fetzner and Hannes Mueller (work in progress) The Effect of Somali Piracy on Maritime Trade
- Dell, Melissa (2011) Trafficking Networks and the Mexican Drug War. Mimeo.

Sessions 9 and 10: The Causes and Consequences of Civil War

- Blattman, C. and E. Miguel (2010) Civil War. *Journal of Economic Literature*, 48(1), pp. 3-57.
 - Esteban, Joan and Debraj Ray (2008) On the Saliency of Ethnic Conflict. *American Economic Review*, 98(5), pp. 2185–2202.
 - Montalvo, José and Marta Reynal-Querol (2005) Ethnic Polarization, Potential Conflict, and Civil Wars. *American Economic Review*, 95(3), pp. 796-816.
 - Besley, Tim and Hannes Mueller (2012) Estimating the Peace Dividend: The Impact of Violence on House Prices in Northern Ireland. *American Economic Review*.
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**TEXT BOOKS
AND USEFUL
READINGS:
EVALUATION**

See above.

Students have to write a country study (10-20 pages) that is to be handed in at the end of the term (70%). The study should suggest an original idea for research, discuss relevant literature, and present both a preliminary theory and "data" related to the topic (more details will follow in class). The remaining grade depends on class participation and homework (30%).
