

Econ 8784: Ph.D. Seminar in Economic Development

Course Meets 08/26/2003 - 12/11/2003

Tue, Thurs: 2:00 pm – 3:15 pm, Room: Econ 5

No Class: Thurs, Oct 2 (Fall Break) and Thurs, Nov 27 (Thanksgiving)

Course Website: www.colorado.edu/Economics/courses/mobarak

Prerequisites: Econ 6774 or Econ 7010 (we should talk if you have not taken these)

Instructor: A. Mushfiq Mobarak, Assistant Professor, Department of Economics

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Office Hours: Tue, Thurs 3:30pm-4:30pm

Texts

There is no required text for this course. The lectures and discussion will be primarily based on journal articles and working papers. Here are some texts that you may find useful to consult from time to time:

Debraj Ray, Development Economics, Princeton University Press, 1998.

Pranab Bardhan and C. Udry, Development Microeconomics, Oxford Univ. Press, 1999

Robert Barro and X. Sala-I-Martin, Economic Growth, McGraw-Hill, 1995

H. Chenery and T.N. Srinivasan eds, Handbook of Development Economics Vols. I to IV, Elsevier Publishers.

Ray's book is an advanced undergraduate or Master's level text that contains intuitive treatments of some of the material covered in this course. Bardhan and Udry is a more advanced text that attempts to summarize the literature on each of the topics it covers. Barro and Sala-I-Martin is a book on growth theory, not development in general. I have these three books, if you need to borrow them for short periods of time. The four-volume Handbook of Development Economics set contain essays on selected issues in development by prominent authors in each sub-field. This is an expensive set. You might consider using the copies available in the Reserve Room of Norlin library.

Course Objectives & Description

The course will examine theoretical and empirical issues in economic development, focusing on economic growth, political economy, public services, and rural credit and land markets. We will primarily be discussing the papers in the reading list below. Once in a while, the lectures will be based on a few chapters from the list of texts above. To

get the most out of this course, please read the papers/chapters in advance. Reading ahead will also help your class participation grade.

My objective is to put you in a position to do original research in development economics. In fact, writing a research paper and presenting it in class at the end of the semester is part of the course requirement. One month into the course, I will spend a couple of lectures talking about empirical research methodology in development economics, and I will point you to some publicly available micro and macro datasets that may be useful for your research.

Grading

There will be a final exam, a paper (and possible presentation), and three problem sets. Our profession is big on both oral and written communication. If time permits, you will be required to make a 20-minute presentation on your paper in class during the last week of classes. The class participation grade will be based on your willingness to contribute meaningfully to class discussion. The following weights will be used to compute your final grade:

Paper (and possible presentation)	30%
Exam	30%
Problem Sets (10% each)	30%
Class Participation	10%

University Policies

Students with disabilities who qualify for academic accommodations must provide a letter from Disability Services (DS) and discuss specific needs with the professor, preferably during the first two weeks of class. DS determines accommodations based on documented disabilities (303-492-8671, Willard 322,

www.colorado.edu/sacs/disabilityservices

We will make reasonable accommodations for students who have conflicts between religious observance dates and course examinations or assignments. Please talk to me at the beginning of the semester, if you think you may require such accommodation. For university policies on this and on other things such as classroom behavior, see

www.colorado.edu/policies/index.html.

For the university honor code, see www.colorado.edu/academics/honorcode/

Schedule of Topics and Reading List

I have all the papers in the reading list in my office. You may borrow the packet, but be mindful of copyright notices and policies. The packet contains the readings in the order that they appear in the syllabus, please try to keep the readings in that order when you return the packet to me.

1. Introduction to Development and History of the Field

(1 lecture)

Amartya Sen, "The Concept of Development," Chapter 1 in *Handbook of Development Economics, Volume 1*, pp. 9-26.

Paul Krugman, "The Fall and Rise of Development Economics," Chapter 1 in *Development, Geography and Economic Theory*, MIT Press, 1995. (This book can be read online using Norlin's ebook collection. Search for the book in the Chinook catalog, and there is a link) (www.netlibrary.com)

2. Trust and Social Capital: Insights from Behavioral, Experimental and Empirical Research in Economics

(2 lectures)

Rabin, M. (1993). "Incorporating Fairness into Game Theory and Economics," *American Economic Review* 83(5): 1281-1302 (JSTOR)

D. Narayan and L. Pritchett (1999), "Cents and Sociability: Household Income and Social Capital in Rural Tanzania, *Economic Development and Cultural Change* 47 (4): 871-93

Knack, S. and P. Keefer (1997), "Does Social Capital have an Economic Payoff? A Cross Country Investigation," *Quarterly J. of Economics* 112: 1251-88. (full text available on Econlit or JSTOR)

Glaeser, E., D. Laibson, J. Scheinkman and C. Soutter (2000). "Measuring Trust," *Quarterly J. of Economics* 115(3): 811-846.

3. Definitions and Measurement: Income, Poverty, Inequality, PPP

(1 lecture)

Debraj Ray, *Development Economics*. Chapter 2 (sections 2.2-2.6), Chapter 6 (section 6.3), Chapter 8 (section 8.2 and Appendix).

United Nations, *Human Development Report 1996* (pg. 106), *Human Development Report 1990* Chapter 1 ("Defining and Measuring Human Development")

4. Growth and Development – Growth Research Relevant to Developing Countries

(4 lectures)

Barro, R. and X. Sala-i-Martin, *Economic Growth*, Chapter 1 (pp. 14-52) (Review of Solow and Endogenous Growth Models)

Murphy, K., A. Shleifer and R. Vishny (1989), "Industrialization and the Big Push," *Journal of Political Economy* 97 (5): 1003-1026. (JSTOR)

Acemoglu, D. and F. Zilibotti (1997), "Was Prometheus Unbound by Chance? Risk, Diversification and Growth," *Journal of Political Economy* 105 (4): 709-751.
Pritchett, Lant, "Understanding Patterns of Economic Growth: Searching for Hills among Plateaus, Mountains and Plains," *World Bank Economic Review* 14 (2): 221-50.

5. Critique of the Empirical Growth Literature and New Approaches (3 lectures)

Levine, Ross and David Renelt (1992). "A Sensitivity Analysis of Cross-Country Growth Regressions," *American Economic Review* 82(4): 942-963. (JSTOR)
Durlauf, Steven (2001). "Manifesto for a Growth Econometrics," *Journal of Econometrics* 10: 65-69.
Mobarak, A. Mushfiq (2001). "Determinants of Volatility and Implications for Economic Development," mimeo, Univ. of Colorado.
Acemoglu, D., S. Johnson and J. Robinson (2001). "Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (5): 1369-1401.

6. Empirical Research in Development – Datasets and Methodology (3 lectures)

Deaton, Angus (1993). "Data and Econometric Tools for Development Economics," in *Handbook of Development Economics Vol. III*.
Udry, C. (1995). "Recent Advances in Empirical Microeconomic Research in Poor Countries," Working Paper.

Some Datasets

Barro, R. and J.W. Lee (1996). "International Measures of Schooling Years and Schooling Quality," *AER Papers and Proceedings* 86: 218-223.
Klaus Deininger and Lyn Squire, "Measuring Income Inequality: A New Database," mimeo, World Bank.
World Bank, *Living Standards Measurement Surveys*, www.worldbank.org/lsms

7. Provision of Public Services (3 lectures)

Alesina, A., R. Baqir and W. Easterly (1999). "Public Goods and Ethnic Divisions," *Quarterly J. of Economics* 114, November. (full text available on Econlit)
Kremer, M. and Miguel, T (2000). "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," forthcoming, *Econometrica* (http://emlab.berkeley.edu/users/emiguel/miguel_worms.pdf)
A. Foster and M. Rosenzweig (2001). "Democratization, Decentralization and the Distribution of Local Public Goods in a Poor Rural Economy," Working Paper, November.
Duflo, E. (2000). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment,"

American Economic Review, 91 (4): 795-813. (available at her web page, www.mit.edu)

8. Democracy and Economic Performance

(4 lectures)

Bardhan, Pranab (1993). "Symposium on Democracy and Development," *Journal of Economic Perspectives* 7(3): 45-49. (JSTOR)

Sen, Amartya and Jean Dreze (1989), "China and India," Chapter 11 (pp. 204-225) in *Hunger and Public Action*, WIDER Studies in Development Economics. Oxford: Oxford University Press.

Besley, T. and R. Burgess (2003), "The Political Economy of Government Responsiveness: Theory and Evidence from India," *Quarterly Journal of Economics*

Acemoglu, Daron and Robinson, James (2001). "A Theory of Political Transitions," *American Economic Review* 91(4): 938-963.

Wacziarg, R. (1999). "Human Capital and Democracy," mimeo, Stanford University.

Sah, Raaj K and Joseph Stiglitz (1991). "The Quality of Managers in Centralized versus Decentralized Organizations," *Quarterly Journal of Economics* 106 (1): 289-295. (JSTOR)

Minier, J. (1998). "Democracy and Growth: Alternative Approaches," *Journal of Economic Growth*, 3(3): 241-266.

Mobarak, A. Mushfiq (2002). "Democracy and Economic Performance: Micro Evidence from Brazil," Working Paper.

9. Corruption

(2 lectures)

Bardhan, P. (1997). "Corruption and Development: A Review of Issues," *Journal of Economic Literature* 35 (3): 1320-1346.

Fisman, R. (2001). "Estimating the Value of Political Connections," *American Economic Review*.

10. Credit Markets

(1 lecture)

Stiglitz, J. and A. Weiss (1981). "Credit Rationing in Markets with Imperfect Information," *American Economic Review* 71 (3): 393-410 (JSTOR)

Kranton, R. and A. Swamy (1999). "The Hazards of Piecemeal Reform: British Civil Courts and the Credit Market in Colonial India," *Journal of Development Economics* 58: 1-24.

11. The Economics of Micro-Credit: Theory and Evidence

(2 lecture)

Stiglitz, J. (1993), "Peer Monitoring and Credit Markets," pp. 70-86 in: Hoff, K., A. Braverman & J. Stiglitz, *The Economics of Rural Organization Theory, Practice and Policy*, Oxford University Press, New York, NY.

- Ghatak, M. (1999). "Group Lending, Local Information and Peer Selection," *Journal of Development Economics*, 60: 27-50.
- Pitt, M & S. Khandker (1997), "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?," *Journal of Political Economy*.

12. Rural Land Markets

(1 lecture)

- Bardhan, P. and C. Udry, *Development Microeconomics*, Chapter 6 (pp. 60-75).
- Eswaran, M and A. Kotwal (1985), "A Theory of Contractual Structure in Agriculture," *American Economic Review* 75 (3): 352-367. (JSTOR)
- Shaban, R. A. (1987). "Testing Between Competing Models of Sharecropping," *Journal of Political Economy* 95 (5): 893-919. (JSTOR)

13. Environment and Development

(2 lectures)

- Shafik, N. (1994). "Economic Development and Environmental Quality: An Econometric Analysis," *Oxford Economic Papers* 46: 757-773.
- Broad, R. (1994). "The Poor and the Environment: Friends or Foes?" *World Development* 22 (6): 811-822.
- Chaudhuri, S. and A. Pfaff (2001). "Household Income, Fuel Choice and Indoor Air Quality: Microfoundations of an Environmental Kuznets Curve," Working Paper.

Other References for each section (not required for course):

Section 1

- W. Arthur Lewis, "The State of Development Theory," *American Economic Review* 74 (1), March 1984, pp. 1-10. (www.jstor.org)

Section 3

- Martin Ravallion and S. Chen, "How Did the World's Poorest Fare in the 1990s?," mimeo, World Bank. (www.worldbank.org/research/povmonitor/pdfs/methodology.pdf)
- Francois Bourguignon (1979), "Decomposable Income Inequality Measures," *Econometrica* 47, pp. 901-20. (JSTOR)
- Julie Litchfield (1999), "Inequality: Methods and Tools," mimeo, World Bank, March. (www.worldbank.org/poverty/inequal)
- Silber, J. (ed.), *Income Inequality Measurement: From Theory to Practice*, Kluwer, 1998.
- Putnam, R., R. Leonardi and R. Nanetti (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, NJ: Princeton Univ. Press

Sections 4 & 5

- Azariadis, C. and A. Drazen (1990), "Threshold Externalities in Economic Development," *Quarterly J. of Economics*, 105 (2): 501-526. (JSTOR)
- Barro, R. (1991). "Economic Growth in a Cross-Section of Countries," *Quarterly J. of Economics* 106 (2): 407-443. (Example of the Traditional Empirical Approach)
- Caselli, Francesco, G. Esquivel and F. Lefort (1996). "Reopening the Convergence Debate: A New Look at Cross-Country Growth Empirics," *Journal of Economic Growth* 1: 363-389.
- Brock, W. and S. Durlauf (2000). "Growth Economics and Reality," Working Paper, Univ. of Wisconsin, Madison.

Section 7

R. Betancourt and S. Gleason (2001). "The Allocation of Publicly-Provided Goods to Rural Households in India: On Some Consequences of Caste, Religion and Democracy," forthcoming, *World Development*. (www.bsos.umd.edu/econ)

Section 8

Schmitter, Philippe and Terry L. Karl (1991). "What Democracy Is .. and Is Not," *Journal of Democracy*, Summer: 75-89.

Huntington, Samuel (1991). "Democracy's Third Wave," Chapter 1 in Diamond and Plattner eds, *The Global Resurgence of Democracy* 2nd edition.

Bourguignon, Francois and Verdier, Thierry (2000). "Oligarchy, Democracy, Inequality and Growth," *Journal of Development Economics* 62: 285-313.

Brunetti, Aymo (1997). "Political Variables in Cross-Country Growth Analysis," *Journal of Economic Surveys* 11(2): 163-190.

Barro, R. (1996). "Democracy and Growth," *Journal of Economic Growth* 1(1): 1-27.

Section 10

Ray, Debraj, *Development Economics*, Chapter 14 (pp. 529-589).

Bardhan, P. and C. Udry, *Development Microeconomics*, Chapter 7 (pp. 76-93).

Section 11

Hossain, M. (1988), *Credit for the Alleviation of Rural Poverty: the Grameen Bank in Bangladesh*, International Food Policy Research Institute Research Report 65, Washington, D.C. (Just read the sections on the set up of the Grameen Bank)

Ghatak, M. and T. Guinnane (1999). "The Economics of Lending with Joint Liability: Theory and Practice," *Journal of Development Economics* 60: 229-248.