1 Course Description

1.1 Overview

This is a PhD-level class in development economics, specifically in the area of “industrial development,” sometimes known as “firms and development” — applied microeconomic work on firms in developing countries, which has overlap with the fields of industrial organization, innovation, international trade, labor economics, and economic growth. Its goal is to get you up to speed on developments in the literature and prepare you to do your own independent research in the area. The course is primarily focused on empirical research, but we will also relate it to core theoretical models in the field. We will pay attention to institutional features that are particularly prevalent in developing countries, including weak contract enforcement and regulation. Some guiding questions are: Why is doing business in developing countries difficult? What mechanisms do firms use to overcome the difficulties? What are the barriers to adoption of advanced products and technologies? What roles do employment relationships, and organizational structures more generally, play in the process of learning and innovation by firms? How do international market forces shape the behavior of developing-country firms? What role (if any) can industrial policy play in stimulating economic growth?

1.2 Pre-requisites

This course is normally taken in the second year of the Economics PhD sequence, and I will presume that you have taken a year of PhD-level microeconomic theory and a year of econometrics. (At Columbia, the relevant courses are ECON G6211, G6212, G6411, and G6412.) If you have not satisfied these requirements but you have a strong technical background, you will probably be fine in the course, but please speak to me to get my approval.

1.3 Coursework

The coursework will consist of the following three components, with the indicated weight in the final grade:

- Problem sets (2): 10% each, 20% total.
- In-class presentations (2): 10% each, 20% total.
- Paper proposal: 60%

The problem sets will involve analysis of datasets that I will provide. They have been developed with the idea that you will do them in Stata (still the most commonly used software among economists). I am open to having you complete them in R, but will be less useful to you as a resource in that case.

For the in-class presentation, I will ask you to present an empirical paper from the reading list to the rest of the class. The presentations will be short (approximately 15 minutes), and I will provide guidance about how to organize your presentation.

For the paper proposal, the goal is to develop a detailed plan for a paper, involving datasets that exist but that you may not yet have access to, or that you propose to collect. (Especially for firm-level datasets from developing countries, it can take time to access microdata.) I will explain in more detail what criteria I will use in evaluating the proposal, but the two main questions I will ask are: (1) Is it feasible, given the data that are known to exist (or that are proposed to be collected)? and (2) How big a contribution to the literature is it likely to be, if all goes well?

1.4 Other Stuff

If you require special accommodations for disability-related reasons, please obtain an evaluation from the Office of Disability Services (link) and also speak to me about the issue as soon as possible.

I am happy to meet outside of class to discuss ideas. For students in this class, it is best to email me to set up an appointment.
2 Reading List

The starred (*) readings are required. The non-starred are recommended but not required. Later I will assign students to present empirical papers, which may include some of the currently non-starred readings; if a reading is assigned for a student presentation, it will become required.

The readings that are available online are indicated below. The links should work if you are on a computer in the Columbia domain. If you are not on a computer in the Columbia domain and a link does not work, you can go to the Columbia libraries site, search for the journal or book, and click through; you will be prompted for your UNI and password. If there are any broken links, please let me know.

2.0 Background/General References


2.1 Introduction


2.2 Credit Constraints


2.3 Reputations, Relational Contracts, and Networks


2.4 Industry Dynamics and Production-Function Estimation


Verhoogen, E. (forthcoming). Firm-Level Upgrading in Developing Countries. *Journal of Economic Literature*, Section 2. (link)

2.5 Learning and Technology Adoption


2.6 Agency Issues within Firms


2.7 Trade, Productivity, Quality, Wages


2.8 Misallocation


2.9 **Industrial Policy and its Discontents**


