

Syllabus, AY 2013-2014 (Preliminary and subject to change)
John F. Kennedy School of Government
Harvard University

**ECONOMIC DEVELOPMENT: THEORY, EVIDENCE AND POLICY DESIGN
PED 101Y**

Updated for Spring 2014
Class: Monday & Wednesday 10:10-11:30am, L140

Review sessions: Friday 8:40 (Land) and 10:10 (Land)

First day of class is Monday, March 24th

<p>Professor Asim Khwaja Rubenstein 317</p> <p>Office hours: Thurs. 4:30-6:30pm (sign up via website)</p>	<p>Professor Rohini Pande Rubenstein 318</p> <p>Office hours: Tues. 9:00-10:00am & 1:00-2:30pm (sign up via website)</p>	<p>Professor Lant Pritchett Littauer 315</p> <p>Office hours: TBC (sign up on sheet outside L-315)</p>
<p>Assistant: Christine Ferris Office: Rubenstein 310G Email: Christine_Ferris@hks.harvard.edu</p>		<p>Assistant: Harrison Muskat Office: Rubenstein 301 Email: Harrison_muskat@hks.harvard.edu</p>

COURSE INFORMATION

This is a year-long course that examines the theory of, and evidence on, economic development and the design of development policy. The course will identify key features of the development process across countries, and then combine an analytical framework with rigorous empirical evidence to identify when and how public policies can enable economic growth and development. Topics covered include: contemporary and historic features of development; household models of development and investment in human capital; economy-wide models of growth and structural transformation.

Teaching fellows:

Yusuf Neggars: Yusuf_Neggars@hksphd.harvard.edu

Office Hours

Tue 5:00-7:00pm (Rubenstein 5th floor)

Course assistants:

Lauren Abel: Lauren_Abel@hks14.harvard.edu
Luis Espinoza: Luis_Espinoza@hks14.harvard.edu
Alejandro Fajardo: Alejandro_Fajardo@hks14.harvard.edu

Thu 5:30-7:30pm (Forum 3rd floor)
Wed 4:00-6:00pm (LG12 - Library)
Tue 8:00-10:00am (Forum 3rd floor)

COURSE REQUIREMENTS AND GRADING

The course grade will be based on year-long assessment using the following components, with weights in parentheses:

- Fall Midterm Exam (15%)
- Fall Final Exam (25%)
- Five Assignments: Three in fall, two in spring (30%)
- Spring Final Assessment (Slide Deck) (15%)
- Class Participation/Readings (15%)

The assignments and examinations have been designed to provide students with complementary (but not identical) skills for evaluating development issues and designing policy responses. The second spring assignment will be coordinated with API-110 in order to provide students with an opportunity to apply theoretical concepts learned in that course to policy design challenges.

The final assessment will consist of approximately six slides that: (1) identify a policy problem and context; (2) justify the choice of problem area; (3) briefly describe the design of a potential policy solution; and (4) provide a conceptual and implementation basis for the proposed design.

Students are required to attend two lectures and one class section each week. These sections will review and provide materials that complement lectures and provide theory and econometric guidance for a better understanding of course material.

Students will be expected to have read the required readings *before* class. Lecture and class discussion will draw heavily on the key concepts and findings reported in these required readings. Students should come to class prepared.

Class discussion is encouraged and students will be “warm-called” to encourage full participation. The procedure for this will be posted on the class website.

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.*** (Students who register for this course through FAS should see Julie DeBenedictis to get access to the class page.)

CROSS REGISTRATION:

The class is a core requirement for students in the MPA/ID program. No cross-registration will be permitted except by special permission from the instructors. Only students who have completed PED-101 in the fall may enroll in the spring portion.

IMPORTANT DATES AND COURSE STRUCTURE: SPRING MODULE

	Day	Date	Topic	Professor
1	Mon	March 24	Growth diagnostics: Framework	Pritchett
2	Wed	March 26 (1 of 3 sessions, TBA)	Growth diagnostics: Application	Pritchett
3	Fri	March 28 (10:10am, Land)	Policy design: The Framework	Khwaja
4	Mon	March 31	Industrial policy: Policy Goal	Pritchett
5	Wed	April 2	Industrial policy: Application	Pritchett
	<i>Fri</i>	<i>April 4</i>	<i>REVIEW</i>	
6	Mon	April 7	Education: Framework	Khwaja
	<i>Fri</i>	<i>April 11</i>	<i>REVIEW</i>	
	Fri	April 11	Problem Set 1 due 5 pm	
7	Mon	April 14	Education: Application	Khwaja
8	Wed	April 16	Finance: Screening Entrepreneurs	Khwaja
	<i>Fri</i>	<i>April 18</i>	<i>REVIEW</i>	
9	Mon	April 21	Finance: Investment Choice	Pande
10	Wed	April 23	Governance: Political Accountability	Pande
	Fri	April 25	Problem Set 2 due (joint with API-110)	
	<i>Fri</i>	<i>April 25</i>	<i>REVIEW</i>	
11	Mon	April 28	Governance: Bureaucrat Performance	Khwaja
12	Wed	April 30	Final Wrap-up	All
	<i>Fri</i>	<i>May 2</i>	<i>REVIEW</i>	
	Mon	May 5	Slide deck due 10am	

Readings (TBC)

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 TENTATIVE READINGS

A. Growth diagnostics (LP: March 24, 26)

i. Framework (March 24)

*Hausmann, Ricardo, Dani Rodrik and Andres Velasco. 2008. "[Growth Diagnostics](#)" in J. Stiglitz and N. Serra, Eds., *The Washington Consensus Reconsidered: Towards a New Global Governance*, New York: Oxford University Press.

*Read one of the two following:

Hausmann, Ricardo, Bailey Klinger, and Rodrigo Wagner. 2008. [Doing Growth Diagnostics in Practice: A Mindbook](#). Harvard CID Working Paper 177.

Pritchett, Lant and Preya Sharma. 2008. [Implementing Growth Analytics: Motivation, Background, and Implementation](#). DFID Growth Analytics Training Workshop Paper.

ii. Application (March 26)

*Rodrik, Dani. 2008. [Understanding South Africa's Economic Puzzles](#), *Economics of Transition*, 16(4): 769-797.

*Read one of the three following (corresponding to country session which attending):

Hang, Saing Chan. 2011. [Searching for Binding Constraints on Growth Using Growth Diagnostic Approach: The Case of Cambodia](#). Cambodia Development Resource Institute.

Hausmann, Ricardo and Bailey Klinger. 2008. [Growth Diagnostics in Peru](#). CID Working Paper.

[Kingdom of Morocco Country Economic Memorandum: Fostering Higher Growth and Employment with Product Diversification and Competitiveness](#). 2006. World Bank Document.

B. Policy Design: The Framework (AK: March 28)

C. Industrial policy (LP: March 31, April 2)

i. Policy Goal (March 31)

*Rodrik, Dani. 2007. [Industrial Policy for the Twenty-first Century](#), in Rodrik, *One Economics, Many Recipes*, Princeton, NJ: Princeton University Press, pp. 99-152.

*Sabel, Charles. 2012. [Self-Discovery as a Coordination Problem](#), chap. 1 in C. Sabel et al., eds, *Export Pioneers in Latin America*, Washington: Inter-American Development Bank, pp. 1-46.

Cimoli, Mario, Giovanni Dosi, R. Nelson, and Joseph E. Stiglitz. 2009. "Institutions and Policies Shaping Industrial Development: An Introductory Note," chap. 2 in Cimoli, Dosi, and Stiglitz, eds., *Industrial Policy and Development*, Oxford: Oxford University Press, pp. 19-38. (*On Course Website*)

ii. Application (April 2)

*Dube, Oeindrila, Ricardo Hausmann, and Dani Rodrik. 2007. [South Africa: Identifying the Binding Constraint on Shared Growth](#). Unpublished working paper.

*Hausmann, Ricardo, Dani Rodrik, and Charles Sabel. 2008. [Reconfiguring Industrial Policy: A Framework with Applications to South Africa](#), HKS Working Paper.

D. Education Policy (AK: April 7, 14)

i. Framework (April 7)

*HKS Case. Primary Education in Pakistan: Show Me the Evidence (*On Course Website*)

*Andrabi, Tahir, Jishnu Das, Asim Khwaja, Tara Vishwanath, Tristan Zajonc & the LEAPS Team. 2007. [Learning and Educational Achievements in Punjab Schools \(LEAPS\): Insights to Inform the Policy Debate. Executive Summary](#).

ii. Application (April 14)

*Andrabi, Tahir, Jishnu Das & Asim Khwaja. 2009. Report Cards: The Impact of Providing School and Child Test-scores on Educational Markets. Working paper. (*On Course Website*)

*J-PAL. 2008. [Solving Absenteeism, Raising Test Scores](#). Policy Briefcase No. 6, September 2008.

*Andrabi, Tahir, Jishnu Das & Asim Khwaja. 2010. [Education Policy in Pakistan: A Framework for Reform](#). IGC Pakistan Policy Brief.

Muralidharan, Karthik & Venkatesh Sundararaman. 2011. [Teacher Performance Pay: Experimental Evidence from India](#). *Journal of Political Economy*, 119(1): 39-77.

E. Finance (AK: April 16, RP: April 21)

i. Framework & Application: Screening Entrepreneurs (AK: April 16)

*Larson, Greg. [How a New Tool is Unlocking Entrepreneurship in Africa](#). *Harvard Kennedy School Review*.

*Iyer, Rajkamal, Asim Khwaja, Erzo Luttmer, & Kelly Shue. 2013. [Screening Peers Softly: Inferring the Quality of Small Borrowers](#). Working paper.

Karlan, Dean and Jonathan Zinman. 2009. [Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment](#). *Econometrica*, 77(6): 1993-2008.

Klinger, Bailey, Asim Khwaja, & Carlos del Carpio. 2013. Enterprising Psychometrics and Poverty Reduction. Springer Monograph, forthcoming. (*On Course Website*)

ii. Framework & Application: Investment Choice (RP: April 21)

*Banerjee, Abhijit, Pranam Bardhan, Esther Duflo, Erica Field, Dean Karlan, Asim Khwaja, Dilip Mookherjee, Rohini Pande, & Raghuram Rajan. 2010. [Microcredit is not the Enemy](#). *Financial Times*, 13 December 2010.

*Field, Erica, Rohini Pande, John Papp and Natalia Rigol. 2013. [Does the Classic Microfinance Model Discourage Entrepreneurship Among the Poor? Experimental Evidence from India](#). *American Economic Review*, forthcoming.

Field, Erica, Rohini Pande, John Papp, & Y. Jeanette Park. 2012. [Repayment Flexibility Can Reduce Financial Stress: A Randomized Control Trial with Microfinance Clients in India](#). PLoS ONE 7(9): e45679. doi:10.1371/journal/pone.0045679

F. Governance (RP: April 23, AK: April 28)

i. Framework & Application: Political Accountability (RP: April 23)

*Ferraz, Claudio & Frederico Finan. 2008. [Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes](#). *Quarterly Journal of Economics*, 123(2): 703-745.

*Banerjee, Abhijit, Selvan Kumar, Rohini Pande, & Felix Su. 2011. [Do Informed Voters Make Better Choices? Experimental Evidence from Urban India](#). Working paper.

Fujiwara, Thomas. 2013. [Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil](#). Revise and resubmit *Econometrica*.

ii. Framework & Application: Bureaucrat Performance (AK: April 28)

*Dal Bó, Ernesto, Frederico Finan & Martín A. Rossi. 2012. [Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service](#). NBER Working Paper No. 18156.

*Khwaja, Asim, Benjamin Olken, & Adnan Qadir. 2013. Tax Farming Redux: Experimental Evidence on Incentive Pay for Tax Collectors. Slides. (*On Course Website*)

Muralidharan, Karthik & Venkatesh Sundararaman. 2011. [Teacher Performance Pay: Experimental Evidence from India](#). *Journal of Political Economy*, 119(1): 39-77.

G. Final Wrap-Up (All: April 30)