

# Development Economics

Washington University in St. Louis

Professor: Sebastian Galiani

Spring, 2010

This course examines the causes and consequences of economic underdevelopment. The approach is both historical and scientific. We present theoretical models and applied work that test alternative hypothesis.

**Course Evaluation:** The requirements for the course are conscientious reading and thinking, and some work:

1. Final exam: accounts for 30 percent of the final grade.
2. Mid-Term exam: accounts for 20 percent of final grade.
3. Group class presentation: accounts for 20 percent of the final grade.
4. 6 assignments: each of them accounts for 5 percent of the final grade (i.e., total of 30 percent of the final grade).

Assignment #	Assigned	Due	Marked
1 <sup>st</sup>	27/01	3/02	10/02
2 <sup>nd</sup>	10/02	17/02	24/02
3 <sup>rd</sup>	24/02	03/03	17/03
4 <sup>th</sup>	24/03	31/03	07/04
5 <sup>th</sup>	07/04	14/04	21/04
6 <sup>th</sup>	14/04	21/04	28/04

## Reading List:

I do not follow any single textbook in this class.

### 1. Development Economics: A long run perspective

J.M. Roberts (2003): The New History of the World, Oxford University Press.  
Angus Maddison (2001): The World Economy: A Millennial Perspective, OECD.  
Eric Jones (2000): Growth Recurring: Economic Change in World History, University of Michigan Press.  
Lant Pritchett (1997): "Divergence, Big Time", *Journal of Economic Perspectives*, 11, 3-17.  
Robert Fogel (2004): The Escape from Hunger and Premature Death, 1700-2100, Cambridge University Press.  
Francois Bourguignon and Christian Morrison (2002): "Inequality among world citizens: 1820-1992", *American Economic Review*, 92, 727-44.

### 2. Economic Growth

Philippe Aghion and Peter Howitt (2009): The Economics of Growth, MIT Press.  
Elhanan Helpman (2004): The Mystery of Economic Growth, Harvard University Press.  
Francesco Caselli (2005): "Accounting for Cross-Country Income Differences", in P. Aghion and S. Durlauf (eds.), Handbook of Economic Growth, North-Holland.

### 3. The Rise of Europe

Douglass North and Robert Thomas (1973): The Rise of the Western World: A New Economic History, Cambridge University Press.  
Eric Jones (2003): The European Miracle: Environments, Economics and Geopolitics in the History of Europe and Asia, Cambridge University Press.  
Nathan Rosenberg and L. E. Birdzell, Jr. (1986): How the West Grew Rich: The Economic Transformation of the Industrial World, Basic Books.  
Daron Acemoglu, Simon Johnson and James Robinson (2005): "Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth", *American Economic Review*, 95 (3), 546-579.

### 4. Institutions

Douglass C. North (1981): Structure and Change in Economic History, Norton.  
Douglass C. North (1990): Institutions, institutional change and economic performance, Cambridge University Press.  
Ronald Heiner (1983): "The Origin of Predictable Behavior", *The American Economic Review*, 73 (4), 560-595.  
Avner Greif (1994): "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individual Societies", *Journal of Political Economy*, 112, 912-950.  
Daron Acemoglu, Simon Johnson and James Robinson (2005): "Institutions as a Fundamental Cause of Long-Run Growth", in P. Aghion and S. Durlauf (eds.), Handbook of Economic Growth, North-Holland.

Daron Acemoglu and 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*, 118, 1231-94.

Douglass North (1993): "Institutions and Credible Commitment", *JITE*, 149, 11-23.

Douglass North and Barry Weingast (1989): "Constitutions and Commitment: Evolution of the Institutions of Public Choice in 17<sup>th</sup> Century England", *Journal of Political Economy*, 3, 137-175.

Avner Greif, Paul Milgrom and Barry Weingast (1994): "Coordination, Commitment, and Enforcement: The case of the Merchant Guild", *Journal of Political Economy*, 102, 745-776.

Avner Greif (1992): "Institutions and Trade: Lessons from the Commercial Revolution", *American Economic Review*, 82, 128-133.

Avner Greif (1993): "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Trader's Coalition", *American Economic Review*, 83, 525-548.

## 5. The State

Douglass North, John Wallis and Barry Weingast (2009): Violence and Social Orders, Cambridge University Press.

Robert Bates (2001): Prosperity and Violence: The Political Economy of Development, Norton.

Robert Bates (2008): When Things Fell Apart: State Failure in Late-Century Africa, Cambridge University Press.

## 6. Democracy

Daron Acemoglu and James Robinson (2006): Economic Origins of Dictatorship and Democracy, Cambridge University Press.

## 7. International Trade

Debraj Ray (1998): Development Economics, Princeton University Press. Chapters 16, 17 and 18.

Ronald Findlay and Kevin O'Rourke (2007): Power and Plenty: Trade, War, and the World Economy in the Second Millennium, Princeton University Press.

K. O'Rourke and J. Williamson (2000): Globalization and History: The Evolution of a 19<sup>th</sup> Century Atlantic Economy, MIT Press.

## 8. Comparative Advantage, Education and Development

Kenneth Sokoloff and Stanley Engerman (2003): "Institutions, Factor Endowments and Paths of Development in the New World", *Journal of Economic Perspectives*, 14, 217-232.

Sebastian Galiani, Daniel Heymann, Carlos Dabus and Fernando Thome (2008): "On the emergence of public education in Land rich economies", *Journal of Development Economics*, 86, 434-446.

Sebastian Galiani, Norman Schofield and Gustavo Torrens (2009): "Natural Resources, Protectionism and Political Divergence", Mimeo.

## 9. Transitions and Economics: China

- Yingyi Qian (2003): “How Reform Worked in China”, in Dani Rodrik (ed.), In Search of Prosperity, Princeton University Press.
- Barry Naughton (2007): The Chinese Economy: Transitions and Growth, MIT Press.
- Jagdish Bhagwati (2002): India in Transition: Freeing the Economy, Oxford University Press.

## 10. Coordination Failures

- Debraj Ray (1998): Development Economics, Princeton University Press. Chapter 5.
- Albert Hirschman (1958): The Strategy of Economic Development, Yale University Press.

## 11. ISI Strategy and Reforms: Argentina

- Jeffrey Frieden, Manuel Pastor Jr. and Michael Tomz (2000): Modern Political Economy Theory and Latin America Policy, Westview.
- Carlos Diaz Alejandro (1970): Essays on the economic history of the Argentine Republic, Yale University Press.
- Richard Mallon and Juan Sourrouille (1975): Economic Policymaking in a Conflict Society: The Argentine Case, Harvard University Press.
- Sebastian Galiani and Paulo Somaini (2009): “The Labyrinth of Solitude: Import Substitution and Path Dependence in the Recent Economic History of Argentina”, Mimeo.
- Irene Brambilla, Sebastian Galiani and Guido Porto (2009): “50 Years of Solitude: Argentina Trade Policies in the XX Century”, Mimeo.

## 12. Corruption and Media

- J. McMillan and P. Zoido (2004): “How to Subvert Democracy: Montesinos in Peru”, *Journal of Economic Perspectives*.
- Di Tella, R. y E. Schargrodsky (2003). “The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires”, *Journal of Law and Economics*.
- Finan, F. y C. Ferraz (2008). “Exposing Corrupt Politicians: The Effects of Brazil’s Publicly Released Audits on Electoral Outcomes”, *Quarterly Journal of Economics*.

## 13. Credit Markets

- Debraj Ray (1998): Development Economics, Princeton University Press. Chapters 14 and 15.
- World Development Report (2006): Equity and Development. Chapter 5.
- Abhijit Banerjee and Esther Duflo (2005): “Growth Theory Through the Lens of Development Economics”, in P. Aghion and S. Durlauf (eds.), Handbook of Economic Growth, North-Holland.
- Abhijit Banerjee and Esther Duflo (2004), “Do Firms Want to Borrow More? Testing Credit Constraints Using a Direct Lending Program”, CEPR Discussion Papers N° 4681.

Abhijit Banerjee and Kaivan Munshi (2004), “How efficiently is capital allocated? Evidence from the knitted garment industry in Tirupur”, *Review of Economics Studies*, 71(1), 19-42.

Jonathan Morduch (1999): “The Microfinance Promise”, *Journal of Economic Literature*, 37, 1569-1614.

## 14. Volatility and Growth

Philippe Aghion and Abhijit Banerjee (2005): Volatility and Growth, Oxford University Press.

Daniel Heymann and Axel Leijonhufvud (1995): High Inflation, Oxford University Press.

## 15. Land

Debraj Ray (1998): Development Economics, Princeton University Press. Chapters 11 and 12.

Abhijit Banerjee, Paul Gertler and Maitresh Ghatak (2002), “Empowerment and Efficiency: Tenancy Reform in West Bengal”, *Journal of Political Economy*, 110 (2), 239-280

Sebastian Galiani and Ernesto Schargrotsky (2009): “Property Rights for the Poor: Effects of land titling”, Mimeo.

## 16. Economic Inequality and Poverty

Debraj Ray (1998): Development Economics, Princeton University Press. Chapters 6, 7 and 8.

Abhijit Banerjee, Roland Benabou and Dilip Mookerjee (2006): Understanding Poverty, Oxford University Press.

Banerjee, A. and E. Duflo (2007): “The Economic Lives of the Poor”, *Journal of Economic Perspectives*, 21, 141-167.

## 17. Human Capital

Engle, P., M.M. Black, J.R. Behrman, M.C. de Mello, P.J. Gertler, L. Kapiriri, R. Martorell, M.E. Young and the International Child Development Steering Committee (2007): “Strategies to avoid the loss of developmental potential in more than 200 million children in the development world”, *Lancet*, 369, 229-42.

John Strauss and Duncan Thomas (1998): “Health, Nutrition, and Economic Development”, *Journal of Economic Literature*, 36, pp. 766-817.

Jere Behrman (1993): “The Economic Rationale for Investing in Nutrition in Developing Countries”, *World Development*, 21, 1749-72.

Paul Glewwe (2002): “Schools and Skills in Developing Countries: Education Policies and Socioeconomic Outcomes”, *Journal of Economic Literature*, pp. 436-482.

Paul Schultz (1999): “Health and Schooling Investments in Africa”, *Journal of Economic Perspectives*, 13, pp. 67-88.

Samuel Berlinski, Sebastian Galiani and Marco Mancorda (2008): “Giving children a better start: Preschool attendance and school-age profiles”, *Journal of Public Economics*, 92, 1416-1440.

Samuel Berlinski, Sebastian Galiani and Sebastian Galiani (2009): “The effect of pre-primary education on primary school performance”, *Forthcoming in Journal of Public Economics*.