

## Development Economics for Bachelor Students

The course presents current theories of poverty and underdevelopment, for instance those emphasizing links to financial market frictions, inequality, health, political economy, and institutions, as well as their empirical support. Policies that seek to address these issues will be considered, with a special emphasis on empirical evaluation of their efficacy.

The course will follow a problem based approach, presenting methodological background (growth theory, some contract theory, instrumental variables estimation and randomized controlled trials) as it is needed. Classes will be taught in English. Presentation slides will be made available on the internet after class and most of the lectures are covered in one of the textbooks.

### Textbooks:

(\*) Ray, Debraj: 1998, *Development Economics*. Princeton University Press.

Todaro, Michael P., and Stephen C. Smith: 2011, *Economic Development* (11th ed.). Pearson Education.

## Plan of the Term and Syllabus

A list of articles follows that will be covered (or touched on) in the lecture. Note that these articles are *not* required reading but rather additional background material. Material that is substantially used in the lecture and might therefore be considered particularly useful for studying is indicated by a star (\*).

### 10.10.: Introduction

(\*) Banerjee, A. V. and E. Duflo: 2007, ‘Economic Lives of the Poor’. *Journal of Economic Perspectives* **21**(1), 141–167.

(\*) Banerjee, A. V. and E. Duflo: 2008, ‘What is Middle Class About the Middle Classes Around the World?’. *Journal of Economic Perspectives* **22**(4), 3–28.

Besley, T. and R. Burgess: 2003, ‘Halving Global Poverty’. *Journal of Economic Perspectives* **17**(3), 3–22.

Chen, S. and M. Ravallion: 2004, 'How Have the World's Poorest Fared Since the Early 1980s?'. Policy Research Working Paper Series 3341, The World Bank.

(\*) Deaton, A.: 2006, 'Global Patterns of Income and Health: Facts, Interpretations and Policies'. *WIDER Lecture*.

## **12.10. to 19.10.: Economic Growth and Convergence**

(\*) Chapters 3-5 in Ray (1998), D.: 1998, *Development Economics*. Princeton University Press.

Chapters 1, 4 and 5 in Barro, R. J. and X. Sala-i-Martin: 1999, *Economic Growth*. MIT Press.

(\*) Banerjee, A. V. and E. Duflo: 2005, 'Growth Theory Through the Lens of Development Economics'. In: P. Aghion and S. N. Durlauf (eds.): *Handbook of Economic Growth Vol. 1A*. Amsterdam: Elsevier, pp. 473–552.

(\*) Banerjee, A. V. and K. Munshi: 2004, 'How Efficiently is Capital Allocated? Evidence from the Knitted Garment Industry in Tirupur'. *Review of Economic Studies* **71**(1), 19–42.

Caselli, F.: 2005, 'Accounting for Cross-Country Income Differences'. In: P. Aghion and S. Durlauf (eds.): *Handbook of Economic Growth*, Vol. 1. North-Holland, pp. 385–472.

Hsieh, C.-T. and P. Klenow: 2009, 'Misallocation and Manufacturing TFP in China and India'. *Quarterly Journal of Economics* **124**(4), 1403–1448.

(\*) Mankiw, N. G., D. Romer, and D. N. Weil: 1992, 'A Contribution to the Empirics of Economic Growth'. *Quarterly Journal of Economics* **107**(2), 407–437.

de Fontenay, C. C.: 2004, 'The Dual role of Market Power in the Big Push: From Evidence to Theory'. *Journal of Development Economics* **75**(1), 221–238.

(\*) Murphy, K. M., A. Shleifer, and R. W. Vishny: 1989, 'Industrialization and the Big Push'. *Journal of Political Economy* **97**(5), 1003–1026.

Rosenstein-Rodan, P.N: 1943, 'Problems of Industrialisation of Eastern and South-eastern Europe'. *Economic Journal* **53**(210), 202-211.

## **24.10.: Tutorial Class**

## **26.10. to 2.11.: Imperfect Capital Markets and Micro Finance**

(\*) Chapter 7.2.8-9, 14.1-14.3, 14.5 in Ray (1998)

Aleem, I.: 1990, 'Imperfect Information, Screening and the Cost of Informal Lending: A Study of a Rural Credit Market in Pakistan'. *World Bank Economic Review* **4**(3), 329–349.

(\*) Banerjee, A. V.: 2003, 'Contracting Constraints, Credit Markets and Economic Development'. In: M. Dewatripont, L. P. Hansen, and S. J. Turnovsky (eds.): *Advances in Economics and Econometrics, Eighth World Congress, Volume III*. Cambridge: Cambridge University Press, pp. 1–46.

Banerjee, A. V. and E. Duflo: 2008, 'Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program'. *MIT Working Paper*.

Banerjee, A. V. and A. F. Newman: 1993, 'Occupational Choice and the Process of Development'. *Journal of Political Economy* **101**(2), 274–298.

(\*) Galor, O. and J. Zeira: 1993, 'Income Distribution and Macroeconomics'. *Review of Economic Studies* **60**, 35–52.

Besley, T., S. Coate, and G. C. Loury: 1993, 'The Economics of Rotating Savings and Credit Associations'. *American Economic Review* **83**(4), 792–810.

(\*) Ghatak, M. and T. W. Guinnane: 1999, 'The Economics of Lending with Joint Liability: Theory and Practice'. *Journal of Development Economics* **60**(1), 195–228.

Murdoch, J.: 1999, 'The Microfinance Promise'. *Journal of Economic Literature* **37**(4), 1569–1614.

Morduch, J., R. Cull, and A. Demirguc-Kunt: 2009, 'Microfinance Meets the Market'. *Journal of Economic Perspectives* **23**(1), 167–192.

## **7.11.: Tutorial Class**

## **9.11. to 16.11.: Health and Education**

(\*) Chapter 8.3.-8.4 and 13.4 in Ray (1998).

Chapter 8 in Todaro and Smith (2011).

- Banerjee, A., A. Deaton, and E. Duflo: 2004. 'Wealth, Health, and Health Services in Rural Rajasthan'. *American Economic Review* **94**(2), 326–330.
- Deaton, A.: 2003. 'Health, Inequality and Economic Development'. *Journal of Economic Literature* **41**(1), 113–158.
- Duflo, E.: 2001. 'Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment'. *American Economic Review* **91**(4), 795–813.
- (\*) Kremer, M. and E. Miguel: 2004. 'Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities'. *Econometrica* **72**(1), 159–217.
- Hanushek, E. and L. Woessmann: 2007. 'The Role of Cognitive Skills in Economic Development'. *Journal of Economic Literature* **46**(3), 607–668
- (\*) Schultz, T.P.: 2004. 'School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program'. *Journal of Development Economics* **74**, 199–250.
- Subramanian, S. and A. Deaton: 1996. 'The Demand for Food and Calories'. *Journal of Political Economy* **104**(1), 133–162.

#### **21.11.: Tutorial Class**

#### **23.11. to 5.12.: Gender, Ethnicity, Discrimination**

- (\*) Anderson, S. and D. Ray: 2010. 'Missing Women: Age and Disease'. *Review of Economic Studies* **77**(4), 1262–1300.
- Chattopadhyay, R. and E. Duflo: 2004. 'Women as Policy Makers: Evidence from a Randomized Policy Experiment in India'. *Econometrica* **72**(5), 1409–1443.
- Hanna, R. and L. Linden: 2009. 'Measuring Discrimination in Education'. NBER Working Paper 15057.
- Hoff, K. and P. Pandey: 2006. 'Discrimination, Social Identity, and Durable Inequalities'. *American Economic Review* **96**(2), 206–211.
- Munshi, K. and M. Rosenzweig: 2006. 'Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy'. *American Economic Review* **96**(4), 1225–1252.
- (\*) Pande, R.: 2003. 'Can Mandated Political Representation Provide Disadvantaged Minorities Policy Influence? Theory and Evidence from India'. *American Economic Review* **93**(4), 1132–1151.

(\*) Qian, N.: 2008. ‘Missing Women and the Price of Tea in China: The Effect of Sex Specific Earnings on Sex Imbalance’. *Quarterly Journal of Economics* **123**(3), 1251–1285.

Sen, A.:1992. ‘Missing Women’. *British Medical Journal* **304**, 587–588

## 7.12.: Tutorial Class

### 12.12. to 19.12.: Institutions

(\*) Acemoglu, D., S. Johnson, and J. A. Robinson: 2001, ‘The Colonial Origins of Comparative Development: An Empirical Investigation’. *American Economic Review* **91**(5), 1369–1401.

Acemoglu, D., S. Johnson, and J. A. Robinson: 2002, ‘Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution’. *Quarterly Journal of Economics* **118**(5), 1231–1294.

Banerjee, A. V. and L. Iyer: 2005, ‘History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India’. *American Economic Review* **95**(4), 1190–1213.

(\*) Engerman, S. L. and K. L. Sokoloff: 2002, ‘Factor Endowments, Inequality, and Paths of Institutional and Economic Development among New World Economies’. *Economia* **3**, 41–109.

Engerman, S. L. and K. L. Sokoloff: 2006, ‘Colonialism, Inequality, and Long-run Paths of Development’. In: A. V. Banerjee, D. Mookherjee, and R. Bénabou (eds.): *Understanding Poverty*. Oxford University Press, Chapt. 3.

Glaeser, E. L., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer: 2004, ‘Do Institutions Cause Growth?’. *Journal of Economic Growth* **9**(3), 271–303.

North, D. C.: 1990, *Institutions: Institutional Change and Economic Performance*. Cambridge University Press.

(\*) Nunn, N.: 2008, ‘The Long Term Effects of Africa’s Slave Trades’. *Quarterly Journal of Economics* **123**(1), 139–176.

Rodrik, D., A. Subramanian and F. Trebbi: 2004, ‘Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development’. *Journal of Economic Growth* **9**(2), 131–165.

## **21.12.: Tutorial Class**

### **9.1. to 16.1.: Political Economy and Corruption**

Chapter 7.2.5-6 in Ray (1998)

(\*) Alesina, A. and D. Rodrik: 1994, 'Distributive Politics and Economic Growth'. *Quarterly Journal of Economics* **109**(2), 465–490.

Barro, R. J.: 1996, 'Democracy and Economic Growth'. *Journal of Economic Growth* **1**(1), 1–27.

Bertrand, M., S. Djankov, R. Hanna and S. Mullainathan. 'Obtaining a Driving License in India: An Experimental Approach to Studying Corruption'. *Quarterly Journal of Economics* **122**(4), 1639–1676.

Besley, T. and R. Bugess: 2004, 'Can Labor Regulation Hinder Economic Performance? Evidence from India'. *Quarterly Journal of Economics* **119**(1), 91-134.

Mauro, P.: 1995, 'Corruption and Growth'. *Quarterly Journal of Economics* **110** (3), 681–712.

Mulligan, C. B., X. Sala-i-Martin, and R. Gil: 2004, 'Do Democracies Have Different Public Policies than Nondemocracies?'. *Journal of Economic Perspectives* **18**(1), 51–74.

(\*) Olken, B.: 2007. 'Monitoring Corruption: Evidence from a Field Experiment in Indonesia'. *Journal of Political Economy* **115** (2), 200-249.

Persson, T. and G. Tabellini: 1994, 'Is Inequality Harmful for Growth?'. *American Economic Review* **84**(3), 600–621.

Persson, T. and G. Tabellini: 2008, 'The growth effects of democracy: Is it heterogeneous and how can it be estimated?'. In: E. Helpman (ed.): *Institutions and Economic Performance*. Harvard University Press.

(\*) Shleifer, A. and R.W. Vishny: 1993. 'Corruption'. *Quarterly Journal of Economics* **108**(3), 599–617.

## **18.1.: Tutorial Class**

### **23.1. to 30.1.: Optional Topic**

#### **1.2.: Tutorial Class**