

14.772: Development Economics: Macroeconomic Issues

Lectures: Tuesday 2:30 - 4:00pm, Thursday 2:30 - 4:00pm, E52-532

Recitations: Thursday 12:00-1:00pm, E51-151

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Website: <https://learning-modules.mit.edu/class/index.html?uuid=/course/14/sp20/14.772#info>

Grading: 30% Problem Sets (Banerjee/Balboni/Olken Sections), 30% Research Proposal & Presentation (Townsend Section), 30% Exam, 10% Participation

Banerjee Section

(Lectures 2/4-2/20, 3/17-3/19)

Understanding TFP (AB, 2/4, 2/6)

*Banerjee, Abhijit and Esther Duflo, "Growth theory through the Lens of Development Economics", in Philippe Aghion & Steven Durlauf (ed.), Handbook of Economic Growth, edition 1, volume 3, chapter 1, Elsevier. [Link](#).

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*Caselli, Francesco, "Accounting for Cross-Country Income Differences," in Philippe Aghion & Steven Durlauf (ed.), Handbook of Economic Growth, edition 1, volume 1, chapter 9, pages 679-741, Elsevier. [Link](#).

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Jones, Ben, "The Human Capital Stock: A Generalized Approach", mimeo Northwestern University, 2011

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Duflo, Esther, Michael Kremer, and Jonathan Robinson. "[How High Are Rates of Return to Fertilizer? Evidence from Field Experiments in Kenya](#)." *American Economic Review* 98, no. 2 (May 2008): 482-488.

Udry, Christopher, and Santosh Anagol. "[The Return to Capital in Ghana](#)." *American Economic Review* 96, no. 2 (2006): 388-393.

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Hanushek, Eri, and Dennis Kimko. "[Schooling, Labor-Force Quality, and the Growth of Nations](#)." *American Economic Review* 90, no. 5 (2000): 1184-1208.

*Hsieh, Chang-Tai and Peter Klenow, (2007) "Misallocation and Manufacturing TFP in China and India", mimeo, Stanford University. [Link](#).

*Hsieh, Chang-Tai and Peter Klenow (2012), "The Life Cycle of Firms in India and Mexico", mimeo, University of Chicago. [Link](#).

*Peters, Michael, 2016, "Heterogeneous Mark-Ups and Endogenous Misallocation", [mimeo](#) Yale.

Garicano, Luis, Claire Lelarge and John Van Reenen (2012), "Firm Size Distortions and the Productivity Distribution: Evidence from France," [Working Paper](#)

Midrigan, Virgiliu, and Daniel Yi Xu, 2009, "Accounting for Plant-Level Misallocation." NYU, mimeo.

Restuccia, Diego, and Richard Rogerson, 2008. "Policy Distortions and Aggregate Productivity with Heterogeneous Plants." *Review of Economic Dynamics*, 11(4): 707–720.

Growth theory without aggregation (AB, 2/11)

*Banerjee, Abhijit and Ben Moll, "Why Does Misallocation Persist?", *American Economic Journal: Macroeconomics*, 2010, vol. 2, no. 1, pp. 189-206

*Moll, Benjamin, "Productivity Losses from Financial Frictions: Can Self-Financing Undo Capital Misallocation?", mimeo, University of Chicago, 2009.

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*Munshi, Kaivan and Mark Rosenzweig (2006), "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy." *American Economic Review* 96(4):1225-1252. [Link](#).

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*Bryan, G., S. Chowdhury and A. M. Mobarak. "[Under-Investment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh](#)," *Econometrica*, September 2014 ([Supplement](#), *Econometrica* [Link](#))

Duflo, Esther. "The Medium Run Consequences of Educational Expansion: Evidence from a Large School Construction Program in Indonesia," *Journal of Development Economics* 74(1), 2004, pp. 163-197. [Link](#). Also see BREAD Working Paper No. 002, 2001. [Link](#).

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*Buera, Francisco, Joe Kaboski and Yongseok Shin, "[Finance and Development: A Tale of Two Sectors](#)", m

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Non-market macroeconomics I: Matching (AB, 2/13)

*Ray Fisman, Sheena Iyengar, Emir Kamenica, and Itamar Simonson, "Racial Preferences in Speed Dating: Evidence from a Speed-dating Experiment", Review of Economic Studies, 2008.

*Ariely, Dan, Guenter Hitsch and Ali Hortascu, Matching and Sorting in Online Dating (.pdf), *American Economic Review*, 100(1), March 2010.

*Banerjee, Abhijit and Duflo, Esther and Ghatak, Maitreesh and Lafortune, Jeanne (2013) [Marry for what?: caste and mate selection in modern India](#) *American economic journal: microeconomics*, 5 (2). 33-72. ISSN 1945-7669

Poverty traps (CB, 2/20)

* Bandiera, O., Burgess, R., Das, N., Gulesci, S., Rasul, I., & Sulaiman, M. (2017). "Labor markets and poverty in village economies". *The Quarterly Journal of Economics*, 132(2), 811-870. [Link](#)

* Ghatak, M. (2015). "Theories of poverty traps and anti-poverty policies". *The World Bank Economic Review*, 29(suppl_1), S77-S105. [Link](#)

Kaboski, J., Lipscomb, M., & Midrigan, V. (2018). How Important are Indivisible Investments for Development? Experimental Evidence from Uganda. In 2018 Meeting Papers (No. 1033). Society for Economic Dynamics. [Link](#)

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Kraay, A., & McKenzie, D. (2014). Do poverty traps exist? Assessing the evidence. *Journal of Economic Perspectives*, 28(3), 127-48. [Link](#)

*Banerjee, A. V. and Sendhil Mullainathan, "Limited attention and income distribution", forthcoming, American Economic Association Papers and Proceedings, May, 2008. [Link](#).

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Non-market macroeconomics II: Networks (AB, 3/17, 3/19)

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* Banerjee, Abhijit, Emily Breza, Arun Chandrasekhar and Ben Golub When less is more: Experimental evidence on information delivery during India’s demonetization, Working Paper, 2019.

Townsend Section

(Lectures 2/25-3/12, 3/31-4/16)

Lecture 1: Interpreting Experiments through Structural Models (2/25)

*"The Impact of Credit on Village Economies." Joseph P. Kaboski and Robert M. Townsend. *American Economic Journal: Applied Economics* 4(2), April 2012: 98-133.

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*Abhijit Banerjee, Emily Breza, Robert Townsend, Diego Vera-Cossio. 2019. Access to credit and productivity: Evidence from Thai Villages

David Lagakos & Ahmed Mushfiq Mobarak & Michael E. Waugh, 2018. "The Welfare Effects of Encouraging Rural-Urban Migration," NBER Working Papers 24193, National Bureau of Economic Research, Inc.

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Lecture 2: Scaling Up RCTs (2/27)

*Ehrlich, Daniel and Robert Townsend. 2018. "Spatial Spillovers and Labor Market Dynamics: Evidence from Village Financial Interventions in Thailand"

*Ji Yan and Robert M. Townsend, Bank Branch Expansion vs International Capital Flows: Integrating Local Spatial Markets and Macro Aggregates, 2018

Bergquist, Lauren Falcao, et al. *Scaling Agricultural Policy Interventions: Theory and Evidence from Uganda*. Working Paper, 2019.

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Buera, Kaboski, Shin. "Macro Perspective on Assets Grant Program: Occupation and Wealth Mobility, AER, May 2014

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Macro and regional economies and aggregate effects

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Lecture 3: Choosing Models, getting by with less Structure: Sufficient Partial Identification and Aggregation (3/3)

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Intermediate Approaches

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Parallels in the US

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Quantifying the Losses from International Trade Spencer G. Lyon New York University Michael E. Waugh New York University and NBER March 2019

Lecture 4: Just execute RCT, IV, Diff-in Diff? Some Cautionary Tales (3/5)

*Townsend, R.M. and Urzua, S., 2009. Measuring the impact of financial intermediation: linking contract theory to econometric policy evaluation." *Macroeconomic Dynamics*, 13(S2), pp. 268-316

Heckman, James J. and Vytlacil, Edward J. (2001) Local instrumental variables. In Cheng Hsiao, Kimio Morimune, and James L. Powell (eds.), *Nonlinear Statistical Modeling: Proceedings of the Thirteenth International Symposium in Economic Theory and Econometrics: Essays in Honor of Takeshi Amemiya*, New York: Cambridge University Press, pp. 1-46.

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Tiago Florido, “Nonlinear Difference-in-Differences and Noisy Trends,” March 2017

Lecture 5: Building from Below, Risk Sharing without Obstacles as Key Benchmark and Networks (3/10)

Basic Risk-Sharing

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*Cynthia Kinnan, Krislert Samphantharak, Robert Townsend, and Diego Vera-Cossio. “Risk-sharing, economic networks and the transmission of shocks.” Working Paper (2019).

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Advani, Arun. “Insurance Networks and Poverty Traps.” Working Paper (2019).
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In the US

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Networks and Supply Chains in the US and other Economies

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Guest Lecture: Martin Beraja (4/14)

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Balboni Section

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Environment (2 lectures, 4/21-4/23)

Readings TBD.

Olken Section

(Lectures 4/28-5/12)

Infrastructure (2-3 lectures, 4/28-5/5)

Infrastructure and Market Integration

- * Atkin, David, and Dave Donaldson. “Who’s Getting Globalized? The Size and Implications of Intranational Trade Costs.” Mimeo, MIT.
- * Donaldson, Dave. 2018. “Railroads of the Raj: Estimating the Impact of Transportation Infrastructure.” *American Economic Review* 108(4—5): 899-934. [Final](#).
- * Campante, Filipe, and David Yanagizawa-Drott. 2017. “Long-Range Growth: Economic Development in the Global Network of Air Links.” *Quarterly Journal of Economics* 133(3): 1395-1458. [Final](#).
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- Morten, Melanie, and Jaqueline Oliveira. “Paving the Way to Development: Costly Migration and Labor Market Integration.” [NBER Working Paper No. 22158](#).
- Asher, Sam, and Paul Novosad, “Rural Roads and Local Economic Development.” *American Economic Review*, [forthcoming](#).
- Storeygard, Adam. 2016. “Farther on Down the Road: Transport Costs, Trade and Urban Growth.” *Review of Economic Studies* 83(3): 1263-1295. [Final](#).

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- * Allcott, Hunt, Allan Collard-Wexler, and Stephen D. O'Connell. 2016. "How Do Electricity Shortages Affect Productivity? Evidence from India." *American Economic Review* 106(3): 587-624. Final.
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- * Tsivanidis, Nick. "The Aggregate and Distributional Effects of Urban Transit Infrastructure: Evidence From Bogotá's TransMilenio." Mimeo, University of Chicago.
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