



THE UNIVERSITY OF CHICAGO

HARRIS SCHOOL
OF PUBLIC POLICY

Economic Development and Policy

PPHA 35550

Winter Quarter 2022, Tuesdays/Thursdays 9:30pm – 10:50pm

In-Person

Faculty Advisor:	Santiago Tobón (Visiting Professor)
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Office Hours:	Wednesdays: 9-11 AM /or by appointment. Please book using this link: https://calendly.com/stobonz/officehours
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Professional Advisor:	TBD

Course Description:

An uneven divergence characterizes current patterns of economic development and growth. While some economies follow a long-term stable and sustained growth trend, others experience fluctuating and unpredictable scenarios. In the middle, millions of people struggle with weak institutional environments, deep deprivation, and poverty. This course aims to get students acquainted with the most relevant economic theories of development, from macro and micro perspectives, and think critically and creatively around effective interventions and solutions.

The course consists of three parts. The first covers the most relevant macroeconomic theories of growth and development. Students will be able to use analytical tools to understand exogenous and endogenous growth models and discuss theories of development ranging from culture to geography to institutions. The second part focuses broadly on poverty, its history, and its measurement. In this part, students will be able to discuss the pros and cons of different approaches to poverty measurement and leverage these measures to think critically about policy. The third part examines development through the lenses of microeconomic theories and empirical work. In this part, students will learn and reinforce concepts on impact evaluation, applied to a wide range of topics, from education and health to crime and infrastructure.

Learning Objectives:

At the end of this course,

- Students will demonstrate in-depth knowledge of macro and microeconomic approaches to understand development challenges.
- Students will learn to use macro- and micro-analytical tools to develop tailored policy solutions to real-world development challenges.



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- Students will develop and enhance teamwork skills.

Grading:

Grades are based on attendance, participation, and a set of comprehensive deliverables described below. Students will be graded with a combination of individual (50%) and group assignments (50%). These include:

Individual:

- Problem sets (3) = 30%
- Class participation = 10%
- Peer evaluations = 10%

Group:

- Country report = 25%
- Policy brief = 25%

Details on each assignment will be available on Canvas.

Late policy:

Unless arrangements are made in advance, any assignment that is late will receive 10% penalty for each day late.

Course Readings:

The course does not have one single main text, as most sessions will cover book chapters and academic papers. Students are required, however, to buy and read one book:

- “Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty” by Abhijit Banerjee and Esther Duflo (available at the campus bookstore)

Other textbooks for interested students are:

- “Introduction to Modern Economic Growth” by Daron Acemoglu
- “The Economics of Poverty: History, Measurement and Policy” by Martin Ravallion

The full syllabus and readings are as follows. Those readings marked with two asterisks are required. Other readings are not required but strongly recommended:

Part I: Economic development from a macro perspective

Session 1: Introduction to economic growth and economic development



- **Acemoglu, D. (2009). Introduction to Modern Economic Growth. Chapter 1 (Economic Growth and Economic Development: The Questions)
- **Banerjee, A., and Duflo, E. (2007). The Economic Lives of the Poor, *Journal of Economic Perspectives*, 21(1), 141-167
- De Long, B. (undetermined). Berkeley Faculty Lunch Talk: Main Themes of Twentieth Century Economic History

Session 2: An overview of growth theories

- **Ghatak, S. (2005). Introduction to Development Economics, third edition. Chapter 2 (Growth Theories and Their Relevance to Less Developed Countries)
- Barro, R. J., Sala-i-Martin, X. (2004). Economic Growth. Chapters I.1 (The Importance of Growth) to I.4 (A Brief History of Modern Economic Growth)
- Duflo, E. and Banerjee, A. (2005). Growth Theory Through the Lens of Development Economics, in Aguion, P., Durlauf, S. *Handbook of economic growth 1A*. North Holland, Ch 7.
- Pritchett, L. (1997) Divergence, Big Time. *The Journal of Economics Perspectives* 11(3), 3-17

Session 3: Exogenous growth models

- **Barro, R. J., Sala-i-Martin, X. (2004). Economic Growth. Chapters 1.1 (The Basic Structure) and 1.2 (The Neoclassical Model of Solow and Swan)
- Jones, C. I., Vollrath, D. (2013). Introduction to Economic Growth, third edition. Chapter 6 (A Simple Model of Growth and Development)
- Jones, C. I. (2016). The facts of economic growth. In *Handbook of Macroeconomics*, vol. 2, pp. 3-69

Session 4: Endogenous growth models

- **Jones, C. I., Vollrath, D. (2013). Introduction to Economic Growth, third edition. Chapter 9 (Alternative Theories of Endogenous Growth)
- Barro, R. J., Sala-i-Martin, X. (2004). Economic Growth. Chapter 1.3 (Models of Endogenous Growth)
- Jones, C. I., and Romer, P. (2010). The new Kaldor facts: ideas, institutions, population, and human capital. *American Economic Journal: Macroeconomics* 2(1), 224-245

Session 5: Structural determinants of the differences in economic performance

- **Acemoglu, D. (2009). Introduction to Modern Economic Growth. Chapter 4 (Fundamental Determinants of Differences in Economic Performance)



- Acemoglu, D., Johnson, S., and Robinson, J. A. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, 91(5), 1369-1401
- Sachs, J. D. (2001). Tropical Underdevelopment. NBER Working paper 8119
- Barro, R. J., and McCleary, R. M. (2003). Religion and Economic Growth across Countries. *American Sociological Review*, 68(5), 760–781

Part II: Understanding and measuring poverty

Session 6: Understanding poverty through history

- **Ravallion, M. (2016). *The Economics of Poverty: History, Measurement and Policy*. Chapters 1 (Origins of the Idea of a World Free of Poverty), and 2 (New Thinking on Poverty after 1950)
- Nunn, Nathan. (2020). “The Historical Roots of Economic Development”, *Science*, 367, eaaz9986
- Bourguignon, F, and Morrisson, C. (2002). Inequality Among World Citizens: 1820-1992. *American Economic Review*, 92 (4), 727-744

Session 7: Measuring poverty

- **Ravallion, M. (2016). *The Economics of Poverty: History, Measurement and Policy*. Chapters 3 (Measuring Welfare), 4 (Poverty Lines) and 5 (Poverty and Inequality Measures)
- Deaton, A. (2005). Measuring Poverty in a Growing World (or Measuring Growth in a Poor World), *Review of Economics and Statistics*, 87(1), 1-19.
- Henderson, J. V., Storeygard, A., and Weil, D. N., (2012). “Measuring Economic Growth from Outer Space”, *American Economic Review*, 102(2), 994-1028.

Part III: Economic development from a micro perspective

Session 8: The causality revolution (re-visiting impact evaluation methods)

- **Cunningham, S. (2021). *Causal Inference: The Mixtape*. Chapters 1 (Introduction) and 2 (Probability and Regression Review)
- **Gertler, P. Martinez, S., Premand, P., Rawlings, L. B., and Vermeersch, C. M. J. (2016). *Impact Evaluation in Practice*. Chapters 1 (Why Evaluate?) and 2 (Preparing for an Evaluation)
- Pomeranz D. (2017). Impact Evaluation Methods in Public Economics: A Brief Introduction to Randomized Evaluations and Comparison with Other Methods. *Public Finance Review* 45(1):10-43.



Session 10: Poverty and poverty traps

- **Balboni, C, Bandiera, O., Burgess, R., Ghatak, M. and Heil, A. (2021). Why Do People Stay Poor?, Working paper.
- **Katz, L. F., Kling, J. R., & Liebman, J. B. (2001). Moving to opportunity in Boston: Early results of a randomized mobility experiment. *The Quarterly Journal of Economics*, 116(2), 607-654
- Kraay, Aart and McKenzie, D. (2014) Do Poverty Traps Exist? Assessing the Evidence. *Journal of Economic Perspectives*, 28(3): 127-148
- Angelucci, M. and De Giorgi, G. (2009). Indirect Effects of an Aid Program: How Do Cash Injections Affect Ineligibles' Consumption? *American Economic Review*, 99(1), 486-508.

Session 10: Education

- **Mbiti, I., Muralidharan, K., Romero, M., Schipper, Y., Manda, C., and Rajani, R. (2019). Inputs, Incentives, and Complementarities in Education: Experimental Evidence from Tanzania, *Quarterly Journal of Economics*, 134(3), 1627-1673
- **Duflo, E. (2001). Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment. *American Economic Review*, 91(4), 795-813
- Baird, S., McIntosh, C., and Özler, B. (2011). Cash or condition? Evidence from a cash transfer experiment. *The Quarterly journal of economics* 126, no. 4 (2011): 1709-1753
- Muralidharan, K, Singh, A., and Ganimian, A. (2019). Disrupting Education? Experimental Evidence on Technology-Aided Instruction in India”, *American Economic Review*, 109(4), 1426-1460

Session 11: Health and nutrition

- **Almond, D. and Mazumder, B. (2011). Health Capital and the Prenatal Environment: The Effect of Ramadan Observance during Pregnancy. *American Economic Journal: Applied Economics*, 3(4), 56-85
- **Baird, S., Hicks, J. H., Kremer, M., and Miguel, E. (2016). Worms at Work: Long-run Impacts of Child Health Gains, *Quarterly Journal of Economics*, 131(4), 1637-1680
- Miguel, E., and Kremer, M. (2004). Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities, *Econometrica*, 72(1), 159-217
- Ridley, M., Rao, G., Schilbach, F., and Patel, V. (2020). Poverty, depression, and anxiety: Causal evidence and mechanisms, *Science*, 370, eaay0214

Session 12: Labor markets

- **Kaur, Supreet (2019). Nominal Wage Rigidity in Village Labor Markets. *American Economic Review*, 109(10), 3585-3616



- **Imbert, C and Papp, J. (2015) Labor Market Effects of Social Programs: Evidence from India's Employment Guarantee. *American Economic Journal: Applied Economics*, 7(2): 233-63
- Behrman, Jere (1999). Labor Markets in Developing Countries, in O. Ashenfelter and D. Card. (eds), *Handbook of Labor Economics*, Vol. 3
- Alfonsi, Livia, Bandiera, O., Bassi, V., Burgess, R., Sulaiman, M., and Vitali, A., (2020). Tackling Youth Unemployment: Evidence from a Labor Market Experiment in Uganda, *Econometrica*, 88(6): 2369-2414

Session 13: Agricultural markets

- **Goldstein, M and Udry, C. (2008). The Profits of Power: Land Rights and Agricultural Investment in Ghana, *Journal of Political Economy*, 116(6), 981-1022
- **Bergquist, L. F., and Dinerstein, M. (2020). Competition and Entry in Agricultural Markets: Experimental Evidence from Kenya. *American Economic Review*, 110(12), 3705-3747
- Bryan, G., Chowdhury, S., and Mushfiq Mobarak, A. (2014) Underinvestment in a profitable technology: The case of seasonal migration in Bangladesh. *Econometrica* 82(5), 1671-1748
- Hamory, J., Kleemans, M., Li, N., and Miguel, E. (2021) Reevaluating Agricultural Productivity Gaps with Longitudinal Microdata. *Journal of the European Economic Association*, 19(3), 1522–1555

Session 14: Credit markets

- **Banerjee, A., Duflo, E., Glennerster, R., and Kinnan, C. (2015). The Miracle of Microfinance? Evidence from a Randomized Evaluation. *American Economic Journal: Applied Economics*, 7 (1): 22-53.
- **Burgess, R., and Pande, R. (2005). Do rural banks matter? Evidence from the Indian social banking experiment. *American Economic Review* 95(3), 780-795.
- Jayachandran, S. (2006). Selling labor low: Wage responses to productivity shocks in developing countries. *Journal of Political Economy* 114(3), 538-575
- Karlan, D., Osei-Akoto, I., and Udry, C. (2013). Agricultural Decisions after Relaxing Credit and Risk Constraints, *Quarterly Journal of Economics*, 129(2), 597-652

Session 15: Infrastructure

- **Asher, Sam, and Paul Novosad. (2020). Rural Roads and Local Economic Growth, *American Economic Review*, 119(3): 797-823.
- **Donaldson, Dave. (2018). Railroads of the Raj: Estimating the Impact of Transportation Infrastructure, *American Economic Review*, 108(4-5), 899-934.
- Lee, Kenneth, Edward Miguel, and Catherine Wolfram. (2020). Experimental Evidence on the Economics of Rural Electrification, *Journal of Political Economy*, 128(4): 1523-1565.
- Jacoby, H. G. (2000). Access to Markets and the Benefits of Rural Roads. *Economic Journal* 110(465), 713–37



Session 16: Conflict

- ** Sanchez de la Sierra, R. (2020). On the Origins of the State: Stationary Bandits and Taxation in Eastern Congo. *Journal of Political Economy*, 128(1), 32-74.
- ** Voors, M. J., Nillesen, E. E., Verwimp, P., Bulte, E. H., Lensink, R., and Van Soest, D. P. (2012). Violent conflict and behavior: a field experiment in Burundi. *American Economic Review*, 102(2), 941-64.
- Blattman, C., and Miguel, E. (2010). Civil War. *Journal of Economic Literature*, 48(1), 3-57.
- Moya, A. (2018). Violence, psychological trauma, and risk attitudes: Evidence from victims of violence in Colombia. *Journal of Development Economics*, 131, 15-27.

Session 17: Crime

- **Blattman, C., Duncan, G., Lessing, B., and Tobón, S., Gang rule: Understanding and countering criminal governance. Working paper.
- **Monteiro, J., and Rocha, R. (2017). Drug battles and school achievement: evidence from Rio de Janeiro's favelas. *Review of Economics and Statistics*, 99(2), 213-228.
- Melnikov, N., Schmidt-Padilla, C., and Sviatschi, M. M. (2021) Gangs, Labor Mobility, and Development. Working paper.
- Lessing, B., and Denyer Willis, G. (2018). Legitimate Criminals: How to Build a Drug Empire From Behind Bars. *American Political Science Review*, 113(2), 584-606.

Session 18: Corruption

- **Ajzenman, N. (2021). The Power of Example: Corruption Spurs Corruption. *American Economic Journal: Applied Economics*, 13 (2): 230-57
- **Ferraz, Claudio, and Frederico Finan. (2008). Exposing Corruption politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes, *Quarterly Journal of Economics*, 123(2), 703-745.
- Avis, Eric, Claudio Ferraz, and Frederico Finan. (2017). Do Government Audits Reduce Corruption? Estimating the Impacts of Exposing Corrupt Politicians, *Journal of Political Economy*, forthcoming.
- Fisman, Raymond and Edward Miguel. (2007). Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets, *Journal of Political Economy*, 115(6), 1020-1048.

Advisor:

Students will be guided by a faculty advisor, Santiago Tobón, who will be visiting the Harris School of Public Policy during 2022. Prof. Tobón is also Professor of Economics at Universidad EAFIT in Medellín, Colombia (on academic leave during 2022). He is also a researcher of Innovations for Poverty Action—IPA, an academic member of Evidence in Governance and Politics—EGAP, an invited researcher of J-PAL's Crime and Violence Initiative, and an



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affiliate of Households in Conflict Network—HiCN. Prof. Tobón is a developing economist with a special interest in crime, violence, organized crime, and public policy. He uses experimental, quasi-experimental, and qualitative methods. Before joining Universidad EAFIT, Prof. Tobón was a Postdoctoral Scholar at the University of Chicago Pearson Institute & Innovations for Poverty Action Peace and Recovery Program. He received a Ph.D. in Economics from Universidad de los Andes in 2018, an M.A. in Economics from Universidad de los Andes in 2017, and an M.A. in Economics from Université catholique de Louvain in 2012. Prof. Tobón received the 2020 Juan Luis Londoño Medal, awarded every two years to Colombians of 40 years or less who deserve recognition for the impact of their research and policy work on the welfare of Colombians.

Course Materials:

Background materials **will be posted to Canvas and will be designated as either required or optional reading.** Please check Canvas regularly.

Expectations:

Setting clear expectations is the key to any successful working relationship. As students, you can expect the following from your faculty advisor:

- I will come to class prepared and ready to engage in lively (but civil) discussion.
- I will support you through all of your work.
- When we are in class, my attention will be only on our work together.
- I will hold regular office hours, and I will do my best to be responsive to your questions.
- I will be clear about the limitations of my expertise.

As the advisor, I expect the following from students:

- To come to class prepared.
- Ask for help when you need it. The term is short, so there is not much time to get off track.
- Be inclusive.
- Be curious.

Attendance:

Attendance at lectures and meetings is required at least 2/3s of the time. If this becomes problematic, please reach out to me to discuss.

Other policies:

Academic integrity and plagiarism:



Just a reminder about the importance of meeting the University's expectations regarding academic integrity: please review this excerpt from the University's Student Manual of University Policies and Regulations: Student Conduct (<https://studentmanual.uchicago.edu/Policies#Honesty>)

It is contrary to justice, to academic integrity, and to the spirit of intellectual inquiry to submit the statements or ideas of work of others as one's own. To do so is plagiarism or cheating, offenses punishable under the University's disciplinary system. Because these offenses undercut the distinctive moral and intellectual character of the University, we take them very seriously and punishments for them may include expulsion from the University.

Proper acknowledgment of another's ideas, whether by direct quotation or paraphrase, is expected. In particular, if any written or electronic source is consulted and material is used from that source, directly or indirectly, the source should be identified by author, title, and page number. Any doubts about what constitutes "use" should be addressed to the instructor.

ADA student accommodations:

Any student who believes they may need assistance should inform the Office of Student Disability Services by the end of the first week of class. Once you have received an accommodation letter, it should be presented to the course instructor immediately." <https://disabilities.uchicago.edu/>

Diversity and Inclusion:

The Harris School welcomes, values, and respects students, faculty, and staff from a wide range of backgrounds and experiences, and we believe that rigorous inquiry and effective public policy problem-solving requires the expression and understanding of diverse viewpoints, experiences, and traditions. The University and the Harris School have developed distinct but overlapping principles and guidelines to insure that we remain a place where difficult issues are discussed with kindness and respect for all.

- The University's policies are available [here](#). Specifically, the University identifies the freedom of expression as being "vital to our shared goal of the pursuit of knowledge, as is the right of all members of the community to explore new ideas and learn from one another. To preserve an environment of spirited and open debate, we should all have the opportunity to contribute to intellectual exchanges and participate fully in the life of the University."
- The Harris School's commitments to lively, principled, and respectful engagement are available [here](#): "Consistent with the University of Chicago's commitment to open discourse and free expression, Harris encourages members of the leadership, faculty, student body, and administrative staff to respect and engage with others of differing backgrounds or perspectives, even when the ideas or insights shared may be viewed as unpopular or controversial." We foster thought-provoking discourse by encouraging community members not only to speak freely about all issues but also to listen carefully and respectfully to the views of others.