

The Political Economy of Development

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I. Contents

The new political economy and the public choice school contribute to our understanding of not only economic policy, but also long-run economic development. This course takes up a number of topics in development economics in which political economy can provide either another angle or new insights into old issues.

II. Literature

The readings consist of a series of papers, published in international journals.

III. Preliminary lecture plan

1. Introduction

Introduction to main problems, topics and data sources

Part 1 Main problems of development

2. Long-run growth

Acemoglu and Robinson (2006)

3. Ideas matter

Mokyr (2005), Denzau and North (1994)

4. GDP versus other measures

Dreher et al. (2009), Cahill (2005)

Part 2 Institutional problems

5. Developing democracy?

Aidt and Jensen (2009), Lipset (1959)

6. Property rights

Demsetz (1967), North and Weingast (1989)

7. Culture and trust

Knack and Keefer (1997), Nunn and Wantchekon (2009)

Part 3 The political economy of natural resources and foreign aid

8. Natural resources

Sachs and Warner (1995), Lane and Tornell (1999)

9. Side effects of aid

Boone (1996), Knack (2004), Remmer (2004)

10. Disbursing aid
Dreher et al. (2008), Bresch and Potrafke (2010)

Part 4 Specific problems

11. Trade policy
Hillman (1982), Grossman and Helpman (1994)

12. Entrepreneurship
Kirzner (1997), Dreher and Gassebner (2007)

13. Social capital
Knack and Keefer (1997), Guiso et al. (2009)

14. Corruption
Dreher, Kotsogiannis and McCorriston (2007), Bjørnskov (in press)

15. Students' topic
To be announced after consultation

IV. Literature

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- Bjørnskov, Christian. In press. Combatting Corruption. Forthcoming in *Journal of Law and Economics*.
- Boone, Peter. 1996. Politics and the Effectiveness of Foreign Aid. *European Economic Review*, vol. 40, 289-329.
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- Dreher, Axel, Peter Nunnenkamp and Rainer Thiele. 2008. Does US aid buy UN general assembly votes? A disaggregated analysis. *Public Choice*, vol. 136, 139-164.
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- Guiso, Luigi, Paola Sapienza and . 2009. Cultural Biases in Economic Exchange. *Quarterly Journal of Economics*
- Hillman, Arye. 1982. Declining industries and political-support protectionist motives. *American Economic Review* 72: 1180-1187.
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- Lipset, Seymour Martin. 1959. Some social requisites of democracy: Economic development and political legitimacy, *American Political Science Review* 53: 69-105.
- Mokyr, Joel. 2005. Long-term Economic Growth and the History of Technology. In the *Handbook of Economic Growth*, edited by Philippe Aghion and Steven Durlauf, Amsterdam: Elsevier, 1113-1180.
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- North, Douglass C. and Barry R. Weingast. 1989. Constitutions and commitment: The evolution of institutions governing public choice in seventeenth-century England. *Journal of Economic History* 49: 803-832.
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- Remmer, Karen. 2004. Does Foreign Aid Promote the Expansion of Government? *American Journal of Political Science*, vol. 48, 77-92.
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