Seminar in Political Economy: Institutions, Causality, and History.

Seminar. Association of the teachers, fellows, and scholar for the prosecution of original studies by means of discussion and criticism. OED.

The seminar will consider some philosophical, theoretical, and methodological issues entailed in evaluating the impact of political institutions on economic performance, specifically on long-term patterns of economic development and inequality. Topics will range broadly, to include the relation between causality and counterfactuals, issues entailed in evaluation research, a comparison of the new institutional history with marxist development theories, as well as current statistical research on the impact of institutions. Students will be expected to make a class presentation and to write a bibliographic paper on the impact of a particular institution on some aspect of economic performance.

If you can, read in the order specified under each topic. Some of the texts are difficult: you may want to reread them after we discuss them.

1. Preview.

2. Political Institutions, Income Distribution, and Economic Growth in the Americas
   Is the perpetuation inequality in Latin America due to political institutions? Could these institutions have been different? Would it have made a difference? What are the similarities and differences between the Engerman-Sokoloff and Cardoso-Faletto analyses?

   Read: (One of the Engerman and Sokoloff texts will suffice; they are highly repetitive)


3. **Causality and Counterfactuals**

Effects of causes and causes of effects. Causality as invariance under interventions. Can causality be assessed without counterfactuals? The Rubin model. The Dawid critique. When are counterfactuals logically valid? Logical validity vs statistical identification.

Read:


4. **Self-enforcing institutions and equilibrium change.**

Self-enforcing institutions. Endogenous institutions. Exogeneity according to Pearl. Exogeneity and manipulability. Statistical sense of endogeneity. Multiple equilibria. Path dependence vs. indeterminacy. Exogenous and endogenous institutional reforms. Why would the powerful ever reform institutions?

Read:

Pearl, Judea. 2000. Sections 5.4.3 and 7.4.5 of *Causality: Models, Reasoning, and Inference.* Cambridge: Cambridge University Press. (Note: Reading the entire Chapter 5 is strongly recommended).


5. **Endogenous Institutions in Marxism and in New Institutional Economics**

Non-institutional ("brute") and institutional power. What gives power to institutions? Reproduction of social relations. Change vs breakdown.

Read: (These texts are extremely convoluted but perhaps it is because we have no ready-made language to study the questions they pose.)


Try to figure out what North means by endogeneity skimming the relevant parts of:


6. **Statistical Issues**


Study:


7. "Geography" vs Institutions

Geographic factors and development. Geographic determinism. Does geography determine institutions? Geography and exogenous institutions.

Read:


8. Identifying the Effect of Institutions


Read:


9-13. Statistical Evidence

This part of the seminar will consist of student presentations. Each student should choose a particular institution and a particular policy or policy outcome and critically review the literature. Pay special attention to controls for endogeneity. Evaluate the robustness of the results. You may wish to start with The World Development Report 2002 but their coverage of the literature is very thin.

Read:


14. How Much Confidence Should We Place in Institutional Engineering?

When can institutional reforms make a difference? What kind of difference? What do we need to know for successful institutional engineering?

Read:
