

POWER AND PROSPERITY: THE POLITICAL ECONOMY OF DEVELOPMENT (1031-3982)

PABLO BALÁN
Tel Aviv University
Spring 2026

Class Hours: Tuesday 10:00 – 14:00
Office Hours: By appointment ([sign up here](#))
Office: Naftali, Room 530

Email: pbalan@tauex.tau.ac.il
Website: www.pablobalan.com
Classroom: 104

Short Video Introduction: [Here's a short video introduction to the class.](#)

Course Overview: The 2024 Nobel Prize in Economics was awarded to [Daron Acemoglu](#), [Simon Johnson](#), and [James Robinson](#) "for studies of how institutions are formed and affect prosperity." The recipients of the prize asked some of the following questions: [Why are some countries rich and others poor?](#) Why is the combination of democracy, freedom, and prosperity infrequent? Why do many countries seem caught in poverty and violence traps? Following the footsteps of this year's recipients of the Nobel Prize, this class will explore these questions from the point of view of *political economy*, a discipline at the crossroads of political science and economics emphasizing the interplay between politics and the economy. To explore these questions, we will read quantitative empirical research in the fields of economics and political science. However, at times, we will also venture outside mainstream social science and cover anthropological perspectives. The course is structured as follows: (1) We will review major theories of development, discussing the role of institutional, geographic, and cultural factors. (2) We will then apply these theories to explain regional persistent variation in patterns of development (for example, why did Latin America fall behind? Why is Africa poor?). (3) We will study specific topics such as the origins of state capacity, how countries can develop a capable civil service, how to govern natural resources, what causes civil conflict and war, whether technical solutions work, among other topics. The temporal and geographic scope of the class is broad, but we will emphasize materials from sub-Saharan Africa and Latin America. The course should be of interest to those seeking to adopt a social-scientific perspective to the problems of development, as well as to those interested in working as practitioners. Given Israel's relationship with several countries in the Global South and its unique position as a supplier of environmental technologies, the course should be relevant for students seeking to work in NGOs or private sector ventures operating in such countries. Finally, a comparative and scientific view of the problems of development can offer [a productive approach to evaluate recent political developments in Israel.](#)

Goals: This class provides an introduction to research on the political economy of developing countries. The course has two goals. First, the substantive goal is to familiarize students with broad theoretical arguments. Second, to equip students with the tools to evaluate evidence supporting specific claims. We will cover a variety of empirical methods including observational and experimental studies.

Is this course right for me? There are no prerequisites, but familiarity with basic statistics is recommended. If you have any questions, please talk to me. The course is open to BA students in any discipline. Economics, Psychology, PAKAM, and Lautman Program students are encouraged to take the course. MA students in the Sustainable Development program are encouraged to take the course. If you have any questions, don't hesitate to contact me: pbalan@taux.tau.ac.il

Etiquette: You are not alone in the class, so please be considerate of your fellow students: arrive on time, take notes of what has been discussed, and do not leave early unless absolutely necessary. **Mobile phones are not allowed during lectures.** Barring necessity or a medical condition, I strongly encourage you not to use laptops, phones, or tablets.

Reading and Participation: We will devote a significant fraction of the class to discussion. **I expect everyone to participate, so it is imperative that you do the readings every week and come prepared to discuss them.**

Buckle up. I want to make sure that everyone participates and feels comfortable doing so. As it is the case in most social science classes, this course covers potentially controversial topics, such as conflict, human rights violations, dictatorship, and much more. Students should be prepared to engage scientifically with such topics. If you ever feel uncomfortable, you are invited to discuss any concerns with me.

Contact. If you have questions or concerns you should come to office hours. If you can't make it to office hours, you can contact me by email. I check my inbox twice a day, so please don't desparate if I don't answer immediately! I will do my best to respond within 24 hours.

Evaluation and Grading. Because of AI, in-class assignments and participation will carry greater weight in this course, while the final paper will carry less weight than in past iterations. Students will be required to present papers from the syllabus and to present the progress and arguments of their final paper in class and/or during office hours. **The goal is to develop presentation, analytical, and**

argumentative skills that cannot be substituted by AI tools. You are expected to participate in class, and **you will deliver a minimum of two oral presentations during the semester.**

1. Attendance and Participation: 15%
2. Presentation of syllabus paper(s): 15%
3. Presentation and oral defense of final paper plan: 20%
4. Seminar paper: 50% (Date TBA)

Attendance Policy: **For these reasons, regular attendance is essential to succeed in this course.**

You can have 2 unexcused absences (no questions asked), which won't affect your grade. For an additional absence to be justified so that it doesn't affect your grade, you need to bring a medical or military certificate.

AI Policy.

1. I strongly encourage you to use AI (ChatGPT, NotebookLM, Claude, Perplexity, or other). It can provide relatively accurate summaries of many things we learn. Use it to ask general questions, provide examples and counterexamples, compare and contrast arguments, etc. AI is an invaluable resource. The best way to think about AI is as a **learning partner, a personalized tutor that helps you augment your intelligence**—not as a substitute for doing work. In class, I will showcase multiple uses of AI (for example, to help you understand scientific articles) and how to integrate AI into your workflow to become a more effective student.
2. Writing is a practice of taking responsibility for our thoughts and interpretations and a practice of thinking. **Writing is thinking.** Using AI is not a substitute for doing the readings or writing original work. In written assignments, you will need to include an AI use statement declaring exactly how AI was used as well as the full transcript of your interactions with the AI. I will specify allowed and prohibited uses of AI for the final exam when we discuss the final exam guidelines. Any unacknowledged use of AI to generate writing included in the exam is plagiarism, just like unacknowledged inclusion of material from any other source.

Academic Integrity. Neither cheating nor plagiarism are tolerated by Tel Aviv University. Tel Aviv University defines plagiarism as “Submitting material that in part or whole is not entirely your work without attributing those same portions to their correct source.” Any assignment that plagiarizes will

receive a zero and be reported to the university authorities. Please find more information on plagiarism under the following link, including explanations in Hebrew. <https://soclib.tau.ac.il/plagiarism>

Academic Integrity. Neither cheating nor plagiarism are tolerated by Tel Aviv University. Tel Aviv University defines plagiarism as “Submitting material that in part or whole is not entirely your work without attributing those same portions to their correct source.” Any assignment that plagiarizes will receive a zero and be reported to the university authorities. Please find more information on plagiarism under the following link, including explanations in Hebrew. <https://soclib.tau.ac.il/plagiarism>

Reading and Writing Social Science in English. The following resources may be useful for reading and writing social science.

- Farrell, Henry. [Good Writing in Political Science](#)
- Blattman, Chris. [How to Write an Essay](#)

In addition, TAU has excellent resources to help you succeed in English speaking classes. For more information, contact the [Center for Language Excellence](#). For example:

- [Listening to Lectures in English](#)

Recommended materials. While not required, I recommend you subscribe to *The Economist* and/or *The Financial Times* to be informed about current events. The following books are recommended, and sometimes we will read materials from them:

- Koyama, M., and Rubin, J. (2022). *How the World Became Rich: The Historical Origins of Economic Growth*. John Wiley & Sons.
- Galor, Oded (2022). *The Journey of Humanity: The Origins of Wealth and Inequality*. Random House.
- Dercon, Stefan (2022). *Gambling on Development: Why Some Countries Win and Others Lose*. Hurst Publishers.
- Blattman, Christopher (2022). *Why We Fight: The Roots of War and the Paths to Peace*. Viking
- Bates, R (2000). *Prosperity and Violence: The Political Economy of Development*. WW Norton.
- Easterly, W (2001). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. MIT press.

- Banerjee, A., and E. Duflo (2011). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Public Affairs.

Week 1: The Puzzle of Development (April 14)

The readings for the first meeting are mandatory, please do them before class

- (1) Koyama, M., and Rubin, J. (2022). *How the World Became Rich: The Historical Origins of Economic Growth*. Chapter 1.
- (2) Sen, Amartya (1988). The Concept of Development. *Handbook of Development Economics* 1: 9-26.
- (3) Fukuyama, Francis (2014). *Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy*. Chapter 1, “What is Political Development?” and Chapter 2, “The Dimensions of Development”.
- (4) Ater, Itai, and Tzachi Raz (2023). [Checks and Balances, Public Corruption, and Economic Development](#)
- (5) Video: [Ten Global Trends Every Smart Person Should Know](#)
- (6) Mann, Charles. [We Live Like Royalty and Don’t Know It](#). *The New Atlantis* Winter 2025.
- (7) Video: [TED Talk by James Robinson \(one of the three winners of the 2024 Nobel Prize in Economics\)](#)

To learn more (optional):

- (1) Martin, Courtney (2016). The Reductive Seduction of Other People’s Problems
<https://brightthemag.com/the-reductive-seduction-of-other-people-s-problems-3c07b307732d>
- (2) Video: [Hans Rosling, The best stats you’ve ever seen](#)
- (3) [Hickel, Jason \(2019\). Bill Gates says poverty is decreasing. He couldn’t be more wrong. The Guardian](#)
- (4) [Smith, Noah \(2021\). Against Hickelism](#)

Week 2: The Toolkit of Development (April 28)

- (1) Angrist, J. and J.S. Pischke (2014). *Mastering Metrics: The Path from Cause to Effect*. Chapters 1 and 2.

- (2) Humphreys, Macartan. 10 Things to Know about Causal Inference. [\[Link\]](#)
- (3) Long, Abby. 10 Things to Know About Reading a Regression Table. [\[Link\]](#)

To learn more (optional):

- (1) Josh Angrist Video: [Ceteris Paribus](#)
- (2) Josh Angrist Video: [Selection Bias](#)
- (3) Josh Angrist Video: [Randomized Controlled Trials](#)
- (4) Josh Angrist Video: [Reading Regression Tables](#)
- (5) Nick Huntington-Klein. [The Effect: An Introduction to Research Design and Causality](#).
- (6) Humphreys, Macartan and Jeremy Weinstein (2009). Field Experiments and the Political Economy of Development. *Annual Review of Political Science* 12, 367–378.
- (7) Video: Joshua Angrist Nobel Prize Lecture: [Empirical Strategies in Economics: Illuminating the Path from Cause to Effect](#)

Week 3: Drivers of Development: Institutions, Geography, Culture (May 5)

- (1) Olsson, O., and D. Hibbs (2005). Biogeography and Long-run Economic Development. *European Economic Review*, 49(4): 909–938
- (2) Acemoglu, Daron, and James A. Robinson. (2012). Why Nations Fail: The Origins of Power, Prosperity, and Poverty. Chapter 2, “Theories that don’t work”.
- (3) Acemoglu, Daron, Simon Johnson, and James A. Robinson (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, 91(5): 1369-1401.

To learn more (optional):

- (1) Koyama, M., and Rubin, J. (2022). How the World Became Rich: The Historical Origins of Economic Growth. Chapters 2, 3, and 4 [HIGHLY RECOMMENDED REFERENCE FOR A CLEAR SUMMARY OF EACH THEORY]
- (2) Olsson, O., and D. Hibbs (2005). Biogeography and Long-run Economic Development. *European Economic Review*, 49(4): 909–938.

- (3) Gorodnichenko, Y., and Roland, G. (2011). Individualism, innovation, and long-run growth. *Proceedings of the National Academy of Sciences*, 108, 21316-21319.
- (4) Allen, Robert C. (2009). [Why was the Industrial Revolution British?](#). VoxEU.
- (5) North, D. and B. Weingast (1989). Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England. *The Journal of Economic History* 49(4): 803–832.
- (6) Acemoglu, Daron, Simon Johnson, and James Robinson (2005). The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth. *American Economic Review* 95(3): 546–579.
- (7) Acemoglu, Daron, Simon Johnson, and James Robinson (2005). Institutions as a Fundamental Cause of Long-run Growth. *Handbook of Economic Growth* 1: 385–472.
- (8) Vollrath, D. The Skeptics Guide to Institutions [\[Part 1\]](#) [\[Part 2\]](#) [\[Part 3\]](#) [\[Part 4\]](#)
- (9) Diamond, Jared (1997). *Guns, Germs and Steel*. New York: WW Norton.
- (10) Alesina, A. and P. Giuliano (2015). Culture and institutions. *Journal of Economic Literature* 53(4): 898–944.
- (11) Caplan, Bryan (2004). [The Idea Trap](#). Econlib
- (12) [From Caveman to Chinaman](#)

Week 4: Markets (May 12)

- (1) Reed, Leonard (1958). I Pencil. The Online Library of Liberty.
- (2) Vogel, S. (2018) *Marketscraft: How Governments Make Markets Work*, Oxford. Chapter 1. Or Video [Steven Vogel: Marketscraft](#).
- (3) Friedman, Benjamin (2006). The Moral Consequences of Economic Growth. *Society* Jan/Feb 2006.
- (4) Di Tella, R. and R. MacCulloch (2009). Why Doesn't Capitalism Flow to Poor Countries? Brookings Papers on Economic Activity.
- (5) [Economic Freedom Map, Fraser Institute](#)

To learn more (optional):

- (1) Video lecture: [Cowen, Tyler. Is Economic Growth a Moral Imperative?](#)
- (2) Henrich, J., et al. (2001). In Search of Homo Economicus: Behavioral Experiments in 15 Small-Scale Societies. *American Economic Review* 91(2): 73-78.
- (3) Margalit, Yotam, and Moses Shayo (2019). How Markets Shape Social Values and Political Preferences: A Field Experiment. *American Journal of Political Science* 65(2): 473-492
- (4) Jha, S., and M. Shayo. (2019). Valuing Peace: The Effects of Financial Market Exposure on Votes and Political Attitudes. *Econometrica* 87(5): 1561-1588.
- (5) Henrich, J. (1997). Market Incorporation, Agricultural Change, and Sustainability among the Machiguenga Indians of the Peruvian Amazon. *Human Ecology* 25(2): 319-351.

Week 5: States (May 19)

- (1) The Road to Hell is Unpaved. *The Economist*, 21 December 2002.
- (2) Tilly, Charles (1985). War Making and State Making as Organized Crime. In Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol (eds.), *Bringing the State Back In*. Cambridge University Press.
- (3) Sanchez de la Sierra, Raul (2020). On the Origins of States: Stationary Bandits and Taxation in Eastern Congo. *Journal of Political Economy* 128(1): 32-74.

To learn more (optional):

- (1) Olson, Mancur (1993). Dictatorship, Democracy, and Development. *American Political Science Review* 87(3): 567–576.
- (2) Bates, Robert. (2007). The Role of the State in Development. *The Oxford Handbook of Political Economy*.
- (3) Bates, Robert. (2001). Prosperity and Violence: The Political Economy of Development. WW Norton.
- (4) Carneiro, R. (1970). A Theory of the Origin of the State. *Science* 169(3947):733–738.
- (5) Dal Bo, E., P. Hernandez-Lagos, and S. Mazzuca (2021). The Paradox of Civilization: Pre-institutional Sources of Security and Prosperity. *American Political Science Review* 116(1): 213-230.
- (6) Mayshar, J., Moav, O., and Neeman, Z. (2017). Geography, Transparency, and Institutions. *American Political Science Review* 111(3): 622–636.
- (7) Raul Sanchez de la Sierra, Kristof Titeca, Haoyang (Stan) Xie, Albert Jolino Malukisa, Aimable Amani Lameke (2022). The Real State: Inside The Congo’s Traffic Police Agency. Working Paper.
- (8) Hanson and Kopstein. Trump Is Dismantling the Systems That Keep Us Safe. All Americans Will Suffer. *The New York Times*, Dec 31 2024.

Week 6: Regional disparities I — The Americas (May 26)

- (1) Engerman, Stanley L. and Kenneth L. Sokoloff (2000). History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World. *Journal of Economic Perspectives* 14(3): 217–232.
- (2) Dell, Melissa (2010). The Persistent Effects of Peru’s Mining Mita. *Econometrica* 78(6): 1863–1903.

To learn more (optional):

- (1) Bruhn, Miriam and Francisco Gallego (2012). Good, Bad, and Ugly Colonial Activities: Do They Matter for Economic Development? *Review of Economics and Statistics*, 94(2): 433–461.

(2) Koyama, M., and Rubin, J. (2022). How the World Became Rich: The Historical Origins of Economic Growth. Chapter 6.

Week 7: Regional disparities II — Africa and the Middle East (June 2)

(1) Herbst, J. (2000). States and Power in Africa. (Chapter 2: Power and Space in Precolonial Africa)

(2) Nunn, Nathan (2008). The Long-Term Effects of Africa's Slave Trades. *Quarterly Journal of Economics* 123(1): 139–176.

(3) Blaydes, Lisa and Eric Chaney (2013). The Feudal Revolution and Europe's Rise: Political Divergence of the Christian West and Muslim World before 1500 CE *American Political Science Review* 107(1): 16–34.

(4) It's been 50 years since the British left. Why are so many African judges still wearing wigs, Washington Post, 9/18/2017

To learn more (optional):

(1) Lowes, Sara and Eduardo Montero (2021). Concessions, Violence, and Indirect Rule: Evidence from the Congo Free State. *Quarterly Journal of Economics* 136(4): 2047–2091.

(2) Michalopoulos, Stelios and Elias Pappaioannou (2014). National Institutions and Sub-national Development in Africa. *Quarterly Journal of Economics* 129(1): 151–213.

(3) Kuran, Timur (2012). The Long Divergence: How Islamic Law Held Back the Middle East. Chapter 1.

(4) Kuran, Timur (2018). Islam and Economic Performance: Historical and Contemporary Links. *Journal of Economic Literature* 56(4): 1292–1359.

(5) Rubin, J. (2017). Rulers, Religion, and Riches: Why the West got Rich and the Middle East did not. Cambridge University Press. Introduction and Chapter 2.

Week 8: Bureaucracies and Taxation (June 9)

(1) Dal Bó, E., Finan, F., and Rossi, M. A. (2013). Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service. *The Quarterly Journal of Economics* 128(3): 1169–1218.

(2) Weigel, J. 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* 135(4): 1849–1903.

(3) Hanson and Kopstein. Trump Is Dismantling the Systems That Keep Us Safe. All Americans Will Suffer. *The New York Times*, Dec 31 2024.

To learn more (optional):

(1) Evans, P., and J. Rauch (1999). Bureaucracy and Growth: A Cross-national Analysis of the Effects of Weberian State Structures on Economic Growth. *American Sociological Review* 64(5): 748–765.

(2) Bates, R. H., and D.H. Lien (1985). A Note on Taxation, Development, and Representative Government. *Politics & Society* 14(1): 53-70.

(3) Balán, P., A. Bergeron, G. Tourek, and J. Weigel (2022). Local Elites as State Capacity: How City Chiefs Use Local Information to Increase Tax Compliance in the DR Congo. *American Economic Review*, forthcoming.

(4) Dal Bó, E., Finan, F., and Rossi, M. A. (2013). Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service. *The Quarterly Journal of Economics* 128(3): 1169–1218.

(5) Pepinsky, Thomas B., Jan H. Pierskalla, & Audrey Sacks (2017). Bureaucracy and Service Delivery. *Annual Review of Political Science* 20: 249-268.

(6) Besley, T. J., Burgess, R., Khan, A., and Xu, G. (2021). Bureaucracy and Development. NBER Working Paper.

(7) Xu, Guo (2018). The Costs of Patronage: Evidence from the British Empire. *American Economic Review* 108(11): 3170–3198.

Week 9: Corruption (June 16)

(1) Bertrand, Marianne, Simeon Djankov, Rema Hanna and Sendhil Mullainathan (2007). Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption. *Quarterly Journal of Economics* 122(4): 1639-1676.

(2) Olivier de Sardan, J.P. (1999). A Moral Economy of Corruption in Africa? *Journal of Modern African Studies* 37(1): 25–52.

To learn more (optional):

- (1) Fisman, Raymond, and Edward Miguel (2007). Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets. *Journal of Political Economy* 115(6): 1020–1048.
- (2) Shleifer, A., and R. Vishny (1993). Corruption. *The Quarterly Journal of Economics* 108(3): 599–617.
- (3) Olken, B (2007). Monitoring Corruption: Evidence from a Field Experiment in Indonesia. *Journal of Political Economy* 115(2): 200-249.
- (4) Simpser, A. (2020). The Culture of Corruption across Generations: An Empirical Study of Bribery Attitudes and Behavior. *Journal of Politics* 82(4): 1373-1389.
- (5) Svensson, Jakob. Eight questions about corruption. *Journal of Economic Perspectives* 19.3 (2005): 19-42.

Week 10: Conflict, Natural Resources (June 23)

- (1) Cox, G., D, North, and B. Weingast (2019). The Violence Trap: A Political-economic Approach to the Problems of Development. *Journal of Public Finance and Public Choice* 34(1): 3–19.
- (2) Ross, Michael (2013). The Oil Curse: How Petroleum Wealth Shapes the Development of Nations. Princeton University Press. Chapter 1.

To learn more (optional):

- (1) Blattman, Christopher (2022). Why We Fight: The Roots of War and the Paths to Peace. Viking.
- (2) Hsiang, Solomon M., Marshall Burke and Edward Miguel (2013). Quantifying the Influence of Climate on Human Conflict. *Science* 341 (6151): 1235367.
- (3) [Mapping Africa's natural Resources](#) Aljazeera, Feb 20, 2018.

Week 11: Foreign Aid (June 30)

- (1) Sachs, J. The Case for Aid. *Foreign Policy*, Jan 21, 2014
- (2) Moyo, Dambisa (2009). Dead Aid: Why Aid is not Working and how there is a Better Way for Africa. Macmillan, 2009. Chapters 1-3.

(3) Andersen, Jorgen Juel Johannesen, Niels; Rijkers, Bob (2022). Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts. *Journal of Political Economy* 130(2): 388-425.

(3) [What Is USAID and Why Is It at Risk?](#) Council on Foreign Relations, Feb 7 2025

(4) Yglesias, Matt. [Make Foreign Aid Great Again](#) Slow Boring, Feb 11 2025.

To learn more (optional):

(1) Nunn, Nathan (2020). Restraining Ourselves: Helping by Not Hurting. Research Brief, Economics for Inclusive Prosperity.

(2) Alesina, A. and D. Dollar. Who gives foreign aid to whom and why?. *Journal of Economic Growth*, 5(1), 33-63.

Week 12: Taking Stock (July 7)

(1) Martin, Courtney (2016). The Reductive Seduction of Other People's Problems
<https://brightthemag.com/the-reductive-seduction-of-other-people-s-problems-3c07b307732d>

(2) Ferguson, J. (1994). The Anti-politics Machine: "Development" and Bureaucratic Power in Lesotho. *The Ecologist* 24(5).

(3) Dercon, Stefan (2022). Gambling on Development: Why Some Countries Win and Others Lose. Hurst Publishers. Chapters 1 and 2.

To learn more (optional):

(1) Monga, Célestin (2020). [Discrimination and Prejudice in Development](#), Brookings (July 15, 2020).

(2) Collison, P., and T. Cowen (2019). [We Need a New Science of Progress](#). The Atlantic

(3) [Progress studies reading list](#)