Economic Growth and Development: Theory and Policy
Version updated: February 8th 2022

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<tr>
<th>Lecturer</th>
<th>Miguel Angel Santos</th>
<th>Email: <a href="mailto:miguel_santos@hks.harvard.edu">miguel_santos@hks.harvard.edu</a></th>
<th>Office hours</th>
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<td>Webpage: <a href="http://www.miguelangelsantos.net">www.miguelangelsantos.net</a></td>
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<th>Class hours (US Central):</th>
<th>Course Assistants TBD</th>
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<tr>
<td>Mondays 1030AM – 1150AM</td>
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<td>Wednesdays 1030AM – 1150AM</td>
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- 50% of the class will be online via Zoom, from March 28th to April 27th
- 50% of class will be in-person at Keller 0021, from May 2nd to June 1st
- Class size will be capped at 40 students, on a first-come first-served basis
- Final Report (Growth Diagnostic of your chosen country) will be presented in week 10

Course description

This is a capstone course that enables students to deploy a variety of analytical tools to process and interpret the data and formulate a coherent diagnostic that can make sense of simultaneous observations about growth and social outcomes within a particular context. It covers the theory and practice of the Economic Complexity and Growth Diagnostics frameworks, drawing on empirical research, case studies, and real world-data to map opportunities for productive diversification, identify the most binding constraints preventing them from materializing, and formulating data-driven policy strategies to overcome them.

The course covers a range of topics in development economics. It begins with an overview of Malthusian dynamics, the Great Acceleration and modern growth models, emphasizing the role of productivity and technology. The course then explores Hidalgo and Hausmann’s (2009) Economic Complexity framework, which takes stock of place-specific productive capabilities and defines a place-specific roadmap to potential diversification opportunities that can be tapped by redeploying them. The course also reviews Hausmann, Rodrik and Velasco’s (2008) Growth Diagnostic framework, a methodology for identifying the most binding constraints to an objective function (private investment, growth). The four principles of differential diagnostics are illustrated with practical examples that showcase their deployment to test for binding constraints across relevant production factors, such as finance, human capital, infrastructure, market failures (coordination and information externalities), government failures (taxation, regulations, property rights, and corruption) and macroeconomic risks. We will devote some sessions to diagnosing macroeconomics as a constraint, in order to equip students with practical basic principles and analytical tools that enable them to understand the macroeconomic context of reform in a particular place.

Taken together, Economic Complexity and Growth Diagnostics form an innovative conceptual framework that allows policymakers to focus limited resources on the most impactful issues. The course concludes with several lectures on policy formulation and implementation. These include frameworks to think about how to build the state capability needed to mobilize and implement reforms using Andrews, Pritchett and Woolcock’s Product-Driven Iterative Adaptation (PDIA) approach.
Audience and Prerequisites
This course is designed for master students interested in international development, government and public policy, that have undertaken previous courses in macroeconomics, statistics or econometrics, are comfortable handling large datasets and coding in a language of their choosing (Stata, R or Python). Undergrads with interests in development are welcome in the class but will require permission from the instructor. They need to submit an email to the instructor describing how their previous coursework comply with the prerequisites (please send it to both the instructor and the TA).

Grading
• 15% Individual problem set
• 25% Two group problem sets (12.5% each)
• 40% Final Country Report: Students will group in teams and choose a country at the beginning of the class. They will then go on and develop the concepts learnt in class to their particular country. More specific guidelines on the content of the report will be provided in class.
• 20% Class participation: Recorded by Course Assistants using Teachly, which will help us make the most out of students’ backgrounds and promote a more inclusive class.

Reading Material
The course does not have a main textbook. It is based mostly on a collection of papers and readings available online, and book chapters that have been placed on reserve. Each class will have a number of assigned readings, that are not expected to add up – on average – to more than 50 pages per class. Beside these readings, the teaching team will indicate videos and podcasts chosen to complement the learning experience and to provide alternative learning platforms and vehicles within the context of online teaching.

Aside from these, there are a few books that I consider must-reads for students interested in development economics and might be a great travel companion during your development work:
LECTURES AND READINGS

(* marks signal a mandatory reading; listed in order of importance – all other readings are recommended)

Lecture 1 (03/28): Introduction to Economic Growth and Development Economics

- * De Long, B. (undetermined). Berkeley Faculty Lunch Talk: Main Themes of Twentieth Century Economic History.

Lecture 2 (03/30): From Malthusian Stagnation to Modern Economic Growth


Lecture 3 (04/04): The Basics of Growth Theory: The Solow Model

- * Solow Model Study Guide (some teaching notes I prepared to help you navigate the basic insights of the Solow model).
- For those without previous exposure to the Solow model - or those that had some exposure but would like to refresh - I recommend reading: Blanchard, O. and Johnson, D. Macroeconomics, in particular (section and pages taken from 6th Edition, 2013).
  - Chapter 10, section 10.4 onwards (pp. 217 – 221)
  - Chapter 11, sections 11.1 – 11.3
  - Chapter 12, section 12.1

Lecture 4 (04/06): Convergence, Divergence, and Poverty Traps

Lecture 5 (04/11): Introduction to Economic Complexity


Lecture 6 (04/13): Navigating the product space: Identifying opportunities for productive diversification

- The Atlas of Economic Complexity (site)

Lecture 7 (04/18): Case Study – The Chiapas Puzzle


Lecture 8 (04/20): Growth Diagnostics

- Rodrik, D. (November 2007). Doing Growth Diagnostics well (blogpost)

Lecture 9 (04/25): Principles of Differential Diagnosis

Lecture 10 (04/27): Testing for Human Capital as a Binding Constraint


Lecture 11 (05/02): Testing for Finance as a Binding Constraint


Lecture 12 (05/04): Macro Diagnostic: Balance of Payments


Lecture 13 (05/09): Macro Diagnostic: Fiscal Policy

- * IMF Latest Article IV for the country chosen for your final Growth Diagnostic Report.
Lecture 14 (05/11): Examples of Growth Diagnostics


Lecture 15 (05/16): Inequality and inclusion

  - Read: Abstract, Introduction (pp. 2-8), Concluding remarks (pp. 25-28).

Lecture 16 (05/18): Formulating Productive Development Policies (PDPs)


Lecture 17 (05/23): Getting Things Done in Development Contexts


Lecture 18 (05/25): Bringing the Pieces Together: Looking Back and Looking Forward

Schedule

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<th>Lecture</th>
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<td>05/30 – 06/01</td>
<td>Presentations of Final Reports</td>
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