

# Advanced Development Economics

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## COURSE INFORMATION

This course provides a graduate-level overview of the theory of, and evidence on, economic development from a policy-oriented perspective. The main aim is to analyze policy issues pertaining to economic development from a rigorous analytical base. Topics covered include: contemporary and historic features of development; long-run differences in growth; investments in human capital; and institutional determinants of development.

### Course Structure

Session	Day	Date	Topic
1	1		The meaning & content of development: How are the poor different?
2	1		The meaning & content of development: Poverty, growth, social indicators & distribution
3	1		Accounting for long-run income differentials
4	1		Growth miracles and Growth accelerations and collapses
5	2		Human capital: Health
6	2		Human capital: Education
7	2		The institutional context: Families to institutions
8	2		Political Economy and Misgovernance

## **COURSE OUTLINE AND READINGS**

### **A. The Meaning and Content of Development**

#### **A1. How Are The Poor Different?**

\* Banerjee, Abhijit and Esther Duflo, "The Economic Lives of the Poor," Journal of Economic Perspectives, 2007, 21(1), 141-167.

<http://www.anderson.ucla.edu/faculty/bhagwan.chowdhry/Banerjee-Duflo.pdf>

\* Chaudhury, Nazmul, Jeffrey Hammer, Michael Kremer, Karthik Muralidharan, and F. Halsey Rogers, "Missing in Action: Teacher and Health Worker Absence in Developing Countries," Journal of Economic Perspectives, Winter 2006, 20(1), 91-116.

[http://www.dfid.gov.uk/r4d/PDF/Outputs/PolicyStrategy/Chaudhury\\_etal\\_Missinginaction%5B1%5D.pdf](http://www.dfid.gov.uk/r4d/PDF/Outputs/PolicyStrategy/Chaudhury_etal_Missinginaction%5B1%5D.pdf)

Svensson, Jakob, "Eight Questions about Corruption," Journal of Economic Perspectives, 2005, 19:3, 19-42.

[http://www1.worldbank.org/publicsector/anticorrupt/Svensson%20Eight%20Questions%20About%20Corruption%20\(JEP%20Vol%2019,%20No%2003%202005\).pdf](http://www1.worldbank.org/publicsector/anticorrupt/Svensson%20Eight%20Questions%20About%20Corruption%20(JEP%20Vol%2019,%20No%2003%202005).pdf)

#### **A2. Poverty, Growth, Social Indicators and Distribution**

\* Pritchett, Lant, "Divergence, Big Time," Journal of Economic Perspectives, Summer 1997. p. 3-17.

<http://www.econ.psu.edu/~aur10/Econ%20570%20Fall%202009/Pritchett%20JEP%201997.pdf>

\* Ferreira, Francisco H.G. and Martin Ravallion, "Global poverty and inequality: a review of the evidence," Policy Research Working Paper Series 4623, The World Bank, 2008.

[http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2008/05/19/000158349\\_20080519142850/Rendered/PDF/wps4623.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2008/05/19/000158349_20080519142850/Rendered/PDF/wps4623.pdf)

\* Deaton, Angus, "Global patterns of income and health: facts, interpretations, and policies," WIDER Annual Lecture, September 2006.

[http://www.wider.unu.edu/publications/annual-lectures/en\\_GB/AL10/](http://www.wider.unu.edu/publications/annual-lectures/en_GB/AL10/)

Bourguignon, F. and C. Morrison, "Inequality Among World Citizens," American Economic Review, 92 (4), 2002, pp.727-744.

Basu, Kaushik, "On the Goals of Development," in G.M. Meier and J.E. Stiglitz, eds., Frontiers of Development Economics, New York, Oxford University Press, 2001, 61-86.

### **B. An Overview of The Growth Record**

## **B1. Accounting for Long-run Income Level Differences Across Countries**

\* Weil, David, "Accounting for the Effect of Health on Economic Growth," Quarterly Journal of Economics, 2007.

[http://www.brown.edu/Departments/Economics/Papers/2005/2005-07\\_paper.pdf](http://www.brown.edu/Departments/Economics/Papers/2005/2005-07_paper.pdf)

\* Bosworth, Barry and Susan M. Collins, "The Empirics of Growth: An Update," Brookings Papers on Economic Activity, 2003: 2.

<http://www.heart-intl.net/HEART/Financial/comp/EmpiricsofGrowth.pdf>

Caselli, Francesco, "Accounting for Income Differences Across Countries," chapter 9 in the Handbook of Economic Growth Vol. 1A, P. Aghion and S. Durlauf, eds., North Holland, 2005.

Hall, Robert E. and Charles I. Jones (1999), "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" The Quarterly Journal of Economics 114: 83-116.

## **B2. Growth miracles and Growth accelerations and collapses**

\* Rodrik, Dani, "Getting interventions right: how South Korea and Taiwan grew rich," Economic Policy, April 1995, Vol. 10 Issue 1, pp. 55-107. <http://isites.harvard.edu/fs/docs/icb.topic442978.files/Rodrik%20--%20How%20Korea%20and%20Taiwan%20grew%20rich.pdf>

\* Qian, Yingyi, "How Reform Worked in China," in D. Rodrik, ed., In Search of Prosperity: Analytic Narratives of Economic Growth, Princeton, NJ, Princeton University Press, 2003.

<http://wdi.umich.edu/files/publications/workingpapers/wp473.pdf>

\* Lau, Lawrence J., Yingyi Qian, and Gerard Roland, "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Transition," The Journal of Political Economy, Vol. 109, No. 1, Feb. 2000, pp. 120-143.

<http://www-siepr.stanford.edu/workp/swp99010.pdf>

\* Kochhar, Kalpana, Utsav Kumar, Raghuram Rajan, Arvind Subramanian, and Ioannis Tokatlidis, "India's Pattern of Development: What Happened, What Follows," NBER Working Paper 12023, February 2006. <http://www.imf.org/external/pubs/ft/wp/2006/wp0622.pdf>

Young, Alwyn, "A Tale of Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore," NBER Macroeconomics Annual, Cambridge, MA, MIT Press for NBER, 1992.

<http://www.jstor.org.ezp-prod1.hul.harvard.edu/stable/3584993>

Qian, Yingyi, "The Process of China's Market Transition (1978-1998): The Evolutionary, Historical, and Comparative Perspectives." Journal of Institutional and Theoretical Economics, March 2000, 156(1), pp. 151-171.

\* Hausmann, Ricardo, Lant Pritchett, and Dani Rodrik, "Growth Accelerations," Journal of Economic Growth, 10(4), December 2005, 303 – 329.

<http://www.hks.harvard.edu/fs/rhausma/new/w10566.pdf>

\* Jones, B. and Olken, B., "The Anatomy of Start-Stop Growth," The Review of Economics and Statistics, 2007.

<http://www.kellogg.northwestern.edu/faculty/jones-ben/htm/StartStop.REStat.pdf>

Easterly, William, Michael Kremer, Lant Pritchett and Lawrence H. Summers, "Good Policy or Good Luck? Country Growth Performance and Temporary Shocks," Journal of Monetary Economics 32(3), 1993, 459-483.

## **From Growth Theory to Development Theory: Human and Financial Capital**

### **C. Human Capital**

#### **C1. Health: Returns to Health and Health Investments**

\* Subramanian, Shankar and Angus Deaton, "The Demand for Food and Calories," Journal of Political Economy, 1996, Vol. 104 (1), pp 133-62. [http://www.princeton.edu/~deaton/downloads/The\\_Demand\\_for\\_Food\\_and\\_Calories.pdf](http://www.princeton.edu/~deaton/downloads/The_Demand_for_Food_and_Calories.pdf)

\* Dasgupta, Partha and Debraj Ray, "Inequality as a Determinant of Malnutrition and Unemployment: Theory," The Economic Journal, 1986, Vol. 97 (385), pp. 1011-1034. [\(on the course webpage\)](#)

\* Ray, Debraj, "Development Economics" Princeton, NJ: Princeton University Press, 1998, pp 272- 279, 489-504.

Thomas et al (2004) Causal Effect of Health on Labor Market Outcomes. <http://www.escholarship.org/uc/item/1h66k92r>

Jensen, Robert T. and Nolan Miller, Do Consumer Price Subsidies Really Improve Nutrition? The Review of Economics and Statistics, November 2011, Vol. 93, No. 4, Pages 1205-1223

\* Kremer, Michael and Edward Miguel , "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," Econometrica 72(1), January 2004, pp. 159-217. <http://www.givewell.org/files/DWDA%202009/Interventions/Miguel%20and%20Kremer.pdf>

\* Kremer, Michael and Alaka HOLA, "Pricing and Access: Lessons from Randomized Evaluations in Education and Health". Brookings Global Economy and Development Conference, 2008. [http://www.cgdev.org/files/1420826\\_file\\_Holla\\_Kremer\\_Health\\_Pricing\\_Access.pdf](http://www.cgdev.org/files/1420826_file_Holla_Kremer_Health_Pricing_Access.pdf)

Banerjee, Abhijit, Angus Deaton, and Esther Duflo "Wealth, Health, and Health Services in Rural Rajasthan" *American Economic Review*, Vol. 94, No. 2, May 2004, pp. 326-330.  
<http://pubs.aeaweb.org.ezp-prod1.hul.harvard.edu/doi/pdfplus/10.1257/0002828041301902>

Galiani, S., P. Gertler and E. Schargrotsky, "Water for Life: The Impact of the Privatization of Water Services on Child Mortality," *Journal of Political Economy*, 2005, Vol. 113(1), 83-120.  
<http://www.journals.uchicago.edu.ezp-prod1.hul.harvard.edu/doi/pdf/10.1086/426041>

## **C2. Education: Returns to Education and Investing in Education**

\* Duflo, Esther, "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review*, Vol. 91, No. 4, September 2001, pp. 795-813.  
<http://economics.mit.edu/files/726>

\* Duflo, Esther, Rema Hanna, and Stephen Ryan, "Monitoring Works: Getting Teachers to Come to School," Working Paper, 2007.  
<http://economics.mit.edu/files/2066>

\* Schultz, T. Paul, "School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program," *Journal of Development Economics* 74(1), 2004, 199-250.  
[http://www.econ.yale.edu/growth\\_pdf/cdp834.pdf](http://www.econ.yale.edu/growth_pdf/cdp834.pdf)

Duflo, Esther and Michael Kremer, "Use of Randomization in the Evaluation of Development Effectiveness," Proceedings of the Conference on Evaluating Development Effectiveness, July 15-16, 2003, World Bank Operations Evaluation Department (OED) Washington, D.C. <http://econ-www.mit.edu/files/765>

Glewwe and Kremer, "Schools, Teachers, and Education Outcomes in Developing Countries," in *Handbook on the Economics of Education 2*, Elsevier, 2005.  
<http://www.economics.harvard.edu/faculty/kremer/files/EconEducationHandbook.pdf>

Kremer, Michael, Edward Miguel, and Rebecca Thornton, January (2009) "Incentives to Learn," mimeo  
<http://www.mitpressjournals.org.ezp-prod1.hul.harvard.edu/doi/pdf/10.1162/rest.91.3.437>

Jensen, Robert, "The (Perceived) Returns to Education and the Demand for Schooling", *Quarterly Journal of Economics*, 25(2), p. 515-548.

## **D. The institutional context**

### **D1. Families to institutions**

\* Qian, Nancy, "Missing Women and the Price of Tea in China: The Effect of Sex-specific Earnings on Sex Imbalance," Quarterly Journal of Economics, 2008, Vol. 123 (3), pp. 1251-1285.

<http://home.wlu.edu/~smitkam/274/pdfs/Qian%20gender%20birth%20imbalance.pdf>

\* Udry, Christopher, "Gender, Agricultural Production, and the Theory of the Household," Journal of Political Economy, 1996, Vol. 104 (5), pp. 1010-1045.

[http://www.columbia.edu/~jfs2106/teaching/causality/readings/JPE1996\\_Udry\\_GenderAgricultureHousehold.pdf](http://www.columbia.edu/~jfs2106/teaching/causality/readings/JPE1996_Udry_GenderAgricultureHousehold.pdf)

\* Lundberg, Shelly J., Robert A. Pollak, and Terence J. Wales, "Do Husbands and Wives Pool their Resources? Evidence from the United Kingdom Child Benefit." Journal of Human Resources, 1996, Vol. 32, No. 4: 463-480.

<http://homes.chass.utoronto.ca/~siow/332/lundberg-pollak-wales.pdf>

Beaman, Lori, Raghavendra Chattopadhyay, and Esther Duflo, "Powerful Women: Does Exposure Reduce Bias?" 2008.

<http://cpe.ucsd.edu/assets/002/6984.pdf>

Rose, Elaina, "Gender Bias, Credit Constraints and Time Allocation in Rural India," Economic Journal, 2000, 110:465, p. 738-58.

Mammen, Kristin and Christina Paxson. "Women's Work and Economic Development." The Journal of Economic Perspectives, Vol. 14, No. 4, Autumn, 2000, pp. 141-164.

## **D2. Political Economy and Misgovernance**

\* Pande, Rohini, "Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities? Theory and Evidence from India," American Economic Review, 2003, 93(4), 1132-1151

<http://www.econ.yale.edu/seminars/develop/tdw01/pande-010507.pdf>

\*Goldstein, Markus and Chris Udry, "The Profits of Power: Land Rights and Agricultural Investment in Ghana," 2008. <http://www.econ.yale.edu/~cru2/pdf/goldsteinudry2008.pdf>

\* Shleifer, Andrei and Robert Vishny, "Corruption," Quarterly Journal of Economics, 1993, 109(3), 599-617. <http://www.economics.harvard.edu/faculty/shleifer/files/corruption.pdf>

Chattopadhyay, Raghavendra and Esther Duflo, "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," Econometrica, 2004, 72(5), pp. 1409-1443. <http://www.jstor.org.ezp-prod1.hul.harvard.edu/stable/pdfplus/3598894.pdf>

Finan, Frederico and Claudio Ferraz, "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes," IZA Discussion Paper No. 2836, 2007.  
<ftp://repec.iza.org/RePEc/Discussionpaper/dp2836.pdf>

Olken, Benjamin A., "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." Journal of Political Economy, 2007, 115(2): 200-249.

## **F. Financial Capital (Will not be covered during lectures)**

### **F1. Financial Capital: Returns to Capital and the Structure of Financial Markets**

\* Banerjee, Abhijit, "Contracting Constraints, Credit Markets, and Economic Development," in M. Dewatripoint, L. Hansen and S. Turnovsky, eds. Advances in Economics and Econometrics: Theory and Applications, Eight World Congress of the Econometric Society, 2004, Volume III. Cambridge University Press, pp. 1-46.

<http://are.berkeley.edu/courses/ARE251/2004/papers/BanerjeeContractingConstraint.pdf>

\* Karlan, Dean and Jon Zinman, "Observing Unobservables: Identifying Information Asymmetries with Consumer Credit Field Experiment".

\* Aleem, Irfan, "Imperfect Information, Screening and the Costs of Informal lending: A Study of a Rural Credit Market in Pakistan," World Bank Economic Review, 1990, Volume 4(3), 329-349.

<http://wber.oxfordjournals.org.ezp-prod1.hul.harvard.edu/content/4/3/329.full.pdf+html>

\* Morduch, Jonathan, "The Microfinance Promise," Journal of Economic Literature, 1999, Vol. 37 (4), pp. 1569-1614.

[http://www.nyu.edu/projects/morduch/documents/microfinance/Microfinance\\_Promise.pdf](http://www.nyu.edu/projects/morduch/documents/microfinance/Microfinance_Promise.pdf)

\* Burgess, Robin and Rohini Pande, "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment," American Economic Review, 95(3), 2005.

[http://www.princeton.edu/rpds/seminars/pdfs/burgess\\_rural\\_banks.pdf](http://www.princeton.edu/rpds/seminars/pdfs/burgess_rural_banks.pdf)

Besley, T., S. Coate, and G. Loury, "The Economics of Rotating Savings and Credit Associations," American Economic Review, 1993, 83(4), 792–810. (Posted on course page)