

# Econ 242: Economic Development

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### Objectives

This course has two standard objectives: (1) to get you familiar with topics and questions at the cutting edge of research in economic development, and (2) to train you through repeated practice to evaluate the quality and significance of research – both others’ and your own!

We will cover a series of topics in economic development but conceptualize them all in relation to one core question: how are poor countries affected by having rich countries in the world? Do they suffer or benefit, and if they benefit, why not more? To build insight on these issues we will look at constraints that limit the flow of key factors from rich to poor countries. The first section sets up this question and explores frictions specific to those factors. The remaining sections explore generic impediments that could apply to any kind of factor flow. The course is thus “macroeconomic” in motivation, although the bulk of the papers we study will use “microeconomic” methods.

### Methods

Class time will be divided between lectures and discussions; the syllabus indicates the planned use of each class meeting. Lectures will generally cover theoretical tools and discussions will generally cover related empirical work, but there will be some variation. An integral part of our discussions will be your own short presentations on some of these papers – see below. The syllabus lists required papers for each course meeting, which you should read carefully whether the meeting is a lecture or discussion. Recommended papers will not be discussed in any depth but you should be familiar with these if you plan on doing research in development. In addition I have listed “classic” papers for some topics. These are neither required for the course nor necessary for you to produce cutting-edge research, but they do provide a fascinating glimpse into the broader history of thought on development. Much has changed since the 1950s, but at the same time much has stayed the same.

### Grading

Grades will be determined by performance on the following assignments (weight in grade in parentheses):

1. A 2-3 page referee report on one of the papers listed on the syllabus (not a “classic”). Please get my approval for the paper you select. (10%, due in class 4/29)
2. Two in-class presentation of papers covered in discussion meetings from Meeting 4 onwards. We will begin scheduling these after Meeting 2. (10% each)
3. A 6-8 page research prospectus. One of your goals for the course should be to identify questions worthy of further examination. For this assignment you will define a specific research question, describe the literature(s) to which it connects, and propose a method for answering the question. The proposal may be for either theoretical or empirical work (or both). (40%, due in class 5/27)
4. Take-home final exam. (30%, handed out after class on 6/3, due back 24 hours later.)

## Readings

### Part I: Factor Flows

#### 1. Background; Per Capita Income (lecture)

- Classic: Lewis (1954), Schultz (1964)

#### 2. Understanding PCI Levels and Growth (lecture)

- Required: Mankiw et al. (1992), Klenow and Rodriguez-Clare (1997)
- Recommended: Solow (1956), Romer (1986), Baumol (1986), Lucas (1988), Romer (1990), Barro and Sala-i Martin (1992), Islam (1995), Pritchett (1997), Hall and Jones (1999), Frankel and Romer (1999), Acemoglu et al. (2002), Caselli (2005)

#### 3. Capital Flows I: Private Sector – Theory (lecture)

- Required: Stiglitz and Weiss (1981), Lucas (1990), Hsieh and Klenow (2009)

#### 4. Capital Flows II: Private Sector – Returns to Capital (discussion)

- Required: Burgess and Pande (2005), de Mel et al. (2008)
- Recommended: Rajan and Zingales (1998), Banerjee and Duflo (2004), Banerjee and Munshi (2004), Udry and Anagol (2006)

#### 5. Capital Flows III: Public Sector (discussion)

- Required: Burnside and Dollar (2000), Easterly et al. (2004), Werker et al. (2009)
- Recommended: Rajan and Subramanian (2005), Jayachandran and Kremer (2006), Kuziemko and Werker (2006), Rajan and Subramanian (2007), Faye and Niehaus (2009)
- Classic: Domar (1946), Harrod (1948)

#### 6. Knowledge Flows I: Technology Adoption – Theory (lecture)

- Required: Banerjee (1992), Besley and Case (1993), model in Foster and Rosenzweig (1995)
- Recommended: Bala and Goyal (1998), Bramoulle and Kranton (2007)

**7. Knowledge Flows II: Technology Adoption – Evidence (discussion)**

- Required: Conley and Udry (forthcoming), Comin and Hobijn (n.d.)
- Recommended: Foster and Rosenzweig (1995), Munshi (2004), Suri (2009)
- Classic: Griliches (1957)

**8. Knowledge Flows III: Factor-Specificity (lecture, discussion)**

- Required: Basu and Weil (1998), Kremer (2002)
- Recommended: Zeira (1998), Acemoglu and Zilibotti (2001)
- Classic: Sen (1959), Hayami and Ruttan (1970)

**9. Knowledge Flows IV: Human Capital (lecture, discussion)**

- Required: Rosenzweig (1995), Duflo (2001)
- Recommended: Banerjee et al. (2007), Muralidharan and Sundararaman (2009)
- Classic: Schultz (1975)

**Part II: Generic Impediments**

**10. Poverty Traps I: Individual-level (lecture)**

- Required: Dasgupta and Ray (1986), Banerjee and Mullainathan (2008)

**11. Poverty Traps II: Aggregate-level (lecture)**

- Required: Murphy et al. (1989), Kremer (1993)
- Recommended: Banerjee and Newman (1993), Azariadis and Stachurski (2005)
- Classic: Rosenstein-Rodan (1943)

**12. Institutions I: Overview & Property Rights – Theory (lecture)**

- Required: Models in Banerjee et al. (2002) and Field (2007)
- Recommended: North (1989), Coate and Morris (1995), North (1999), de Soto (2000), Acemoglu (2003)

**13. Institutions II: Property Rights – Evidence (discussion)**

- Required: Field (2007), Goldstein and Udry (2008)
- Recommended: Besley (1995), Acemoglu et al. (2001), Glaeser et al. (2004)

**14. Institutions III: Contract Enforcement (lecture, discussion)**

- Required: Djankov et al. (2003), Kranton and Swamy (2008)
- Recommended: Grossman and Hart (1986), McMillan and Woodruff (1999), Banerjee and Duflo (2000)

**15. Institutions IV: Informal Institutions (guest lecture, discussion)**

- Required: Kandori (1992), Greif (1993)

- Recommended: Greif et al. (1994), Kranton (1996)
16. **Institutions V: Regulation (discussion)**
- Required: Besley and Burgess (2004), Djankov et al. (2002)
  - Recommended: Rauch (1991), Bertrand and Kramarz (2002)
17. **Corruption I: Overview & Regulation – Theory (lecture)**
- Required: Shleifer and Vishny (1993), Acemoglu and Verdier (2000)
  - Recommended: Svensson (2003)
18. **Corruption II: Regulation – Evidence (discussion)**
- Required: Bertrand et al. (2007), Olken and Barron (2009), Sequeira and Djankov (2010)
  - Recommended: Mauro (1995), Svensson (2003)
19. **Corruption III: Redistribution (lecture)**
- Required: Banerjee (1997), Atanassova et al. (2009)
  - Recommended: Reinikka and Svensson (2004), Khwaja and Mian (2005)
20. **Corruption IV: Incentives (lecture, discussion)**
- Required: Di Tella and Schargrotsky (2003), Olken (2007), Niehaus and Sukhtankar (2009)
  - Classic: Becker and Stigler (1974)

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