Syllabus, Fall 2015
John F. Kennedy School of Government
Harvard University

ECONOMIC DEVELOPMENT: THEORY, EVIDENCE AND POLICY DESIGN
PED 101

Class in Fall 2015: Monday & Wednesday 8:45-10:00am, L140
Fall Review sessions: Friday 1:15-2:30pm and 2:45-4:00pm, L130

First day of class is Wednesday, 2nd September 2015

Professor Asim Khwaja
Rubenstein 317
Office hours: Thurs. 4:00-6:00pm (sign up via website)

Professor Rohini Pande
Rubenstein 318
Office hours: Wed. 1:00-2:30pm (sign up via website)

Professor Dani Rodrik
Rubenstein 315
Office hours: Mon. 10:30am-12:30pm (sign up on sheet outside office)

Assistant: Amanda LaPorta
Office: Rubenstein 310G
Email: Amanda_LaPorta@hks.harvard.edu

Assistant: Jessica De Simone
Office: Rubenstein 110A
Email: Jessica_De_Simone@hks.harvard.edu

Course Information
PED-101 is a semester-long course that aims to study theories of economic (under)development and scrutinize empirical evidence in order to understand the key features of the development process across countries. To do so, the course will identify, and develop an analytical framework, grounded in economic theory. We will then apply our frameworks combined with rigorous empirical evidence to identify root causes of economic growth and development. Macro topics include economic growth and its proximate determinants; resource misallocation, learning and coordination and their impacts on productivity; the role of industrialization and growth diagnostics. Micro topics include the determinants of and returns to investments in (health and education) human capital; credit markets, savings behavior, and the returns to financial capital; gender; behavioral economics in development; and the role of institutions and management practices. In the Spring, PED 102 will use these frameworks to examine the design of development policies.

Teaching fellow:
Raissa Fabregas
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Friday 4:10-6:10

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Anne Ong Lopez
anne_ong_lopez@hks16.harvard.edu

TBD
COURSE REQUIREMENTS AND GRADING

General requirements

Students are required to attend two lectures and one class section each week. Sections will review material covered in 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 sections. We will have a case assignment and two joint assignments with other required MPA/ID courses – one joint with API-209 Advanced Quantitative Methods I and one joint with API-109 Advanced Microeconomic Analysis I. Assignments are to be submitted in the (physical) dropbox before the first class of the day (ie. 10:10 am on Tu/Th and 8:40 am on M/W). Non-MPA/ID students need not be enrolled in both classes. The joint assignments can be done as stand-alone PED-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 5 pm 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, but students not in the MPA/ID program will be admitted only with the permission of the instructor. Students interested in development economics and policy courses should consider PED-100 / PED-130 instead. Students are expected to have reasonable facility with multivariable calculus.

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 Wed</td>
<td>Sept 2</td>
<td>Course Introduction</td>
<td>Pande</td>
</tr>
<tr>
<td>2 Fri</td>
<td>Sept 4</td>
<td>The evolution of thought on poverty reduction, development and growth</td>
<td>Pande/Rodrik</td>
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Analytical Frameworks for Development

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<thead>
<tr>
<th>Day</th>
<th>Date</th>
<th>Topic</th>
<th>Professor</th>
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<tbody>
<tr>
<td>Mon</td>
<td>Sept 7</td>
<td>No Class- Labor Day</td>
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<tr>
<td>3 Wed</td>
<td>Sep 9</td>
<td>Resource (Mis)Allocation and Household Productivity</td>
<td>Pande</td>
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<tr>
<td>4 Mon</td>
<td>Sept 14</td>
<td>Economic growth and its proximate determinants: Growth Accounting</td>
<td>Rodrik</td>
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<tr>
<td>5 Wed</td>
<td>Sept 16</td>
<td>Economic Exchange, Trade and Efficiency</td>
<td>Khwaja</td>
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<tr>
<td>Fri</td>
<td>Sept 18</td>
<td><strong>Round #1 – Send in your short response</strong></td>
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Applying the Framework: Endowments and the Production Function

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<th>Day</th>
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<th>Topic</th>
<th>Professor</th>
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<tbody>
<tr>
<td>6 Mon</td>
<td>Sept 21</td>
<td>Human Capital: Health- Poverty Trap Application to Nutrition and Productivity</td>
<td>Pande</td>
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<tr>
<td>7 Wed</td>
<td>Sept 23</td>
<td>Human Capital: Health Returns and Constraints on Investments</td>
<td>Pande</td>
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<tr>
<td>8 Fri</td>
<td>Sept 25</td>
<td>Human Capital: Returns to Education (Micro and Macro)</td>
<td>Khwaja</td>
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<td>(2:45-4:00 L130)</td>
<td><strong>Round #2 – Send in your short response</strong></td>
<td></td>
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<tr>
<td>9 Mon</td>
<td>Sep 28</td>
<td>Human Capital: Constraints to Education Accumulation</td>
<td>Khwaja</td>
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<tr>
<td>10 Wed</td>
<td>Sep 30</td>
<td>Guest Lecture: Michael Kremer ASSIGNMENT #1 DUE</td>
<td>Khwaja</td>
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<td><strong>Round #3 – Send in your short response</strong></td>
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<tr>
<td>11 Mon</td>
<td>Oct 2</td>
<td>Midterm Review Session</td>
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<tr>
<td>12 Wed</td>
<td>Oct 5</td>
<td>MIDTERM</td>
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<tr>
<td>13 Mon</td>
<td>Oct 12</td>
<td>No class – Columbus day</td>
<td>Khwaja</td>
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<tr>
<td>15 Mon</td>
<td>Oct 19</td>
<td>Savings Accumulation</td>
<td>Pande</td>
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<tr>
<td>16 Wed</td>
<td>Oct 21</td>
<td>Gender and Norms</td>
<td>Pande</td>
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<tr>
<td>Day</td>
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<td>Topic</td>
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<tr>
<td>Fri</td>
<td>Oct 23</td>
<td>Round #4 – Send in your short response</td>
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<tr>
<td>15</td>
<td>Mon Oct 26</td>
<td>Behavioral</td>
<td>Pande</td>
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<tr>
<td>16</td>
<td>Wed Oct 28</td>
<td>Guest Lecture: Sendhil Mullainathan/Ideas42</td>
<td>Khwaja</td>
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<tr>
<td>Fri</td>
<td>Oct 30</td>
<td>Round #5 – Send in your short response</td>
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<tr>
<td>17</td>
<td>Mon Nov 2</td>
<td>Management: Public and Private Sectors</td>
<td>Pande</td>
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### Applying the Framework: Allocative efficiency and TFP

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<tr>
<th>Day</th>
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<th>Professor</th>
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<tbody>
<tr>
<td>18</td>
<td>Wed Nov 4</td>
<td>Productivity Growth: The Industrial Revolution and its Spread</td>
<td>Rodrik</td>
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<tr>
<td>Thur</td>
<td>Nov 5</td>
<td>ASSIGNMENT #2 (joint with API-109) due</td>
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<tr>
<td>19</td>
<td>Mon Nov 9</td>
<td>Productivity Growth: Misallocation</td>
<td>Rodrik</td>
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<tr>
<td>Wed</td>
<td>Nov 11</td>
<td>No class – Veterans’ Day</td>
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<tr>
<td>Fri</td>
<td>Nov 13</td>
<td>Round #6 – Send in your short response</td>
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<tr>
<td>20</td>
<td>Mon Nov 16</td>
<td>Productivity Growth: Learning</td>
<td>Rodrik</td>
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<tr>
<td>Tue</td>
<td>Nov 17</td>
<td>ASSIGNMENT #3 (joint with API-209) due</td>
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<tr>
<td>21</td>
<td>Wed Nov 18</td>
<td>Productivity Growth: Coordination Failures</td>
<td>Rodrik</td>
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<tr>
<td>22</td>
<td>Mon Nov 23</td>
<td>Industrialization and Industrial Policy</td>
<td>Rodrik</td>
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<tr>
<td>Wed</td>
<td>Nov 25</td>
<td>No class</td>
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<tr>
<td>23</td>
<td>Mon Nov 30</td>
<td>Growth Diagnostics and Reform Strategies</td>
<td>Rodrik</td>
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<tr>
<td>24</td>
<td>Wed Dec 2</td>
<td>Wrap up discussion</td>
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<tr>
<td>Fri</td>
<td>Dec 4</td>
<td>Round #7 – Send in your short response</td>
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<tr>
<td>25</td>
<td>Fri Dec 11 (3 – 6pm)</td>
<td>FINAL EXAM</td>
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#### Readings

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

Most 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.

### COURSE OUTLINE AND READINGS

#### A. Course Introduction

**i. Course introduction (September 2, RP)**

No readings

**ii. The evolution of thought on poverty reduction, development and growth (September 4, DR/RP)**


*Ravallion, Martin. “Lessons from A History of thought on Poverty”, VoxEU.org, 13 August 2013*
B. Analytical Frameworks for Development

i. Resource (Mis)Allocation and Household Productivity (September 9, RP)


Productivity Impacts


Investment Impacts


ii. Economic Growth and its proximate determinants: Growth Accounting (September 14, 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.


iii. Economic Exchange, Trade and Efficiency (September 16, AK)


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

C. Applying the Framework: Endowments and the Production Function

i. Human Capital: Health (September 21 & 23, RP)

Sept. 21: Poverty Trap Application to Nutrition and Productivity


**Sept. 23: Health Returns and Constraints on Investments**


**ii. Human Capital: Education/Skills**

**Sept. 25: Returns to Education: Micro and Macro (AK)**


Montenegro, Claudio and Harry Patrinos, “Returns to Schooling Around the World” Background paper for the WDR 2013.
 iii. Returns to Capital and Financial Access, Savings Constraints


### Oct. 19: Savings Accumulation (RP)


### iv. Gender and Norms (October 21, RP)


v. Behavioral insights in development economics (October 26, RP)


vi. Management: Public and Private Sectors (November 2, RP)

* Finan, Frederico, Benjamin Olken and Rohini Pande “Government Workers in Developing Countries” (TBD)


D. Applying the Framework: Allocative efficiency and TFP

i. Productivity Growth: The Industrial Revolution and Its Spread (November 4, DR)


ii. **Productivity Growth: Misallocation (November 9, DR)**


iii. **Productivity Growth: Learning (November 16, DR)**


iv. **Productivity Growth: Coordination Failures (November 18, DR)**


v. Industrialization and Industrial Policy (November 23, DR)


vi. Growth Diagnostics and Reform Strategies (November 30, DR)


E. WRAP UP DISCUSSION (December 2nd)