

The (Micro) Political Economy of Development

POL-GA.3400.001

Syllabus for Spring 2016

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Office Hours: Wednesday 4-5 pm, or by appointment

Seminar time: Wed 2:00 PM - 3:50 PM
Seminar location: 19 West 4th Street, Room 435

Objectives

How do social, political and institutional factors affect prospects for economic development? Do gender and ethnic composition determine income and income inequality? What is the inter-relationship between poverty, religion and conflict? Do corruption, accountability, and foreign aid affect the development of the third world?

This graduate seminar is designed to examine these and related questions, by focusing on the political economy of development through a micro lens.

One major goal of the course is to explore the cutting edge literature emerging in these areas. As such, the topics covered will include more recent works, rather than classical works, from both economics and political science. Given its micro focus, many of the empirical papers we examine employ a within-country in which sub-national regions are the relevant unit of analysis.

A second goal of the course is to enhance understanding around the newest empirical methods used in the literature. This will include learning the toolkit of how to apply econometric techniques to particular research questions, and examining the pros and cons of employing these approaches. We will cover randomized evaluation, event studies, regression discontinuity, difference-in-differences analysis, instrumental variables, and matching estimators. Topical sections will be coupled with methods related background readings that will either provide an overview on implementation, or provide critical assessments on the limitations of these methods.

Grading

1. **Class participation.** 30% of the grade will be determined by contributions to class discussions on a weekly basis.
2. **Referee reports/presentations.** 20% of the grade will be based on 2 presentations providing critical assessment of key papers, which should also be written up as a 2 (single-spaced) pages referee report. **The referee reports, along with the presentations, should be emailed to me by noon the day before the presentation.**

3. **Research paper.** The remaining 50% of the grade will be based on a 20-30 page research paper, displaying original research on a topical or methodological theme covered in the course. The paper should advance a theoretical argument that is tested empirically. It is essential to work on these papers throughout the semester, and thus, to be thinking about potential topics for the paper starting with the first set of readings.

A paper proposal should be submitted for approval by Wednesday, **March 23rd**. Please **email these to me by noon that day**. This proposal should identify the key research question, summarize the theoretical argument, outline the empirical strategy that will be used to answer the question, and identify the data that will be used to test the hypothesis.

March 30th and **April 6th** are reserved for presentations on paper proposals, where everyone will comment on the proposed idea for the research paper, and provide suggestions.

The last two classes (**April 27th** and **May 4th**) will be reserved for presentations of results.

Final papers are due on Monday, **May 13th**. Please email these to be my by noon.

Policy on Incompletes

Since you will receive the first round of feedback on your research idea in April, this should give sufficient time to turn in a research paper by May 13th. If you are able to make a case as to why an extension is necessary, I will grant a one-time extension for one month to June 13th.

Readings

Each week, we will have at least one person assigned to each reading, who will be expected to make a 15 minute informal presentation, summarizing the paper very briefly, and offering key analytical points on the article. **However, everyone is responsible for all the readings in a given week: it is expected that you will have read and critically assessed the readings prior to each class and that you contribute to the discussion.**

While reading an article, you should consider the following questions:

- What is the main research question? Do you agree with the framing?
- What is the key argument advanced in the reading? Are there other factors that should be considered?
- What is the research design used to test the theoretical argument? Does this design facilitate causal inference around the hypothesized effect?
- Does the evidence, as a whole, convince you of the argument? What are additional tests that could be done to further provide support?
- To what extent do the other readings for the week support or contradict the argument?

All readings can be downloaded from the web, and most have been hyperlinked. **Note:** the methods-related background readings are marked with **.

Many of the methods readings come from: Angrist, Joshua and Angrist Pischke. *Mostly harmless Econometrics: An Empiricist's Companion*. Princeton: Princeton University Press. 2009.

Presentations

Each week we will cover 3 papers, and students will do 20-minute presentation on the paper to which they have been assigned.

The presentation should:

- 1) Identify the research question and motivate the importance of this question
- 2) Show the empirical strategy that is being used for the analysis
 - a. Show the actual estimating equation and talk through each part of it
 - b. Also, state what the assumptions are for this empirical strategy to be valid
- 3) Briefly describe the data, focusing on the most novel aspects
- 4) Present the main findings associated with the estimating equation that you show
- 5) Present 1 or 2 additional results that the author uses to address potential challenges to the empirical strategy
- 6) State the most important substantive implication of the finding for the literature, and how you think it advances the literature. Describe the novelty of the key insight.
- 7) Provide a critical assessment and suggestions for improvement
 - a. On the empirical strategy, examples would be: Are there other endogeneity concerns that the author did not address? Do the variables measure what the authors claim they measure? Is the sample really unbiased? Would we be worried about external validity? Etc...
 - b. On whether the evidence as a whole supports the conclusion: Did the author present sufficient evidence on the channel through which the effect is posited to operate? Are there other tests that could have been undertaken?

Given limited time, the presentation should **NOT** include a literature review, unless the paper builds on another paper and in which case it may be critical to discuss the other paper as a part of the motivation.

Schedule

I. Introduction (January 27th)

We will discuss student research interests, requirements for taking the course, and the organizational structure and topics covered in the class. I will also go over how to do assignments including referee reports, and do sign-ups for presentations.

II. Institutions (February 3rd)

Readings for presentations:

Michalopoulos, Stelios and Elias Papaioannou. 2015. "The Long-Run Effects of the Scramble for Africa." *American Economic Review*.

Field, Erica. 2007. "Entitled to Work: Urban Property Rights and Labor Supply in Peru." *Quarterly Journal of Economics* 112 (4), 1561-1602.

Dell, Melissa. 2010. *The Persistent Effects of Peru's Mining Mita* *Econometrica*

Method: regression discontinuity

Background reading:

Rohini Pande and Chris Udry, "Institutions and Development: A View from Below," with Chris Udry, the *Proceedings of the 9th World Congress of the Econometric Society*, edited by R. Blundell, W. Newey, and T. Persson, Cambridge University Press.

** Angrist and Pischke Chapter 7: "Getting a little jumpy: regression discontinuity designs." p. 251-267

III. Gender and development (February 10th)

Readings for presentations:

Qian, Nancy. 2008. "Missing Women and the Price of Tea in China: The effect of sex-specific income on sex imbalance," *The Quarterly Journal of Economics*, 123(3).

Miguel, E. (2005), "Poverty and Witch Killing," *Review of Economic Studies* 72, p. 1153- 1172.

Raghabendra Chattopadhyay and Esther Duflo "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica* 72(5), 2004, pp. 1409-1443

Background readings:

Duflo, Esther (2005). "Gender Equality and Development," Mimeo, MIT.

Sen, Amartya. 1990. "Over 100 million women are missing." *New York Times Review of Books*. 3 7(20).

** Angrist and Pischke. Chapter 5: "Parallel Worlds: Fixed Effects, Difference in differences and Panel Data." P. 221-243.

IV. Social divisions (February 17th)

Readings for presentations

Pande, Rohini, "[Can Mandated Political Representation Provide Disadvantaged Minorities Policy Influence? Theory and Evidence from India](#)," *American Economic Review*, September 2003, 93(4): pp. 1132-1151.

Habyarimana, J., M. Humphreys, D. Posner and J. Weinstein (November 2007), "[Why Does Ethnic Diversity Undermine Public Goods Provision?](#)," *American Political Science Review* 101(4): 709-725.

Alesina, Alberto, Michalopoulos, Stelios and Elias Papaioannou. [Ethnic Inequality](#). *Journal of Political Economy*, forthcoming

Background reading:

Alesina, Alberto and Eliana La Ferrara. "[Ethnic Diversity and Economic Performance](#)," *Journal of Economic Literature*, September 2005, 43: 721-61

V. Religion, extremism, and the economy (Feb 24th)

Readings for presentations:

Meyerson, Erik. [Islamic Rule and the Emancipation of the Poor and Pious](#). 2014. *Econometrica*.

Method: Regression discontinuity

Chen, Daniel. [Club Goods and Group Identity: Evidence from Islamic Resurgence During the Indonesian Financial Crisis](#) *Journal of Political Economy*, 118(2), 2010.

Ross, Michael. 2008. "[Oil, Islam and Women](#)." *American Political Science Review* 102(1): 107-123.

** Imbens, G. and T. Lemieux (2008), "Regression Discontinuity Designs: A Guide to Practice", *Journal of Econometrics*, Vol. 142(2), pp. 615-635.

VI. Corruption and Public Accountability (March 2nd)

Readings for Presentations:

Olken, Ben. 2007. [Monitoring Corruption: Evidence from a Field Experiment in Indonesia](#) *Journal of Political Economy* 115 (2), pp. 200-249, April 2007.

Duflo, Esther, Rema Hanna and Stephen Ryan. 2012. [Incentives Work: Getting Teachers to Come to School](#) *American Economic Review*

Bjorkman, Martina and Jakob Svensson. "[Power to the People: Evidence from a Randomized Field Experiment on Community-based Monitoring in Uganda](#)." forthcoming, *Quarterly Journal of Economics*.

Background readings:

Banerjee, Abhijit, Rema Hanna and Sendhil Mullainathan. [Corruption](#). 2009. Mimeo, MIT.

Humphreys, M. and Jeremy Weinstein. 2009. "Field Experiments and the Political Economy of Development". *Annual Review of Political Science*. 12: 367–78

VII. Illicit resources and markets (March 9th)

Angrist, Joshua and Adriana Kugler. 2008. "Rural Windfall or a New Resource Curse? Coca, Income and Civil Conflict in Colombia." *The Review of Economics and Statistics*. 90(2): 192-215.

Chimeli, Ariastar B. and Rodrigo Soares. 2011. "The Use of Violence in Illegal Markets: Evidence from Mahogany Trade in the Brazilian Amazon." PUC Working paper NO. 192.

Burgess, Robin, Matthew Hansen, Ben Olken, Peter Potapov, and Stefanie Sieber "The Political Economy of Deforestation in the Tropics" Working paper, MIT.

** Cameron and Trivedi. *Regression Analysis of Count Data*. Chapter 3: Regression Analysis of Count Data 1998, p. 59-83 (chapter posted).

*** No class March 16th (Spring Break)

*** Wednesday, March 23rd: Term paper proposals due

VIII. Conflict I (March 23rd)

Readings for Presentations:

Jha, Saumitra. 2013. "Trade, Institutions and Ethnic Tolerance: Evidence from South Asia." *American Political Science Review*.

Dube and Vargas. 2013. "Commodity Price Shocks and Civil Conflict: Evidence from Colombia." *Review of Economic Studies*.

Yanagizawa-Drott, David. 2012. Propaganda and Conflict: Evidence from the Rwandan Genocide. *Quarterly Journal of Economics*.

Background reading:

Blattman, C. and E. Miguel. "Civil War", *Journal of Economic Literature*, 2010, 48:1, 3–57

IX. Paper proposal presentations (March 30th)

X. Paper proposal presentations (April 6th)

XI. Conflict II (April 13th)

Readings for Presentations:

Miguel, Ted and Gerard Roland. [The Long Run Impact of Bombing Vietnam](#). *Journal of Development Economics* (forthcoming).

Lind Jo Thori, Karl Ove Moene, and Fredrik Willmussen. 2014. [Opium for the Masses? Conflict-induced narcotics production in Afghanistan](#). *Review of Economics and Statistics*.

Dube, Arindrajit, Ethan Kaplan and Suresh Naidu. 2011. [“Coups, Corporations, and Classified Information.”](#) *Quarterly Journal of Economics*

**** Methods-related background readings:**

MacKinlay, Craig. [“Event Studies in Economics and Finance.”](#) Vol. 35, No. 1 (1997), pp. 13-39

** Angrist and Pischke. Chapter 4. [“Instrumental Variables in Action.”](#) 114-204

XII. Aid from a micro angle (April 20th)

Readings for Presentations:

James Fearon, Macartan Humphreys and Jeremy Weinstein. Forthcoming. [Democratic Institutions and Collective Action Capacity: Results from a Field Experiment in Post-Conflict Liberia](#). *American Political Science Review*

Gugerty MK, Kremer M. 2008. [Outside funding and the dynamics of participation in community associations](#). *American Journal of Political Science* 52(July):585–602

Casey, Katherine, Rachel Glennester and Ted Miguel. Forthcoming. [“Reshaping Institutions: Evidence on External Aid and Local Collective Action.”](#) *Quarterly Journal of Economics*.

XII: Research paper results presentations (April 27th)

XIII: Research paper results presentations (May 4th)

***** Friday May 13th : Final papers due**