

## Institutions and Long-Run Development

Course title – Intitulé du cours	Institutions and Long-Run Development
Level / Semester – Niveau /semestre	M2 / S2
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Victor GAY
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	30
TA Hours – Volume horaire TD	
TP Hours – Volume horaire TP	
Course Language – Langue du cours	Anglais
TA and/or TP Language – Langue des TD et/ou TP	Anglais

### Teaching staff contacts – Coordonnées de l'équipe pédagogique :

[victor.gay@tse-fr.eu](mailto:victor.gay@tse-fr.eu), T.458. Meetings on demand by e-mail.

### Course Objectives – Objectifs du cours :

#### Objectives

The goal of this course is to provide students with an overview of the deep roots of long-run development, and in particular, the role of institutions. While a significant portion of the course will have a historical perspective, it will also consider how these ideas apply to current developing economies. In methodological terms, the course will provide simple theoretical frameworks to help students think complex causal relationships as well as empirical methods to disentangle causality from correlation. Moreover, students will have the opportunity to think about the material in depth through one group presentation of academic papers on a theme and a group project.

#### Description

Why are some countries so much richer than others today? Why do some countries grow so much faster? What sustains development over the long run? Among all existing hypotheses, empirical evidence points toward several explanations, and in particular institutions, as the main sources of long-run growth and inequality across nations. Still, the existence of effective institutions is usually taken as a given in economics when analyzing issues of market failures, public goods provision, and optimal taxation. However, this starting point is generally unwarranted in the perspective of many developing economies today and across most of human history. In fact, weak or failing institutions are the rule rather than the exception. Understanding how effective institutions emerge is of paramount importance as it is one of the main correlates of development today. This course will

explore the following issues: why are institutions crucial in explaining long-run development? What can explain cross-country variations in institutions? How can they explain current patterns in economic development? How do geography and culture interact with institutions? The course will provide simple theoretical tools to think about these complex causal relationships. Moreover, beyond nourishing the narrative, the course will also emphasize an empirical approach to assess the validity of the conceptual framework.

### **Prerequisites – Pré requis :**

Although the course will not use difficult mathematics or econometrics, familiarity with basic economic theory and econometrics will be useful.

### **Practical information about the sessions – Modalités pratiques de gestion du cours :**

Each week will generally consist of two 1.5-hour sessions: one standard lecture and one discussion session. The lecture will provide an overview of a given topic. Lecture slides will be posted on Moodle after each class. To further ensure active student participation and learning, each student will present and discuss the main results of relevant research during discussion sessions. Every student in the class will be expected to have read papers before discussion sessions and be ready to discuss them. Students will also pair in groups and present a project that applies the tools from the course to a concrete contemporaneous (or historical) problem.

### **Grading system – Modalités d'évaluation:**

40%: group project; 40%: paper presentation and discussion; 20%: in-class participation.

### **Session planning and Bibliography/references:**

- **Introduction. Sessions 1–2.**

- **Main References**

**Acemoglu, Johnson and Robinson.** 2005. "Institutions as a Fundamental Cause of Long-Run Growth." In *Handbook of Economic Growth*, Volume 1A.

**Nunn.** 2009. "The Importance of History for Economic Development." *Annual Review of Economics*, 1, 65-92.

- **Other References**

**Barro and Lee.** 2013. "A New Dataset of Educational Attainment in the World, 1950-2010." *Journal of Development Economics*, 104, 184–198.

**Bluhm, Richard and Gordon C. McCord.** 2022. "What Can We Learn from Nighttime Lights for Small Geographies? Measurement Errors and Heterogeneous Elasticities." *Remote Sensing*. 14, 1190.

**Bolt, Jutta, Robert Inklaar, Herman de Jong, and Jan Luiten van Zanden.** 2018. "Rebasing 'Maddison': New Income Comparisons and the Shape of Long-Run Economic Development." GGDC Research Memorandum 174.

**Boucasse, Paul, Emi Nakamura, and Jon Steinsson.** 2021. "When Did Growth begin? New Estimates of Productivity Growth in England from 1250 to 1870." NBER Working Paper 28623.

- Broadberry, Stephen.** 2021. "The Industrial Revolution and the Great Divergence: Recent Findings from Historical National Accounting." In Bisin, Alberto and Federico Giovanni (Eds), *The Handbook of Historical Economics*, Chapter 24. Elsevier.
- Court, Victor.** 2020. "A Reassessment of the Great Divergence Debate: Towards a Reconciliation of Apparently Distinct Determinants." *European Review of Economic History*, 24(4), 633–674.
- Farris, Christopher J., Therese Anders, Jonathan N. Markowitz, and Miriam Barnum.** "New Estimates of Over 500 Years of Historic GDP and Population Data. *Journal of Conflict Resolution*, 66(3), 553–591.
- Feenstra, Robert, Robert Inklaar, and Marcel Timmer.** 2015. "The Next Generation of the Penn World Tables." *American Economic Review*, 105(10), 3150–82.
- Gibson, John, Susan Olivia, Geua Boe-Gibson, and Chao Li.** 2021. "Which Night Lights Data Should we Use in Economics and Where?" *Journal of Development Economics*, 149, 102602.
- Jones and Klenow.** 2016. "Beyond GDP? Welfare across Countries and Time." *American Economic Review*, 106(9), 2426–2457.
- Maddison, Angus.** 2010. "Statistics on World Population, GDP and Per Capita GDP, 1–2008 AD." <http://www.ggdc.net/MADDISON/oriindex.htm>.
- Mellander, Charlotta, José Lobo, Kevin Stolarick, and Zara Matheson.** 2015. "Night-Time Light Data: A Good Proxy Measure for Economic Activity?" *PLOS One*.
- Myerson.** 2009. "Learning from Schelling's Strategy of Conflict." *Journal of Economic Literature*, 47(4), 1109–1125.
- Nunn.** 2020. "The Historical Roots of Economic Development." *Science*, 367(6485).
- Schwabish.** 2014. "An Economist's Guide to Visualizing Data." *Journal of Economic Perspectives*, 28(1), 2090–234.

- **Topic 1: The Impact of Institutions on Long-Run Development. Sessions 3–6.**

- **Main References**

- Acemoglu, Johnson and Robinson.** 2001. "The Colonial Origins of Comparative Development." *American Economic Review*, 91(5), 1369–1401.
- Acemoglu, Johnson and Robinson.** 2002. "Reversal of Fortune." *Quarterly Journal of Economics*, 117(4), 1231–1294.
- Acemoglu and Johnson.** 2005. "Unbundling Institutions." *Journal of Political Economy*, 113(5), 949–995.

- **Other References**

- Acemoglu, Johnson and Robinson.** 2012. "The Colonial Origins of Comparative Development." *American Economic Review*, 102(6), 3077–3110.
- Albouy.** 2012. "The Colonial Origins of Comparative Development: Comment." *American Economic Review*, 102(6): 3059–3076.
- Austin, Gareth.** 2008. "The Reversal of Fortune Thesis and the Compression of History." *Journal of International Development*, 20(8), 996–1027.
- Bahrami-Rad, Duman, Anke Becker, and Joseph Henrich.** 2021. "Tabulated Nonsense? Testing the Validity of the Ethnographic Atlas." *Economic Letters*. 204. 109880.

**Boix, Miller and Rosato.** 2012. "A Complete Data Set of Political Regimes, 1800-2007." *Comparative Political Studies*, 46(12), 1523–1554.

**Huillery.** 2011. "The Impact of European Settlement within French West Africa: Did Pre-colonial Prosperous Areas Fall Behind?" *Journal of African Economies*, 20(2), 263–311.

**Kaufmann, Kraay and Mastruzzi.** 2010. "The Worldwide Governance Indicators." World Bank Policy Research Working Paper 5430.

**Mayer and Zignago.** 2011. "Notes on CEPII's Distance Measures: The GeoDist database." CEPII Working Paper 25.

**Pemstein, Meserve and Melton.** 2010. "Democratic Compromise: A Latent Variable Analysis of Ten Measure of Regime Type." *Political Analysis*, 18(4), 426–449.

**Skaaning, Gerring and Bartusevicius.** 2015. "A Lexical Index of Electoral Democracy." *Comparative Political Studies*, 48(12), 1491–1525.

- **Discussion Session 1: Colonial Institutions. Session 4.**

**Dell.** 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*, 78(6), 1863–1903.

**Dell and Olken.** 2020. "The Development Effects of the Extractive Colonial Economy." *The Review of Economic Studies*, 87(1), 164–203.

**Iyer.** 2010. "Direct versus Indirect Colonial Rule in India." *The Review of Economics and Statistics*, 92(4), 693–713.

- **Discussion Session 2: Pre-Colonial Institutions. Session 5.**

**Dell, Lane and Querubin.** 2018. "The Historical State, Local Collective Action, and Economic Development in Vietnam." *Econometrica*, 86(6), 2083–2121.

**Gennaioli and Rainer.** 2007. "The Modern Impact of Precolonial Centralization in Africa." *Journal of Economic Growth*, 12, 185–234.

**Michalopoulos and Papaioannou.** 2013. "Pre-Colonial Ethnic Institutions and Contemporary African Development." *Econometrica*, 81(1), 113–152.

- **Discussion Session 3: Western Institutions. Session 6.**

**Acemoglu, Cantoni, Johnson, and Robinson.** 2011. "The Consequences of Radical Reform: The French Revolution." *American Economic Review*, 101(7), 3286–3307.

**Oto-Peralias and Romero-Avila.** 2016. "The Economic Consequences of the Spanish Reconquest: The Long-Term Effects of Medieval Conquest and Colonization." *Journal of Economic Growth*, 21(4), 409–64.

**Postigliola and Rota.** 2021. "Institutions and Literacy Rates: The Legacy of Napoleonic Reforms in Italy." *European Review of Economic History*, 25(4), 757–79.

**Wahl, Fabian.** 2017. "Does European Development have Roman roots? Evidence from the German Limes." *Journal of Economic Growth*, 22, 313-349.

- **Topic 2: State Capacity, Conflict, and Development. Sessions 7–10.**

- **Main References**

**Dincecco, Fenske and Onorato.** 2019. "Is Africa Different? Historical Conflict and State Development." *Economic History of Developing Regions*, 34(2), 209–250.

**Dincecco and Katz.** 2016. "State Capacity and Long-Run Economic Performance." *The Economic Journal*, 126, 189–218.

**Dincecco and Wang.** 2018. "Violent Conflict and Political Development over the Long Run." *Annual Review of Political Science*, 21, 341–358.

Dincecco and Wang. 2022. "State Capacity in Historical Political Economy." In *Oxford Handbook of Historical Political Economy*.

**Johnson and Koyama.** 2017. "States and Economic Growth: Capacity and Constraints." *Explorations in Economic History*, 64, 1–20.

**Suryanarayan, Pavithra.** 2021. "State Capacity: A Useful Concept or Meaningless Pablum?" *Boradstreet*.

- **Other References**

**Brecke.** 1999. "Violent Conflicts 1400 AD to the Present in Different Regions in the World." Dataset.

**Clark, Golder, and Golder.** 2017. "An Exit Voice and Loyalty Model of Politics." *British Journal of Political Science*, 47, 719–748.

**Dincecco and Onorato.** 2017. *From Warfare to Wealth*.

**Epstein.** 2000. *Freedom and Growth*.

**Guiso, Sapienza, and Zingales.** 2016. "Long-Term Persistence." *Journal of the European Economic Association*. 14(6), 1401–1436.

**Hirschman.** 1970. *Exit, Voice, and Loyalty*.

**Mann.** 1986. "The Autonomous Power of the State." In *States History*, 109-136.

**O'Reilly, Colin and Ryan H. Murphy.** 2022. "An Index Measuring State Capacity, 1789–2018". *Economica*, 89(355), 713–745.

**Putterman and Weil.** 2010. "Post-1500 Population Flows and the Long-Run Determinants of Economic Growth and Inequality." *The Quarterly Journal of Economics*, 125(4), 1627–1682.

**Stasavage.** 2011. *States of Credit*.

**Stasavage.** 2016. "Representation and Consent: Why They Arose in Europe and Not Elsewhere." *Annual Review of Political Science*, 19, 145–162.

**Tilly.** 1992. *Coercion, Capital and European States, 900–1992*.

**Tilly.** 1975. "Reflections on the History of European State-Making." In *The Formation of States in Western Europe*, 3–83.

**Voigtländer and Voth.** 2013. "Gifts of Mars: Warfare and Europe's Early Rise to Riches." *Journal of Economic Perspectives*, 27(4), 165–186.

**Williams, Martin J.** 2021. "Beyond State Capacity: Bureaucratic Performance, Policy Implementation and Reform." *Journal of Institutional Economics*, 17(2), 339–357.

- **Discussion Session 4: State Capacity and Development. Session 9.**

**Borcan, Oana, Ola Olsson, and Louis Putterman.** 2018. "State history and economic development: evidence from six millennia." *Journal of Economic Growth*, 23, 1-40.

**Bockstette, Valerie, Areendam Chanda and Louis Putterman.** 2002. "States and markets: the advantages of an early start." *Journal of Economic Growth*, 7, 347-369.

**Sng, Tuan-Hwee and Chiaki Moriguchi.** 2014. "Asia's little divergence: state capacity in China and Japan before 1850." *Journal of Economic Growth*, 19, 439-470.

**Cheng, Hua, Kishore Gawande and Shusen Qi.** 2022. "State capacity, economic output, and public goods in China." *World Development*, 158, 105990.

- **Discussion Session 5: Conflict and Development. Session 10.**

**Besley, Timothy and Marta Reynal-Querol.** 2014. "The Legacy of Historical Conflict: Evidence from Africa." *American Political Science Review*, 108(2), 319-336.

**Dincecco, Fenske, Menon and Mukherjee.** 2022. "Pre-Colonial Warfare and Long-Run Development in India." *The Economic Journal*, 132(643), 981-1010.

**Dincecco and Onorato.** 2016. "Military Conflict and the Rise of Urban Europe." *Journal of Economic Growth*, 21, 259-282.

- **Topic 3: Geography, Institutions, and Development. Sessions 11-12.**

- **Main References**

**Acemoglu and Johnson.** 2007. "Disease and Development: The Effect of Life Expectancy on Economic Growth." *Journal of Political Economy*, 115(6), 925-985.

**Fernández-Villaverde, Koyama, Lin, and Sng.** 2020. "Fractured-Land and the Puzzle of Political Unification and Fragmentation." Working Paper.

**Spolaore and Wacziarg.** 2013. "How Deep are the Roots of Economic Development." *Journal of Economic Literature*. 51(2), 235-369.

- **Other References**

**Acemoglu and Johnson.** 2014. "Disease and Development: a Reply." *Journal of Political Economy*, 122(6), 1367-1375.

**Bloom, Canning, and Fink.** 2014. "Disease and Development Revisited." *Journal of Political Economy*, 122(6), 1355-1366.

**Diamond.** 1997. *Guns, Germs, and Steel*.

**Sachs.** 2003. "Institutions Don't Rule: Direct Effects of Geography on Per Capita Income." NBER Working Paper 9490.

**Weil.** 2007. "Accounting for the Effect of Health on Economic Growth." *The Quarterly Journal of Economics*, 122(3), 1265-1306.

- **Discussion Session 6: Geography, Institutions, and Development. Session 12.**

**Alsan.** 2015. "The Effect of the TseTse Fly on African Development." *American Economic Review*, 105(1), 382–410.

**Nunn and Puga.** 2007. "Ruggedness. The Blessing of Bad Geography in Africa" *The Review of Economics and Statistics*, 94(1), 20–36.

**Kitamura, Shuhei and Nils-Petter Lagerlöf.** 2020. "Geography and State Fragmentation." *Journal of the European Economic Association*, 18(4), 1726-1769.

- **Topic 4: Culture, Institutions, and Development. Sessions 13–14.**

- **Main Reference**

**Alesina and Giuliano.** 2015. "Culture and Institutions." *Journal of Economic Literature*, 53(4), 898–944.

- **Other References**

**Bicchieri.** 2006. *The Grammar of Society*.

**Bicchieri.** 2016. *Norms in the Wild*.

**Blau.** 2015. "Immigrants and Gender Roles: Assimilation vs Culture." *IZA Journal of Development and Migration*, 4, 1–21.

**Falk, Becker, Dohmen, Enke, Huffman and Sunder.** 2018. "Global Evidence on Economic Preferences." *The Quarterly Journal of Economics*, 133(4), 1645–1692.

**Fernandez.** 2011. "Does Culture Matter?" In *Handbook of Social Economics*, Vol 1, 481–501.

**Fernandez.** 2013. "Cultural Change as Learning." *American Economic Review*, 103(1), 472–500.

**Fernandez and Fogli.** 2009. "Culture: An Empirical Investigation of Beliefs, Work, and Fertility." *American Economic Journal: Macroeconomics*, 1(1), 146–177.

**Fogli and Veldkamp.** 2011. "Nature or Nurture? Learning and the Geography of Female Labor Force Participation" *Econometrica*, 79(4), 1103–1138.

**Myerson.** 2009. "Learning from Schelling's Strategy of Conflict." *Journal of Economic Literature*, 47(4), 1109–1125.

**Spater and Tranvik.** 2019. "The Protestant Ethic Reexamined: Calvinism and Industrialization." *Comparative Political Studies*, 52(13–14), 1963–1994.

- **Discussion Session 7: Culture, Institutions, and Development. Session 14.**

**Becker, Boeckh, Hainz and Woessmann.** 2016. "The Empire is Dead, Long Live the Empire! Long-Run Persistence of Trust and Corruption in the Bureaucracy." *The Economic Journal*, 126, 40–74.

**Buggle, Johannes.** 2016. "Law and social capital: Evidence from the Code Napoleon in Germany." *European Economic Review*, 87, 148-175.

**Heldring, Leander.** 2021. "The Origins of Violence in Rwanda." *The Review of Economic Studies*. 88(2), 730-763.

**Lowe, Nunn, Robinson and Weigel.** 2017. "The Evolution of Culture and Institutions: Evidence from the Kuba Kingdom." *Econometrica*, 85(4), 1065–1091.

- **Topic 5: Political Regimes, Corruption, and Development. Sessions 15–16.**

- **Main References**

**Acemoglu, Naidu, Restrepo and Robinson.** 2019. "Democracy Does Cause Growth." *Journal of Political Economy*, 127(1), 47–100.

**Colagrossi, Rossignoli, and Maggioni.** 2020. "Does Democracy Cause Growth? A Meta-Analysis (of 2000 Regressions)." *European Journal of Political Economy*, 61, 101824.

**Gründler, Klaus and Niklas Potrafke.** 2019. "Corruption and Economic Growth: New Empirical Evidence." *European Journal of Political Economy*, 60, 101810.

**Uberti, Luca J.** 2022. "Corruption and Growth: Historical Evidence, 1790–2010." *Journal of Comparative Economics*, 50(2), 321–349.

- **Other References**

**d'Agostino, Dunne and Pieroni.** 2016. "Government Spending, Corruption and Economic Growth." *World Development*, 84, 190–205.

**Qu, Slagter, Sylwester and Doiron.** 2019. "Explaining the standard errors of corruption perception indices." *Journal of Comparative Economics*, 47(4), 907–920.

**Thomas.** 2010. "What do the Worldwide Governance Indicators Measure?" *The European Journal of Development Research*, 22(1), 31–54.

**Ugur.** 2014. "Corruption's Direct Effects on Per-Capita Income Growth." *Journal of Economic Surveys*. 28(3), 472–490.

- **Discussion Session 8: Corruption and Development. Session 16.**

**Bobonis, Fuertes and Schwabe.** 2016. "Monitoring corruptible politicians." *American Economic Review*, 106, 2371–2405.

**Lehne, Shapiro and Eynde.** 2018. "Building connections: political corruption and road construction in India." *Journal of Development Economics*, 131, 62–78.

**Prakash, Rockmore and Uppal.** 2019. "Do criminally accused politicians affect economic outcomes?" *Journal of Development Economics*, 141.

**Ferraz and Finan.** 2011. "Electoral accountability and corruption." *American Economic Review*, 101, 1274–1311.

**Zamboni and Litschig.** 2018. "Audit risk and rent extraction: evidence from a randomized evaluation in Brazil." *Journal of Development Economics*, 134, 133–149.

- **Discussion Session 9: Open Topics. Session 17.**

- **Conclusion and Review session. Session 18.**

- **Project presentations. Sessions 19–20.**

**Distance learning:**



Distance learning can be provided when necessary, by implementing interactive virtual classrooms.