

Institutions

Module 3, 2023-2024

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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 Structure

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.

Students are encouraged to develop their own ideas in a research essay, otherwise they can take a standard exam at the end of the course. To help students make sure they understood the material during the course, students can also take optional tests in class. More info about essay, exam and optional tests in the next section.

Course requirements, grading, and attendance policies

The successful student will have to demonstrate knowledge of state of the art research on the political economy topics covered during the course.

During the course, students will have the opportunity to test their understanding of the discussion in class and course material via 3 optional quizzes. Taking a quiz earns the student 2% of final grade (independent of the performance) and up to 7% of the final grade (depending on the quiz grade). In quizzes, I ask students to answer a couple of short questions (one of which might be the summary of one of the papers listed in the syllabus). Tests are announced (typically one week) in advance.

The grade will be based as follows:

- active participation in class: up to 13%
- quizzes: up to 27% (36% if a student does 1 quiz, 1 proposal, 1 descriptive stats, and 1 additional update)
- final exam: 87% (if the student handed in no quiz), 78% (1 quiz), 69% (2 quizzes), or 60% (3 quizzes).

Students are encouraged to develop their own ideas in a research essay, which replaces the final exam. To opt for this “essay-track,” students need to hand in a research proposal before 1st or 2nd quiz (the proposal is graded and replaces the quiz). Students are also encouraged (but not required to) submit descriptive statistics before the 2nd or 3rd quiz (these are also graded and replace the quiz) as well as a preliminary analysis during the one week before the essay deadline. This last update is also graded, so, if a student hands in 1 quiz and all 3 intermediate essay components, the final essay will be worth 61%. Once a student writes a research proposal, Elena and I expect by default that s/he will write an essay. If the student wants to write the standard exam, s/e needs to notify us by email at the latest 7 days before the final exam.

Tests are optional and are carried out offline. They last 25-30 minutes and include just a couple of questions about the discussions in class and/or the papers specified in this syllabus.

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. For all assignments, exams and attendance, the NES academic integrity policy applies. Students should consult the NES Student Handbook for further details.