

ECO 403
TOPICS IN DEVELOPMENT ECONOMICS AND POLICY

Department of Economics University of Toronto

Winter 2016

Class: Tuesdays 10:00 am - 12:00 pm

Location: BA2175

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Office hours:
Wednesday 2:00-3:00
Friday 2:30-3:30

Course Description:

This course will focus on major topics in development economics. Broadly, the focus of the course will be: why are some countries, regions, ethnic groups poorer than others?

Pre-requisites:

Microeconomic Theory: ECO200Y/204Y/206Y

Macroeconomic Theory: ECO202Y/208Y/209Y

Quantitative Methods in Economics: ECO220Y/227Y/STA(247H,248H)/250H,255H)/(257H, 261H)

I expect you to be able to perform basic calculus (e.g. take partial derivatives) and have a basic understanding of regression analysis. The course focusses heavily on evaluating poverty alleviation programs so anyone without a basic knowledge of empirical methods will find it very tough.

Grades:

- Term paper (40%)
Topic approval deadline (email only): February 9th
Due: April 29th
Late Penalty: If late, papers will be penalized by $2^x\%$ where x is the number of days late.
- Mid-term exam (20%)
Date: February 23rd in class
- Final exam (40%)
Date: TBD

Term Paper: The term paper is a referee report of an economic development paper. There are a number of criteria for an acceptable paper. It must:

1. Contain empirical analysis
2. Have been published in one of the top-5 economics journals or is on the reading list (as long as it also meets the other criteria)

3. Not be taken by anyone else (first come first served)
4. Not covered by me in lectures
5. Be on a currently relevant topic in development economics (e.g. papers from the 1970s are likely inappropriate)
6. All papers need to be approved by me to make sure (a) meet criteria 1-5; (b) the paper isn't too difficult.

Getting your paper approved by me before February 9th explicitly counts for 5% of your grade on the paper. Note that I very well may reject your first request, so sending me an email at 5:00 on February 9th is pretty risky. **All approvals need to be done by email so that in the case of a dispute I have a paper trail.** In addition to the 5%, if you choose a paper that is not appropriate, it is less likely that you will be able to address the issues I want to test, so your grade will suffer indirectly as well.

For criteria number 2, the top 5 journals in economics (in no particular order) are:

- *The American Economic Review (AER)*. This is different from *The American Economic Review: Papers & Proceedings (AER P&P)*, which typically contains papers that are less than 15 pages. *AER P&P* is not a peer reviewed journal and is not appropriate for this assignment.
- *The Quarterly Journal of Economics (QJE)*
- *The Journal of Political Economy (JPE)*
- *The Review of Economic Studies (REStud)*
- *Econometrica*

Note: While there are some *Econometrica* papers that would be fine, this is the most technically demanding journal of the 5 and most papers are probably too difficult for an undergrad course assignment. So keep this in mind – choosing a paper from this journal may unnecessarily increase the amount of work you need to do on the assignment.

Grading of the paper will be as follows:

- Is the report on a published economic development paper that was pre-approved? (5%)
- Does the report include an accurate summary of the paper? (5%)
- Does the report place the paper in the development literature and appropriately describe the contribution of the paper? (10%)
- Does the report contain an appropriate evaluation of the empirical strategy used in the paper? (15%)
- Does the report contain an appropriate evaluation of the measures used in the paper? (15%)
- Does the report contain an appropriate evaluation of whether the interpretation of the results of the paper are appropriate? (15%)
- Does the report contain suggestions for improvement where possible (can be a conditional suggestion – e.g. “if the author has access to data on *whatever*, they should present *the results of some test*”), or otherwise an explanation of why the criticism is unlikely to be able to be addressed? (30%)
- Clear and concise writing (5%)

I don't care how long the paper is. An incomplete evaluation will lower your grade. An unnecessarily verbose, rambling or unclear evaluation will also lower your grade. As a guide, most of the time these reports are 5-7 pages. It is certainly possible, in some cases, to do a good report in 3 pages. It is also possible that there are so many issues with the paper that you need 10. Just take what you need to make all of your points clearly and concisely.

Mid-term: A grade of 0 will be given to students who do not write the midterm exam unless an appropriate and convincing note is received within one week of the missed test, explaining why the test was missed.

If the student misses the test due to illness:

- The note must be provided using the University of Toronto medical certificate. No other documentation will be accepted. You can find a copy of the form here: <http://www.healthservice.utoronto.ca/pdfs/medcert.htm>
- The form must be completed by a Medical Doctor, and include the doctor's OHIP registration number.
- Only original notes will be accepted. I will not accept photocopies or emailed certificates.
- The note must clearly state that on the date of the test, the student was too sick to write the test. Notes that simply state that a doctor saw the student on the date of the midterm will not be accepted. Illness before the test is not

sufficient grounds for missing the test. Nor will I accept notes that indicate that the student would have performed “sub-optimally”.

- To comply with these requirements, it is expected that the student will have met with the doctor on the date of the test.
- **The student must email me the day of the test to indicate that they will not be able to write the test.**
- I will review each sick note to determine whether there are sufficient grounds for a student to be excused from a test. Part of this review process may include meeting with the student, and/or following up with a physician.
- It is an academic offense to feign illness to avoid a test.

If the student misses a term test due to another excused absence (e.g., funeral, car accident):

- The note must be accompanied by a note from a responsible third party that I can verify *in order for excusal to even be considered*. The validity of the excuse will also be evaluated by academic staff in the Department of Economics.

If a student has been excused from the midterm exam, he or she will be permitted to write a make-up test. The make-up test will be held on Wednesday February 24th, 9:00-11:00am. Consistent with university policy, there is no “make-up test” for the make-up test. No medical excuses or scheduling conflicts will be accepted, and a grade of zero will be applied if a student fails to write the make-up test.

Final Exam: The final will be governed by the University’s rules for missing final exams.

Course Website

The UofT Blackboard Portal will be used for this course. I’ll use it to make announcements to the class and to post lecture notes, additional readings, practice questions, etc. It is therefore vital that you log-on to Blackboard at least once a week.

Email Policy

I will respond to emails during normal business hours, but:

- If your question takes more than a paragraph to answer I’ll ask you to see me in office hours
- I’m not going to reply at all if the answer is in the syllabus or on Blackboard. If you get no response from me, that’s the most likely reason.
- I’m not going to do anything related to grades, exam solutions, etc. over email. I’ll ask you to come see me in office hours for that.
- If it’s an issue that requires more than one email from me, you’ll have to come see me in office hours. For example: if you email me about a paper topic and I reject your topic and you want to argue, complain, vent, get more details on why, etc. I’m happy to do the approval/rejection itself over email, but after that you’ll have to come in.
- If I ask you over email to come to office hours and you continue the conversation over email I probably won’t reply.

Academic Misconduct

Students should note that copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

As a student it is your responsibility to ensure the integrity of your work and to understand what constitutes an academic offence. If you have any concerns that you may be crossing the line, always ask your instructor. Your instructor can explain, for example, the nuances of plagiarism and how to use secondary sources appropriately; he or she will also tell you what kinds of aids -- calculators, dictionaries, etc. -- are permitted in a test or exam. **Ignorance of the rules does not**

excuse cheating or plagiarism. For more information regarding the Code of Behaviour on Academic Matters please visit (<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>).

Outline and Reading list (is covered in class; * is appropriate for report):**

Week 1: Introduction

Week 2: Geography

**Miguel (2005), "Poverty and Witch Killing", *The Review of Economic Studies*.

**Angrist and Kruger (2008), "Rural Windfall or a New Resource Curse? Coca, Income, and Civil Conflict in Colombia" *The Review of Economics and Statistics*

*Brollo, Nannicini, Perotti, Tabellini (2013), "The Political Resources Curse", *The American Economic Review*.

*Nunn, Nathan, and Diego Puga. (2010). "Ruggedness: The Blessing of Bad Geography in Africa." *Review of Economics and Statistics* 94 (1): 20–36.

Harding and Venables (2010). "The Implications of Natural Resources for Non-Export Exports" *OxCarre Working Papers*.

Jared Diamond (1998), *Guns, Germs and Steel Chapter 10*

Week 3: Health

**Jessica Cohen and Pascaline Dupas (2010) "Free Distribution or Cost-sharing? Evidence from a Randomized Malaria Prevention Experiment" *Quarterly Journal of Economics*

**Edward Miguel and Michael Kremer (2004) "Worms: Identifying the Impacts on Education and Health in the Presence of Treatment Externalities" *Econometrica*.

*Acemoglu, Johnson and Robinson (2003), *Disease and Development in Historical Perspective*. *Journal of the European Economic Association* 1(2-3): 397-405

*Marcella Alsan (2012). "The Effect of the Tse Tse Fly on African Development," unpublished working paper.

Week 4: Institutions

**Acemoglu, Johnson and Robinson (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation". *The American Economic Review*

**Nunn (2008) "Long Term Effects of Africa's Slave Trades". *Quarterly Journal of Economics*.

*Banerjee and Duflo (2014), "Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program" *The Review of Economic Studies*

*de Mel, McKenzie and Woodruff (2008), "Returns to Capital In Microenterprises: Evidence from a Field Experiment" *The Quarterly Journal of Economics*

*Macchiavello and Morjaria (2015), "The Value of Relationships: Evidence from a Supply Shock to Kenya Rose Exports", *American Economic Review*

North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge, Cambridge University Press.

Engerman and Sokoloff (2000) *Institutions, Factor Endowments, and Paths of Development in the New World*

Week 5: Education

**Esther Duflo (2001) “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from and unusual policy experiment” *American Economic Review*

**Esther Duflo and Rema Hanna (2005) “Monitoring Works: Getting Teachers to Come to School”, *Unpublished*

*Banerjee, Cole, Duflo and Linden (2007) “Remedying Education: Evidence from Two Randomized Experiments in India”, *Quarterly Journal of Economics*

*Jensen, Robert (2012). "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India," *Quarterly Journal of Economics*

Week 6: Mid-term

Week 7: Corruption

**Olken (2007), “Monitoring Corruption: Evidence from a Field Experiment in Indonesia.” *Journal of Political Economy*.

**Fisman and Miguel (2007), “Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets”. *Journal of Political Economy*

*Hanna and Wang (2014) “Dishonesty and Selection into the Public Service”. *Unpublished*

Olken and Pande (2012), “Corruption in Developing Countries”

Week 8: History

**Banerjee and Iyer (2005) “History, Institutions and Economic Performance: The Legacy of Colonial Land Tenure Systems in India”. *The American Economic Review*.

**Micholopolous and Papaioannou (2012) “Pre-colonial Ethnic Institutions and Contemporary African Development” *The Quarterly Journal of Economics*

*Berger (2008). Taxes, institutions and governance: evidence from colonial Nigeria. Unpublished

*Fryer and Sacerdote (2009). “Colonialism and modern income: islands as natural experiments”. *Review of Economics and Statistics*

*Nunn and Qian (2009) “The Potato’s Contribution to Population and Urbanization: Evidence from an Historical Experiment”. *The Quarterly Journal of Economics*.

*Becker et al. (2014), “The Empire is Dead, Long Live the Empire! Long-Run Persistence of Trust and Corruption in the Bureaucracy”. Unpublished.

Huilery (2008) “History Matters: the long-term impact of colonial public investments in French West Africa.” *Unpublished*

Week 9: Culture

**Grief (1993), *Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition*

**Cohen et al (1996). *Culture of Honour: The Psychology of Violence in the South* Boulder: Westview Press

**Alesina et al. (2012) *On the Origins of Gender Roles: Women and the Plough*

*Clingsmith, David, Asim Ijaz Khwaja, and Michael Kremer. (2009) “Estimating the impact of the Hajj: Religion and tolerance in Islam’s global gathering”. *Quarterly Journal of Economics*

*Becker, Sascha O. and Ludger Woessmann. 2009. "Was Weber wrong? A human capital theory of Protestant economic history". *Quarterly Journal of Economics*

Henrich, Joseph, Jean Ensminger, Richard McElreath, Abigail Barr, Clark Barrett, Alexander Bolyanatz, Juan Camilo Cardenas, Michael Gurven, Edwina Gwako, Natalie Henrich, Carolyn Lesorogol, Frank Marlowe, David Tracer, and John Ziker. (2010). "Markets, religion, community size, and the evolution of fairness and punishment". *Science*

Leeson (2008), *An-arhhh-chy: The Law and Economics of Pirate Organizations*

Week 10: Ethnic Fractionalization

**Alesina, Devleeschauwer, Easterly, Kurlat, Wacziarg, (2002), Fractionalization, *Journal of Economic Growth*

**Eifert, Miguel and Posner (2010), *Political Competition and Ethnic Identity in Africa*, *American Journal of Political Science*

**Jonas Hjort (2014) "Ethnic Divisions and Production in Firms" *Quarterly Journal of Economics*

*Micholopolous (2012) *The Origins of Ethnolinguistic Diversity*

Week 11: Trust

**Does Social Capital have an economic Payoff? (1997), Knack and Keefer, *The Quarterly Journal of Economics*

**Nunn, Wantchekon (2011), *The Slave Trade and the Origins of Mistrust In Africa*

**Guiso, Sapienza, and Zingales (2007) *The Role of Social Capital in Financial Development*

**Bloom, Sadun, and Van Reenen (2008), *The Organization of Firms Across Countries*, *The Quarterly Journal of Economics*

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Week 12: Review for Final Exam