

17.178. Institutions and Development

Fall 2016
Wednesday 1:30-3:30
E53-438

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For more than a decade, the settled consensus has been that institutions matter for development. What is much less settled -- in many instances quite contentious -- is which institutions are really consequential, how, and under what circumstances. This course tackles some of these core debates. The readings range widely across contending theoretical perspectives, over time, across countries, and across multiple forms of political and economic institutions and organizations. Among other dimensions of comparison, the course will examine issues in business-government relations, industrial policy, human capital and skills, bureaucratic capacity, multinational corporations and global production networks, natural resource dependence, and diversified business groups.

This course differs from others on the political economy of development in a number of respects. For one it concentrates more on enduring structures and institutions than on changes in policy and development strategies such as the shift from state-led to market oriented strategies, and back again. The coverage is also more micro than macro with a heavier focus on the incentives and behaviors of economic agents like investors, government officials, firm managers, and workers than on macro dimensions such as inflation, trade and investment flows, fiscal balance, and so forth. Geographically, the readings range across developed countries and developing regions, especially middle income countries of Latin America and Asia. Lastly, the syllabus incorporates recent publications coming out of the multilateral development agencies (especially the Inter-American Development Bank and the World Bank) in part because so much original research is funded by them and in part because their publications have such resonance in policy circles in developing countries.

Course requirements (with grading weights) include: participation in seminar discussions (30%); three 4-page (double spaced) reviews of the weekly reading (30%); and a final exam (40%). The weekly reviews should be posted to Stellar by 10am on Wednesday so that everyone can consult them before class.

Unless otherwise noted, the readings will be on the Learning Module site.

Week 1 (7 September). **Introduction and Organization**

Week 2 (14 September). **Analytic Frameworks**

Trebilcock, Michael and Mariana Prado. 2011. *What Makes Poor Countries Poor Countries Poor? Institutional Determinants of Development*. Cheltenham, UK: Edward Elgar. Chapter 1, pp. 1-40 (skim pages 1-25).

North, Douglass. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press. Chapters 1 & 2, pps. 1-16

Gershenson, Carl, and Frank Dobbin. 2015. "Institutions and the Economy." In Robert Scott and Stephan Kosslyn, eds., *Emerging Trends in the Social and Behavioral Sciences*. John Wiley & Sons, pp. 1-15.

Doner, Richard. 2009. "Development Tasks, Institutions, and Politics." Chapter 3 in *The Politics of Uneven Development: Thailand's Economic Growth in Comparative Perspective*. New York: Cambridge University Press, pp. 64-94.

Hall, Peter, and David Soskice. 2001. "An Introduction to Varieties of Capitalism." In *Varieties of Capitalism*, ed. Hall and Soskice. New York: Oxford University Press.

Further reading

Schrank, Andrew, and Josh Whitford. 2011. "The Anatomy of Network Failure." *Sociological Theory* 29(3, September): 151-77.

Pepinsky, Thomas. "The institutional turn in comparative authoritarianism." *British Journal of Political Science* 44.03 (2014): 631-653.

Rodrik, Dani. 2007. *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth*. Princeton: Princeton University Press.

Week 3 (21 September). **Institutional Legacies, Path Dependence, and Property Rights**

Gerschenkron, Alexander. 1962. *Economic Backwardness in Historical Perspective*. Cambridge: Belknap. Chapter 1.

Haggard, Stephan, Andrew MacIntyre, and Lydia Tiede, "The Rule of Law and Economic Development," *Annual Review of Political Science* 11, (2008): 205-34.

Acemoglu, Daron, Simon Johnson, and James Robinson. 2005. "Institutions as a Fundamental Cause of Long-Run Growth," in Philippe Aghion and Steven Durlauf, eds., *Handbook of Economic Growth*. Elsevier. Read first 4 sections, pp. 388-421 only.

Stan Markus *Property, Predation, and Protection: Piranha Capitalism in Russia and Ukraine*. Cambridge University Press: 2015, pp. 1-46

Kohli, Atul. 1994. "Where Do High Growth Political Economies Come From? The Japanese Lineage of Korea's "Developmental State." *World Development* 22, No. 9, pp. 1269-1293.

Further reading

Mahoney, James. 2000. "Path Dependence in Historical Sociology." *Theory and Society* 29(4, August).

Mahoney, James. 2010. *Colonialism and Postcolonial Development: Spanish America in Comparative Perspective*. New York: Cambridge University Press.

Engerman, Stanley, and Kenneth Sokoloff. 2012. *Economic Development in the Americas Since 1500: Endowments and Institutions*. New York: Cambridge University Press.

Acemoglu, Daron, Simon Johnson and James A. Robinson. 2001. "The Colonial Origins Of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (5,Dec), 1369-1401.

Week 4 (28 September). **The State and Development**

Stephan Haggard. 2013. "The Developmental State Is Dead: Long Live the Developmental State!" In James Mahoney and Kathleen Thelen, eds., *Advances in Comparative-Historical Analysis*. New York: Cambridge University Press.

Rodrik, Dani. 2007. "Industrial Policy for the Twenty-First Century." In *One Economics, Many Recipes*. Princeton: Princeton University Press.

Doner, Richard, Bryan Ritchie, and Dan Slater. 2005. "Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective." *International Organization* 59(2, Spring).

Adnan Naseemullah and Caroline Arnold, "The Politics of Developmental State Persistence: Institutional Origins, Industrialization and Provincial Challenge," *Studies in Comparative International Development*, March 2015, Vol. 50, No. 1, pp. 121-142.

[skim] Mazzucato, Mariana. 2013. *The Entrepreneurial State: Debunking Public Vs. Private Sector Myths*. New York: Anthem. Chapter 4, "The US Entrepreneurial State," pp. 73-86, and chapter 5, "The State behind the iPhone," pp. 87-112.

Further reading

Evans, Peter, Evelyne Huber, and John D. Stephens. "The Political Foundations of State Effectiveness." *State Building in the Developing World*, Miguel Centeno, Atul Kohli and Deborah Yashar, eds., Forthcoming.

Kohli, Atul. 2004. *State-Directed Development: Political Power and Industrialization in the Global Periphery*. New York: Cambridge University Press.

Amsden, Alice, and Wan-wen Chu. 2003. *Beyond Late Development: Taiwan's Upgrading Policies*. Cambridge, MA: MIT Press.

Week 5 (5 October). **Industrial and Innovation Policy**

Amsden, Alice. 2001. *The Rise of "the Rest:" Challenges to the West from Late-Industrializing Economies*. Oxford: Oxford University Press. Chapter 6, "Speeding up," pp. 125-61.

Pack, Howard, and Kamal Saggi. 2006. "Is There a Case for Industrial Policy? A Critical Survey." *World Bank Research Observer* 2(2): 267-97.

Taylor, Zachary. 2016. *The Politics of Innovation: Why some Countries are Better than Others at Science and Technology*. New York: Oxford University Press. Chapter 6. How Nations Succeed: Networks, Clusters, and Standards," pp. 140-79.

Sabel, Charles. 2012. "Self-Discovery as a Coordination Problem." In *Export Pioneers in Latin America*, ed. Charles Sabel, et al. Washington, DC: IDB.

Block, Fred. 2011. "Innovation and the Invisible Hand of Government." in Block and Matthew Keller, eds., *State of Innovation*. Boulder, CO: Paradigm.

Further reading

Crespi, Gustavo, Eduardo Fernández-Arias, and Ernesto Stein. 2014. *Rethinking Productive Development: Sound Policies and Institutions for Economic Transformation*. IDB and Palgrave.

Devlin, Robert, and Graciela Mognillansky. 2011. *Breeding Latin American Tigers: Operational Principles for Rehabilitating Industrial Policies in the Region*. Washington: World Bank.

Mario Cimoli, Giovanni Dosi, Joseph Stiglitz, eds. 2009. *Industrial Policy and Development: The Political Economy of Capabilities Accumulation*. New York: Oxford University Press.

Week 6 (12 October). **Bureaucracy and Institutional Capacity**

Fukuyama, Francis. 2013. "What is Governance?" *Governance*, Vol. 26, No. 3, July 2013 (pp. 347–368).

Bersch, Katherine, Sérgio Praça, and Matthew M. Taylor. "Bureaucratic Capacity and Political Autonomy Within National States: Mapping the Archipelago of Excellence in Brazil." (2016).

Wade, Robert. *Governing the Market*. Chap 7, "The economic Bureaucracy," pp. 195-227.

Pippa Norris, 2012. *Making Democratic Governance Work*. New York: Cambridge University Press. Chapters 1-3, pp. 1-70.

Further reading

Kurtz, Marcus, and Andrew Schrank. 2007. "Growth and Governance: Models, Measures, and Mechanisms." *Journal of Politics* 69(2, May): 538-54.

Persson, Anna, and Bo Rothstein. 2015. "It's My Money: Why Big Government May Be Good Government." *Comparative Politics* 47(2, January): 231-49.

Philip Keefer. 2004. "A Review of the Political Economy of Governance: From Property Rights to Voice." World Bank Policy Research Working Paper No. 3315.

Gerth, H. H. and C. Wright Mills, eds. *From Max Weber*. New York: Oxford University Press, 1946. "VIII. Bureaucracy", pp. 196-244.

Grindle, Merilee. 2012. *Jobs for the Boys: Patronage and the State in Comparative Perspective*. Cambridge: Harvard University Press.

Week 7 (19 October). **Social Welfare and Inequality**

Haggard, Stephan, and Robert Kaufman. 2008. *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe*. Princeton: Princeton University Press. Introduction, Chapters 1, 5, and Conclusion.

Huber, Evelyne, and John Stephens. 2012. *Democracy and the Left: Social Policy and Inequality in Latin America*. Chicago: Chicago University Press. Chapters 1-3, pp. 1-72.

Holland, Alisha. 2017. *Forbearance as Redistribution: Enforcement Politics in Urban Latin America*. New York: Cambridge University Press. Chapter 6.

Further reading

Gingrich, Jane. 2011. *Making Markets in the Welfare State: The Politics of Varying Market Reforms*. New York: Cambridge University Press.

Isabela Mares and Matthew Carnes. 2009. "Social Policy in Developing Countries." *Annual Review of Political Science*, Vol. 12, p. 93-113.

Wibbels, Erik, and John Ahlquist. 2011. "Development, Trade, and Social Insurance." *International Studies Quarterly* 55(1):125-49.

Iversen, Torben, and John Stephens. 2008. "Partisan Politics, the Welfare State, and Three Worlds of Human Capital Formation." *Comparative Political Studies*.

Week 8 (26 October). **Labor Markets, Skill Formation, and Human Capital**

Pagés, Carmen, Gaëlle Pierre, and Stefano Scarpetta. 2009. *Job Creation in Latin America and the Caribbean*. Washington, DC: World Bank. "Overview," pp. 1-30.

Estevez-Abe, Margarita, Torben Iversen, and David Soskice. 2001. "Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State." In *Varieties of Capitalism*.

Amsden, Alice. 2010. "Say's Law, Poverty Persistence, and Employment Neglect." *Journal of Human Development and Capabilities* 11(1, February): 57-66.

Freeman, Richard. 2009. "Labor Regulations, Unions, and Social Protection in Developing Countries: Market Distortions or Efficient Institutions?" NBER working paper 14789.

World Bank. 2011. *Latin America and the Caribbean's Long-Term Growth: Made in China?* Washington, DC: World Bank. Part II: "Declining Education Earnings Premia: Good or Bad News?" pp. 49-61.

Further reading

Schneider, Ben Ross and Richard Doner. "The Middle Income Trap: More Politics than Economics." *World Politics*, October 2016.

Carnes, Matthew. 2014. *Continuity Despite Change: The Politics of Labor Regulation in Latin America*. Stanford, CA: Stanford University Press.

Schneider, Ben Ross. 2013. *Hierarchical Capitalism in Latin America: Business, Labor, and the Challenge of Equitable Development*. New York: Cambridge University Press.

Thelen, Kathleen. 2004. *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan*. New York: Cambridge University Press.

2 November. No class

Week 9 (9 November). Corporate Governance, SOEs, and Diversified Business Groups

Khanna, Tarun, and Yishay Yafeh. 2007. "Business Groups in Emerging Markets: Paragons or Parasites?" *Journal of Economic Literature* 45 (June):331-72.

Morck, Randall, Daniel Wolfenzon, and Bernard Yeung. 2005. "Corporate Governance, Economic Entrenchment, and Growth." *Journal of Economic Literature* 43(3, September): 655-720. Skim middle sections.

Aldo Musacchio and Sergio Lazzarini. 2014. *Leviathan Evolving: New Varieties of State Capitalism in Brazil and Beyond*. Chapters 1, 8, 9, pp. 1-20, 197-217, 218-232

Zorn, Dirk, Frank Dobbin, Julian Dierkes, and Man-Shan Kwok. 2005. "Managing investors: How financial markets reshaped the American firm." *The Sociology of Financial Markets* (2005): 269-289.

Further reading

Schneider, Ben Ross. "A Comparative Political Economy of Diversified Business Groups, or How States Organize Big Business." *Review of International Political Economy* 16, no. 2 (May 2009), pp. 178-201.

Colpan, Asli, Takashi Hikino. 2010. "Foundations of Business Groups: Towards an Integrated Framework." In Colpan, Hikino, and Lincoln, eds., *Oxford Handbook on Business Groups*. New York: Oxford University Press. Introduction, pp. 15-66.

Carney, Michael, et al. 2011. "Business Group Affiliation, Performance, Context, and Strategy: A Meta-Analysis." *Academy of Management Journal* 54(2): 437-60.

Granovetter, Mark. 2005. "Business Groups and Social Organization," In *Handbook of Economic Sociology*, ed. Neil Smelser and Richard Swedberg. Princeton: Princeton University Press.

Week 10 (16 November). Business-Government Relations

Fernández-Arias, Eduardo, et al. 2016. *Two to tango: Public-Private Collaboration for Productive Development Policies*. Washington DC: IDB. Chapters 1 and 5, pp. 1-31, 189-236.

McDermott, Gerald. 2007. "The Politics of Institutional Renovation and Economic Upgrading: Recombining the Vines That Bind in Argentina." *Politics and Society* 35(1): 103-44.

Ornston, Darius. 2012. *When Small States Make Big Leaps: Institutional Innovation and High-Tech Competition in Western Europe*. Ithaca, NY: Cornell University Press. Introduction, Chapter 1, "The Paradox of High-Tech Corporatism," Chapter 4, Denmark, Chapter 8, "Comparing Corporatisms," pp. 1-27, 92-125, 165-88.

Further reading

Schneider, Ben. *Designing Industrial Policy in Latin America: Business-Government Relations and the New Developmentalism*. Palgrave, 2015

No class 23 November.

Week 11 (30 November). MNCs and Global Production Networks

Cohen, Stephen. 2007. *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity, Embracing Complexity*. New York: Oxford University Press. Chapters 4, "Heterogeneity," and 7, "Effects of FDI on Less Developed Countries"

Stephanie Barrientos, Gary Gereffi and Arianna Rossi. 2011 "Economic and Social Upgrading in Global Production Networks: A New Paradigm for a Changing World," *International Labour Review*, 150: 3-4, pp 319-340.

Fuller, Douglas. 2016. *Paper Tigers, Hidden Dragons: Firms and the Political Economy of China's Technological Development*. 2016. New York: Oxford University Press. Introduction and Chapter 1.

Amsden, Alice. 2009. "Nationality of Ownership in Developing Countries: Who Should 'Crowd Out' Whom in Imperfect Markets?" In *Industrial Policy and Development*. Ed. Joseph Stiglitz, Giovanni Dosi and M. Cimoli. Pp. 289-309. New York: Oxford University Press.

Further reading

Gereffi, Gary. 2005. "The Global Economy: Organization, Governance, and Development." In *Handbook of Economic Sociology*, ed. Neil Smelser and Richard Swedberg. Princeton: Princeton University Press.

Kohli, Atul. 2009. "Nationalist Versus Dependent Capitalist Development: Alternate Pathways of Asia and Latin America in a Globalized World." *Studies in Comparative International Development*.

Jennifer Bair, ed. 2009. *Frontiers of Commodity Chain Research*. Stanford: Stanford University Press.

Pauly, Louis, and Simon Reich. 1997. "National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization." *International Organization* 51(1, Winter): 1-30.

Week 12 (7 December). **Commodity Booms and the Resource Curse**

Waldner, David, and Benjamin Smith. 2015. "Rentier States and State Transformations." (2014). In Stephan Leibfried, et al., *Handbook on Transformation of the State*. New York: Oxford University Press.

Pauline Jones Luong and Erika Weinthal. 2006. "Rethinking the Resource Curse: Ownership Structure, Institutional Capacity, and Domestic Constraints." *Annual Review of Political Science*, Vol. 9: 241-263.

Kurtz, Marcus, and Sarah Brooks. 2011. "Conditioning the "Resource Curse": Globalization, Human Capital, and Growth in Oil-Rich Nations." *Comparative Political Studies* 44(6):747–70.

Naazneen Barma, Kai Kaiser, Tuan Minh Le, Lorena Viñuela. 2011. *Rents to Riches?: The Political Economy of Natural Resource-Led Development*. Washington, DC: World Bank. Chapter 1, "Introduction: Beyond the Resource Curse," and Chapter 2, "The Political Economy of the Natural Resource Paradox," pp. 1-76.

Further reading

Steffen Hertog. 2010. "Defying the Resource Curse. Explaining Successful State-Owned Enterprises in Rentier States", *World Politics* 62: 2

Ross, Michael. 2012. *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations*. Princeton: Princeton University Press.

Lederman, Daniel, and William Maloney, eds. 2007. *Natural Resources: Neither Curse Nor Destiny*. Washington DC: World Bank.

Karl, Terry. 1997. *The Paradox of Plenty: Oil Booms and Petro-States*. Berkeley: University of California Press.

Luong, Pauline Jones & Erika Weinthal. 2010. *Oil Is Not a Curse: Ownership Structure and Institutions in Soviet Successor States*. New York: Cambridge University Press.

Week 13 (14 December). **Regulation**

Schrank, Andrew. 2012. "A Second Regulatory Divide? Labor Inspection Regimes in Comparative Historical Perspective." 89–112. In Osterman, Paul, ed., *Economy in Society*. Cambridge: MIT Press, 2012.

Shadlen, Kenneth C., and Elize Massard da Fonseca. "Health policy as industrial policy Brazil in comparative perspective." *Politics & Society* 41.4 (2013): 561-587.

Amengual, Matthew. "Pollution in the Garden of the Argentine Republic Building State Capacity to Escape from Chaotic Regulation." *Politics & Society* 41.4 (2013): 527-560.

Post, Alison and María Victoria Murillo. 2016. "How Investor Portfolios Shape Regulatory Outcomes: Privatized Infrastructure After Crises." *World Development*. 77: 328-345.