

Syllabus

Econ 260: Theories of Economic Development

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Fall 2008

General information

Time and location: TR 2:10 - 3:30 p.m. SPR 3123
Office hours: T 10am-11am, W 11am-12pm (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. 28 and Nov. 25)	15% each.
Two referee reports (due Oct. 14 and Nov. 11)	15% each.
One presentation (to be scheduled later)	10%.
One take-home final (December 9, 10 a.m.)	30%.

The referee report is a critical (but constructive) evaluation of an academic paper. The list of papers is available on the course website.

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]

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.
- 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.

VI. The role of infrastructure

- Duflo, E. and R. Pande (2007) "Dams," *Quarterly Journal of Economics*, 122(2), 601-646. [*]
- Dinkelman, T. (2008) "The Effects of Rural Electrification on Employment: New Evidence from South Africa," mimeo.

- Jensen, R. (2007) “The Digital Divide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector,” *Quarterly Journal of Economics*, 122(3), 879-924.
- Burgess, R. and R. Pande (2005) “Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment,” *American Economic Review* 95(3):780-795.
- Jayachandran, S. (2006) “Selling Labor Low: Equilibrium Wage Volatility in Developing Countries,” *Journal of Political Economy* 114(3):538-575.
- Jacoby, H. G. (2000) “Access to markets and the benefit of rural roads” , *Economic Journal* 110 (465): 713 - 737.
- Cattaneo, M.; S. Galiani; P. Gertler; S. Martinez and R. Titunik (2008) “Housing, Health and Happiness”, University of Michigan, Mimeo.

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. [*]
- Bloom, D. and J. Sachs. (1998). “Geography, Demography, and Economic Growth in Africa” *Brookings Papers on Economic Activity*, 2, 207-295.
- Nunn, N. and D. Puga (2007) “Ruggedness: The Blessing of Bad Geography in Africa,” mimeo.
- 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.
- Jones, B. and B. Olken (2005) “Do Leaders Matter? National Leadership and Growth since World War II,” *Quarterly Journal of Economics* 120(3): 835-864, August.

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. [*]
- 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. [*]
- Jayachandran, S. (2008) “Air Quality and Early-Life Mortality: Evidence from Indonesias Wildfires” Forthcoming *Journal of Human Resources*.

IX. 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 D. Rodrik (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.