

ECO 324
TOPICS IN DEVELOPMENT ECONOMICS AND POLICY
Department of Economics University of Toronto
Fall 2022

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

Location: LM161

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Office hour:
Tuesday 2:00pm-3:00pm

Course Description:

This course will focus on major topics in development economics. Broadly, the focus of the course will be on the causes of economic underdevelopment. This is intended as an introduction to development, so my aim is to touch on each of the big topics in the field. Each lecture will focus on one active sub-literature of development economics research. Current research in development economics is heavily empirical. Accordingly, as we discuss the research in the field, we will also touch on the intuition behind the main empirical methods that are required to understand each paper.

Pre-requisites:

Microeconomic Theory: ECO200Y/204Y/206Y

Quantitative Methods in Economics: ECO220Y/227Y/STA(237H,238H)/247H,248H)/(257H, 261H)

Grades:

- Referee Reports (30%; 10% each)

1st Referee report due-date: October 4th

2nd Referee report due-date: November 8th

(drop-date is November 16th, I'll stress with the TAs the importance of getting this graded by the 15th)

3rd Referee report due-date: November 29th

Late Penalty: If late, reports will be penalized by 10% per day late.

- Mid-term exam (30%)
Date: October 25 in class
Open book: Any hardcopy materials are allowed; no electronic devices of any type.
- Final exam (40%)
Date: TBD
Open book: Any hardcopy materials are allowed; no electronic devices of any type.

Referee Reports:

Read a paper from the options provided (below) and write a referee report on the paper. A typical referee report is 2-5 pages long. I think you should aim for about 3-pages, but if it's a bit shorter or longer nobody is going to quibble regarding length, the quality of your comments are more important. I'll post some (real) examples of people that have written referee reports on some of my journal submissions to Quercus. I'll try to include some positive and negative ones

(if I can bear to re-read the negative ones when I look for good examples to post). You can use some of them as a template for format, length, level of detail, etc.

The typical format is to start with a summary of the paper, so that the editor and authors know that you have read it. This does not need to be more than 2-3 paragraphs long, and it typically outlines the contribution of the article, the main results, and sometimes a very brief summary of the methods. The next section should be the major comments. There are typically between 2-4 of these. These are typically more fundamental concerns about the analysis – empirical or conceptual issues that lie at the heart of the paper. These are comments you feel must be addressed if the paper is to be published. For each: you should state the concern, explain why it is a concern, and if you want to be a nice referee, a suggestion on how to address it. Sometimes there is no obvious way to address the concerns. If that's the case for the bulk of your major concerns, you should recommend rejecting the paper.

The next section is typically more minor concerns. These are often writing issues - unclear parts of the paper that can be relatively easily addressed in a rewrite. Alternatively, these can be relatively simple pieces of additional evidence that you think would improve the paper. The same process as above, but these points are usually much shorter, since they are typically less complex issues.

Finally you should write a paragraph telling us what your decision is. This is not typically done in the real world, but I am going to ask that you do it here. Usually when you are a referee you send in a report that the authors see, and a private letter to the editor that the authors do not see. This paragraph would typically go in the letter to the editor, but I would like to see your decision and justification, so I'm going to ask you to put it here. Again, one paragraph that states your recommendation (i.e. accept as is; revise and resubmit; reject) and highlights your main reasons for the decision (with reference to the points above) is sufficient.

When you make a decision, act as though you are refereeing for the Quarterly Journal of Economics – the top journal in the Economics. Some of the papers were (or should have been) published in a comparable top journal, some not. The decision doesn't matter, I don't particularly care if you miss the mark on what is the bar for the QJE – and that absolutely will NOT affect your grade. What matters is the quality of the justification, and whether it is coherent.

Options for the referee reports:

Report #1 – Political Economy of Development:

- *Option 1:* Burgess, Jedwab, Miguel, Morjaria, Padro I Miguel (2015) “The Value of Democracy: Evidence from Road Building in Kenya,” *American Economic Review*. 105(6), pp.1817-51.
- *Option 2:* Beath, Fortini, Enikolopov (2017), “Democracy and Resource Allocation: Experimental Evidence from Afghanistan.” *Journal of Development Economics*. Vol. 124, pp.199-213.

Report #2 – Cash transfers:

- *Option 1:* Blattman, Fiala, Martinez (2014) “Generating self-employment in developing countries: Experimental evidence from Uganda,” *Quarterly Journal of Economics*, 129(2), pp. 697-752.
- *Option 2:* Banerjee, Duflo, Glennerster and Kinnan. (2015) “The Miracle of Microfinance? Evidence from a Randomized Evaluation” *American Economic Journal: Applied Economics*. 7(1), pp. 22-53.

Report #3 – History / Culture:

- *Option 1:* Alesina, Giuliano, Nunn (2013) “On the Origins of Gender Roles: Women and the Plough,” *Quarterly Journal of Economics*. 128(2), pp. 469-530.
- *Option 2:* Micholopoulos (2012) “The Origins of Ethnolinguistic Diversity,” *American Economic Review*. 102(4), pp. 1508-39.

Each of these articles will be posted to Quercus.

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. 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.

Course Website

The UofT Quercus system 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 at least once a week.

Email Policy

I am happy respond to quick emails during normal business hours, but email is an inefficient way to communicate, so I may end up asking you to come see me in my office if the issue is complex or the conversation drags on. Please don't email with urgent or time sensitive issues, for that please come to my office.

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 (subject to change):

Note 1: It is too much for me to expect you to read all of every paper I list. I do not expect that. I think a good strategy would be to read the introductions of the papers before class, so you have a good summary of what the paper is about. We will review the papers in detail in class, and then I would suggest you look to the paper for anything that you either found unclear or were particularly interested in (alternatively come chat with me about it).

Note 2: I'm going to mark a few papers with a star (). These are typically: (a) classics that are great to know of for some background, but are maybe no longer sufficiently reflective of current thinking for me to cover in class; (b) literature reviews that will give you a broad but superficial feel of the literature; (c) papers I plan to only briefly refer to (time permitting). I include these primarily for those of you that are super-enthusiastic or are considering graduate school / careers with a focus on development economics.*

September 13: Introduction

September 20: Institutions

Engerman and Sokoloff (2000) "Institutions, Factor Endowments, and Paths of Development in the New World." *Journal of Economic Perspectives*. 14(3), pp. 217-32.

Acemoglu, Johnson and Robinson (2001) "The Colonial Origins of Comparative Development: An Empirical Investigation". *American Economic Review*. 91(5), pp. 1369-401.

Nunn (2008) "Long Term Effects of Africa's Slave Trades". *Quarterly Journal of Economics*. 123(1), pp. 139-76.

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

September 27: Corruption

Olken (2007), "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy*. 115(2), pp. 200-49.

Fisman and Miguel (2007), "Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets". *Journal of Political Economy*. 115(6), pp. 1020-48.

Hanna and Wang (2014) "Dishonesty and Selection into the Public Service." *American Economic Journal: Economic Policy*. 9(3), pp. 262-90.

* Olken and Pande (2012), "Corruption in Developing Countries" *Annual Review of Economics*. 4(1), pp. 479-509.

October 4: Conflict

Sanchez de la Sierra (2020) "On the Origin of the State: Stationary Bandits and Taxation in Eastern Congo," *Journal of Political Economy*. 128(1), pp. 32-74.

Yanagizawa-Drott (2014) "Propaganda and Conflict: Evidence from the Rwandan Genocide," *Quarterly Journal of Economics*, 129(4), pp. 1947-94.

Miguel (2005), "Poverty and Witch Killing," *The Review of Economic Studies*, Vo. 72, pp. 1153-72.

* Macchiavello and Morjaria (2015), "The Value of Relationships: Evidence from a Supply Shock to Kenya Rose Exports", *American Economic Review*. 105(9), pp. 2911-45.

October 11: Education

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

Hanna, Duflo and Ryan (2012) "Incentives Work: Getting Teachers to Come to School," *American Economic Review*. 102(4), pp. 1241-78.

Banerjee, Cole, Duflo and Linden (2007) "Remedying Education: Evidence from Two Randomized Experiments in India", *Quarterly Journal of Economics*. 122(3), pp. 1235-64.

Jensen (2012). "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India," *Quarterly Journal of Economics*. 127(2), pp. 753-92.

October 18: Credit

de Mel, McKenzie and Woodruff (2008), "Returns to Capital In Microenterprises: Evidence from a Field Experiment" *Quarterly Journal of Economics*. 123(4), pp. 1329-72.

Banerjee and Duflo (2014), "Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program" *The Review of Economic Studies*. 81(2), pp. 572-607.

Blouin and Macchiavello (2019) "Strategic Default in the International Coffee Market" *Quarterly Journal of Economics*. 134(2), pp. 895-951.

* Abhijit Banerjee (2013), "Microcredit Under the Microscope: What Have We Learned in the Past Two Decades, and What Do We Need to Know" *Annual Review of Economics*. Vol 5, pp. 487-519.

October 25:

Mid-term

November 1: Consumption smoothing - Savings and Insurance

Ashraf, Karlan, Yin (2006) "Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines." *Quarterly Journal of Economics*. 121(2), pp. 635-672.

Dupas and Robinson (2013) "Why Don't the Poor Save More? Evidence from Health Savings Experiments," *American Economic Review*. 103(4), pp. 1138-71.

*Morduch, Jonathan. "Microinsurance: The Next Revolution?" in Banerjee, Abhijit Vinayak, Roland Benabou, and Dilip Mookherjee, eds. *Understanding poverty*. Oxford University Press, 2006.

*Robert Townsend (1994) "Risk and Insurance in Village India," *Econometrica*. 62(3), pp. 539-91.
(Warning: this one is an absolute classic but is a very difficult read for an undergrad)

November 8:

Reading Week

November 15: Health

Cohen and Dupas (2010) "Free Distribution or Cost-sharing? Evidence from a Randomized Malaria Prevention Experiment" *Quarterly Journal of Economics*. 125(1), pp. 1-45.

Miguel and Kremer (2004) "Worms: Identifying the Impacts on Education and Health in the Presence of Treatment Externalities" *Econometrica*. 72(1), pp. 159-217.

Marcella Alsan (2015) “The Effect of the TseTse Fly on African Development,” *American Economic Review*. 105(1), pp. 384-410.

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

November 22: Geography and the Natural Resources Curse

Angrist and Krueger (2008), “Rural Windfall or a New Resource Curse? Coca, Income, and Civil Conflict in Colombia” *The Review of Economics and Statistics*. 90(2), pp. 191-215.

Harding and Venables (2016). “The Implications of Natural Resource Export for Nonresource Trade” *IMF Economic Review*. 64(2), pp. 268-302.

Brollo, Nannicini, Perotti, Tabellini (2013), “The Political Resource Curse”, *American Economic Review*. 103(5), pp. 1759-96.

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

November 29: Aid

Jeffrey Sachs, *The End of Poverty*, Ch 15

William Easterly, “The Big Push Déjà vu: A Review of Jeffrey Sachs’ *The End of Poverty: Economic Possibilities for our Time*,” *Journal of Economic Literature*, Vol. XLIV March 2006, pp. 96-105.

Easterly, *The White Man’s Burden*, Ch. 1-2

Banerjee and Duflo. *Poor Economics*. Ch. 1

Nicholas Kristof, “Aid: Can it Work?” *New York Review of Books*. Vol. 53, No. 15, October 2006

Jeffrey Sachs, “How Aid Can Work” (Letter to the Editor) *New York Review of Books*, Vol. 53, No. 20, December 21, 2006

The Economist, “Special Report: The \$25 billion question – Aid to Africa” July 2, 2005, Vol. 376, Issue 8433.

December 6:

Q&A

Review for Final Exam