REVIEW SESSION
Political Economy of Development
Followed by: Civil Society and Social Capital

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GOV 20

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Political Economy of Development
The World Until the Industrial Revolution

World GDP over the last two millennia
Total output of the world economy; adjusted for inflation and expressed in 2011 international dollars.

Modernization theory

- Traditional Society → Modern Society
- Transition happens in stages [Rostow]
- The last stage is political (democratization) [the opposite of institutionalism]
- One path: the future of Bolivia is England
The Puzzle: No Convergence, Divergence

GDP per capita over the long run

Observations and reconstructions of GDP per capita are adjusted for inflation.

Source: Our World In Data (based on Maddison Database and World Bank)
Major theories of comparative development

- Culture [Weber]
Individualism and Development

Figure 1. Map of individualism scores.

Figure: Source: Gorodnichenko and Roland (2010)
Problems with cultural arguments

- Culture is a constant. You can't explain variation with a constant.
- Culture is likely to be a consequence of development, not a cause.
Major theories of comparative development

- Culture [Weber]
- Geography [Montesquieu, Jeffrey Sachs, Jared Diamond]
Geography: Latitude

Figure 1. GDP per capita 1995
How does geography matter?

- Climate determines work effort, incentives, productivity [Montesquieu]
- Climate determines technology (especially agriculture) [Jared Diamond]
- Disease environment [Jeffrey Sachs]
Geography: Disease Environment

Figure 4.
Malaria Index 1994

Tropic of Cancer

Tropic of Capricorn

Malaria Index
- 0
- 0.00 - 0.07
- 0.08 - 0.28
- 0.29 - 0.54
- 0.55 - 0.81
- 0.82 - 1
- No Data
Problems with geographic arguments

- Geography also a constant
- Can’t explain critical cases (North Korea vs. South Korea, Nogales vs. Arizona)
- Reversal of fortune
Log GDP per Capita (PPP) in 1995 against Urbanization Rate in 1500

Note. GDP per capita is from the World Bank [1999]; urbanization in 1500 is people living in towns with more than 5000 inhabitants divided by total population, from Bairoch [1988] and Eggimann [1999]. Details are in Appendices 1 and 2.
Major theories of comparative development

- Culture [Weber]
- Geography [Montesquieu, Jeffrey Sachs, Jared Diamond]
- Institutions [Acemoglu and Robinson, Douglass North...]
Institutions and Development

Figure 2. OLS Relationship Between Expropriation Risk and Income
What is an institution?

Douglass North: Institutions are the rules of the game in a society [...] the humanly devised constraints that structure political, economic and social interactions.
Acemoglu and Robinson in one slide
What are good institutions?

- **Inclusive economic institutions:**
  - Protect property rights
  - Relatively equal access to economic resources

- **Inclusive political institutions:**
  - Constrain rulers
  - Disperse political power

- **Good institutions occur in democratic countries!**
MODERNIZATION: THEORIES & FACTS

PROBABILITY THAT A REGIME IS DEMOCRATIC, BY PER CAPITA INCOME

*1985 PPP USD-purchasing-power parities in U.S. dollars.
Correlation is not causation
Problems with institutional arguments

- Institutions vs. policy [South Korea]
- What are “good institutions”? [Risk of tautology]
- Institutions are endogenous (a consequence of other stuff) [Modernization theory]
The Political Dimension of Development

- Good institutions [Acemoglu and Robinson]
- Strong, autonomous state
  - Good [Gershenkron, Wade]
  - Bad [Bates]
- Dependency theory
Political Regimes and Economic Growth

In favor of democracy

- Autonomous rulers can be predatory
- Democracies protect property rights [North, Acemoglu]

In favor of autocracy

- Some autocracies also protect property rights
- Democracy favors short-term consumption – underlines investment
- Democracy is vulnerable to interest groups and particularistic pressures

UNPACK!
Take-away points

- Economic development has a political dimension (incentives of politicians)
- Don’t forget the big picture (vs. exceptions)
- Theoretical relationship between regimes and growth is not obvious
What have we learned?

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Civil society and social capital
In democratic countries the science of association is the mother of science; the progress of all the rest depends upon the progress it has made.
Civil society

The realm of civic organizations that are independent of the state
Variation in institutional performance

FIGURE 4.1
Measuring institutional performance

- Cabinet stability
- Budget promptness
- Statistical and info services
- Reform legislation
- Legislative innovation
- Day care centers
- Family clinics
- Industrial policy instruments
- Agricultural spending capacity
- Local health unit expenditures
- Housing and urban development
- Bureaucratic responsiveness
Civic community: conceptual dimensions

- Civic engagement
- Political equality
- Solidarity, trust, tolerance
- Associations
Civic community: indicators

- Preference voting: personalism
- Referendum turnout
- Newspaper subscription
- Associations
Variation in civic community

FIGURE 4.4
The Civic Community in the Italian Regions

[Map showing variation in civic community across Italian regions]
The two are highly correlated
Putnam in one slide

CIVIC COMMUNITY → INSTITUTIONAL PERFORMANCE
Putnam in one slide

HISTORY

CIVIC COMMUNITY

INSTITUTIONAL PERFORMANCE
Putnam in one slide

- HISTORY
- SOCIAL CAPITAL
- CIVIC COMMUNITY
- INSTITUTIONAL PERFORMANCE
Social capital

NORMS OF RECIPROCITY

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NETWORKS OF CIVIC ENGAGEMENT
State and society

- The characteristics of the state/democracy depend on the characteristics of society
- Some people: strong state, weak society OR weak state, strong society
- Putnam: strong society, strong state
Alternative explanations

- Conflict
- Social stability
- Education
- Urbanization
- Personnel Stability
- Communist party
- Modernization theory
Critiques of social capital

- Causal chain unclear. How is trust engendered by bird-watching?
- The state can also be a source of trust
- The demands may not be democratic [Berman]
Bowling for Fascism
Take-away points

- Civil society is a space, not a homogenous set of actors. Not necessarily nice.
- Social capital vs. institutionalism and modernization theory
That’s all
Questions?