

Syllabus

Econ 260: Theories of Economic Development

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Fall 2007

General information

Time and location: TR 11:10 a.m. - 12:30 p.m. SPR 3123
Office hours: M 11am-12pm, W 1-2pm (4108 Sproul Hall)
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Course description

This is the first of three courses covering the field of development economics. The goal of this course is to introduce the main issues of development economics from a “macro” perspective and less from a “micro” view. We will emphasize the theoretical issues in the field but they will be complemented with empirical papers.

Requirements and grading

Two research ideas (due Oct. 30 and Nov. 27)	10% each.
Two referee reports (due Oct. 16 and Nov. 13)	10% each.
One presentation (to be scheduled later)	15%.
One take-home final (December 11, 10 a.m.)	45%.

The referee report is a critical (but constructive) evaluation of an academic paper. The list of papers is available on the course website. You will have to choose two out of three papers.

The research ideas can cover any topic related in applied economics. It should describe the goal and motivation in detail and, as possible, the model, data and methodology to be used. Please feel free to discuss your ideas with me if needed. In both cases (for the referee report and the research ideas) please limit your writings to five pages per piece.

Textbooks

These textbooks are suggested. We will use some chapters from them but most of the readings will be from the papers listed in the course outline.

Aghion, P. and S. Durlauf, eds. (2005) *Handbook of Economic Growth*, Vol. 1A. North Holland [AD, HD75.5 .H35 2005, available at Science Direct].

Banerjee, A., R. Bènabou, and D. Mookherjee (2006) *Understanding Poverty*. Oxford University Press. [BBM, HC79.P6 U534 2006]

Barro, R. and X. Sala-i-Martin (2004) *Economic Growth*. Second edition. MIT Press. [BSM]

Rodrik, D. editor (2003) *In Search of Prosperity: Analytic Narratives on Economic Growth* Princeton University Press. [HD73 .I52 2003]

D. Mookherjee and D. Ray (2001) *Readings in the Theory of Economic Development*. Blackwell Readings for Contemporary Economics, Blackwell Publishers [HD75 .R423 2001].

Course outline and readings

The [*] symbol indicates the required readings. All others are suggested but some of them will be covered in class.

I. Facts and historical perspective

- Pritchett, L (1997) “Divergence, Big Time”, *Journal of Economics Perspectives*, 11(3): 3-17, Summer. [*]
- AD: chapter 8.
- MR: chapters 1 and 2. [*]
- BS: introduction.
- BBM: chapters 1 and 4.
- Krugman, P. (1992) “Towards a Counter-Counterrevolution in Development Theory”, *Proceedings of the World Bank Annual Conference on Development Economics 1992*, The World Bank, pp. 15-38.
- Bardhan, P. (1993) “Economics of Development and the Development of Economics”, *Journal of Economics Perspectives*, 7(2): 129-142, Spring.

II. Neoclassical and endogenous economic growth

- BS: chapters 1 and 2. [*]
- AD: chapter 2, 11 and 13.
- Mankiw, N. G., D. Romer, and D. Weil (1992) “A Contribution to the Empirics of Economic Growth”, *Quarterly Journal of Economics*, CVII, 407-437.[*]
- Jones, L. E. and R. Manuelli (1990) “A Convex Model of Equilibrium Growth: Theory and Policy Implications”, *Journal of Political Economy*, 98(5), 1008-38, October.
- Romer, P. M. (1986) “Increasing Returns and Long-Run Growth”, *Journal Political Economy*, 94 (5), 1002-1037, October.
- Lucas, R. E. (1988) “On The Mechanics of Economic Development”, *Journal Monetary Economics*, 22, 3-42. [*]
- Grossman G. M. and Helpman E. (1991) “Trade, Knowledge Spillovers, and Growth”, *European Economic Review*, 35(2-3), 517-26, April.

- Jones C. I. (1995), “R & D-Based Models of Economic Growth”, *Journal Political Economy*, 103 (4), 759-784.
- BBM: chapters 2, 3 and 5.

III. Empirics of economic growth

- AD: chapter 8. [*]
- Durlauf, S. and D. Quah (2004) The New Empirics of Economic Growth, in *Handbook of Macroeconomics* 1, Chapter 4, J.B. Taylor and M. Woodford (eds.), Elsevier Science B.V., 1999, pp.235-308.
- Barro, R. and X. Sala-i-Martin (1992) ”Convergence”, *Journal Political Econ.*, 100, 223-251.
- Levine, R. and D. Renelt (1992) “A Sensitivity Analysis of Cross-Country Growth Regressions” *American Economic Review*, 82(4), 942-63, September. [*]
- Johnson, P. and S. Durlauf (1995) “Multiple Regimes and Cross-Country Growth Behavior” *Journal of Applied Econometrics*, 10, 365-384.
- Sala-i-Martin, X. (2006) “The World Distribution of Income: Falling Poverty and Convergence, Period”, *Quarterly Journal of Economics*, CXXI, 351-397, May.
- Doppelhofer, G., R. Miller, and X. Sala-i-Martin (2004) “Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates (BACE) Approach” *American Economic Review*, 94(4), 813-835, September.
- Durlauf, S. and W. Brock (2001) “Growth Empirics and Reality” *The World Bank Economic Review*, 15(2), 229-272.
- Graham, B. S. and J.R.W. Temple, (2006) “Rich nations, poor nations: how much can multiple equilibria explain?” *Journal of Economic Growth*, 11(1), March, 5-41.
- Caselli, F., G. Esquivel, and F. Lefort (1996) “Reopening the Convergence Debate: A New Look at Cross-Country Growth Empirics” *Journal of Economic Growth*, 1(3), 363-89, September.

IV. Poverty traps

- AD: chapter 5.
- Kremer, M. (1993) “The O-Ring Theory of Economic Development” *Quarterly Journal of Economics*, CVIII, 551-75, August. [*]
- Parente, S.L. and E. Prescott (1994) “Barriers to Technology Adoption and Development” *Journal of Political Economy*, 102(2): 298-321.
- Murphy, K. M., A. Shleifer, and R. W. Vishny (1989) “Industrialization and the Big Push” *Journal Political Economy*, 1003-26, 97(5). [*]
- Lewis, W. A., “Economic Development with Unlimited Supplies of Labour”, *The Manchester School*, XXII(2), 139-191, May 1954.
- Hirschman A. O. (1958) *The Strategy of Economic Development*, Yale University Press, New Haven, Chapters 4 and 6.
- Ciccone, A. and K. Matsuyama (1996) “Start-Up Costs and Pecuniary Externalities as Barriers to Economic Development” *Journal Development Econ.*, 49(1), 33-59, April.
- Azariadis, C. and A. Drazen (1990) “Threshold Externalities in Economic Development” *Quarterly Journal of Economics*, CV, 501-526.
- Easterly, W. (2006) “The Big Push Deja Vu: A Review of Jeffrey Sachs’s The End of Poverty: Economic Possibilities for Our Time,” *Journal of Economic Literature*, 44(1), 96-105, March.

V. Geography and endowments

- Easterly, W. and R. Levine (2003) “Tropics, germs, and crops: how endowments influence economic development,” *Journal of Monetary Economics*, 50(1), 3-39, January. [*]
- Gallup, J., J. Sachs and A. Mellinger, (1999) “Geography and Economic Development,” CID Working Papers 1.
- Sachs, J. (2001) “Tropical Underdevelopment,” *NBER Working Papers* 8119. [*]

- Masters, W. and M., McMillan, (2001) “Climate and Scale in Economic Growth” *Journal of Economic Growth*, 6(3), 167-86, September.

VI. Institutions

- AD: chapter 6.
- Acemoglu, D., S. Johnson and J. Robinson (2002) “Reversal Of Fortune: Geography And Institutions In The Making Of The Modern World Income Distribution” *Quarterly Journal of Economics*, 117(4), 1231-1294, November. [*]
- Acemoglu, D., S. Johnson and J. Robinson (2001) “The Colonial Origins of Comparative Development: An Empirical Investigation” *American Economic Review*, 91(5), 1369-1401, December. [*]
- 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, 06.
- McArthur, J. and J. Sachs, (2001) “Institutions and Geography: Comment on Acemoglu, Johnson and Robinson (2000),” *NBER Working Papers* 8114.

VII. Inequality

- Persson, T. and G. Tabellini (1994) “Is Inequality Harmful for Growth?” *American Economic Review*, 84(3), 600-621. [*]
- Alesina, A. and D. Rodrik (1994) “Distributive Politics and Economic Growth.” *Quarterly Journal of Economics*, CIX, 465-90.
- Forbes, K. (2000) “A Reassessment of the Relationship Between Inequality and Growth.” *American Economic Review*, 90(4), 869-887.
- Banerjee, A. and E. Duflo (2000) “A Reassessment of the Relationship Between Inequality and Growth: Comment.” MIT mimeo.
- Banerjee, A. and E. Duflo (2003) “Inequality and Growth: What Can the Data Say?” *Journal of Economic Growth*, 8(3), 267-99. [*]

- Easterly, W. (2001) “The Middle Class Consensus and Economic Development.” *Journal of Economic Growth*, 6(4), 317-35.
- Easterly, W. (2005) “Inequality Does Cause Underdevelopment.” *CGD Working Paper 1*, December.

VIII. Environment and development

- Grossman, G. and A. Krueger (1995) “Economic Growth and the Environment,” *The Quarterly Journal of Economics*, 110(2):353-77, May. [*]
- Duflo, E. and R. Pande (2007). “Dams”, *Quarterly Journal of Economics*, 122(2): 601-646. [*]
- Foster, A. and M. Rosenzweig. (2003). “Economic Growth and the Rise of Forests”, *Quarterly Journal of Economics*, 118 (2), 601-637.
- Kremer, M.; J. Leino; E. Miguel and A. Zwane. (2007). “Spring Cleaning: A Randomized Evaluation of Source Water Quality Improvement”, unpublished working paper.
- Dasgupta, S.; M. Huq, M. Khaliquzzaman; K. Pandey and D. Wheeler(2004) “Indoor Air Quality for Poor Families: New Evidence from Bangladesh” World Bank Policy Research Working Paper 3393.
- Frankenberg, E.; D. McKee and D. Thomas (2005) “Health consequences of forest fires in Indonesia” *Demography*, 42(1):109-129. [*]

IX. Corruption

- Mauro, P. (1995) “Corruption and Growth” *The Quarterly Journal of Economics*, 110(3), 681-712. [*]
- Banerjee, A. (1997), “A Theory of Misgovernance,” *Quarterly Journal of Economics* 112(4), 1289-1332.
- Bardhan, P. (1997), “Corruption and Development: A Review of Issues,” *Journal of Economic Literature* 35, 1320-1346.

- Olken, B. (2006) “Monitoring Corruption: Evidence from a Field Experiment in Indonesia”, Unpublished working paper. [*]
- Bertrand, M., S. Djankov, R. Hanna, and S. Mullainathan (2006) “Obtaining a Driving License in India: An Experimental Approach to Studying Corruption” Harvard University (2006). [*]

X. Growth strategies

- AD: chapter 14[*] and 15.
- Hausmann, R., L. Pritchett and D. Rodrik (2004) “Growth Accelerations” *NBER Working Papers* 10566.
- Easterly, W., M. Kremer, L. Pritchett, and L. Summers (1993) “Good policy or good luck?: Country growth performance and temporary shocks” *Journal of Monetary Economics*, 32(3), 459-483, December.
- Mukand, S. W. and D. Rodrik (2005) “In Search of the Holy Grail: Policy Convergence, Experimentation, and Economic Performance” *American Economic Review*, 95(1), 374-383, March.
- Ricardo, H. and R. Dani (2003) “Economic development as self-discovery” *Journal of Development Economics*, 72(2), 603-633, December.
- Dornbusch, R. and S. Edwards (1990) “Macroeconomic populism” *Journal of Development Economics*, 32(2), 247-277, April.