

# Development Economics

CEMFI

Monica Martinez-Bravo

Spring 2021

**Class meetings:** Tuesday 11h – 12.30h; 13 – 14.30h  
Thursday 13h – 14.30h <sup>1</sup>

**Office hours:** By appointment

**Email:** mmb@cemfi.es

**Format:** The course will be held online (live) over zoom. While lectures will be recorded and uploaded in the intranet, students are expected to attend the live lectures and participate in them. During lectures, we encourage everyone to have their cameras on but have the microphone turned off to minimize background noise. If students have a question they can unmute themselves and speak up to raise the question. Students will receive a personalized link to access the lectures.

## Course Description:

This course focuses on the understanding of the process of economic development. The central questions of the course are:

- 1) Why are some countries so much poorer than others?
- 2) What are the main barriers to the process of economic development?
- 3) What are the main barriers that prevent the poor to escape from poverty?
- 4) Why do these barriers exist and persist?

The first part of the course (weeks 1 to 6) studies decision making by individuals and market failures as potential barriers to the process of economic development. The second part (weeks 7 to 10) of the course examines the role of institutions and political factors as determinants of underdevelopment. The purpose of the course is to give you a sense of the frontier research topics and a good command of the methodologies used in the field of Economic Development. The main emphasis will be in empirical and microeconomic studies, although some applied theory papers and macro analysis will also be discussed.

**Previous knowledge:** Students are assumed to be familiar with the basic concepts of econometrics, microeconomics, and macroeconomics. Some of the problem sets will require the use of Stata. A Stata tutorial is available on the Intranet. This tutorial covers a few basic commands frequently used in Stata. If you still find difficulty working with Stata you should talk to the Professor or Teaching Assistant.

**Teaching assistant:** The teaching assistant for this course is Christian Rosario Maruthiah christian.maruthiah@cemfi.edu.es. He will discuss problem set solutions during Thursday's class on weeks when problem sets are due.

**Grading:** The final grade will be based on problem sets, participation, and exams according to the following weights:

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<sup>1</sup> The regular schedule of the course will be modified during weeks 7 and 8. See the outline of the course below for more details.

Participation:	5 %
Problem Sets (7):	15 %
Final Exam:	80 %

Final Exam: The final exam will (most likely) be an online open-book exam. However, this is subject to reconsideration to comply with guidelines from the program.

Problem Sets: There will be 7 problem sets. There will be two types of problem sets. 5 problem sets will consist in reading in detail a paper and answering questions about the reading. Some of these problem sets will also require replicating some part of the paper using Stata. 2 problem sets will consist on writing a referee report. Problem set submissions have to be original and individual. However, you are welcome to discuss potential answers with your classmates. If you have worked closely with a classmate and you think that your answers will have some similarity, just add a note in the first page indicating with whom have you worked with. Problem sets are a central part of the course and provide a fundamental training for exams. You should devote a substantial amount of time and effort to solving the problem sets. Only the top 6 grades of the problem sets will be used to compute the average. However, you need to submit the 7 problem sets. Problem sets have to be submitted via email to christian.maruthiah@cemfi.edu.es.

Submission Deadlines:

- Regular problem sets are due by Thursday 12h (1 hour before class).
- Referee reports are due by Wednesday 13h (24 hours before class). The TA will aggregate some of your answers and prepare the discussion for the Thursday lecture.

Discussion of Problem Set Solutions: On weeks when problem sets are due, the Thursday session (13h – 14.30h) will be typically devoted to discussing the problem set. Check the schedule on the next page from possible deviations from this schedule.

Participation: Students are expected to participate in class by asking questions and to contribute to the discussion during the problem set sessions. Attendance in all lectures is mandatory and will be a key component in the participation grade.

Readings: The reading list is intentionally long to give you an opportunity to dig deeper into the topics you find most interesting. Readings marked by \*\*\* are required, by \*\* are strongly recommended, by \* are recommended.

Course Material: All the readings, slides, handouts, problem sets etc. will be uploaded in Intranet throughout the course. The only exception is slides of problem set sessions, which will not be made available. Please, do not share the course content with other

Books: There is no textbook for this course. However, several readings of the book *Poor Economics* (by Banerjee and Duflo) will be strongly recommended.

### **General Readings:**

Banerjee, Abhijit V. and Esther Duflo (2011) *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Public Affairs, First Edition, New York, NY. **[BD henceforth.]**

Bardhan, Pranab and Christopher Udry (1999). *Development Microeconomics*. Oxford University Press.

Acemoglu, Daron and James Robinson (2012) *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Crown Publishers

## **OUTLINE OF LECTURES:**

### **Week 1: Global Trends in Growth, Inequality and Poverty**

No problem set

### **Week 2: Health**

Problem Set 1 due on Thursday 12h

### **Week 3: Education**

Problem Set 2 due on Thursday 12h

### **Week 4: Land, Labor, Migration**

Problem Set 3 due on Wednesday 13h (referee report)

### **Week 5: Credit Constraints, Entrepreneurship, and Banking**

Problem Set 4 due on Thursday 12h

### **Week 6: Technology Adoption**

Problem Set 5 due on Thursday 12h

### **Week 7: Institutions I**

(Regular class on Tuesday, no class on Thursday)

### **Week 8: Institutions II**

(No class on Tuesday. Regular class on Thursday; Extra Class on Thursday 15:30 – 17h)

Problem Set 6, due on Thursday 12h. Discussed on Thursday 15:30 – 17h.

### **Week 9: Corruption & Public Finance**

Problem Set 7 due on Wednesday 13h (referee report)

### **Week 10: Local Accountability**

No problem set

## **Week 1: Introduction & Global Trends in Growth, Inequality and Poverty**

### Trends in Growth, Inequality and Poverty

\*\* Acemoglu, Daron (2009) *Introduction to Modern Economic Growth*. New Jersey: Princeton University Press. pp. 3 – 21, 90 – 96

\*\* Sala-i-Martin, Xavier (2006), “The World Distribution of Income: Falling Poverty and... Convergence, Period”, *Quarterly Journal of Economics*, Vol. 121(2), 351-397.

\*\* Chen, Shaohua and Martin Ravallion. 2010. “The Developing World is Poorer than we Thought, but no Less Successful in the Fight Against Poverty,” *Quarterly Journal of Economics* 125(4): 1577-1625.

\* Chen Shaohua and Martin Ravallion. 2012. “More Relatively-Poor People in a Less Absolutely-Poor World,” Policy Research Working Paper 6114, World Bank, Washington, DC.

\* Lakner, Christoph and Branko Milanovic. 2016. “Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession,” *World Bank Econ Review*, 30 (2): 203-232.

\* Piketty, Thomas, Emmanuel Saez and Gabriel Zucman 2018. "Distributional National Accounts: Methods and Estimates for the United States", *Quarterly Journal of Economics* 133(2), 2018, 553-609.

Deaton, Angus, 2005 “Measuring poverty in a growing world (or measuring growth in a poor world)” *The Review of Economics and Statistics*, Vol. 87 No. 1.

Banerjee, Abhijit and Esther Duflo, 2020 “How Poverty Ends: The Many Paths to Progress—and Why They Might Not Continue” *Foreign Affairs*

Chandy, Laurence, “Counting the Poor” Brookings Institution and Development Initiatives, 2013.

Rodrik, Dani, (2011) “The Future of Economic Convergence” NBER Working Paper No. 17400.

Rodrik, Dani, (2013) “The Past, Present, and Future of Economic Growth” Global Citizen Foundation Working Paper.

Bairoch, Paul. 1982. “International Industrialization Levels from 1750 to 1980.” *Journal of European Economic History* 11(Fall): 269–310.

### The Economic Lives of the Poor

\* BD. Ch 10. “Politics, Policies”

\*\* Banerjee, Abhijit, and Esther Duflo (2006) "Economic Lives of the Poor." *Journal of Economic Perspectives* 21, no. 1, 141-167.

\*\* Banerjee, Abhijit, and Esther Duflo (2008) "What is Middle Class About the Middle Classes Around the World?" *Journal of Economic Perspectives* 22, no. 4 3-28.

\* Banerjee, Abhijit V. and Esther Duflo (2005) “Growth Theory Through the Lens of Development.” In *Handbook of economic growth*, Aghion, Philippe and Steven Durlauf (editors). Elsevier. (Sections 1, 3, and 4)

## **Week 2: HEALTH**

\*\*\* **[PROBLEM SET 1]:** Miguel, Edward and Michael Kremer (2004) "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities", *Econometrica*, 72 (1), 159-217

### Effects of Health on Productivity

\*\* BD, Ch 3 (Low-Hanging Fruit for Better Global Health) and Ch 5 (Pak Sudarno's Big Family)

\* Bleakley, Hoyt. (2010) "Health, Human Capital, and Development", *Annual Reviews of Economics*, 2: 283--310.

\*\* Bleakley, Hoyt (2012) "Malaria Eradication in The Americas: A Retrospective Analysis of Childhood Exposure." *American Economic Journal*: Vol.2 No. 2.

Strauss, John (1986) "Does Better Nutrition Raise Farm Productivity?" *Journal of Political Economy*, 94: 297-320.

Dasgupta, Partha, and Debraj Ray. (1986) "Inequality as a Determinant of Malnutrition and Unemployment: Policy." *The Economic Journal* 97: 177-188.

Thomas, Duncan, et al. (2003) "Iron Deficiency and the Well-Being of Older Adults: Early Results from a Randomized Nutrition Intervention." Working Paper.

Jayachandran & Lleras Muney (2009) "Life Expectancy and Human Capital Investments: Evidence from Maternal Mortality Declines." *Quarterly Journal of Economics*, February.

Qian, Nancy and Xin Meng (2009) "The Long Run Impact of Exposure to Famine on Survivors: Evidence from China's Great Famine NBER Working Paper w14917. [PDF](#)

Field, Erica, Omar Robles, and Maximo Torero. (2009) "Iodine Deficiency and Schooling Attainment in Tanzania." *American Economic Journal: Applied Economics*.

\*\* Acemoglu, Daron and Simon Johnson (2007), "Disease and Development: The Effect of Life Expectancy on Economic Growth," *Journal of Political Economy*, vol 115, no. 6.

Qian, Nancy and Nathan Nunn (2010) "The Columbian Exchange: a Historical Change in Food and Disease" *The Journal of Economic Perspectives*, Vol. 24 No. 2, Spring 2010.

### Health Seeking Behavior

\*\* Cohen, Jessica, and Pascaline Dupas (2010) "Free Distribution vs. Cost-Sharing: Evidence from a Malaria-Prevention Field Experiment in Kenya." *Quarterly Journal of Economics*, 125(1), pp.1-45.

\*\* Martinez-Bravo, Monica and Andreas Stegmann (2019) "In Vaccines we Trust? The Effects of Anti-vaccine Propaganda on Immunization: Evidence from Pakistan" CEMFI Working Paper No. 1713

Kremer, Michael and Edward Miguel (2007), "The Illusion of Sustainability," *Quarterly Journal of Economics*, 112(3): 1007-1065.

Kremer, Michael, and Alaka Hala. "Pricing and Access: Evidence from Randomized Evaluations in Education and Health." Brookings Global Economy and Development Conference, August 2008.

Duflo, Esther, Abhijit Banerjee, and Angus Deaton. "Wealth, Health, and Health Services in Rural Rajasthan." *American Economic Review Papers and Proceedings* 94, no. 2 (2004): 326-330.

Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Dhruva Kothari. "Improving Immunization Coverage in Rural India: A Clustered Randomized Controlled Evaluation of

Immunization Campaigns With and Without Incentives." MIT, Cambridge, MA, 2008.

Dupas, Pascaline (2011) "Relative Risks and the Market for Sex: Teenage Pregnancy, HIV, and Partner Selection in Kenya." *American Economic Journal: Applied Economics*, 3 (1), pp. 1485-1538.

Kremer, Michael and Rachel Glennerster (2011) "Improving Health in Developing Countries: Evidence From Randomized Evaluations," in Mark V. Pauly, Thomas G. McGuire, and Pedro Pita Barros (eds) *Handbook of Health Economics*, Volume 2, North Holland: Elsevier.

Kuziemko, Iliyana and Seema Jayachandran (2011) "Why Do Mothers Breastfeed Girls Less Than Boys: Evidence and Implications for Child Health in India" *Quarterly Journal of Economics*, vol. 126 (3), pp. 1485-1538.

Marcella Alsan, Marianne Wanamaker, Tuskegee and the Health of Black Men, *The Quarterly Journal of Economics*, Volume 133, Issue 1, February 2018, Pages 407–455.

### **Week 3: Education**

\*\*\* **[PROBLEM SET 2]** Duflo, Esther (2001), "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment" *American Economic Review*, Vol. 91 (4), pp 795-813.

\*\* BD. Ch 4 "Top of the Class"

#### Estimating Returns to Investment in Education

George Psacharopoulos & Harry Anthony Patrinos, 2004. "Returns to investment in education: a further update," *Education Economics*, Taylor and Francis Journals, vol. 12(2), pages 111-134.

Griliches, Zvi (1977). "Estimating the Returns to Schooling: Some Econometric Problems." *Econometrica*, 45(1), p. 1-22.

Banerjee, Abhijit V. and Esther Duflo (2005) "Growth Theory Through the Lens of Development." In *Handbook of economic growth*, Aghion, Philippe and Steven Durlauf (editors). Elsevier. Section 2.

#### The Role of Perceptions of Returns to Schooling on Demand for Education

Jensen, Robert. (2010) "The Perceived Return to Education and the Demand for Schooling." *Quarterly Journal of Economics*.

\*\* Dizon-Ross, Rebecca. 2019. "Parents' Beliefs about Their Children's Academic Ability: Implications for Educational Investments." *American Economic Review*, 109 (8): 2728-65.

#### Externalities & Effects of Education on Technology Adoption

Duflo, Esther. "The Medium Run Effects of Educational Expansion: Evidence from a Large School Construction Program in Indonesia." *Journal of Development Economics* 74, no. 1 (2004): 163-197.

Foster, Andrew, and Mark Rosenzweig. "Technical Change and Human-Capital Returns and Investments: Evidence from the Green Revolution." *American Economic Review* 84, no. 4 (1996): 931-953.

Rosenzweig, Mark R. (2010) "Microeconomic Approaches to Development: Schooling, Learning, and Growth," *Journal of Economic Perspectives*, Vol. 24 No. 3 pp. 17 - 32.

#### Provision of Education in Developing Countries

\*\* Esther Duflo, Rema Hanna and Stephen Ryan (2012) "Incentives Work: Getting Teachers to Come to School," *American Economic Review*, 104(4): 1241-1278.

Banerjee, Abhijit, and Esther Duflo. "Addressing Absence." *Journal of Economic Perspectives* 20, no. 1 (2006): 117-132.

Kremer, Michael and Alaka Holla (2009) "Improving Education in the Developing World: What Have We Learned from Randomized Evaluations?" in Kenneth J. Arrow and Timothy F. Bresnahan, eds., *Annual Review of Economics*, Volume 1. Palo Alto, California: Annual Reviews.

Duflo, Esther, Pascaline Dupas and Michael Kremer. 2011. "Peer Effects and the Impacts of Tracking: Evidence from a Randomized Evaluation in Kenya," *American Economic Review*, 101 (5): 1739-74.

#### **Week 4: Land & Labor**

**\*\*\* [PROBLEM SET 3] Referee report of paper TBD**

#### Labor Markets

\* Fields, Gary S. (2011) "Labor Market Analysis for Developing Countries" *Labour Economics* Vol 18 S16-S22.

\*\* Jayachandran, Seema. "Selling Labor Low: Wage Responses to Productivity Shocks in Developing Countries." *Journal of Political Economy* 114, no. 3 (2006): 538-575.

\*\* Mobarak, Ahmed Mushfiq and Mark Rosenzweig (2014) "Risk, Insurance and Wages in General Equilibrium," Unpublished.

Rosenzweig, Mark. (1988). "Chapter 15: Labor markets in low-income countries", *Handbook of Development Economics* Vol 1, Hollis Chenery and T.N. Srinivasan (eds).

Benjamin, Dwayne. "Household Composition, Labor Markets, and Labor Demand: Testing for Separation in Agricultural Household Models." *Econometrica* 60 (1992): 287-322.

Banerjee, Abhijit V., Newman, Andrew F., 1993. Occupational choice and the process of development. *Journal of Political Economy* 101 (2), 274–298.

#### Land

\* Besley, Timothy and Robin Burgess (2000) "Land Reform, Poverty Reduction, and Growth: Evidence from India" *The Quarterly Journal of Economics*, Vol. 115, No. 2, pp. 389-430

\*\* Field, Erica. "Entitled to Work: Urban Property Rights and Labor Supply in Peru." Unpublished paper, July 2003.

\* Field, Erica, and Maximo Torero. "Do Property Titles Increase Credit Access Among the Urban Poor? Evidence from a Nationwide Titling Program." Unpublished paper, January 2004.

## Migration

Munshi, Kaivan. "Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market." *Quarterly Journal of Economics* 118, no. 2 (2003): 549-599.

Clemens, Michael (2011) "Economics and emigration: Trillion-dollar bills on the sidewalk?" *Journal of Economic Perspectives*, 25 (3): 83–106.

Munshi, Kaivan, (2020) "Social Networks and Migration" *Annual Review of Economics* 12:1, 503-524.

McKenzie, David, John Gibson, and Steven Stillman, "How Important is Selection? Experimental Vs Non-experimental Measures of the Income Gains from Migration" *Journal of the European Economic Association*, 8(4): 913-45, 2010.

Yang, Dean (2008) "International Migration, Remittances, and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks", *Economic Journal*, Vol. 118, April 2008, pp. 591-630.

Yang, Dean (2008) "Migrant Remittances", *Journal of Economic Perspectives*, Vol. 25, No. 3, Summer 2011, pp. 129-152.

## **Week 5: Credit Constraints, Entrepreneurship, Banking**

\*\* [PROBLEM SET 4] Karlan, Dean and Jonathan Zinman (2008), "Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment", mimeo, Yale. (*While this is published in Econometrica, I encourage you to read the slightly longer version still available on Karlan's Yale website*).

\* BD, Ch 7 (The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor) and Ch 9 (Reluctant Entrepreneurs)

\* Banerjee, Abhijit V. and Esther Duflo (2005) "Growth Theory Through the Lens of Development." In *Handbook of economic growth*, Aghion, Philippe and Steven Durlauf (editors). Elsevier. Section 2.

### Stylized Facts

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

### Theory

Hoff, Karla and Joseph Stiglitz (1997), "Moneylenders and Bankers: Price-Increasing Subsidies with Monopolistic Competition" *Journal of Development Economics*, 52, 429-62.

### Banking

\* Burgess, Robin, and Rohini Pande. "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review* 95, no. 3 (2005): 780-795.

Besley, Timothy (1995), "Savings, credit and insurance", in Hollis, Chenery and T.N. Srinivasan, editors, *Handbook of Development Economics*, Volume 3, Chapter 36, 2123-2207.

Cole, Shawn A. (2009) "Fixing Market Failures or Fixing Elections? Agricultural Credit in India." *American Economic Journal: Applied Economics*



\* Khwaja, Asim, and Atif Mian. "Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market." *Quarterly Journal of Economics* 120, no. 4 (2005): 1371-1411.

### Micro Finance

Yunus, Muhammad "Sacrificing Microcredit for Megaprofits" *New York Times Op-Ed* January 14th, 2011. (<http://www.nytimes.com/2011/01/15/opinion/15yunus.html>)

\*\* Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan (2015), "The Miracle of Microfinance? Evidence from a Randomized Evaluation," *American Economic Journal: Applied Economics*, 7(1): 22–53.

\*\* Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman (2015) "Six Randomized Evaluations of Microcredit: Introduction and Further Steps" *American Economic Journal: Applied Economics*, 7(1): 1-21.

Karlan, D. and J. Zinman (2010). Expanding credit access: Using randomized supply decisions to estimate the impacts. *Review of Financial Studies*, 23 (1): 433–64.

Ginè, X. and D. Karlan (2014). "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups" *Journal of Development Economics* 107:65-83.

### Demand Side of the markets for credit and saving

Ashraf, Nava, Dean Karlan, and Wesley Yin (2006), "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines," *Quarterly Journal of Economics*, Vol. 121, No. 2: 635-672.

Banerjee, Abhijit, and Sendhil Mullainathan. "The Shape of Temptation: Implications for the Economic Lives of the Poor." Unpublished paper, September 2010. (PDF)

Besley, T., Coate, S., and Loury, G. "The Economics of Rotating Savings and Credit Associations." *American Economic Review* 83, no. 4 (1993):792-810.

Dupas, Pascaline and Jonathan Robinson (2013), "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya," *American Economic Review*, 5(1):163-192.

### **Week 6: Technology Adoption**

\*\*\* **[PROBLEM SET 5]** David Atkin, Azam Chaudhry, Shmyla Chaudry, Amit K. Khandelwal and Eric Verhoogen (2017) "Organizational Barriers to Technology Adoption: Evidence from Soccer-Ball Producers in Pakistan" *Quarterly Journal of Economics*, Volume 132, Issue 3, August 2017, Pages 1101–1164.

\*\* Banerjee, Abhijit (1992), "A Simple Model of Herd Behavior," *Quarterly Journal of Economics*, 107 (3), pp. 797-817.

Conley, Timothy G., and Christopher R. Udry. 2010. "Learning about a New Technology: Pineapple in Ghana." *American Economic Review*, 100 (1): 35-69.

\*\* Duflo, Esther, Michael Kremer and Jonathan Robinson (2011), "Nudging Farmers to Use Fertilizer: Evidence from Kenya", *American Economic Review* 101 (6): 2350-2390.

Duflo, Esther, Michael Kremer and Jonathan Robinson (2008), "How High are Rates of Return to Fertilizer? Evidence from Field Experiments in Kenya", *American Economic Review (Papers and Proceedings Issue)* 98 (2): 482-488.

\* Jensen, R. "The Digital Divide: Information (Technology), Market Performance and Welfare in the South Indian Fisheries Sector." *Quarterly Journal of Economics* 122, no. 3 (2008): 879-924.

Foster A.D. and M.R. Rosenzweig (1995), "Learning by Doing and Learning from Others: Human Capital and Technical Change in Agriculture," *Journal of Political Economy*, 103 (6), pp. 1176-1209.

Kremer, Michael and Edward Miguel (2007), "The Illusion of Sustainability," *Quarterly Journal of Economics*, 112(3): 1007-1065.

Kremer, Michael. "Pharmaceuticals and the Developing World." *Journal of Economic Perspectives* 16, no. 4 (2002): 67-90.

"Deciphering the Demand for Safe Drinking Water," with Edward Miguel, Clair Null, and Alix Zwane. Resources for the Future, Weekly Policy Commentary September 1, 2008.  
<http://www.rff.org/Publications/WPC/Pages/Decipheringthedemandforsafedinkingwater.aspx>

\* Bandiera, Oriana and Imran Rasul. 2006. "Social Networks and Technology Adoption in Northern Mozambique." *Economic Journal*, 116(514), 869-902.

## **Weeks 7 and 8: Institutions**

### **[PROBLEM SET 6 TBD]**

#### General Issues / Theory

\* Acemoglu, Daron (2009) *Introduction to Modern Economic Growth*. New Jersey: Princeton University Press. Chapter 4, pp. 109 – 143.

\* Acemoglu, Daron (2005) Institutions as a Fundamental Cause of Long-run Growth. In *Handbook of economic growth*, eds. Aghion, Philippe and Steven Durlauf. Elsevier, Sections 1, 3, 5, and 6.

\*\* Acemoglu, Daron and James Robinson (2012) *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Crown Publishers (Preface and Chapter 1)

\* Acemoglu, Daron (2003) "Why Not a Political Coase Theorem?" *Journal of Comparative Economics*, 31, 620-652.

Acemoglu, Daron (2006) "Modelling Inefficient Institutions," *Advances in Economic Theory World Congress 2006*,

Acemoglu, Daron and James A. Robinson (2006) "Economic Backwardness in Political Perspective," *American Political Science Review*, 100, pp. 115-131.

Acemoglu, Daron (2008) "Oligarchic vs. Democratic Societies," *Journal of the European Economic Association*, 6, pp 1-44.

Engerman, Stanley L. and Kenneth L. Sokoloff (1997) "Factor Endowments, Institutions, and Differential Paths of Growth among New World Economies," in S.H. Haber ed. *How Latin America Fell Behind*, Stanford University Press, Stanford CA.

La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny (1998) "Law and Finance," *Journal of Political Economy*, 106, 1113-1155.

### Empirical Evidence: Macro

\*\* Acemoglu, Daron, Simon Johnson and James Robinson (2002) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution," *Quarterly Journal of Economics*, 107, 1231-1294.

Acemoglu, Daron and Simon Johnson (2005) "Unbundling Institutions," *Journal of Political Economy*, 113, 949-995.

\*\* Jones, Benjamin F. and Benjamin A. Olken (2005) "Do Leaders Matter? National Leadership and Growth Since World War II," *Quarterly Journal of Economics*, 120, 835-864.

\* Persson, Torsten and Guido Tabellini (2003) *The Economic Effects of Constitutions: What Do the Data Say?* MIT Press, Cambridge.

\*\* Acemoglu, Daron (2005) "Constitutions, Politics and Economic Growth: Review Essay on Persson and Tabellini's *The Economic Effects of Constitutions*," *Journal of Economic Literature*, XLIII, 1025-1048.

Besley, Timothy and Masa Kudamatsu (2008) "Making Autocracy Work." In *Institutions and Economic Performance*, Elhanan Helpman (editor). Harvard University Press.

### Empirical Evidence: Micro

\* Pande, Rohini and Christopher Udry (2005) "Institutions and Development: A View from Below," to appear in the Proceedings of the 9th World Congress of the Econometric Society, edited by Richard Blundell, W. Newey, and Torsten Persson

\*\* Udry, Christopher and Markus Goldstein (2008) "The Profits of Power: Land Rights and Agricultural Investment in Ghana," Vol 116 No 3, *Journal of Political Economy*

\* Nunn, Nathan (2008) "The Long Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics*, Vol. 123, No. 1, pp 139-176.

Nunn, Nathan and Diego Puga "Ruggedness: The blessing of bad geography in Africa," *Review of Economics and Statistics* 94(1), February 2012: 20-36

Banerjee, Abhijit and Lakshmi Iyer (2005), "History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India." *American Economic Review*, 95, 1190-1213.

\*\*\* Dell, Melissa (2010) "The Persistent Effects of Peru's Mining Mita," *Econometrica*, Vol. 78, No. 6, 1863-1903.

Acemoglu, Daron, Simon Johnson and James A. Robinson (2003) "An African Success Story: Botswana." In *Search of Prosperity*, Dani Rodrick eds., Princeton University Press.

## **Weeks 9: Corruption & Public Finance**

### **[PROBLEM SET 7] Referee report of paper TBD**

#### Corruption: Evidence and Efficiency Costs

\*\* Olken, Benjamin and Rohini Pande (2012) "Corruption in Developing Countries," *Annual Review of Economics* 4, pp. 479-505.

\* Banerjee, Abhijit, Rema Hanna, and Sendhil Mullainathan (2013), "Corruption." *Handbook of Organizational Economics*, Princeton University Press.

\*\* Olken, Benjamin A. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* 115, no. 2 (2007): 200-249.

\* Olken, Benjamin and Barron, Patrick (2009), "The Simple Economics of Extortion: Evidence from Trucking in Aceh", *Journal of Political Economy* 117 (3), pp 417-452.

\* Fisman, Ray (2001) Estimating the Value of Political Connections, *American Economic Review*, 91, 1095-1102.

Fisman, David, Raymond J. Fisman, Julia Galef, Rakesh Khurana, and Yongxiang Wang (2012) "Estimating the Value of Connections to Vice-President Cheney," *The B.E. Journal of Economic Analysis & Policy*: Vol. 13: Iss. 3 (Advances), Article 5.

Bertrand, Marianne, Djankov, Simeon, Hanna, Rema and Mullainathan, Sendhil, (2007) "Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption," *QJE*, Vol 122 (4) 11639-1676.

\* Bandiera, Oriana, Andrea Prat, and Tommaso Valletti (2009), "Active and Passive Waste in Government Spending: Evidence from a Policy Experiment," *American Economic Review* 99 (4), pp 1278-1308.

Reinikka, Ritva and Svensson, Jacob (2004) "Local Capture: Evidence from a Central Government Transfer Program in Uganda," *Quarterly Journal of Economics*, 119, 679-705.

Mauro, Paulo (1995), "Corruption and Growth," *Quarterly Journal of Economics*, Vol 110 (30), 681-712.

Djankov, Simeon, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, "The Regulation of Entry," *Quarterly Journal of Economics*, 117 (2002), 1–37.

McMillan, John and Pablo Zoido (2004) "How to Subvert Democracy: Montesinos in Peru," *Journal of Economic Perspectives*, Vol.18, N. 4, pp. 69–92.

#### Theory: The corrupt officials' decision problem: balancing risks, rents, and incentives

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