Syllabus Fall 2019  
Harvard Kennedy School of Government  
Harvard University  

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

Class in Fall 2019: Tues/Thurs 10:15-11:30am, Littauer Building (HKS) L-140  
Fall Review sessions: Friday 1:15-2:30pm, L-230, or 2:45-4:00pm, L-140  

First day of class is Thursday, September 5th, 2019  

<table>
<thead>
<tr>
<th>Professor Eliana Carranza</th>
<th>Professor Dani Rodrik</th>
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<tbody>
<tr>
<td>Rubenstein-336</td>
<td>Rubenstein-334</td>
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<tr>
<td>Office hours:</td>
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<td>Thursdays 4:30-6:00 pm</td>
<td>Wednesdays 10-11:45 am</td>
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<tr>
<td>(sign up <a href="#">here</a>)</td>
<td>(sign-up sheet posted weekly on door)</td>
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<tr>
<td>Assistant: Kevin Drumm</td>
<td>Assistant: Jessica De Simone</td>
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<tr>
<td>Office: Rubenstein 126</td>
<td>Office: Rubenstein 131A</td>
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<tr>
<td>Email: <a href="mailto:kdrumm@hks.harvard.edu">kdrumm@hks.harvard.edu</a></td>
<td>Email: <a href="mailto:jessica_de_simone@hks.harvard.edu">jessica_de_simone@hks.harvard.edu</a></td>
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**COURSE INFORMATION**  
DEV-101 is a semester-long course that evaluates theories of economic (under)development and scrutinizes empirical evidence to understand key features of the economic development processes across countries. The course will utilize analytical frameworks, grounded in economic theory, that examine the determinants of (a) factor accumulation by individuals, firms and societies, and (b) productivity and efficiency of resource allocation across activities and time. Drawing on empirical evidence on individual and societal behavior, we will evaluate the relevance of these frameworks for diagnosing root causes of economic development. We will use country illustrations and mini case studies to develop an understanding of how the judicious use of theory and empirics can provide guidance for economic policy reforms. The course is organized along the following broad sections: (i) A methodological and historical overview, with an emphasis on analytical frameworks for understanding economic growth, factor accumulation and institutional outcomes; (ii) Individual determinants and returns to investment in human capital (health and education), and financial capital (credit markets, savings behavior), and constraints to factor accumulation; (iii) Determinants of productivity, with emphasis on resource misallocation within and across households/firms, poverty traps, learning and coordination and their impacts on productivity; (iv) Principles of economic reform and introduction to 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

Office Hours:
TBD

Course assistants:
Prateek Mittal  prateek_mittal@student.hks.harvard.edu
Vishal Potluri  vishal_aditya_potluri@student.hks.harvard.edu
Luciana de la Flor  luciana_de_la_flor@student.hks.harvard.edu

Office Hours: TBD

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 two solo DEV 101 assignments and one joint assignment with another required MPA/ID course, DEV401Y Applications and Cases in International Development. Assignments that are to be physically submitted should be dropped off in the drop box by the scheduled time (see below). Non-MPA/ID students need not be enrolled in DEV401Y. The joint assignment can be done as a stand-alone DEV-101 assignment. 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.

Regrading Policy
On receiving your exam or assignment score, look carefully through the suggested answers and comments provided by the teaching team. Students who still wish to give their answer sheets for regrading, should write a detailed email to the teaching team explaining their reason to contest a score. The teaching team will assign a different grader from the original one and re-evaluate the entire assignment/exam and determine whether a change in points is mandated across any question, including the ones not highlighted/contested by the student. This process may take up to a week and the outcome will be final. Keep in mind, that the teaching team puts in a great deal of thought and effort in their assessments and you are encouraged to be cautious/prudent in raising a re-grading issue.
READING LIST INFORMATION
The reading list below includes the URLs for those papers that can be downloaded from the internet. The majority of the papers and articles for this course are available on the Canvas site. 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/. 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 required reading for this course is available on the class page on Canvas. Please check Canvas 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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<td><strong>Part 1: Looking Back and Looking Forward</strong></td>
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<td>1</td>
<td>Thurs</td>
<td>Sept 5</td>
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<td>Overview: What do we know about poverty, growth and inequality</td>
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<td>Tues</td>
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<td>Overview: Development thinking and our approach</td>
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<td>Thurs</td>
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<td>Industrial Revolution and the great divergence</td>
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<td>Tues</td>
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<td>Growth accounting and recent trends in economic development</td>
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<td>Thurs</td>
<td>Sept 19</td>
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<td>Industrialization and de-industrialization</td>
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<td>6</td>
<td>Fri</td>
<td>Sept 20</td>
<td>DR</td>
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<td><strong>Round #1 – Send in your short response by 5pm</strong></td>
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<td>Tues</td>
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<td>Human Capital: Education</td>
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<td>Human Capital: Education</td>
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<td>ASSIGNMENT #1 DUE in drop box by 11:40am</td>
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<td>Human Capital: Health</td>
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<td>Human Capital: Health</td>
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<td>Tues</td>
<td>Oct 8</td>
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<td>Financial capital: Investment and Savings</td>
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<td>14</td>
<td>Thurs</td>
<td>Oct 15</td>
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<td>Behavioral models of decision-making (Behavioral constraints to factor accumulation)</td>
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<td>MIDTERM</td>
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<td><strong>Part 2: Factor Accumulation</strong></td>
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<td>Tues</td>
<td>Oct 22</td>
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<td>Productivity growth: misallocation, learning and coordination</td>
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<td>Productivity growth: misallocation, learning and coordination</td>
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<td>Tues</td>
<td>Oct 29</td>
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<td>Productive development policies</td>
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<td>Oct 31</td>
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<td>Intra-household models of decision making (Resource (mis)allocation and productivity)</td>
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<td>21</td>
<td>Fri</td>
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<td><strong>Round #5 – Send in your short response by 5pm</strong></td>
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<td>Tues</td>
<td>Nov 5</td>
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<td>ASSIGNMENT #2 DUE (date TBC) Labor: misallocation, productivity and policy</td>
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<td>Thurs</td>
<td>Nov 7</td>
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<td>Environment: natural capital, development and institutions</td>
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<td>24</td>
<td>Fri</td>
<td>Nov 8</td>
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<td><strong>Round #6 – Send in your short response by 5pm</strong></td>
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<td><strong>Part 3: Allocative Efficiency and TFP</strong></td>
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<td>Tues</td>
<td>Nov 12</td>
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<td>Political economy: institutions</td>
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<td>26</td>
<td>Thurs</td>
<td>Nov 14</td>
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<td>Political economy: ideas and interests</td>
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<td>27</td>
<td>Fri</td>
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<td><strong>Round #7 – Send in your short response by 5pm</strong></td>
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<td>Nov 19</td>
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<td>Analytics of economic reform: theory of second best</td>
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<td>29</td>
<td>Thurs</td>
<td>Nov 21</td>
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<td>Analytics of economic reform: growth diagnostics</td>
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<td>30</td>
<td>Tues</td>
<td>Nov 26</td>
<td>DR</td>
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<td>Globalization and development</td>
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<td>Thurs</td>
<td>Nov 28</td>
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<td>THANKSGIVING RECESS</td>
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<td>32</td>
<td>Wed</td>
<td>Dec 3</td>
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<td>Wrap-up</td>
<td>DR</td>
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<td>Thurs</td>
<td>Dec 5</td>
<td>DR</td>
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<td>Country studies: student presentations</td>
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<td>34</td>
<td>Fri</td>
<td>Dec 6</td>
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<td>ASSIGNMENT #3 DUE (joint with DEV 401Y)</td>
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<td>Wed</td>
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<td>FINAL EXAM (2-5pm)</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). Required readings that are not linked in this syllabus can be found on Canvas.

PART 1: LOOKING BACK AND LOOKING FORWARD

1, 2. Course overview


3. Industrial Revolution and the great divergence


4. Growth accounting and recent trends in economic development


* 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. Industrialization and de-industrialization


PART 2: FACTOR ACCUMULATION

6, 7. Human Capital: Education

*Returns to education: Macro*


*Returns to education: Micro*


Constraints to education accumulation


8, 9. Human Capital: Health

Returns to health: Macro


Returns to health: Micro


*B* Constraints to health accumulation


**10, 11. Financial capital: Savings and Credit**

*Returns to capital: Macro*


*Returns to capital: Micro*


**Constraints to capital accumulation**


12. **Behavioral models of decision-making**

**(Behavioral constraints to factor accumulation)**


13. MIDTERM (October 17)

PART 3: ALLOCATIVE EFFICIENCY AND TFP

14, 15. Productivity growth: misallocation, learning and coordination

Part 1


**Part 2**


16. **Productive development policies**


17. Intra-household models of decision making
(Resource (mis)allocation and productivity)


18. Labor: misallocation, productivity and policy


19. Environment: natural capital, development and institutions


PART 4: ECONOMIC REFORM AND POLICY DESIGN

20. Political economy: institutions


21. Political economy: ideas and interests


22. Analytics of economic reform: theory of second best


23. Analytics of economic reform: growth diagnostics


24. Globalization and development


Obstfeld, Maurice. 2008. “International Finance and Growth in Developing Countries: What Have We Learned?” Commission on Growth and Development, Washington, DC.


25. Wrap-up

26. Country studies: STUDENT PRESENTATIONS

27. FINAL EXAM (December 11)