

ECON 360-004: ECONOMICS OF DEVELOPING AREAS

George Mason University: Spring 2017

Instructor:	Fernando Arteaga	Time:	Wednesday 19:20 - 22:00
Email:	farteaga@gmu.edu	Place:	Room 120, Planetary Hall
Office Hours:	Wednesdays, 17:00 - 19:00 at Mason Hall D167-1		

In this course, we will study different facets of human development at both the microeconomic and macroeconomic level. The two big themes we will explore are: (1) Why are some countries poor and (2) What can be done about this poverty? Emphasis will be placed on relating theory to empirical evidence. You will learn how to evaluate arguments and evidence.

The course prerequisites listed on the catalog are Econ 103 or Econ 104. If you have not taken either of these classes please speak to me on the first day of class. This course assumes basic knowledge of microeconomics, macroeconomics, and statistics. You will have to be able to read and understand papers that will contain statistical analysis and a little bit of mathematical analysis. I will teach you the basics of it, but you must be willing to devote extra time in learning the techniques. If you are not comfortable with this, consider taking an alternative Section of Econ 360.

You will read a lot, write a lot and debate a lot. In exchange for all your hard work (and because of it, too) I promise we will have a rewarding and fulfilling class.

Course Materials:

We will be reading four core books:

- Yuen Yuen Ang (2016). *How China Escaped the Poverty Trap*. 1 edition. Ithaca ; London: Cornell University Press. 344 pp.
- Abhijit Banerjee and Esther Duflo (2012). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Reprint edition. New York: PublicAffairs. 320 pp.
- Ronald Coase and Ning Wang (2013). *How China Became Capitalist*. 2012 edition. Palgrave Macmillan. 256 pp.
- William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.

We will also be reading many articles which are available for download on the classs Dropbox folder (I will send you an invitation to access it). In addition, most of the readings can be downloaded from either JSTOR, the NBER Working Papers archive, or EconLit through the GMU libraries research databases page. You are required to acquire these papers and read them before the class in which they are covered. You are expected to know the readings for the exams. If you would like more material on the empirical methods we cover, an excellent source is:

- Joshua D. Angrist and Jrn-Steffen Pischke (2014). *Mastering Metrics: The Path from Cause to Effect*. Princeton ; Oxford: Princeton University Press. 304 pp.

Grading Policy:

Table 1: Grading Scale (As Percentage)

A +	100-97	B	86-83	C-	72-70
A	96-93	B-	82-80	D	69-60
A -	92-90	C+	79-77	F	59-0
B +	89-87	C	76-73		

- Weekly Written Assignments (40%)
- Participation (15%)
- Student Presentation (15%)
- Final Exam (30%)

Assignments:

- *Written Assignment:* The student must read at least one of the recommended (non-required) readings assigned each week and write a small report about it. Thus, you are expected to think critically about the readings. In class, we will devote time to general discussion, and the points you formulated in advance will help to ensure a good discussion
- *Student Presentation:* Students will lead discussion on some of the readings. When you lead discussion, you will present the paper in summary form, highlight its main interest for our purposes, and lead open discussion of the reading.
- *Exams:* The final will be given during the university assigned final exam time. If you miss the Final without a university sanctioned excuse (I will ask for documentation), then you will receive an F for the course.

Course Policies:

- *Class registration:* Students are responsible for verifying the accuracy of their own schedules. Students need to check PatriotWeb regularly to verify that they are registered for the classes that they think they are. This is particularly important since students are no longer dropped for nonpayment. Faculty may not allow a student who is not registered to continue to attend class and may not grade the work of students who do not appear on the official class roster. Deadlines each semester are published in the Schedule of Classes available from the Registrars Web Site registrar.gmu.edu After the last day to drop a class, withdrawing from this class requires the approval of the dean and is only allowed for nonacademic reasons. Undergraduate students may choose to exercise a selective withdrawal. See the Schedule of Classes for selective withdrawal procedures.

- *Electronic Devices:* Regarding electronic devices (such as laptops, cell phones, etc.), please be respectful of your peers and your instructor and do not engage in activities that are unrelated to class. Such disruptions show a lack of professionalism. If disruptions are interrupting other students learning, you may be asked to leave the classroom.
- *Communication:* Students must use their MasonLive email account to receive important University information, including messages related to this class. See <http://masonlive.gmu.edu> for more information.
- *Honor Code:* George Mason University has an Honor Code which requires all members of this community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. All violations of the Honor Code will be reported to the Honor Committee. See honorcode.gmu.edu for more detailed information.
- *Important Information:* No person should be denied educational access because of a disability. If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 993-2474, <http://ods.gmu.edu>. All academic accommodations must be arranged through the ODS.

Course outline: (Subject to change)

1. Introduction (January 25)

Required:

- Chapter 1 of William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.
- Charles I. Jones (2015). "The Facts of Economic Growth". NBER Working Paper 21142
- Martin Ravallion (2001). "The Mystery of the Vanishing Benefits: An Introduction to Impact Evaluation". In: *The World Bank Economic Review* 15.1, pp. 115–140
- Primer on regression analysis, <http://marcfbellemare.com/wordpress/wp-content/uploads/2011/08/Regression.pdf>

Other:

- Charles I. Jones and Paul M. Romer (2010). "The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital". In: *American Economic Journal: Macroeconomics* 2.1, pp. 224–245
- Lant Pritchett (1997). "Divergence, Big Time". In: *The Journal of Economic Perspectives* 11.3, pp. 3–17

2. Poverty Traps and the idea of the Big Push (February 1)

Required:

- Chapter 1 of Abhijit Banerjee and Esther Duflo (2012). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Reprint edition. New York: PublicAffairs. 320 pp.
- Aart Kraay and David McKenzie (2014). "Do Poverty Traps Exist? Assessing the Evidence". In: *Journal of Economic Perspectives* 28.3, pp. 127–148

Other:

- Esther Duflo (2012). "Human values and the design of the fight against poverty". Tanner Lectures. MIT
- William Easterly (2006). "Reliving the 1950s: The Big Push, Poverty Traps, and Takeoffs in Economic Development". In: *Journal of Economic Growth* 11.4, pp. 289–318

- Paul Krugman (1995). "The fall and rise of development economics". In: *Development, Geography and Economic Theory*. Cambridge, MA: MIT Press

3. Capital Accumulation and the standard theories of economic growth (February 8)

Required:

- Chapter 2 & 3 of William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.
- Marginal Revolution University: Solow Model

Other:

- Daron Acemoglu and James A. Robinson (2015). "The Rise and Decline of General Laws of Capitalism". In: *The Journal of Economic Perspectives* 29.1, pp. 3–28
- Douglas Gollin (2014). "The Lewis Model: A 60-Year Retrospective". In: *The Journal of Economic Perspectives* 28.3, pp. 71–88
- Hoyt Bleakley and Joseph P. Ferrie (2013). "Up from Poverty? The 1832 Cherokee Land Lottery and the Long-run Distribution of Wealth". Working Paper

4. Education: The Role of Human Capital (February 15)

Required:

- Chapter 4 of Abhijit Banerjee and Esther Duflo (2012). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Reprint edition. New York: PublicAffairs. 320 pp.
- Chapter 4 of William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.

Other:

- Paul Glewwe and Michael Kremer (2006). "Schools, Teachers, and Education Outcomes in Developing Countries". In: *Handbook of the Economics of Education*. Ed. by Eric Hanushek and Finis Welch. Vol. 2. Elsevier
- Garrett Jones (2011). "IQ and National Productivity". In: *The New Palgrave Dictionary of Economics*. Ed. by Steven Durlauf and Lawrence Blume. Palgrave-Macmillan
- Mara P. Squicciarini and Nico Voigtlander (2015). "Human Capital and Industrialization: Evidence from the Age of Enlightenment". In: *Quarterly Journal of Economics* 130.4, pp. 1825–1883

5. Population Control and the Malthusian Arguments (February 22)

Required:

- Chapter 5 of Abhijit Banerjee and Esther Duflo (2012). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Reprint edition. New York: PublicAffairs. 320 pp.
- Chapter 5 of William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.

Other:

- David E. Bloom and Jeffrey G. Williamson (1998). "Demographic Transitions and Economic Miracles in Emerging Asia". In: *The World Bank Economic Review* 12.3, pp. 419–455
- Gregory Clark and Neil Cummins (2015). "Malthus to Modernity: Wealth, Status, and Fertility in England, 1500-1879". In: *Journal of Population Economics* 28.1, pp. 3–29

- Ronald Lee (2003). "The Demographic Transition: Three Centuries of Fundamental Change". In: *The Journal of Economic Perspectives* 17.4, pp. 167–190
- Allen Kelley (2001). "The Population Debate in Historical Perspective: Revisionism Revisited". In: *Population Matters: Demographic Change, Economic Growth, and Poverty in the Developing World*. Ed. by Nancy Birdsall, Allen Kelley, and Steven Sinding. Oxford: Oxford University Press

6. Technology and the relevance of knowledge spillovers (March 1)

Required:

- Brian Arthur (1990). "Positive Feedbacks in the Economy". In: *Scientific American*, pp. 92–99
- Chapter 8 & 9 of William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.
- Nathan Rosenberg (1990). "Why do firms do basic research (with their own money)?" In: *Research Policy* 19.2, pp. 165–174

Other:

- Diego Comin, Bart Hobijn, and Emilie Rovito (2008). "Technology usage lags". In: *Journal of Economic Growth* 13.4, pp. 237–256
- Paul A. David (1985). "Clio and the Economics of QWERTY". in: *The American Economic Review* 75.2, pp. 332–337
- Stan J. Liebowitz and Stephen E. Margolis (2013). "The Troubled Path of the Lock-In Movement". In: *Journal of Competition Law and Economics* 9.1, pp. 125–152

7. Trade and Complexity (March 8)

Required:

- Gene M. Grossman and Elhanan Helpman (2015). "Globalization and Growth". In: *American Economic Review* 105.5, pp. 100–104
- Part 1 of Ricardo Hausmann et al. (2014). *The Atlas of Economic Complexity: Mapping Paths to Prosperity*. Revised edition. Cambridge, MA: The MIT Press. 368 pp.

Other:

- Diego Daruich, William Easterly, and Ariell Reshef (2016). "The Surprising Instability of Export Specializations". Working Paper
- Cesar A. Hidalgo, Ricardo Hausmann, and Partha Sarathi Dasgupta (2009). "The Building Blocks of Economic Complexity". In: *Proceedings of the National Academy of Sciences of the United States of America* 106.26, pp. 10570–10575
- C. A. Hidalgo et al. (2007). "The Product Space Conditions the Development of Nations". In: *Science* 317.5837, pp. 482–487
- L. Alan Winters, Neil McCulloch, and Andrew McKay (2004). "Trade Liberalization and Poverty: The Evidence so Far". In: *Journal of Economic Literature* 42.1, pp. 72–115

8. Geography and Natural Resources (March 22)

Required:

- Jeffrey D. Sachs and Andrew M. Warner (2001). "The curse of natural resources". In: *European Economic Review*. 15th Annual Congress of the European Economic Association 45.4, pp. 827–838

- Jeffrey D. Sachs, Andrew D. Mellinger, and John Luke Gallup (2001). "The Geography of Poverty and Wealth". In: *Scientific American*, pp. 70–75
- Peter Temin (1998). "Evolutionary History: Review of Guns, Germs and Steel by Jared Diamond". In: *The Journal of Interdisciplinary History* 28.3, pp. 405–415

Other:

- William Easterly and Ross Levine (2003). "Tropics, germs, and crops: how endowments influence economic development". In: *Journal of Monetary Economics* 50.1, pp. 3–39
- Andrew D. Mellinger, Jeffrey D. Sachs, and John Luke Gallup (2000). "Climate, Coastal Proximity, and Development". In: *Oxford Handbook of Economic Geography*. Ed. by Gordon Clark, Maryann Feldman, and Paul Gertler. New York: Oxford University Press, pp. 169–194
- Randall Morck and Masao Nakamura (2016). "Japans Ultimately Unaccursed Natural Resources-Financed Industrialization". Working Paper
- Kenneth L. Sokoloff and Stanley L. Engerman (2000). "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World". In: *The Journal of Economic Perspectives* 14.3, pp. 217–232

9. Institutions (March 29)

Required:

- Daron Acemoglu, Simon Johnson, and James A Robinson (2005). "Institutions as a fundamental cause of long-run growth". In: *Handbook of Economic Growth*. Ed. by Philippe Aghion and Steven Durlauf. Vol. 1A, pp. 386–472
- Chapter 11 of William R. Easterly (2002). *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Revised ed. edition. Cambridge, Mass.: The MIT Press. 356 pp.

Other:

- Naomi Lamoreaux (2011). "The Mystery of Property Rights: A U.S. Perspective". In: *Journal of Economic History* 71.5, pp. 275–306
- Nathan Nunn (2008). "The Long-Term Effects of Africa's Slave Trades". In: *The Quarterly Journal of Economics* 123.1, pp. 139–176
- Dani Rodrik, Arvind Subramanian, and Francesco Trebbi (2004). "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development". In: *Journal of Economic Growth* 9.2, pp. 131–165
- Andrew Stone and Brian Levy (1996). "Public institutions and private transactions: a comparative analysis of the legal and regulatory environment for business transactions in Brazil and Chile". In: *Empirical Studies in Institutional Change*. Ed. by Lee Alston, Thrainn Eggertson, and Douglass North. Political Economy of Institutions and Decisions. Cambridge: Cambridge University Press

10. Role of Culture (April 5)

Required:

- Alberto Alesina and Paola Giuliano (2015). "Culture and Institutions". In: *Journal of Economic Literature* 53.4, pp. 898–944
- Nathan Nunn (2012). "Culture and the Historical Process". In: *Economic History of Developing Regions* 27 (sup1), S108–S126

Other:

- Avner Greif (1994). "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies". In: *Journal of Political Economy* 102.5, pp. 912–950

- Avner Greif and Guido Tabellini (2010). “Cultural and Institutional Bifurcation: China and Europe Compared”. In: *The American Economic Review* 100.2, pp. 135–140
- Stephen Knack and Philip Keefer (1997). “Does Social Capital Have an Economic Payoff? A Cross-Country Investigation”. In: *The Quarterly Journal of Economics* 112.4, pp. 1251–1288
- Raymond Fisman and Edward Miguel (2007). “Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets”. In: *Journal of Political Economy* 115.6, pp. 1020–1048

11. State and Policymaking in a Complex World (April 12)

Required:

- Chapter 10 & Conclusion of Abhijit Banerjee and Esther Duflo (2012). *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Reprint edition. New York: PublicAffairs. 320 pp.
- Chapter 1 & 2 of Yuen Yuen Ang (2016). *How China Escaped the Poverty Trap*. 1 edition. Ithaca ; London: Cornell University Press. 344 pp.

Other:

- Daron Acemoglu and James A. Robinson (2013). “Economics versus Politics: Pitfalls of Policy Advice”. In: *The Journal of Economic Perspectives* 27.2, pp. 173–192
- Abhijit V. Banerjee and Esther Duflo (2014). “Under the Thumb of History? Political Institutions and the Scope for Action”. In: *Annual Review of Economics* 6.1, pp. 951–971
- Barry R. Weingast (1995). “The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development”. In: *Journal of Law, Economics, & Organization* 11.1, pp. 1–31
- Mark Koyama and Noel Johnson (2016). “States and Economic Growth: Capacity and Constraints”
- Elinor Ostrom (2010). “Beyond Markets and States: Polycentric Governance of Complex Economic Systems”. In: *The American Economic Review* 100.3, pp. 641–672

12. Examining Chinese Development (April 19)

Required:

- Chapters 3,4, 5 & 6 of Ronald Coase and Ning Wang (2013). *How China Became Capitalist*. 2012 edition. Palgrave Macmillan. 256 pp.

13. Examining Chinese Development II (April 26)

Required:

- Chapters 3,4, 5, 6 & 7 of Yuen Yuen Ang (2016). *How China Escaped the Poverty Trap*. 1 edition. Ithaca ; London: Cornell University Press. 344 pp.