

# 14.750x: Political Economy and Economic Development

## Instructors:

- Abhijit Banerjee, Ford Foundation International Professor of Economics (MIT)
- Benjamin Olken, Professor of Economics (MIT)

## Course Description:

In this class, we will study some of the key theoretical and empirical ideas for why and how politics and institutions affect economic development. We will also look at a variety of empirical examples drawn from throughout the developing world.

We have three basic goals for this class:

- Building a foundation for critical thinking about the role of political economy in understanding economic development. We intend to stimulate class discussion on the forum to encourage this.
- Understanding some core theoretical concepts in political economy, with illustrations from developing countries whenever possible.
- Understanding empirical evidence in economics. What makes a good empirical study? How do we learn about the world empirically? What are some of the techniques we can use to better understand the world?

If you are interested in getting an overview of the content and exercises covered in this course, or eager to find additional resources, please check out our [course preview](#). A score of 60% or above in the course preview indicates that you are ready to take the course, while a score below 60% indicates that you should further review the concepts covered before beginning the course (references to helpful resources are provided in the preview).

## **This Course and the MicroMasters®Program:**

This course is part of the MITx MicroMasters Program in Data, Economics, and Design of Policy (DEDP). This program consists of two tracks and eight online courses and proctored exams. This course is an advanced elective in the International Development track. Learners who pass the three core classes and two elective courses can earn their MicroMasters credential. The program is co-designed by and run by MIT's Department of Economics and the Abdul Latif Jameel Poverty Action Lab (J-PAL), a global leader in conducting randomized evaluations to test and improve the effectiveness of programs aimed at reducing poverty. The MicroMasters program is intended for learners who are interested in building a full set of tools and skills required for data analysis in the social sciences, understanding the problems facing the world's poor, and learning how to design and evaluate social policies that strive to solve them. You can learn more about this program on our [website](#) – we hope that many of you will decide to join us!

## **Prerequisites:**

You should have an understanding of microeconomics and some basic familiarity with probability and/or statistics. For example, if you are not familiar with what a regression is, this class may be very challenging for you. In contrast to an introductory microeconomics course, this is a heavily empirical class. For each topic, we will study several concrete examples chosen from around the world using research papers, and we will use statistics to understand these examples quantitatively. While there are no prerequisites to take this course, you may want to consider taking 14.100x (Microeconomics) and 14.310x (Data Analysis for Social Scientists) before this course. Many of the homework assignments will require the use of the statistical software R. Resources for downloading, installing, learning, and using R are provided in the course.

## Assignments and Grading Scheme:

Videos and assignments will be released on Tuesdays and will be due the following Tuesday. For most weeks during the course, there will be a homework assignment covering the main topics in that unit. The homework problem sets will be a mix of theoretical and empirical exercises. We will drop your lowest two problem set grades. In addition, there will be an online midterm and comprehensive review. Please see the online schedule for further information.

The readings for this class are mostly academic economics papers but are interspersed with readings from other sources. You are not expected to understand every single detail or equation in each article, but you are expected to understand the methods used by the authors to reach their conclusions. In addition to the required readings listed for each class, we have also listed optional papers for further reading.

Grades of the course are calculated as follows:

- Lecture Sequence and Finger Exercises: **6%**
- Problem Sets: **9%**
- Mid-term Exam: **6%**
- Comprehensive Review: **9%**
- Proctored Exam: **70%**

## Lectures and Time Commitment:

The material for each topic will be posted weekly, and you should keep pace with the rest of the class. There will be about two lectures per week. You will have access to videos of the lectures presented in short segments (8-10 minutes on average), followed by finger exercise questions. You will also have access to the lecture notes and presentation slides.

The minimum commitment will be approximately 12-14 hours per week for watching the lectures, doing the readings, and completing the assignments.

## Honor Code Pledge:

By enrolling in a MITx Online course or program, you agree that you will:

- Complete all tests and assignments on my own, unless collaboration on an assignment is explicitly permitted.
- Maintain only one user account and not let anyone else use my username and/or password.
- Not engage in any activity that would dishonestly improve my results, or improve or hurt the results of others.
- Not post online or share answers to problems that are being used to assess learner performance.

We will strictly enforce the honor code pledge. If you are found in violation of the Terms of Service or Honor Code, you may be subject to one or more of the following actions:

- Receiving a zero or no credit for an assignment;
- Having any certificate earned in the course or program withheld or revoked;
- Being unenrolled from a course or program; or
- Termination of your use of the MITx Online Site.
- Additional actions may be taken at the sole discretion of MIT.

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Honor Code violations will be determined at the sole discretion of MIT. You will be notified if a determination has been made that you have violated this Honor Code and you will be informed of the corresponding action to be taken as a result of the violation.

## MITx Commitment to Accessibility:

If you have a disability-related request regarding accessing an MITx course, including exams, please contact [micromasters-support@mit.edu](mailto:micromasters-support@mit.edu) as early in the course as possible or at least 2 weeks prior to an exam start date to allow time to respond in advance of course deadlines. Requests are reviewed via an interactive process to meet accessibility requirements for learners with disabilities and uphold the academic integrity for MITx.

# Course Syllabus and Reading Assignmentss:

## **Week One: Introduction to Political Economy and Economic Development**

- Introduction to Political Economy and Economic Development
- Perspectives on Political Economy
  - Readings: Banerjee and Duflo (2014); *Poor Economics*, Chapter 10
  - Optional Reading: Besley and Persson (2009); *Shadow of the Sun*, pp. 233-260

## **Week Two: The Role of Leaders and Democratic Institutions**

- Leaders and Democratic Institutions
  - The Basics of Statistical Inference
  - Reading: Jones and Olken (2009)
  - Optional Reading: Jones and Olken (2005)

## **Week Three: The Deep Determinants of Economic Development I: Macro Evidence**

- Deep Determinants: Macro Evidence I & II
  - Intro to Instrumental Variables and Fixed Effects Estimation
  - Reading: Acemoglu, Johnson, and Robinson (2001)
  - Optional Readings: Dell, Jones, and Olken (2012); Nunn (2008)

## **Week Four: The Deep Determinants of Economic Development I: Micro Evidence**

- Deep Determinants: Micro Evidence
  - Intro to Regression Discontinuity Design
  - Reading: Dell (2010)
  - Optional Readings: Dell and Olken (2018); Michalopoulos and Papaioannou (2011)

### **Week Five: Voting I**

- Voting Systems: Theory
  - Reading: Meltzer and Richards (1981)
  - Optional Reading: *Analyzing Politics*, pp. 90-99, 110-123 Miller (2008)

### **Week Six: Voting II**

- Voting Systems: Evidence
  - Reading: Chattapadhyay and Duflo (2004)
  - Optional Readings: Miller (2008); Pande (2003)
- Voting and Agency: Theory

### **Week Seven: Voting III**

- Voting and Agency: Evidence
  - Reading: Banerjee et al. (2011)
  - Optional Readings: Finan and Ferraz (2008); Finan and Ferraz (2011); Manacorda, Miguel, and Vigorito (2011)
- Voting in Practice: Vote Buying, Voter Intimidation, and Clientelism
  - Reading: Llaeguy, Marshall, and Tucco (2015)
  - Optional Readings: Finan and Schechter (2011); Nichter (2008); Hsieh et al. (2009)

### **\*Week Seven: Midterm Exam**

### **Week Eight: Corruption I**

- Is Corruption Efficient?
  - Reading: Bertrand et al. (2007)
  - Optional Readings: Banerjee, Hanna, and Mullainathan (2011); Fisman (2001); Olken and Barron (2004)

## **Week Nine: Corruption II**

- The Corrupt Official's Decision Problem
  - Reading: Khan, Khwaja, and Olken (2016)
  - Optional Readings: Olken (2007); Becker and Stigler (1974)
- The Industrial Organization of Corruption
  - Reading: Barron and Olken (2009)
  - Optional Readings: Burgess et al. (2012); Shleifer and Vishny (1993)

## **Week Ten: Service Delivery & Discrimination and Affirmative Action**

- The Supply and Demand of Public Goods: Health and Education
  - Reading: *Poor Economics*, Chapters 3 and 4
  - Optional Readings: Das et al. (2016a); Das et al. (2016b)
- Discrimination and Affirmative Action
  - Reading: Beaman et al. (2009)
  - Optional Readings: Pandey and Hoff (2006)

## **Week Eleven: Media**

- The Media
  - Readings: Yanagizawa-Drott (2014)
  - Optional Readings: Adena et al. (2015); DellaVigna et al. (2014); Martin and Yurukoglu (2017); Olken (2009)
- Social Media and Political Protests
  - Reading: Enikolopov, Makarin, and Petrova (2017)
  - Optional Readings: Alatas et al. (2019); Cantoni, Yang, and Zhang (2017); Gentzkow and Shapiro (2006); Madestam et al. (2013)

## **\*Week Eleven: Comprehensive Review**