Syllabus
Econ 260: Theories of Economic Development

Jorge M. Agüero
University of California, Riverside

Fall 2009

General information

Time and location:	TR 3:40 - 5:00 p.m. SPR 2206
Office hours:	TR 10:00-11:00am (4108 Sproul Hall)
Phone:	951.827.4108.
E-mail:	`jorge.aguero@ucr.edu`
Website:	`http://faculty.ucr.edu/~jorgea/econ260`

Course description

This is the first of three courses covering the field of development economics. We will start with main definitions and measurement issues in development and then move quickly to a set of topics with an emphasis on the "microeconomic" themes. 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. 29 and Nov. 26)	15% each.
Two referee reports (due Oct. 15 and Nov. 12)	15% each.
One presentation (to be scheduled later)	10%.
One take-home final (due on December 8, 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 but it must clearly provide a contribution to the field of study. It should describe the goal and motivation in detail and, as possible, the model, data and methodology to be used. If your are thinking about an experiment, you must included valid and feasible funding sources. 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.

Your presentation will be about one of four topics listed below.

1. Equality of opportunity.
2. Mobility and measurement error.
3. Evidence of discrimination in developing countries.
4. Social networks.

Two weeks prior to your presentation date you must send to the class a list with two key papers that we should all read in preparation for your presentation. This presentation will last an entire session. Make sure that you include the motivation of the topic, provide a brief literature review by identifying the recent theoretical and empirical contributions in the area and discuss possible lines for further research.

Also, this is a good time for graduate students to start using typesetting software instead of your regular word processing. A very popular Windows version of LaTeX is MiKTeX (http://www.miktex.org/). You will need an editor for that, where TextPad (http://www.textpad.com/) or WinEdt (http://www.winedt.com/) are good options. If you are rich you can use Scientific Word instead.

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.

- Bardhan, P. and C. Udry (1999), *Development Microeconomics*, Oxford University Press, New York.

- Deaton, A. (1997) *The Analysis of Household Surveys: A Microeconometric Approach to Development Policy*, Johns Hopkins University Press, Baltimore, MD. [HB849.49 .D43 1997]

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

Course outline and readings

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

I. Measurement issues: Poverty, inequality, vulnerability and mobility

Poverty

- [*] Deaton, A. (1997) Section 3.1.

- Foster, J. Greer, J. and Thorbecke, E. (1984), "A Class of Decomposable Poverty Measures," *Econometrica* 52(3), 761-766.

- Ravallion, M. (1992), "Poverty Comparisons: A Guide to Concepts and Methods," LSMS Working Paper No. 88, The World Bank.

Inequality

- [*] Atkinson, A. B. (1970), "On the Measurement of Inequality," *Journal of Economic Theory* 2, 244-63.

- Cowell, F.A. (2000) Chapter 2 Measurement of inequality in *Handbook of Income Distribution*, Vol. 1, pp. 87-166.

- [*] Esteban, J.M. and D. Ray (1994) "On the Measurement of Polarization," *Econometrica* 62(4):819-851.

- Duclos, J-Y., J.M. Esteban and D. Ray (2004) "Polarization: Concepts, Measurement and Estimation," *Econometrica* 72(6):1737-1772.

Vulnerability

- Ligon, E. and Schechter, L. (2003), "Measuring Vulnerability," *Economic Journal* 113(486), 95-102.
- [*] Calvo, C. and Dercon, S. (2005), "Measuring Individual Vulnerability," Oxford University, WPS No. 229.

Mobility

- [*] Fields, G. and E. Ok (1999) "The Measurement of Income Mobility: An Introduction to the Literature," pp. 557-96 in *Handbook of Income Inequality Measurement*. Kluwer Academic.
- Mckenzie, D. J. and F. Antman (2005) "Earnings Mobility and Measurement Error: A Pseudo-Panel Approach," World Bank Policy Research Working Paper No. 3745

II. Empirics of economic growth

- Mankiw, N. G., D. Romer, and D. Weil (1992) "A Contribution to the Empirics of Economic Growth", *Quarterly Journal of Economics*, CVII, 407-437.[*]
- 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.

III. Poverty dynamics

- [*] M. Carter and C. Barrett (2006) The Economics of Poverty Traps and Persistent Poverty: An asset-based approach,” *Journal of Development Studies*, 42(2):178 - 199.

- [*] Lybbert, T., C. Barrett, S. Desta and D.L. Coppock (2004). “Stochastic Wealth Dynamics and Risk Management among a Poor Population,” *Economic Journal* 114(498):750-777.

- Jalan, J. and M. Ravallion (2000) “Is transient poverty different? Evidence for rural China” *Journal of Development Studies* 36(6): 82-99.

- Baulch, B. and J. Hoddinott (2000) “Economic Mobility and Poverty Dynamics in Developing Countries,” *Journal of Development Studies* 36(6): 1-24.

- Buera, F. (2005). “Persistency of Poverty, Financial Frictions, and Entrepreneurship,” Unpublished paper, Northwestern University.

- Carter, R. and J. May (2001) “One Kind of Freedom: Poverty Dynamics in Post-apartheid South Africa” *World Development*, 29(12):1987-2006, December.

IV. Intrahousehold allocations: Theory and applications

- [*] Browning, M. and P.A. Chiappori. 1998. "Efficient Intra-Household Allocations: a General Characterization and Empirical Tests," *Econometrica*
- [*] Udry, C. and E. Duflo (2003) "Intrahousehold Resource Allocation in Côte d'Ivoire: Social Norms, Separate Accounts and Consumption Choices," Unpublished Working Paper.
- Udry, C. (1996) "Gender, Agricultural Productivity and the Theory of the Household," *Journal of Political Economy*, 104(5):1010-1046.
- Haddad, L. and R. Kanbur (1990) "How Serious is the Neglect of Intra-Household Inequality?" *Economic Journal* 100(402): 866-881.
- Rangel, M. and D. Thomas. 2006. "Out of West Africa: Evidence on the Efficient Allocation of Resources within Farm Households," Unpublished Working Paper.
- Dubois, P. and E. Ligon. 2003. "Incentives and Nutrition for Rotten Kids: Intrahousehold Food Allocation in the Philippines," Unpublished Working Paper.

V. Early life investments

- [*] Cunha, F., J. J. Heckman, L. Lochner and D. V. Masterov (2006), "Interpreting the Evidence on Life Cycle Skill Formation", In: E. Hanushek and F. Welch, Editor(s), *Handbook of the Economics of Education*, Elsevier, 1(chapter 12):697-812.
- [*] Maluccio, J., J. Hoddinott, J. Behrman, R. Martorell, A. Quisumbing and A. Stein (2008) The Impact of Improving Nutrition During Early Childhood on Education among Guatemalan Adults Mimeo.
- [*] Berlinski, S., S. Galiani and M. Manacorda (2008) "Giving children a better start: Preschool attendance and school-age profiles," *Journal of Public Economics*, 92(5-6):1416-1440, June.
- [*] Nisbett, R. (2009) *Intelligence and How to Get It: Why Schools and Cultures Count*, chapter "Mind the Gap". W.W. Norton & Co. 282p.

- Berlinski, S., S. Galiani and P. Gertler (2009) "The effect of pre-primary education on primary school performance," *Journal of Public Economics*, 93(1-2):219-234, February.

- Currie, J. (2001) "Early Childhood Education Programs," *Journal of Economic Perspectives*, 15(2):213-238, Spring.

VI. Negative shocks early in life

- Dehejia, R. and A. Lleras-Muney (2004) "Booms, Busts, and Babies Health", *Quarterly Journal of Economics* 119(3): 1091-1130

- Ferreira, F.H.G and N. Schady (2009) "Aggregate Economic Shocks, Child Schooling, and Child Health" *The World Bank Research Observer*, forthcoming.

- Hoddinott, J. and B. Kinsey (2001) "Child Growth in the Time of Drought," *Oxford Bulletin of Economics and Statistics* 63(4): 409-36.

- Dinkelman, T (2008) "The long-term effects of being born in a drought: Evidence from the Cape Area Panel Study 2002-2006" Mimeo.

- Paxson, C. and N. Schady (2005) "Child Health and Economic Crisis in Peru," *World Bank Economic Review* 19(2): 203-223.

- Bhalotra, S. (2009) "Fatal fluctuations? Cyclicality in infant mortality in India" *Journal of Development Economics*, forthcoming.

VII. Corruption

- [*] Svensson, J. (2005) "Eight Questions about Corruption" *Journal of Economic Perspectives*19(3): 19-42, Summer.

- [*] Fisman, R. (2001) "Estimating the value of political connections", *American Economic Review* 91(4):1095-1102.

- [*] Mookherjee, D. and I. Png (1995) "Corruptible Law Enforcers: How Should They Be Compensated?" *Economic Journal*, 105(428):145-159, January.

- Olken, B. (2006) “Monitoring Corruption: Evidence from a Field Experiment in Indonesia”, Unpublished working paper.
- Mauro, P. (1995) “Corruption and Growth”The Quarterly Journal of Economics, 110(3), 681-712.
- Bardhan, P. (1997), Corruption and Development: A Review of Issues,” *Journal of Economic Literature* 35, 1320-1346.
- Bertrand, M., S. Djankov, R. Hanna, and S. Mullainathan (2007) “Obtaining a Driving License in India: An Experimental Approach to Studying Corruption” *Quarterly Journal of Economics* November 122(4):1639-1676.