ECONOMIC DEVELOPMENT: THEORY, EVIDENCE AND POLICY DESIGN
DEV 101/Ec2326

Class in Fall 2018: Tues/Thurs 10:15-11:30am, Littauer Building (HKS) L-140

Fall Review sessions: Friday 1:15-2:30pm or 2:45-4:00pm, L-230

First day of class is Thursday, September 6th, 2018

Professor Rohini Pande
Rubenstein-340
Office hours:
Wednesdays 4-6 pm (sign up here)
Assistant: Cori Simmons
Office: Littauer-301
Email: cori_simmons@hks.harvard.edu

Professor Dani Rodrik
Rubenstein-334
Office hours:
Wednesdays 10-11:45 am (sign-up sheet posted weekly on door)
Assistant: Jessica De Simone
Office: Rubenstein 131A
Email: jessica_de_simone@hks.harvard.edu

COURSE INFORMATION
DEV-101 is a semester-long course that evaluates theories of economic (under)development with a focus on political economy. It scrutinizes empirical evidence to understand key features of the economic and political development processes across countries. To do so, the course will utilize analytical frameworks, grounded in economic theory, that examine the determinants of factor accumulation by individuals, firms and societies. Drawing on empirical evidence on individual and societal behavior, we will evaluate the relevance of these frameworks for diagnosing root causes of economic development. Finally, it will use country case studies to develop an understanding of how the judicious use of theory and empirics can provide guidance for economic and governance reforms. The course has broad sections: (i) Analytical frameworks for understanding economic growth, institutional outcomes and factor accumulation; (ii) Individual determinants and returns to investment in human capital (health and education), financial capital (credit markets, savings behavior) and the role of behavioral economics, (iii) resource misallocation within and across households, poverty traps, learning and coordination and their impacts on productivity; (iv) reform and policy design. In the Spring, DEV-102 will use these frameworks to examine the design of development policies.

Teaching fellow:
Shweta Bhogale  sbhogale@g.harvard.edu
Course assistants:
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Rifaiyat Mahbub  sym319@student.hks.harvard.edu

Office Hours:
Thurs 3:00-5.00 pm
COURSE REQUIREMENTS AND GRADING

General requirements
Students are required to attend two lectures and one review session each week. Review sessions will discuss material from the lecture, cover complementary material, and provide a forum to debate and discuss questions about the material with fellow students. Students are expected to have read the required readings before class, as lectures and class discussions will draw heavily on their key ideas and results.

Grading rubric
The course grade will be assigned based on the following components:

- Seven short reading responses (7%)
- Three assignments (33%)
- Midterm (20%)
- Final (40%)

Assignments and exams
The assignments and exams will test understanding of concepts taught in lectures and review sections, and the ability to apply these insights to policy situations. Exam material will be taken from both the lecture and review sessions. We will have one solo DEV 101 assignment and two joint assignments with other required MPA/ID courses – one joint with API-209 Advanced Quantitative Methods I and one joint with DEV401Y Applications and Cases in International Development. Assignments are to be submitted in the (physical) drop box before the first class of the day (i.e., 10:10 am on Tu/Th and 11:40 am on M/W). Non-MPA/ID students need not be enrolled in both classes. The joint assignments can be done as stand-alone DEV-101 assignments. Assignments will be returned via mail folders in the MPA/ID office area.

At seven regularly spaced intervals during the semester students will be required to provide short responses to questions based on identified readings and lecture content. Responses will require students to think critically about the reading and will be graded on a 0, check, check+ scale. Short responses are to be submitted through the CANVAS system on Fridays by 5pm on the dates indicated below.

READING LIST INFORMATION
The reading list below indicates the URLs for those papers that can be downloaded from the internet. The majority of the papers and articles for this course are available online and are easily accessible through these links. If the links become broken then you can find the articles by searching Harvard library’s E-Journals using the following link: http://sfx.hul.harvard.edu/sfx_local/az/, which can also be reached by the following steps: http://www.harvard.edu/ → “Resources & Offices” → “Library and Academic Resources” → “Find E-Journals”. Type in the journal name and select a database that has issues for the year of the article. Each database is set up differently, but the citation will have all the information necessary to obtain the article.

All further reading that is not available online will be placed on reserve in the HKS library. Please check the class page frequently for announcements and other information.
ELIGIBILITY
The class is a core requirement for students in the MPA/ID program. The course is cross-listed at FAS as Ec2326. Non MPA/ID students will be admitted only with the permission of the instructor, after filling a form that will be available on first day of class. Students are expected to have strong background in microeconomics and statistics, as well as reasonable facility with multivariable calculus.

CLASSROOM POLICY
Students are required to bring their name cards to every class. Participation in discussions is highly encouraged. Electronics must not be used during class unless specifically permitted (no use of laptops, cell phones off). To maintain class decorum, side conversations must be avoided at all times, food/drink should be consumed responsibly, and students should leave class for emergencies only.

ACADEMIC INTEGRITY
Students are encouraged to work together and discuss class material and assignments. What is important is the eventual understanding of material achieved, and less about how that is achieved. Any exam, paper or assignment you submit is presumed to be your own original work, so if you do – as you will – use words or ideas written by other people, please make sure to cite these appropriately, and to indicate other students with whom you have collaborated. More information about Harvard’s policies on academic integrity may be found in the Student Handbook.

IMPORTANT DATES AND COURSE STRUCTURE

<table>
<thead>
<tr>
<th>Day</th>
<th>Date</th>
<th>Topic</th>
<th>Professor</th>
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<tbody>
<tr>
<td>1</td>
<td>Thurs</td>
<td>Sept 6&lt;br&gt;Course introduction: what the data tell us&lt;br&gt; a. Historical patterns in growth and poverty&lt;br&gt; b. Recent trends: Changing growth patterns and emerging poverty clusters&lt;br&gt; c. Recent trends: Changing patterns in urbanization and environmental degradation</td>
<td>Pande</td>
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<td>2</td>
<td>Tues</td>
<td>Sept 11&lt;br&gt;Industrial revolution and the great divergence</td>
<td>Rodrik</td>
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<td>3</td>
<td>Thurs</td>
<td>Sept 13&lt;br&gt;Economic exchange and trade</td>
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<td>Fri</td>
<td>Sept 14</td>
<td>Round #1 – Send in your short response by 5pm</td>
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<td>4</td>
<td>Tues</td>
<td>Sept 18&lt;br&gt;Economic growth and growth accounting</td>
<td>Rodrik</td>
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<td>5</td>
<td>Thurs</td>
<td>Sept 20&lt;br&gt;Country studies: contemporary perspectives on growth and development policy (case coordination)</td>
<td>Pande/Rodrik</td>
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<td>Fri</td>
<td>Sept 21</td>
<td>Country studies: part 2 at WEX436</td>
<td>Pande/Rodrik</td>
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<td>6</td>
<td>Tues</td>
<td>Sept 25&lt;br&gt;Review Session</td>
<td>Bhogale</td>
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<td>Wed</td>
<td>Sept 26</td>
<td>ASSIGNMENT #1 DUE in drop box by 11:40am</td>
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<td>Part 2: The role of institutions and politics in development</td>
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<td>7</td>
<td>Thurs</td>
<td>Sept 27&lt;br&gt;Introduction to political economy</td>
<td>Pande</td>
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<td>Fri</td>
<td>Sept 28</td>
<td>Round #2 – Send in your short response by 5pm</td>
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<td>8</td>
<td>Tues</td>
<td>Oct 2&lt;br&gt;The political economy of market-supporting institutions</td>
<td>Rodrik</td>
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<td>9</td>
<td>Thurs</td>
<td>Oct 4&lt;br&gt;Interests, ideas, and institutions</td>
<td>Rodrik</td>
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<td>Part 3: Factor accumulations</td>
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<td>10</td>
<td>Tues</td>
<td>Oct 9&lt;br&gt;Human capital accumulation: Health and education</td>
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<td>11 Thurs</td>
<td>Oct 11</td>
<td>Human capital accumulation: health and education</td>
<td>Pande</td>
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<td>Fri</td>
<td>Oct 12</td>
<td><strong>Round #3 – Send in your short response by 5pm</strong></td>
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<td>12 Tues</td>
<td>Oct 16</td>
<td>Financial capital accumulation</td>
<td>Pande</td>
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<td>13 Thurs</td>
<td>Oct 18</td>
<td>Using behavioral economics to understand accumulation</td>
<td>Pande</td>
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<td>14 Tues</td>
<td>Oct 23</td>
<td><strong>MIDTERM</strong></td>
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<td><strong>Part 4: Why things fall apart</strong></td>
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<td>15 Thurs</td>
<td>Oct 25</td>
<td>Norms, power, and factor accumulation: an application to gender</td>
<td>Pande</td>
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<td>Fri</td>
<td>Oct 26</td>
<td><strong>Round #4 – Send in your short response by 5pm</strong></td>
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<td>16 Tues</td>
<td>Oct 30</td>
<td>Productivity growth: misallocation, learning and coordination</td>
<td>Rodrik</td>
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<td>17 Thurs</td>
<td>Nov  1</td>
<td>Productivity growth: misallocation, learning and coordination</td>
<td>Rodrik</td>
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<td>18 Tues</td>
<td>Nov  6</td>
<td><strong>ASSIGNMENT #2 DUE (joint with API-209)</strong> in drop box by 10:10am</td>
<td>Pande</td>
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<td>Productivity growth: labor market and poverty traps</td>
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<td>19 Thurs</td>
<td>Nov  8</td>
<td>Governance and Environmental Policy</td>
<td>Pande</td>
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<td>Fri</td>
<td>Nov  9</td>
<td><strong>Round #5 – Send in your short response by 5pm</strong></td>
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<td><strong>Part 5: Reform and policy design</strong></td>
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<td>20 Tues</td>
<td>Nov 13</td>
<td>Analytics of economic reform</td>
<td>Rodrik</td>
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<td>21 Thurs</td>
<td>Nov 15</td>
<td>Growth diagnostics</td>
<td>Rodrik</td>
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<td>Fri</td>
<td>Nov 16</td>
<td><strong>Round #6 – Send in your short response by 5pm</strong></td>
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<tr>
<td>22 Tues</td>
<td>Nov 20</td>
<td>Productive development policies</td>
<td>Rodrik</td>
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<td>23 Tues</td>
<td>Nov 27</td>
<td>Developing countries in the world economy</td>
<td>Rodrik</td>
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<td>24 Thurs</td>
<td>Nov 29</td>
<td>Return to country studies</td>
<td>Pande/Rodrik</td>
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<tr>
<td>Fri</td>
<td>Nov 30</td>
<td><strong>Round #7 – Send in your short response by 5pm</strong></td>
<td>Pande/Rodrik</td>
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<td>25 Tues</td>
<td>Dec  4</td>
<td>Wrap up discussion</td>
<td>Rodrik</td>
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<tr>
<td>26 Thurs</td>
<td>Dec  6</td>
<td>Review Session</td>
<td>Bhogale</td>
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<td>Fri</td>
<td>Dec  7</td>
<td><strong>ASSIGNMENT #3 DUE (joint with DEV 401Y)</strong> in drop box by 11:40am</td>
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<tr>
<td>Wed</td>
<td>Dec 12</td>
<td><strong>FINAL EXAM (2-5pm)</strong></td>
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COURSE OUTLINE AND READINGS

Required readings are marked with a star (*); recommended readings are not starred.

Most required readings are available online (by clicking on the title). Readings not available online can be found on reserve at the HKS library. See above description for more detailed instructions.

1. Course introduction: What the data tells us (September 6, RP)


2. Industrial Revolution and the great divergence (September 11, DR)


3. Economic exchange and trade (September 13, RP)


4. Economic growth and growth accounting (September 18, DR)


* Conference Board, Total Economy Database, Growth Accounting and Total Factor Productivity, 1990-2014. This is a database. Look at and understand the growth decompositions for four countries that interest you.


5. Country studies: Contemporary perspective on growth and development policy (September 20-21, RP/DR)


*Vox article reviewing cash grant literature: https://www.vox.com/2018/9/10/17827836/cash-basic-income-uganda-study-blattman-charity


6. Review Session (September 25, SB)

7. Introduction to political economy: People matter (September 27, RP)


8. The political economy of market-supporting institutions (October 2, DR)


Polanyi, Karl. 1944. The Great Transformation, Beacon Press, Boston, MA.

9. Interests, Ideas, and Institutions (October 4, DR)


10. Human capital accumulation: What are the returns to health and education investments? (October 9, RP)

**Health**


**Education**

* World Development Report 2018 Chapter 2


11. Human capital accumulation: Issues in delivery of health and education (October 11, RP)

* World Development Report 2018 Chapter 3


12. Financial capital accumulation (October 16, RP)


13. Using behavioral economics to understand factor accumulation (October 18, RP)


14. MIDTERM (October 23)

15. Norms, power, and factor accumulation: An application to gender (October 25, RP)

Measurement

Productivity Impacts


Investment Impacts


16. Productivity growth: misallocation, learning and coordination (October 30, DR)


17. Productivity growth: misallocation, learning and coordination (November 1, DR)


18. Productivity: Labor market and poverty traps (November 6, RP)


19. Governance and environmental policy (November 8, RP)

* HKS Case: Fighting Pollution with Data: Environmental Audits and the Gujarat Pollution Control Board. Case Number 2054.0. Available on course website.


20. Analytics of economic reform (November 13, DR)


21. Growth Diagnostics (November 15, DR)


22. Productive development policies (November 20, DR)


23. Developing countries in the world economy (November 27, DR)


24. Return to country studies: Evaluating reforms (November 29, RP/DR)
TBD

25. Return to country studies: Evaluating reforms (November 30, RP/DR)

TBD

26. Wrap Up Discussion (December 4, DR)

27. Review Session (December 6, SB)