

ECON 5254: Applied Development Economics II

Winter 2011 Course Syllabus

Wednesdays 13:05-15:25, LSC-PSYCHOLOGY P4263

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Office hours: Wednesday 15:30-17:00 (no appointment needed during this time).

Meetings at any other time must be arranged in advance, preferably via e-mail.

Introduction: This course is one of the core courses of the Master of Development Economics (MDE) degree. The material in this class is complementary to ECON 5253. The aim of this course is to provide an overview of the current literature on the development and growth in poor countries. Topics covered include the role of human capital (health, education), the internal structure of households (neoclassical, bargaining, gender), the functioning of factor markets, the role of institutions in mediating change and paths for sustainable growth. On the methodological side, we will examine econometric techniques that researchers have used to identify causal relationships (ordinary least square, panel data, instrumental variables, randomized experiments, difference-in-difference, regression discontinuity design).

Requirements and Grading:

- 1) **5 Assignments:** 40% (Each worth 8%)
- 2) **Final:** 40% (in class on Wednesday, April 6th)
- 3) **Weekly Writing:** 10% (500 word mini-essays)
- 4) **Presentation:** 10%

Class Procedure: Few. Please show up on time. Please leave your phones and pagers and other electronic items OFF. I don't take attendance, but if can't be bothered to show up, don't take the class. At this level of graduate study we are trying to engage in a discussion about current research, and we are trying to avoid me simply lecturing. As part of this, you must read the required material BEFORE class. Come with questions or ideas that came out of the readings.

Final: The final exam will draw heavily from lectures and in-class discussions. The final exam will cover the subject matter of the entire course and is not open-book. If you miss the final exam for a valid medical reason, you must notify me immediately, provide appropriate medical documentation, and make arrangements to write-up exam as soon as health permits.

Assignments: There will be several homework assignments, usually, which make up 40% of your grade. They will consist of several parts: you would have to carefully read an assigned paper, and then replicate its results in Stata. The assignments will be graded on the "check-/check/check+" basis, which roughly correspond to 60/80/100 points. It's nearly impossible to complete a homework assignment in one day, so I strongly recommend starting early. Only hard copies of homework turned **in prior to class** will be accepted. Homework assignments received after the due date will receive a grade equal to zero. Students are encouraged to work together on problem sets. However, each student must write up his/her own problem set. No copies will be accepted, and this includes programs.

- Assignment I:** Wednesday, January 19th, 2011 in class by 13:05.
Assignment II: Wednesday, February 9th, 2011 in class by 13:05.
Assignment III: Wednesday, March 2nd, 2011 in class by 13:05.
Assignment IV: Wednesday, March 16th, 2011 in class by 13:05.
Assignment V: Wednesday, March 30th, 2011 in class by 13:05.

Weekly Writing: Each Wednesday (with several exceptions), I'll expect a 500 word mini-essay on a point/ conclusion/ assumption/ argument that you have found interesting from some of our readings. 500 words is about one single-spaced page. You should identify an interesting idea from the readings or class discussion and expand on it. Does it make sense? What are the counter-arguments? Could you test this idea using data? Is there a prevailing counter-argument to this idea? How could this idea be used to motivate new research?

These assignments are not undergraduate scribblings. I expect them all (yes, even the weekly assignments) to be carefully written and edited. You should have someone else read them before you turn them in. It is imperative that you work on your writing skills now, because they will be crucial for your success on the job market and in your career as an economist.

Presentation: In the second half of the term, for each reading, a student will be assigned to "present the paper for 45-60 minutes" and "lead" the discussion on the reading. The class presentation will constitute 10% of your final grade. Class presentations are aimed to increase your understanding on the question, contribution and main conclusions of the reading. Each student is required to meet me a during the office hours **a week before the presentation** and have their slides and presentation ready in this meeting.

Grading: GRADES ARE NOT NEGOTIABLE. Do not contact me after the final semester grades have been posted asking me to change your grade for any reason. [Of course, if you believe your grade was posted erroneously by all means DO contact me.] Grades will be determined according to the following scale:

A+	A	A-	B+	B	B-	F
90+	85-89	80-84	77-79	73-76	70-72	<70

**Students with permanent or temporary disabilities who would like to discuss classroom or exam accommodations are asked to come and see me as soon as possible.*

I strongly encourage you to attend the Department Seminars which are held Fridays 3:30-5pm (see the department website for the schedule of speakers). Though seminar attendance is not counted in your grade for this class, attending seminars is an excellent way to expose yourself to current research, learn what a research paper comprises, and learn how to give oral presentations.

General Readings:

Our course will not use a textbook, but the following books may be of interest to you:

- Ray, Debraj. 1998. Development Economics, Princeton: Princeton University Press.
- Deaton, Angus. 1997. The Analysis of Household Surveys: A Microeconomic Approach to Development Policy, Baltimore: Johns Hopkins University Press.

- Acemoglu, Daron. 2008. *Introduction to Modern Economic Growth*, Princeton: Princeton University Press.
- Bardhan, Pranab and Christopher Udry. 1999. *Development Microeconomics*, Oxford: Oxford University Press.

The following books and papers describe the econometric tools we will be using in this course:

- Angrist, Joshua D. and Jorn-Steffen Pischke. 2009. *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton and Oxford: Princeton University Press.
- Duflo, Esther, Rachel Glennerster and Michael Kremer. 2007. "Using randomization in development economics research: a toolkit," CEPR Discussion Paper No. 6059. URL: <http://econ-www.mit.edu/files/806>
- Angrist, Joshua D. and Alan B. Krueger. 1999. "Empirical strategies in labor economics," in *Handbook of Labor Economics*, Volume 3, Ashenfelter, A. and D. Card, eds., Amsterdam: Elsevier Science. URL: <http://www.irs.princeton.edu/pubs/pdfs/401.pdf>
- This provides more details on instrumental variables: Angrist, Joshua D. and Alan B. Krueger. 2001. "Instrumental variables and the search for identification: from supply and demand to natural experiments," *Journal of Economic Perspectives*, 13(2):69-85.
- This provides more details on regression discontinuity designs: Lee, David S. and Thomas Lemieux. 2009. "Regression discontinuity designs in economics," NBER Working Paper 14723. URL: <http://www.princeton.edu/~davidlee/wp/w14723.pdf>

The required readings associated with each lecture are given in the "Course Schedule" section of the syllabus.

COURSE SCHEDULE (*subject to change*):

I. Introduction (2 Lectures, Lectures 1-2)

Browse through issues of the United Nation's *Human Development Report* and the World Bank's *World Development Report* online to get a sense of the cross-country measures of development, and broad issues in development.

Appendix tables associated with the following two articles located at the following URL: <http://econ-www.mit.edu/files/3793>

Banerjee, Abhijit and Esther Duflo. 2007. "The economic lives of the poor," *Journal of Economic Perspectives* 21(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(2): 3-28.

Acemoglu, Daron. 2009. *Introduction to Modern Economic Growth*, Princeton and Oxford: Princeton University Press. Particularly Chapter 1 and 4.

Banerjee, Abhijit and Esther Duflo. 2005. "Growth Theory through the Lens of Development Economics," *Handbook of Economic Growth*.

Caselli, Francesco. 2005. "Accounting for Cross-Country Income Differences." *Handbook of Economic Growth*.

Mankiw, N. Gregory; David Romer, and David N. Weil. 1992. "A Contribution to the Empirics of Economic Growth," *The Quarterly Journal of Economics*, 107(2): 407-437.

Caselli, Francesco and James Freyer. 2007. "The Marginal Product of Capital." *Quarterly Journal of Economics*, 122(2): 535-568.

II. Institutions and the Historical Roots of Under-development (2 Lectures, Lectures 3-4)

Acemoglu, Daron and Simon Johnson. 2005. 'Unbundling Institutions' *Journal of Political Economy*, 113(5): 949-995.

Acemoglu, Daron, Simon Johnson and James A. Robinson. 2001. 'The Colonial Origins of Comparative Development: An Empirical Investigation.' *American Economic Review* 91(5): 1369-1401.

Acemoglu, Daron, Simon Johnson and James A. Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution" *Quarterly Journal of Economics*, 118: 1231-1294.

Acemoglu, Daron, Simon Johnson and James A. Robinson. 2005. 'Institutions as the Fundamental Cause of Economic Growth.' *Handbook of Economic Growth*.

Banerjee, Abhijit and Lakshmi Iyer. 2005. "History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India," *American Economic Review*, 95(4): 1190-1213.

Nathan Nunn. 2008. "The Long Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics*, 123(1): 139-176.

Hall, Robert and Charles Jones. 1999. 'Why do Some Countries Produce so Much More Output per Worker than Others?' *Quarterly Journal of Economics*, 114(1): 83-116.

La Porta, Rafael, Florencio Lopez de Silanes, Andrei Shleifer, and Robert Vishny. 1998. "Law and Finance", *Journal of Political Economy*, 106(6): 1113-1155.

III. Growth Miracles and Failures: East Asia, China, India and Africa (1 Lecture, Lecture 5)

Rodrik, Dani. 1995. "Getting Interventions Right: How South Korea and Taiwan Grew Rich." *Economic Policy*, 10(1): 55-107.

Qian, Yingyi. 2003. "How Reform Worked in China," in D. Rodrik, ed., *In Search of Prosperity: Analytic Narratives of Economic Growth*, Princeton: Princeton University Press.

Lau, Lawrence J., Yingyi Qian, and Gerard Roland. 2000. "Reform Without Losers: An Interpretation of China's Dual-Track Approach to Transition," *The Journal of Political Economy*, 109(1): 120-143.

Kochhar, Kalpana, Utsav Kumar, Raghuram Rajan, Arvind Subramanian, and Ioannis Tokatlidis. 2006. "India's Pattern of Development: What Happened, What Follows," NBER Working Paper 12023.

Hsieh, Chang-Tai and Peter Klenow. 2009. "Misallocation and Manufacturing TFP in China and India", *Quarterly Journal of Economics*, 124(1): 1403-1448.

Easterly, William, and Ross Levine. 1997. "Africa's Growth Tragedy: Policies and Ethnic Divisions," *Quarterly Journal of Economics*, 112(4): 1203-1250.

IV. Conflict (2 Lectures, Lectures 6-7)

Blattman, Christopher and Edward Miguel. 2010. "Civil War", *Journal of Economic Literature*, 48(1): 3–57.

Angrist, Joshua and Adriana Kugler. 2008. "Rural Windfall or Resource Curse? Coca, Income and Civil Conflict in Colombia." *Review of Economics and Statistics*, 90 (2): 191-215.

Akbulut-Yuksel, Mevlude. 2009. "Children of War: The Long-Run Effects of Large-Scale Physical Destruction and Warfare on Children", IZA DP No. 4407.

Miguel, Edward, Shankar Satyanath, and Ernest Sergenti. 2004. "Economic Shocks and Civil Conflict: An Instrumental Variables Approach." *Journal of Political Economy*, 112(4): 725-753.

Collier, Paul and Anke Hoeffler. 2004. "Greed and Grievance in Civil War." *Oxford Economic Papers* 56(4): 563-595.

Joan, Esteban and Debraj Ray. 2008. "On the Saliency of Ethnic Conflict", *American Economic Review*, 98(5): 2185-2202.

V. Health and Education (3 Lectures, Lectures 8-10)

Acemoglu, Daron and Simon Johnson. 2007. "Disease and Development: The Effect of Life Expectancy on Economic Growth." *Journal of Political Economy*, 115(6): 925-985.

Young, Alwyn. 2005. "The Gift of the Dying: the Tragedy of AIDS and the Welfare of Future African Generations." *Quarterly Journal of Economics*, 120(2): 423-466.

Fortson, Jane. 2009. "Mortality Risk and Human Capital Investment: The Impact of HIV/AIDS in Sub-Saharan Africa," *Review of Economics and Statistics*, forthcoming.

Akbulut-Yuksel, Mevlude and Belgi, Turan. 2010. "Left Behind: Intergenerational Transmission of Human Capital in the Midst of HIV", IZA Discussion Paper No. 5166.

Cohen, Jessica and Pascaline Dupas. 2009. "Free Distribution or Cost Sharing? Evidence from a Randomized Malaria Prevention Experiment." *Quarterly Journal of Economics*, 125(1): 1-45.

Jayachandran, Seema and Adriana Lleras-Muney. 2009. "Life Expectancy and Human Capital Investments: Evidence from Maternal Mortality Declines," *Quarterly Journal of Economics* 124(1): 349-397.

Krueger, Alan and Mikael Lindahl. 2001. "Education for Growth: Why and For Whom?" *Journal of Economic Literature*, 39 (4): 1101-1136.

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

Angrist, Joshua, Eric Bettinger, and Michael Kremer. 2006. "Long-Term Educational Consequences of Secondary School Vouchers: Evidence from Administrative Records in Colombia," *American Economic Review*, 96(3): 847-862.

Angrist, Joshua D. and Victor Lavy. 1999. "Using Maimonides' Rule to Estimate The Effects of Class Size on Scholastic Achievement," *Quarterly Journal of Economics*, 114(2): 533-575.

Akbulut-Yuksel, Mevlude and Mutlu Yuksel, 2010. "The Long-Term Direct and External Effects of Reducing School Quality: Jewish Expulsions in Nazi Germany", *mimeo*.

VI. Gender and Family (2 lectures, Lectures 11-12)

Miguel, Edward. 2005. "Poverty and Witch Killing," *Review of Economic Studies*, 72(4): 1153-1172.

Jensen, Robert and Emily Oster. 2009. "The Power of TV: Cable Television and Women's Status in India," *Quarterly Journal of Economics*, 124(3): 1057-1094.

Qian, Nancy. 2008. "Missing Women and the Price of Tea in China: The Effect of Sex-specific Income on Sex Imbalance," *Quarterly Journal of Economics*, 123(3): 1251-1285.

Ashraf, Nava. 2008. "Spousal Control and Intra-household Decision Making: An Experimental Study in the Philippines," *American Economic Review*, 99(4): 1245-1277.

Chattopadhyay, Raghendra and Esther Duflo. 2004. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica*, 72(5): 1409-1443.

Beaman, Lori, Raghendra Chattopadhyay, Esther Duflo, Rohini Pande and Peta Topalova. 2009. "Powerful Women: Does Exposure Reduce Prejudice?" *Quarterly Journal of Economic*, 124(4): 1497-1540.