

# Economics 1393: Poverty and Development

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Instructor: Nathan Nunn

E-mail address: [nnunn@fas.harvard.edu](mailto:nnunn@fas.harvard.edu)

Twitter: [nnunn99](#)

Office location: Littauer Center, Room M-25

Office hours: by appointment (please email me directly at [nnunn@fas.harvard.edu](mailto:nnunn@fas.harvard.edu))

Course web page: <https://canvas.harvard.edu/courses/64594>

Class time: Mondays and Wednesdays, 9:00am-10:15am

Class location: Sever Hall, Room 202

Teaching Fellows: Augustin Bergeron and Lydia Assouad

E-mail address: [augustinbergeron@fas.harvard.edu](mailto:augustinbergeron@fas.harvard.edu) and [lydia.assouad@gmail.com](mailto:lydia.assouad@gmail.com)

**\*\*\* Enrollment in the course is limited and by permission of the instructor. \*\*\***

## Course Overview:

We will consider a number of important questions in the field of development economics: Why are some countries so rich and others so poor? What factors have determined which countries prosper? Which are the root causes and which are the proximate causes of economic underdevelopment? Can these factors be changed with specific economic policies? If so, what are they and how are they best implemented? Are there country-specific characteristics that determine economic fate? Or, is prosperity just the result of luck? Does the enjoyment of the rich somehow depend on the continuing suffering of the poor? We will consider these questions and more.

The course is intended to not only provide a general overview of the dominant views about economic development and policy, but to also provide students a sense of the most recent research in the field. For this reason, the course will go beyond the usual textbook summary of the field. Students will also examine recent journal articles that have made important contributions to the field of development economics.

In the course, a particular effort is made to link the theories and empirical evidence to the real world.

To help facilitate class discussion and to create the right environment for learning, *laptops, tablets or cell phones cannot be used in class.*

## **Grading:**

*The course has a term paper and therefore it fulfills the writing requirement.*

### 1. Class participation 15%

Students are required to read the required readings *before* class, and to *actively* participate in class discussions. This will be the primary method of learning in the class. Only students that are able and willing to do the readings before class and actively participate in the lectures should enroll in the course. Regular class attendance is *mandatory* and is taken *very* seriously.

### 2. Two Assignments (7.5% each) 15%

The assignments are intended to help students move towards completing their term paper. The first will be an assignment using STATA. The second is a two-page proposal for the term paper.

### 3. Short term paper (15 pages maximum, all inclusive) 40%

Students are required to write a short term paper that examines, either theoretically or empirically, an important question related to economic development. The student's aim should be to undertake an investigation that improves our understanding of the process of development and also considers what can be done to aid development in poor countries. The paper should be an exposition of the student's findings.

Students are required to submit a hard copy and an electronic copy of their term paper. A more detailed description of the expectations for the term paper will be provided in class. One of the primary purposes of sections will be to help students with their term papers. The term paper is due on May 6<sup>th</sup>.

### 4. In-class exam 30%

The exam will consist of questions, where the students are expected to draw from and synthesize the theoretical, descriptive, and qualitative evidence covered in the readings and during in class discussion. Details about the specific nature of the exam will be provided in class.

## **Textbooks:**

- 1.) Weil, David N. 2013. Economic Growth, 3rd edition. New York: Addison Wesley.

2.) Easterly, William. 2001. The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics. Cambridge, MA: MIT Press.

These two books, in addition to journal articles, constitute the core readings in the course. The book by David Weil is a textbook on Economic Growth and Development. It will provide the theoretical and conceptual basis for the course. The book by William Easterly is a book written for the general public. It is a quick read, and it does a nice job tying economic theory and research to the real world, examining how well economic theories fare when put into practice.

Both books are available from Amazon, Barnes and Noble, or the Harvard Coop. The books are also on short-term reserve at Lamont Library. The call number for Weil (2009) is HD82.W37 2013. Older versions are fine to use as well. They have the same call number. The call number for Easterly (2001) is HC59.72.P6 E17 2001. Students can access all assigned journal articles through e-journals at the Harvard Libraries. Much of the material from the reading list will also be posted on the course web page.

### **Preparation:**

During the semester, we will be reading and discussing in detail recent journal articles. Doing this will require an understanding of empirical methods, such as Ordinary Least Squares (OLS), Instrumental Variables (IV), Difference-in-Differences (DiD) and Regression Discontinuity Designs (RDD). At the beginning of the semester, the TF will have sessions reviewing these topics. A useful reference for review is James H. Stock and Mark W. Watson's Introduction to Econometrics or Jeffrey M. Wooldridge's Introductory Econometrics: A Modern Approach.

### **Software:**

One of the assignments, as well as the term paper (for most students), will require the use of statistical software. The preferred software for the class is Stata. This is a very user-friendly package, and is the software most commonly used in the economics profession. It is available to Harvard students from the following web page: <http://downloads.fas.harvard.edu/download>. Students are also free to use R if they like. The TF will be able to provide support for this program as well.

## **Reading List and Class Schedule:**

### **1. Introduction to economic development (Jan 27)**

Weil Book, Chapter 1

Easterly Book, Chapter 1

### **2. Traditional theories of economic growth and development (Jan 29, Feb 3)**

Harrod-Domar Model, Rostow Stages of Growth, and Lewis Model

Todaro, John P. and Stephen C. Smith (2006), *Economic Development*. Pearson Addison. Wesley. pp. 104-115.

Easterly Book, Chapter 2

Solow Model

Weil Book, Chapter 3

Easterly Book, Chapter 3

### **3. The importance of health (Feb 5 & 10 – Kremer guest lecture on Feb 5)**

Weil Book, Chapter 6

Miguel, Edward and Michael Kremer. (2004). “Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities,” *Econometrica*, 72(1): 159-217.

Baird, Sarah, Joan Hamory Hicks, Michael Kremer, and Eduard Miguel. (2016). “Worms at Work: Long-Run Impacts of a Child Health Investment,” *Quarterly Journal of Economics*, 4(1): 1637-1680.

#### **4. The importance of education (Feb 12 & 19 – Kremer guest lecture on Feb 12)**

Weil Book, Chapter 6

Easterly Book, Chapter 4

Duflo, Esther. (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review*, 91(4): 795-813.

Kremer, Michael. (2006). "Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons," *American Economic Review Papers and Proceedings*, 93(2): 102-106.

#### **5. Population growth (Feb 24)**

Weil Book, Chapter 4

Easterly Book, Chapter 5

Rogall, Thorsten and David Yanagizawa-Drott. (2013). "The Legacy of Political Mass Killings: Evidence from the Rwandan Genocide," Harvard University, working paper.

#### **6. Increasing returns and poverty traps (Feb 26)**

Easterly, Chapter 8

Todaro, John P. and Stephen C. Smith (2006), *Economic Development*. Pearson Addison Wesley. pp. 145-173.

Kremer, Michael. (1993). "The O-Ring Theory of Economic Development," *Quarterly Journal of Economics*, 108(3): 551-575.

Nunn, Nathan (2007). "Historical Legacies: A Model Linking Africa's Past to its Current Underdevelopment," *Journal of Development Economics*, 83(1): 157-175.

#### **7. The role of technology (March 2)**

Weil, Chapter 8

Easterly, Chapter 9

Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. (2013). "Does Management Matter? Evidence from India," *Quarterly Journal of Economics*, 128 (1): 1-51.

Cristia, Julian. Pablo Ibarra, Santiago Cueto, Ana Santiago, and Eugenio Severin. (2017). "Technology and Child Development: Evidence from the One Laptop Per Child Program" *American Economic Journal: Applied Economics*, 9 (3): 295-320.

## **8. Governance, institutions, and corruption (March 4)**

Weil Book, Chapter 12

Easterly Book, Chapters 11 & 12

Reinikka, Ritva, and Jakob Svensson. (2004). "Local Capture: Evidence from a Central Government Transfer Program in Uganda," *Quarterly Journal of Economics*, 119(2): 679-705.

Olken, Benjamin. (2007). "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy*, 115(2): 200-249.

## **9. Leaders (March 9, 11)**

Weil Book, Chapter 12

Easterly Book, Chapter 11

Stackhouse, John, "A Despot's Delight," Chapter 7 in Out of Poverty. Random House Canada, pp. 99-104.

Jones, Ben and Benjamin Olken. (2005). "Do Leaders Matter? National Leadership and Growth since World War II," *Quarterly Journal of Economics*, 120 (3): 835-864.

Duflo, Esther and Raghavendra Chattopadhyay. (2004). "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica* 72 (5): 1409-1443.

**\*\* Mar 16 & 18: Spring Break (No class) \*\***

## **10. Historical determinants of development (March 23)**

Nunn, Nathan. (2008). "The Long-Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics*, 123(1): 139-176.

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.

## **11. Geography (March 25)**

Weil Book, Chapter 15

Sachs, Jeffrey and Pia Malaney. (2002). "The Economic and Social Burden of Malaria," *Nature*, 415 (6872): 680-685.

Sachs, Jeffrey. (2001). "The Geography of Poverty and Wealth," *Scientific American*, 284 (3) March: 70-75.

Diamond, Jared. (2002). "Evolution, Consequences and Future of Plant and Animal Domestication," *Nature*, 418 (8): 700-707.

## **12. Culture and psychology: Why aren't we rational? (March 30)**

Weil Book, Chapter 14

Henrich, Joseph. 2015. The Secret of Our Success: How Culture is Driving Human Evolution, Domesticating our Species, and Making us Smarter, Princeton: Princeton University Press. Chapters 2 & 3.

Giuliano, Paola and Nathan Nunn. (2019). "Understanding Cultural Persistence and Change," Working paper, Harvard University. (Sections 1 and 2 required. The rest is not required.)

Henrich, Joseph, Robert Boyd, Sam Bowles, Colin Camerer, Herbert Gintis, Richard McElreath and Ernst Fehr. (2001). "In search of Homo Economicus: Experiments in 15 Small-Scale Societies," *American Economic Review*, 91(2): 73-79.

## **13. Potential consequences of cultural differences (April 1)**

Stackhouse, John, "Daddy George," Chapter 6 in Out of Poverty. Random House Canada, pp. 80-98.

Squires, Munir. (2018.) “Kinship Taxation as an Impediment to Growth: Experimental Evidence from Kenyan Microenterprises,” Working paper, Vancouver School of Economics. [Not responsible for the model.]

Nunn, Nathan and Raul Sanchez de la Sierra. (2017). “Why Being Wrong can be Right: magical Warfare Technologies and the Persistence of False Beliefs,” *American Economic Review Papers and Proceedings*, 107 (5): 582-587.

#### **14. Ethnicity (April 6)**

Easterly Book, Chapter 13

Habyarimana, James, Macartan Humphreys, Daniel N. Posner, and Jeremy M. Weinstein. (2007). “Why Does Ethnic Diversity Undermine Public Goods Provision?” *American Political Science Review*, 101(4): 709-725.

Hjort, Jonas. (2014). “Ethnic Divisions and Production in Firms,” *Quarterly Journal of Economics*, 129(4): 1899-1946.

#### **15. Gender and economic development (April 8)**

Bursztyn, Leonardo, Alessandra Gonzalez, and David Yanagizawa-Drott. 2018. “Misperceived Social Norms: Female Labor Force Participation in Saudi Arabia,” Working paper, University of Chicago.

Lowes, Sara. (2018). “Matrilineal Kinship and Spousal Cooperation,” Working paper, Bocconi University.

#### **16. Development and foreign aid (April 13)**

Easterly Book, Chapter 6

Nunn, Nathan and Nancy Qian. (2014). “U.S. Food Aid and Civil Conflict,” *American Economic Review*, 104 (6): 1630-1666.

Crost, Benjamin, Joseph Felter, and Patrick B. Johnston. (2014). “Aid Under Fire: Development Projects and Civil Conflict,” *American Economic Review*, 104 (6): 1833-1856.

#### **17. Other paths to development? Social responsibility programs (April 15)**



Dragusanu, Raluca and Nathan Nunn. (2019). “The Impacts of Fair Trade Certification: Evidence from Coffee Producers in Costa Rica,” Working paper, Harvard University.

Harrison, Anne and Jason Scorse. (2010). “Multinationals and Anti-Sweatshop Activism,” *American Economic Review*, 100 (1): 247-273.

### **18. Development, trade, and industrial policy (April 20)**

Chang, Ha-Joon. (2003). “Kicking Away the Ladder: Infant Industry Promotion in Historical Perspective,” *Oxford Development Studies*, 31, 21-32.

Brambilla, Irene, Guido Porto and Alessandro Tarozzi. (2012). “Adjusting to Trade Policy: Evidence from U.S. Antidumping Duties on Vietnamese Catfish,” *Review of Economics and Statistics*, 94 (1): 304-319.

Mitrunen, Matti. (2019). “War Reparations, Structural Change, and Intergenerational Mobility,” Working paper, IIES Stockholm.

### **19. Development and external influence (April 22)**

Easterly, William, Daniel Berger, Nathan Nunn and Shanker Satyanath. (2013). “Commercial Imperialism? CIA Interventions and Trade During the Cold War,” *American Economic Review*, 103 (2): 863-896.

Kuziemko, Ilyana and Eric Werker. (2006). “How Much is a Seat on the UN Security Council Worth?” *Journal of Political Economy*, 114: 905-930.

Dreher, Axel, Jan-Egbert Sturm, and James Vreeland. (2009.) “Global Horse Trading: IMF Loans for Votes in the United Nations Security Council” *European Economic Review*, 53: 742-757.

### **20. Review & catch-up class (April 27)**

**Final exam (April 29). During class: 75 minutes.**