

International Economics Development Economics

Academic year 2021-2022

Advanced Development Macroeconomics: Empirical Research

EI084 - Autumn - 3 ECTS

Course Description

Large differences in income per capita persist across countries, and today more than 700 million people still live in extreme poverty ([United Nations 2021](#)). Understanding the determinants of the disparities in economic performance is of paramount importance to achieve sustainable improvements in living standards in countries at different stages of development.

The objective of this course is to provide students with an in-depth coverage of the most relevant topics in Development Macroeconomics. The topics covered include economic growth and inequality, poverty traps, institutions and the emerging field of culture.

This course will also explore empirical methods used to rigorously measure the impact of the determinants of economic growth and long-run development. Students will be provided with a comprehensive overview of both fundamental and state-of-the-art empirical tools and methodologies.

Classes are interactive. They consist of lectures, presentations and critical discussions of selected articles that cover leading research issues, which are at the frontier, in Development Macroeconomics.

> PROFESSOR

[Martina Viarengo](#)

[Office hours](#)

> ASSISTANT

[Office hours](#)

Syllabus [PRELIMINARY]

Grading

The course grade will be based on the quality of class presentations (40% of the grade), class participation (30% of the grade), and a literature review or referee report (on a paper at the research frontier in development macroeconomics [TBC]) (30% of the grade).

OUTLINE

Introduction. (September 24)

Day 1. (October 7)

Topics outline:

Lecture A] Economic Growth and Development

- **Required Readings:**

- Acemoglu, Daron (2009), "Introduction to Modern Economic Growth," Princeton, NJ: Princeton University Press, Chapters 1-3.
- Romer, David (2019), "Advanced Macroeconomics", 5th Edition, New York City, NY: Mcgraw-Hill Economics, Chapters 1-4.
- Fuchs-Schunden, Nicola and Tarek A. Hassan, (2016), "Natural Experiments in Macroeconomics," in: Taylor, John B. and Harald Uhlig (eds.): Handbook of Macroeconomics, Elsevier, Vol. 2a: 923-1012.

- **Optional Readings:**

- Blanchard, Olivier (2021), "Macroeconomics," 8th Edition, Pearson Education Press: London, UK.
- Jones, Charles I. (2016). "The Facts of Economic Growth", Handbook of Macroeconomics, Vol. 2A, (eds.) John B. Taylor and Harald Uhlig, Elsevier B.V.
- Jones, Charles and Peter Klenow (2016), "Beyond GDP? Welfare across Countries and Time," *American Economic Review*, 106(9): 2426-2457.
- Baqaee, David Reeza and Emmanuel Farhi (2020), "Productivity and Misallocation in General Equilibrium," *Quarterly Journal of Economics*, 135(1): 105-163.
- Henderson, J. Vernon, Adam Storeygard, and David N. Weil (2012), "Measuring Economic Growth from Outer Space," *American Economic Review*, 102(2): 994-1028.

- Banerjee, Abhijit and Esther Duflo (2005), “Growth Theory through the Lens of Development Economics”, in the Handbook of Economic Growth, Vol. 1A, Philippe Aghion and Steven Durlauf (eds.), Chapter 7: 473-552.
- Caselli, Francesco (2005), “Accounting for Cross-Country Income Differences,” Handbook of Economic Growth, in the Handbook of Economic Growth, Vol. 1A, Philippe Aghion and Steven Durlauf (eds.), Chapter 9: 679-741.
- Klenow, Peter and Andrés Rodríguez-Clare (1997), “The Neoclassical Revival in Growth Economics: Has It Gone Too Far?” NBER Chapters, in: NBER Macroeconomics Annual 1997, Volume 12: 73-114.
- Romer, Paul (1990), “Endogenous Technological Change,” *Journal of Political Economy*, 98(5): 103-125.
- Mankiw, Gregory N., David Romer, and David N. Weil (1992), “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics*, 107(2): 407-437.
- Lucas, Robert (1988), “On the Mechanics of Economic Development,” *Journal of Monetary Economics*, 22(1): 3-42.
- Romer, Paul (1986), “Increasing Returns and Long-Run Growth,” *Journal of Political Economy*, 94(5): 1002-1037.
- Solow, Robert (1956), “A Contribution to the Theory of Economic Growth,” *Quarterly Journal of Economics*, 70: 65-94.

Lecture B] Institutions

• Required Readings:

- Acemoglu, Daron, Suresh Naidu, Pascual Restrepo and James A. Robinson (2019), “Democracy Does Cause Growth”, *Journal of Political Economy*, 127(1): 47-100.
- Dell, Melissa, Nathan Lane, and Pablo Querubin (2018), “The Historical State, Local Collective Action, and Economic Development in Vietnam,” *Econometrica*, 86(6): 2083-2121.
- Michalopoulos, Stelios and Elias Papaioannou (2013), “Pre-colonial Ethnic Institutions and Contemporary African Development,” *Econometrica*, 81(1): 113-152.

• Optional Readings:

- Acemoglu, Daron, Ali Cheema, Asim I. Khwaja, and James A. Robinson (2020), “Trust in State and Nonstate Actors: Evidence from Dispute Resolution in Pakistan,” *Journal of Political Economy*, 128(8): 3090-3147.
- Besley, Timothy, and Torsten Persson (2019), “Democratic Values and Institutions,” *American Economic Review: Insights*, 1(1): 59-76.
- Cantoni, Davide, Jeremiah Dittmar, and Noam Yuchtman (2018), “Religious Competition and Reallocation: The Political Economy of Secularization in the Protestant Reformation,” *Quarterly Journal of Economics*, 133(4): 2037–2096.
- Acemoglu, Daron, Camilo Garcia-Jimeno and James A. Robinson (2015), “State Capacity and Economic Development: A Network Approach,” *American Economic Review*, 105: 2364-2409.
- Martinez-Fritscher, Andre, Aldo Musacchio and Martina Viarengo (2014), “Colonial Institutions, Trade Shocks, and the Diffusion of Elementary Education in Brazil, 1889-1930,” *Journal of Economic History*, 74(3): 730-66.
- Acemoglu, Daron, Davide Cantoni, Simon Johnson and James A. Robinson (2011), “The Consequences of Radical Reform - The French Revolution”, *American Economic Review*, 101(7): 3286–307.
- Besley, Timothy and Torsten Persson (2009), “The Origins of State Capacity: Property Rights, Taxation, and Politics”, *American Economic Review*, 99: 1218-44.
- Banerjee, Abhijit and Lakshmi Iyer (2005), “History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India”, *American Economic Review*, 95, 1190-1213.

- Acemoglu, Daron, Simon Johnson, and James Robinson (2002), “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics*, 117(4): 1231-1294.
- Acemoglu, Daron, Simon Johnson, and James Robinson (2001), “Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review*, 91(5): 1369-1401.

Day 2. (October 14)

Topics outline:

Lecture A] Inequality

- **Required Readings:**

- Chetty, Raj and Nathaniel Hendren (2018), “The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects”, *Quarterly Journal of Economics*, 133(3): 1107-1162.
- Marrero, Gustavo A. and Juan G. Rodriguez (2013), “Inequality of Opportunity and Growth,” *Journal of Development Economics*, 104(C): 107-122.
- Banerjee, Abhijit and Esther Duflo (2003), “Inequality and Growth: What Can the Data Say?” *Journal of Economic Growth*, 8(3): 267-99.
- Forbes, Kristin (2000), “A Reassessment of the Relationship between Inequality and Growth,” *American Economic Review*, 90(4): 869-887.

- **Optional Readings:**

- Epper, Thomas, Ernst Fehr, Helga Fehr-Duda, Claus Thustrup Kreiner, David Dreyer Lassen, Søren Leth-Petersen, and Gregers Nytoft Rasmussen (2020), “Time Discounting and Wealth Inequality,” *American Economic Review*, 110(4): 1177-1205.
- Piketty, Thomas, Li Yang, and Gabriel Zucman (2019), “Capital Accumulation, Private Property, and Rising Inequality in China, 1978–2015,” *American Economic Review*, 109(7): 2469-2496.
- Dingel, Jonathan I., Kyle C. Meng, and Solomon M. Hsiang (2019), “Spatial Correlation, Trade, and Inequality: Evidence from the Global Climate,” NBER Working Paper No. 25447.
- Inklaar, Robert, and D. S. Prasada Rao (2017), “Cross-Country Income Levels over Time: Did the Developing World Suddenly Become Much Richer?” *American Economic Journal: Macroeconomics*, 9 (1): 265-290.
- Galor, Oded, Omer Moav and Dietrich Vollrath, (2009), “Inequality in Landownership, the Emergence of Human-Capital Promoting Institutions, and the Great Divergence,” *Review of Economic Studies*, 76(1): 143-179.
- Easterly, William (2007), “Inequality Does Cause Underdevelopment: Insights from a New Instrument,” *Journal of Development Economics*, 84(2): 755-776.
- Benabou, Roland, (2005), “Inequality, Technology and the Social Contract,” *Handbook of Economic Growth*, in: Philippe Aghion and Steven Durlauf (ed.), *Handbook of Economic Growth*, edition 1, 1(25): 1595-1638.
- Alesina, Alberto and George-Marios Angeletos (2005), “Fairness and Redistribution: US vs. Europe,” *American Economic Review*, 95: 913-935.
- Galor, Oded and Omer Moav (2004), “From Physical to Human Capital Accumulation: Inequality and the Process of Development,” *Review of Economic Studies*, 71(4): 1001-1026.
- Benabou, Roland (2002), “Tax and Education Policy in a Heterogeneous-Agent Economy: What Levels of Redistribution Maximize Growth and Efficiency?” *Econometrica*, 70(2): 481-517.
- Perotti, Roberto (1996), “Growth, Income Distribution, and Democracy: What the Data Say,” *Journal of Economic Growth*, 1(2): 149-187.

- Galor, Oded and Joseph Zeira (1993), “Income Distribution and Macroeconomics,” *Review of Economic Studies*, 60(1): 35-52.

Lecture B] Poverty Traps

- **Required Readings:**

- Murphy, Kevin, Andrei Shleifer, and Robert Vishny (1989), “Industrialization and the Big Push,” *Journal of Political Economy*, 100(5): 97-126.
- Magruder, Jeremy R. (2013), “Can Minimum Wages Cause a Big Push? Evidence from Indonesia,” *Journal of Development Economics*, 100(1): 48-62.
- Kline, Patrick and Enrico Moretti (2014), “Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority,” *Quarterly Journal of Economics*, 129 (1): 275-331.

- **Optional Readings:**

- Eichengreen, Barry, Donghyung Park and Kwanho Shin (2018), “The Landscape of Economic Growth: Do Middle-Income Countries Differ?” *Emerging Markets Finance and Trade*, 54(4): 836-858.
- Ghatak, Maitreesh (2015), “Theories of Poverty Traps and Anti-Poverty Policies,” *World Bank Economic Review*, 29(1): S77–S105.
- Munshi, Kaivan (2011), “Strength in Numbers: Networks as a Solution to Occupational Traps,” *Review of Economic Studies*, 78(3): 1069–1101.
- Durlauf, Steven (1996), “A Theory of Persistent Income Inequality,” *Journal of Economic Growth*, 1(1), 75-93.
- Parente, Stephen L. and Edward Prescott (1994), “Barriers to Technology Adoption and Development,” *Journal of Political Economy*, 102(2): 298-321.
- Banerjee, Abhijit and Andrew Newman (1993), “Occupational Choice and the Process of Development,” *Journal of Political Economy*, 101(2): 274-298.
- Kremer, Michael (1993), “The O-Ring Theory of Economic Development,” *Quarterly Journal of Economics*, CVIII, 551-575.
- Becker, Gary S., Kevin M. Murphy and Robert Tamura (1990), “Human Capital, Fertility and Economic Growth,” *Journal of Political Economy*, 98(5): S12-S37.
- Azariadis, Costas and Allan Drazen (1990), “Threshold Externalities in Economic Development,” *Quarterly Journal of Economics*, CV: 501-526.
- Stokey, Nancy (1988), “Learning-By-Doing and the Introduction of New Goods,” *Journal of Political Economy*, 96: 701-717.
- Rosenstein-Rodan, Paul (1943), “Problems of Industrialisation in Southern and South-eastern Europe,” *Economic Journal*, 53: 202-211.

Day 3. (October 21)

Topics outline:

Lecture A] Culture

- **Required Readings:**

- Acemoglu, Daron and James A. Robinson (2021), “Culture, Institutions and Social Equilibria: Towards a New Framework,” Becker Friedman Institute - University of Chicago Working Paper No. 2021-61.

- Nunn, Nathan and Leonard Wantchekon (2011), “The Slave Trade and the Origins of Mistrust in Africa,” *American Economic Review*, 101 (7): 3221-3252.
- Bursztyn, Leonardo, Alessandra L. González, and David Yanagizawa-Drott (2020), “Misperceived Social Norms: Female Labor Force Participation in Saudi Arabia,” *American Economic Review*, 110(10): 2997-3029.
- Ashraf, Nava, Natalie Bau, Nathan Nunn, and Alessandra Voena (2020), “Bride Price and Female Education,” *Journal of Political Economy*, 128(2): 591-641.

- **Optional Readings:**

- Giuliano, Paola and Nathan Nunn (2020), “[Understanding Cultural Persistence and Change](#),” forthcoming in the *Review of Economic Studies*.
- Bandiera, Oriana, Myra Mohnen, Imran Rasul and Martina Viarengo (2019), “Nation-Building through Compulsory Schooling during the Age of Mass Migration,” *Economic Journal*, 129(617-1): 62–109.
- Bertrand, Marianne and Emir Kamenica (2018), “Coming Apart? Cultural Distances in the United States over Time”, NBER Working Paper No. 24771.
- Desmet, Klaus, Ignacio Ortuño-Ortín, and Romain Wacziarg (2017), “Culture, Ethnicity, and Diversity”, *American Economic Review*, 107 (9): 2479-13.
- Guiso, Luigi, Paola Sapienza and Luigi Zingales (2015), “Corporate Culture, Societal Culture, and Institutions,” *American Economic Review*, 105(5): 336-39.
- Grosjean, Pauline (2014), “A History of Violence: The Culture of Honor as a Determinant of Homicide in the US South,” *Journal of the European Economic Association*, 12(5): 1285-1316.
- Alesina, Alberto, Paola Giuliano and Nathan Nunn (2013), “On the Origins of Gender Roles: Women and the Plough,” *Quarterly Journal of Economics*, 128(2): 469-530.
- Fernandez, Raquel and Alessandra Fogli (2009), “Culture: An Empirical Investigation of Beliefs, Work, and Fertility,” *American Economic Journal: Macroeconomics*, 1(1): 146-177.
- Becker, Sascha O. and Ludger Woessmann (2009), “Was Weber Wrong? A Human Capital Theory of Protestant Economic History,” *Quarterly Journal of Economics*, 124(2): 531-596.
- Miguel, Edward and Ray Fisman (2007), “Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets,” *Journal of Political Economy*, 115(6): 1020-1048.
- Akerlof, George and Rachel E. Kranton (2000), “Economics and Identity,” *Quarterly Journal of Economics*, (2000), 115(3): 715-7532.
- Bisin, Alberto and Thierry Verdier (2000), “Beyond the Melting Pot: Cultural Transmission, Marriage, and the Evolution of Ethnic and Religious Traits,” *Quarterly Journal of Economics*, 115(3): 955-988.
- Tirole, Jean (1996), “A Theory of Collective Reputations (With Applications to the Persistence of Corruption and to Firm Quality),” *Review of Economic Studies*, 63(1): 1-22.