

## **Theories & Models of Economic Development**

Course Syllabus - Preliminary Version (November 2017)

***Disclaimer:** This syllabus is preliminary and will be subject to changes before and during the class. Please refer to BCWEB for the most up-to-date version.*

### **Instructor**

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### **Class Time & Office Hours**

TBA

### **Course Description**

This course provides an introduction to development economics. We will explore questions such as: why are some countries richer than others? What policies can be implemented to promote development? Why are these policies often not implemented in the first place? Does international aid work? The course will cover both theoretical models and empirical evidence. We will critically discuss recent findings in the academic literature on these topics and their implications for development policy.

### **Pre-Requisites**

Students should have fulfilled the micro and macro requirements before taking the course. With the permission of the instructor, it might be possible to take macro simultaneously.

### **Readings**

Development Economics is a rapidly evolving field, and there is no single textbook reflecting all recent developments. Most readings for this course will be based on journal articles, some of which will be at the frontier of current research in this area. You are NOT expected to be familiar with the econometric or methodological details of these papers. We will focus on developing an intuitive understanding of each article's research question, approach, findings and relevance for policy. The overall objective is for you to be able to turn to the relevant academic literature when facing a policy question.

Moreover, some of the theoretical models will be based on

Ray, Debraj "Development Economics," Princeton University Press, 1998 (**DE**)

A recommended background reading is

Banerjee, Abhijit and Esther Duflo "Poor Economics: A radical rethinking of the way to fight global poverty," Public Affairs, 2011

### **Exams**

There will be a final exam covering the whole course. The exam will be closed book.

There will be no rescheduling. Absences from the exam will result in a grade of zero for the calculation of the final grade, unless serious medical reasons are properly documented.

### **Problem Sets**

I will occasionally assign problem sets, due the following week in class. The problem sets are meant to guide you through the reading of a journal article. You are encouraged to work in groups, but each student must submit her/his own independent answers.

### **Report and Presentation**

Each student will give prepare a short report and present it to the class, covering the application of some of the concepts studied to a specific country of her/his own choice. This work should include the analysis of secondary data and a critical discussion of a policy issue. I will discuss the details in the first lecture.

### **Grading**

- 40%: Report and Presentation
- 50%: Final
- 10%: Problem Sets and Class Participation

### **SAIS Honor Code**

In all courses and all student activities at SAIS, students are expected to adhere to the rules and spirit of the school's Honor Code, which are detailed in the SAIS Academic Procedures Manual (Redbook) and posted on-line. In this course, although it is certainly acceptable for students to study together, homework assignments should be completed independently unless they are specifically designated as group assignments. Unless otherwise specified, all examinations are "closed book", meaning that no notes may be used during the examination nor may outside sources be consulted during the exam. Violation of the Honor Code in an assignment or activity will almost invariably result in failing that assignment and possibly more severe sanctions, including but not limited to course failure, depending on the specific circumstances.

## Topics

### **Topic 1. Cross-Country Differences in Standards of Living**

Required Readings:

- Henderson, J. Vernon, Adam Storeygard, and David N. Weil, 2012 "Measuring Economic Growth from Outer Space," *American Economic Review*, 102(2), 994-1028.
- Xavier Sala-i-Martin, 2016 "Lights, Camera, ... Income! Illuminating the National Accounts-Household Surveys Debate," *The Quarterly Journal of Economics*, 131 (2): 579-631.
- Chapters 1 and 2 (DE)

### **Topic 2. Neoclassical Growth Theory**

Required Readings:

- Mankiw, N. Gregory, David Romer, and David N. Weil, 1992 "A Contribution to the Empirics of Economic Growth," *The Quarterly Journal of Economics* 107.2: 407-437.
- Pritchett, Lant, 1997 "Divergence, big time" *The Journal of Economic Perspectives*, 3-17.
- Chapter 3 (DE)

### **Topic 3. Development Accounting**

#### Required Readings:

- Caselli, Francesco, 2005 "Accounting for Cross-Country Income Differences," in *Handbook of Economic Growth*, Philippe Aghion and Steven Durlauf, eds. (Amsterdam: North-Holland Press, 2005), 679–741
- Weil, David, 2007 "Accounting for the Effect of Health on Economic Growth," *The Quarterly Journal of Economics*, 122:3
- Schoellman, Todd, 2012 "Education Quality and Development Accounting", *Review of Economic Studies*, 79(1), 388-417.

#### **Topic 4. The New Growth Theories**

##### Required Readings:

- Acemoglu, Daron and Fabrizio Zilibotti, 2001, "Productivity Differences," *Quarterly Journal of Economics* 116 (May): 563-606.
- Kremer, Michael, 1993 "Population Growth and Technological Change: One Million b.c. to 1990," *The Quarterly Journal of Economics* 108: 681–716.
- Chapter 4 (DE)

#### **Topic 5. Poverty Traps**

##### Required Readings:

- Davis, Donald R. and David E. Weinstein, 2002, "Bones, Bombs, and Breakpoints: The Geography of Economic Activity," *American Economic Review*, 92, 1269–1289.
- Bleakley, Hoyt and Jeffrey Lin, 2012 "Portage and Path Dependence," *Quarterly Journal of Economics*, volume 127, pp. 587-644.
- Chapter 5 (DE)

#### **Topic 6. Misallocation**

##### Required Readings:

- Chang-Tai Hsieh & Peter J. Klenow, 2009. "Misallocation and Manufacturing TFP in China and India," *The Quarterly Journal of Economics*, Oxford University Press, vol. 124(4), pages 1403-1448.
- Hsieh, C. T. and Klenow, P. J., 2014, "The life cycle of plants in India and Mexico," *Quarterly Journal of Economics*, 129(3):1035–1084.
- Khwaja, A. and Mian, A., 2005 "Do Lenders Favor Politically Connected Firms?" *Quarterly Journal of Economics*, 120 (4): 1371-1411.

#### **Topic 7. Structural Transformation, Urbanization and Rural-Urban Migration**

##### Required Readings:

- Lagakos, D. and Waugh, M., 2013 "Selection, Agriculture, and Cross-Country Productivity Differences," *American Economic Review*, 103(2), pp. 948–80.
- Bryan, G., Chowdhury, S., and Mobarak, A. M., 2014 "Under- investment in a profitable technology: The case of seasonal migration in Bangladesh", *Econometrica*, 82(5): 1671 – 1748.
- Chapter 10 (DE)

#### **Topic 8. Human Capital and Education**

##### Required Readings:

- Lagakos, D., Moll, B., Porzio, T., Qian, N. and Todd Schoellman, 2016, "Life-Cycle Wage Growth Across Countries," *Journal of Political Economy*, Forthcoming.

- Duflo, E., 2001, "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review*, Vol. 91 (4), pp 795-813.
- Jensen, R., 2012, "The (Perceived) Returns to Education and the Demand for Schooling", *The Quarterly Journal of Economics*, Volume 125, Issue 2, 1 May 2010, Pages 515–548.

### **Topic 9. Institutions**

Required Readings:

- Acemoglu, Daron, Simon Johnson, and James A. Robinson, 2001, "The Colonial Origins of Comparative Development: An Empirical Investigation," *The American Economic Review* 91.5: 1369-1401.
- Glaeser, Edward, Rafael La Porta, and Florencio Lopez-de-Silanes and Andrei Shleifer, 2004, "Do Institutions Cause Growth?," *Journal of Economic Growth* 9: 271- 303.
- Dell, Melissa, 2010, "The persistent effects of Peru's mining mita," *Econometrica* 78.6: 1863-1903.

### **Topic 10. Culture**

Required Readings:

- Guiso, L. and P. Sapienza and L. Zingales, 2006, "Does Culture Affect Economic Outcomes?," *Journal of Economic Perspectives*, American Economic Association, vol. 20(2), pages 23-48, Spring.
- Nunn, Nathan and Leonard Wantchekon, 2011, "The Slave Trade and the Origins of Mistrust in Africa," *American Economic Review*, 101(7): 3221-3252
- La Ferrara, E. and A. Chong and S. Duryea, 2012, "Soap Operas and Fertility: Evidence from Brazil," *American Economic Journal: Applied Economics*, American Economic Association, vol. 4(4), pages 1-31, October.

### **Topic 11. Finance**

Required Readings:

- Burgess, Robin, and Rohini Pande, 2005, "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment," *American Economic Review* 95, no. 3: 780-795.
- Banerjee, A. & Duflo, E. & Glennerster, R. & Kinnan, C., 2015, "The Miracle of Microfinance? Evidence from a Randomized Evaluation," *American Economic Journal: Applied Economics*, American Economic Association, vol. 7(1), pages 22-53, January.
- Chapter 14 (DE)

### **Topic 12. International Aid**

Required Readings:

- Burnside, Craig and Dollar, David, 2000, "Aid, Policies, and Growth," *American Economic Review*, September 90(4), pp. 847–68.
- Easterly, W., 2003, "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives*, 17(3).
- Nunn, N. and N. Qian, 2014, "US Food Aid and Civil Conflict," *American Economic Review*, American Economic Association, vol. 104(6), pages 1630-1666, June.

### **Extra Topics**

Depending on time and students' interests, some of these topics will be covered in lectures or in students' presentations.

### **Extra Topic 1. Trade and Development**

Sample Reading:

- Galor, O. and A. Mountford, 2006, "Trade and the Great Divergence: The Family Connection," *American Economic Review*, American Economic Association, vol. 96(2), pages 299-303, May.

### **Extra Topic 2. Fertility and the Demographic Transition**

Sample Reading:

- Guinnane, Timothy W, 2011. "The Historical Fertility Transition: A Guide for Economists." *Journal of Economic Literature*, 49(3): 589-614.

### **Extra Topic 3. Behavioral Economics and Development**

Sample Reading:

- Ashraf, Nava, Dean Karlan, and Wesley Yin, 2006, "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines," *Quarterly Journal of Economics* 121, no. 2: 635–672.

### **Extra Topic 4. Natural Resources**

Sample Reading:

- Venables, Anthony J. 2016. "Using Natural Resources for Development: Why Has It Proven So Difficult?," *Journal of Economic Perspectives*, 30(1): 161-84.

### **Extra Topic 5. Agriculture and Land**

Sample Reading:

- Banerjee, Abhijit, Paul Gertler and Maitreesh Ghatak, 2002, "Empowerment and Efficiency: Tenancy Reform in West Bengal," *Journal of Political Economy*, 110(2), 239-280.

### **Extra Topic 6. Fiscal Policy in Developing Countries**

Sample Reading:

- Talvi, Ernesto, and Carlos A. Vegh, 2005, "Tax Base Variability and Procyclical Fiscal Policy in Developing Countries," *Journal of Development Economics* 78: 156-190.

### **Extra Topic 7. Health and Nutrition**

Sample Reading:

- Miguel, Edward and Michael Kremer, 2004, "Worms: identifying impacts on education and health in the presence of treatment externalities," *Econometrica*, 72(1), 159-217.

### **Extra Topic 8. Geography and Climate Change**

Sample Reading:

- Burgess, R. and D. Donaldson, 2010, "Can Openness Mitigate the Effects of Weather Shocks? Evidence from India's Famine Era," *American Economic Review: Papers and Proceedings*, 100(2): 449-453.