

Lesson plan for week 7: Wealth, income, and democracy
Shelby Grossman

Handout for section:

Handout for Gov 97
March 25, 2014
Week 7: Wealth, Income and Democracy
Shelby Grossman

Announcement from Lauren!

Section goal: Think critically about the relationship between wealth and democracy, and develop the skills to evaluate causal arguments

Tylenol and pregnancy

- The point of this exercise is to learn to evaluate causal arguments. It's more difficult to evaluate causal arguments in political science than in medicine, so we use a medical example to start to simplify the process of evaluating a causal argument.

For points for analyzing a causal argument (via Prof. Daniel Ziblatt)

1. Is there at least a correlation between cause and effect?
2. Does the cause come before the effect, chronologically?
3. Is there a plausible causal pathway (i.e. Story) that links cause and effect and is there any evidence of this?
4. Has the author dispensed with alternative explanations that either could explain the "effect" or both the cause and the effect?

You have 10 minutes to think about how to teach the argument to the class. And be prepared to field questions from the rest of the class and me. Presentation should be 5 minutes at most.

- split up the presentation
- what is the question the author(s) is trying to answer?
- summarize the reading verbally and with a flow chart.
- What are independent variable(s), dependent variable(s), mechanism(s)
- Have at least one causal critique (use evaluating empirical work handout for help)

Bates (Markets and States in Tropical Africa): Elizabeth; Lauren

Lipset: Zander; Caroline

Bates, Fayad, Hoeffler: Anna; Boyd

Acemoglu and Robinson: Whitney; Jenai

Discussion: According to these authors (and you), can democracy be promoted?

March 24: Wealth, Income, and Democracy (Week 7)

We're trying to explain democratization this week. Focusing mostly—though not exclusively, on the relationship between wealth/development and democratization. Evaluating causal claims. Before we start thinking about the readings, what are some possible ways in which this relationship could be confusing? (endogeneity, omitted variable bias, how do we measure wealth? How do we measure democratization?)

Second paper is going to be on evaluating a causal argument.

Pass out NYT article (on the link between taking Tylenol during pregnancy and child having ADHD) and evaluating causal argument handout. Skim latter first.

Go through article and how it stands up in causal evidence.

Hand out Emily Oster article (which evaluated the studies the NYT article reported on).

For points for analyzing a causal argument

1. Is there at least a correlation between cause and effect?
2. Does the cause come before the effect, chronologically?
3. Is there a plausible causal pathway (i.e. Story) that links cause and effect and is there any evidence of this?
4. Has the author dispensed with alternative explanations that either could explain the "effect" or both the cause and the effect? omitted variable bias, reverse causality, spurious correlation
5. What is the author arguing against?
6. At what historical point do they start and why?

Exercise where students teach the section about their assigned paper (I had told them which reading they had in advance) See handout above for more details

- o 7 minutes,
- o split up the presentation,
- o what is the question they are trying to answer?
- o summarize the reading verbally and with a flow chart.
- o What are independent variable, dependent variable, mechanism
- o Have at least one causal critique using the handout

Bates, Fayad, Hoeffler: Anna; Boyd

Lipset: Zander; Caroline

Acemoglu and Robinson: Whitney; Jenai

Bates (Markets and States in Tropical Africa): Elizabeth; Lauren

Lipset:

Some social requisites of democracy: Economic development and political legitimacy

seeing correlation between wealth/industrialization/education and democracy, and saying that it's causal, definitely making a necessary argument

- Questions from students
- Is he making a necessary or sufficient argument? (p 40 : education nec but not suff)
- What kind of evidence would you want if making a necessary argument? What kind of evidence would need to see if making a sufficient argument?
- What are some causal criticisms of this argument? Reverse causality? Omitted variable bias?
- Mechanisms?
 - p 40: education might help hinder anti-democratic forces
 - p 51: with more development comes bigger middle class which rewards moderates and tempers extremists (why?)
- For Lipset getting democracy is sustaining democracy. Does that seem useful? Isn't there a difference between living in a democracy that is new and weak v. living in an authoritarian regime?
- What would you need from Lipset for this to be more convincing?
- Conclude: Lipset as straw man for modernization, this idea that "all good things go together"
 - Chile wealthiest in Latin America, one of last to democratize
 - India as a democracy

Acemoglu and Robinson

Questions:

- Questions from students
- Why are economic institutions sticky? Why are they difficult to change?
- Where do political institutions come from? (initial resource endowment)

What explains why some countries have institutions that are more or less conducive to economic growth?

-of you could resist colonization you do better now

-encomienda

-colonizers created these extractive forms of institutions, which were sticky

-then the English came, but the resource rich places were already taken, so they went with the other places, eg in Virginia, not poss to exploit either natives or colonists, so developed a system of incentives

-patents initially as a way to restrain british govt from giving patents and thus exclusive rights to whoever he pleased, but ultimately a very meritocratic system

-in Mexico banks gave loans to politicians, in the US banks gave loans to people who deserved them, politicians wouldn't interfere b/c they were up for reelection

-institutions affect incentives (eg entrepreneur) that is mechanism

or rather political institutions (which come from sticky things in the 1600s) → economic institutions → prosperity (sticky in part because elite have incentives to keep things the way they are)

-inclusive v extractive institutions, inclusive involve protection of property rights, law, freedom to contract. Extractive pol inst: concentrate power in a few elite, extractive economic institutions expropriate resources and create barriers to entry. Feedback loop between the two

Bates ch 9, forthcoming edition of markets and states in tropical Africa

Questions:

- Questions from students
- Why didn't farmers just get together to push for higher agricultural prices?

- o What is the collective action problem? (benefit is non-excludable; non-zero costs to action; diffuse benefits)
- o How did democracy come about in Africa? (recession, debt crisis, forced to make institutional changes which weakened executives)

economically irrational choices, once chosen, are sticky, farmers had high lobbying costs to pushing for higher prices, urban bias is perpetuated

-economic recession of 1970s, af govts had been in debt, forced to slash public sector budgets,

-introduction of multiparty politics, no longer rational to ignore interests of rural masses

-in Africa, it went from democracy to income

Bates Fayad Hoeffler 2012

Questions:

- o Questions from students
- o What is the mechanism for the authors for how democracy causes growth? (focus on ag, occupation of poor masses)
- o How might the relationship between politics and wealth be different in resource rich countries?
 - o finding: in non resource rich country growth → democracy
 - o for resource rich countries: growth → LESS democracy
 - o in Africa: democracy → growth. This is very different from Lipset hypothesis (supports new institutionalism)
 - o 3 different branches of resource curse: growth, democracy, violence

Discussion: According to these authors (and you), can democracy be promoted?

-if economic growth causes democracy (a la Lipset) what are the policy recommendations?

-if democracy causes economic growth (a la AR) what are the policy recommendations?

-what would be unintended consequences of these recommendations?

Concept map: Does economic growth cause democracy?

(Lipset: yes)

(BFH: in non resource rich countries yes, but not in resource rich countries nor Africa)

(AR: No, the other way)

(B: No, the other way)

Summing up:

India as example of country without high levels of development but with democracy

Not much advancement has taken place on this debate because of problem of endogeneity, plausible that forces go both ways