

Institutions

Module 2, 2024-2025

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Course information

Course Website: see my.nes

Office Hours: after class

Class Time: TBA

Room Number: TBA

Course description

State effectiveness is the ability of the State to provide public goods, enforce contracts and solve disputes. It is a key determinant of success of a society. However, there is substantial variation in State effectiveness around the world. Why are some States effective while others are not?

In the first part of the course, we consider potential answers to these questions.

First, current State ineffectiveness might be the result of past investments in State capacity. To understand this, we need to consider State evolution, which, in turn, brings us State emergence: Why did some States emerge before others?

Second, poor State effectiveness might be the result of current government choices and, in turn, the type of political institutions. For example, poor State effectiveness could be the result of State capture by few interest groups. Those groups might receive local public goods, targeted transfers and high contract enforcement, while others may not. This is related to whether the State is democratic or not: why are some countries democratic? Under what conditions we observe democratization or persistence of non-democracy?

In the second part of the course, we consider the strategies that a government might use to stay in power, and how such strategies are shaped by existing political institutions. Traditional political economy has focused on countries with free and fair elections, and primarily analyzed governments achieving reelection by tweaking fiscal policy and public expenditure to maximize economic performance of various parts of the electorate. However, recent research emphasizes other (complementary? alternative?) strategies like nation building, censorship, surveillance and repression.

Nation building is a State policy aimed at manipulating people's identity. To understand this policy, we first consider why/how culture and cultural traits matter for socio-economic outcomes, and then consider how the State might intervene in this process via, for example, language policy, education and inter-group contact.

This and all other state policies we consider in the course rely on bureaucrats for their implementation. Recent evidence suggests that bureaucrats' effectiveness can vary dramatically within and across countries. Hence, we will devote a couple of lectures on topics such as their selection, incentives in office and organization that can help us understand why governments' policies to stay in power can vary in their effectiveness.

Finally, we consider why sometimes protests and/or State repression (i.e., one-sided violence) turn into open conflict (i.e., two-sided violence). This is the breakdown of the State.

Course requirements, grading, and attendance policies

The course covers around 7 topics in 7 weeks, i.e., about 2 lectures per topic. The lectures are centered on key ideas and whether empirical evidence supports them. Some ideas are discussed at length, either because they appear repeatedly during the course, or because it is particularly important or insightful to discuss how they were tested. Students are expected to gain fairly deep knowledge about them. Other ideas are instead described more quickly. Students can get a sense of the selection of important ideas by looking at the list of mandatory papers provided at the end of the syllabus. Note that the list is short because they are the important papers. I provide a broader (completely optional) literature in a separate document. The course is primarily empirical, so some knowledge of standard empirical methods is recommended.

Lectures will be given in hybrid mode, so both online and offline attendance is possible.

To encourage students to study timely, students can take optional tests in class. The tests are announced in advanced, last 20-30 minutes, and are graded. Taking the tests reduces the weight of the final exam in the final grade of the course. In the tests, I typically ask to summarize one mandatory paper and answers 2-3 short questions. I will provide more detailed instructions in class.

Since one of the main aims of the course is to inspire students to develop their own research ideas, students are free to replace one of the tests in class with a research proposal (of about 2 pages) to be completed at home (and sent by email to me before the test). Students can further replace another test by extending the proposal (for example, they may provide some descriptive statistics of the analysis they are carrying out). Finally, they can replace the final exam with a final essay based on the proposal. Proposals and essays should follow the anti-plagiarism policy spelled out at the end of the syllabus. Make sure you discuss with me in advance any overlap you have with your dissertation or with other projects. If a student wants to submit a final essay, the proposal is mandatory. However, submitting a proposal does not oblige the student to submit the final essay: just write me at least one week before the exam that you prefer to take the exam instead of writing the essay.

The grade will be based as follows:

- 15% for participation in class;
- up to 27% for quizzes in class (9% per quiz);
- up to 85% for the final exam (76% if you submit 1 quiz, 67% if you submit 2, 58% if you submit 3).

All components of the final grade are non-blocking.

Please note that participation in class is about participating to the discussion in class by questioning the material I present you or by building up on it to suggest relevant implications. Attending lectures passively will not contribute to this component.

In case of make-up, the student and the teacher agree on a reasonable time to implement the set of improvements to the research project (a rough benchmark could be 3 weeks), otherwise the student can switch to a standard test in class. In both cases, the final grade for the make-up cannot be higher than 3+.

Course contents

The course material is composed of i) my lecture notes, ii) mandatory articles; iii) optional articles.

I selected 9 mandatory articles to avoid excessive workload.

Optional articles will be listed in a separate document. Students do not need to read non-mandatory articles as long as they attend the lectures and listen actively to the discussion in class.

1) State origin

- Mayshar, Joram, Omer Moav, and Luigi Pascali. "The Origin of the State: Land Productivity or Appropriability?" *Journal of Political Economy* 2022 130:4, 1091-1144.

2) State evolution

- Weigel, Jonathan L . 2020. "The Participation Dividend of Taxation: How Citizens in Congo Engage More with the State When it Tries to Tax Them," *The Quarterly Journal of Economics*, 13(4): 1849–1903.

3) Democratization or not

- Jones, Benjamin F., and Benjamin A. Olken. 2009. "Hit or Miss? The Effect of Assassinations on Institutions and War." *American Economic Journal: Macroeconomics*, 1 (2): 55-87.

4) Nation Building

- Giuliano, Paola, Nathan Nunn, Understanding Cultural Persistence and Change, *The Review of Economic Studies*, Volume 88, Issue 4, July 2021, Pages 1541–1581, <https://doi.org/10.1093/restud/rdaa074>
- Bazzi, Samuel, Arya Gaduh, Alexander D. Rothenberg, and Maisy Wong. 2019. "Unity in Diversity? How Intergroup Contact Can Foster Nation Building." *American Economic Review* 109 (11):3978-4025.

5) Censorship

- Chen, Yuyu, and David Y. Yang. 2019. "The Impact of Media Censorship: 1984 or Brave New World?" *American Economic Review*, 109 (6): 2294-2332.

6) Agents of the State: selection, incentives and drawbacks

- Bandiera, Oriana, Andrea Prat, and Tommaso Valletti. 2009. "Active and Passive Waste in Government Spending: Evidence from a Policy Experiment." *American Economic Review* 99 (4):1278-1308.
- Khan, Adnan Q., Asim I. Khwaja, and Benjamin A. Olken. 2016. "Tax Farming Redux: Experimental Evidence on Performance Pay for Tax Collectors *." *The Quarterly Journal of Economics* 131 (1):219-271.

7) Repression and open conflict (i.e., the breakdown of the State)

- Michalopoulos, Stelios, and Elias Papaioannou. 2016. "The Long-Run Effects of the Scramble for Africa." *American Economic Review*, 106 (7): 1802-48.

Description of course methodology

The course is based on lectures that involve active participation of students in discussion. The content might be adjusted during the course depending on the pace of the lectures and the duration of the discussions in class.

Sample tasks for course evaluation

How do States originate? Discuss and compare Mayshar et al (2020) for the entire world with De La Sierra (2020) for the case of Congo.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated and will be punished. This includes self-plagiarism: students cannot submit projects that are identical to or with minor modifications of those submitted for other courses. Major modifications might be allowed but must receive an explicit approval from the professor before submitting. Failure to declare overlap or submitting projects with high similarities to existing works will result in severe punishment. Students must adhere to these regulations as part of the NES Honor code. Course projects are subject to random plagiarism checks.