

Preface

This monograph was written for graduate students and researchers who would like to learn about what we hope will be a new and exciting area of research—the political economics of development clusters. By development clusters we mean the observed tendency for effective state institutions, the absence of political violence, and high income per capita to be positively correlated with one another. We see this if we look across countries at a given point in time, as well as if we look across time within a given country. Owing to the nature of this topic, our main story is macroeconomic and macropolitical, taking a bird’s-eye view of aggregate patterns at a country level. But we also attempt to provide some microeconomic and micropolitical foundations for the reduced-form relations that tell the main story. Moreover, the prospective integration of micro and macro offers ample opportunities for future work. The topic requires a dynamic analysis, so that both the capabilities of the state and the presence of violence in our modeling reflect purposeful and forward-looking investments by different groups in society. The book is primarily an exploration of theory, but we always try to stay in close contact with the patterns in the data.

The proximate reason for writing this book was the Yrjö Jahnsson Lectures that we gave together in Helsinki in June 2010. We are immensely grateful to the Yrjö Jahnsson Foundation for the invitation in the first place and to Hannu Vartiainen and Pentti Vartia, the Foundation’s Research Director and Chairman of the Board at the time, for their warm hospitality during our stay in Helsinki. Our preparations for the lectures and the valuable comments that we received when we gave them were very important milestones in our preparation of the

material for this book. As it turned out, the topic grew and the book goes deeper and wider than the four lectures that we gave in Helsinki in several ways.

Naturally, the book would not have come about without our joint research in the last few years. This research has also produced a number of research papers, the first of which appeared in print in the summer of 2008. Our initial ideas were conceived in a brainstorming session about state capacity in Stockholm in the fall of 2006.

However, our interest in these ideas was kindled at meetings of the Canadian Institute for Advanced Research (CIFAR) program on Institutions, Organizations and Growth (IOG), to which we have both been lucky enough to belong. Directed by Elhanan Helpman, this program collects a remarkable group of economists, political scientists, and historians, who have met for three days three times a year since 2003. We have learned an enormous amount from this sustained interaction with the 26 other members of the program and its steering committee. It was a delight to present a crude version of the manuscript in October 2010. Membership of the IOG program is a real privilege and this book is a small token of repayment to CIFAR for the faith that it has shown in this area of research. Without our joint discussions of institutions and development in this setting, the book would simply not have been written. For its research underpinnings, our ongoing dialogues with Daron Acemoglu, Jim Fearon, Jim Robinson, and Guido Tabellini have been particularly important. Their patient and supportive criticism has helped to shape our thinking on almost every aspect of the book. Although they are not members of the CIFAR group, we have also learned a lot from frequent discussions with Paul Collier and from joint research with Ethan Ilzetzki, a coauthor of one of our underlying, as of yet, unpublished research papers.

During the last few years, we have had the opportunity to present our emerging ideas on these issues to a large number of seminar audiences and at several plenary lectures: the Richard T. Ely Lectures (Johns Hopkins, 2008), the Econometric Society Presidential Address (Pittsburgh, Wellington, Singapore, Milan, and Rio, 2008), the Conference on Economics and Democracy (Canberra, 2008), GSE Lecture (Barcelona, 2009), the Central Planning Bureau Lecture (Amsterdam, 2009), the Manchot Lecture (Bonn, 2009), the Agnar Sandmo Lecture (Bergen, 2010), the CEPR-CREI Conference on Political Economy of Economic Development (Barcelona, 2010), the Yan-fu Lecture (Beijing, 2010), the John von Neumann Lecture (Budapest, 2010), the ABCDE Conference (Stockholm, 2010), The Twenty-First School in Economic Theory (Jerusalem,

2010), EEA Presidential Address (Glasgow, 2010), and the First Annual Meeting of Swedish Economists (Lund, 2010). We are grateful to participants in these seminars and attendees at these lectures for many perceptive comments, which made us think even harder about both substance and presentation.

Many people have given us feedback on the papers that jointly form the stepping stone for the book, including Daron Acemoglu, Philippe Aghion, Alberto Alesina, Oriana Bandiera, Bob Bates, Marco Battaglini, Jeremy Bulow, Robin Burgess, Mauricio Cardenas, Anne Case, Paul Collier, Chris Coyne, Steve Coate, Angus Deaton, Avinash Dixit, Jim Fearon, Avner Grief, Elhanan Helpman, Anke Hoeffler, Henrik Kleven, Roger Myerson, Patrick O'Brien, Philippe Martin, Erik Melander, Eric Neumayer, Gerard Padro i Miquel, Rohini Pande, Raghu Rajan, Jim Robinson, Guido Tabellini, Ragnar Torvik, Andrei Shleifer, Jan van Ours, Barry Weingast, Ruixue Xie, and Magnus Öberg.

Jean-Paul Azam, Oriana Bandiera, Pete Boetkcke, Mauricio Cardenas, Chris Coyne, Mark Dinuccio, Joan Esteban, Mark Gradstein, Geoff Hodgson, Arye Hillman, Ethan Ilzetzki, Adnan Khan, Tim Leunig, Elena Paltseva, Louis Putterman, Simon Quinn, Marta Reynal-Querol, Andrei Shleifer, Guido Tabellini, Jon Temple, and John Wallis were kind enough to read and comment on a preliminary version of the manuscript that we circulated, despite an unreasonably tight deadline for responding. We are also very grateful for the detailed and very helpful comments from our Princeton University Press reviewers: Jim Fearon and Daniel Treisman.

The research has benefited a great deal from us being able to use parts of the material in our graduate courses in Development and Political Economics, in London and Stockholm. Some of our students helped us out by reading various chapters carefully in the last month of our work on the book, and we are grateful for the comments by Michael Best, Anne Brockmeyer, Konrad Burchardi, Timothée Demont, Laura Derksen, Erika Deserranno, Anders Jensen, Sam Marden, Prakarsh Singh, and Fredrik Naess Thomassen. Some of our students have also served as industrious research assistants throughout the research program: Anne Brockmeyer, Dario Calda, Jason Garred, Alice Kuegler, David Seim, and Prakarsh Singh.

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The two of us have joint appointments at two institutions (LSE and IIES) with daunting and vibrant traditions in economics. It is striking how frequently in this work we have stood on the shoulders of current and former colleagues whose ideas are, in some cases, neglected in mainstream economics. These include Peter Bauer, Ronald Coase, Friedrich Hayek, Assar Lindbeck, and Gunnar Myrdal, all of whom have written perceptively about the topics in this book.

In the final hectic stages of the work, we were fortunate enough to be able to call on the cheerful and expert editorial assistance of Christina Lönnblad. We are also grateful to our editors Seth Ditchik, Terri O'Prey, and Peter Strupp for their professional handling of the manuscript.

With so much help, we can only blame each other for any remaining errors and infelicities.

Last, but not least, our families have suffered, off and on, from our preoccupation with the manuscript during the time of writing, from the middle of September to the end of December 2010. Without their love, support, and understanding, the project would not have been worthwhile. We dedicate this book to them.

London and Stockholm