

COURSE OUTLINE
Econ G6306: Industrial Development
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Fall 2011

The starred (*) readings are required. The non-starred are recommended. The readings that are available online are indicated below; the electronic version of this list has links. You must be at a computer in the Columbia domain to access the articles. The readings that are not available online are on reserve at the Business and Economics library in Uris Hall.

0 BACKGROUND/GENERAL REFERENCES

- * Bardhan, P. and Udry, C. (1999). *Development Microeconomics*. Oxford University Press, Oxford. ([link](#))
A clear and concise graduate-level introduction to micro-economic theories in development. We will be reading several chapters.

Deaton, A. (1997). *Analysis of Household Surveys*. John Hopkins University Press. An extremely useful reference for doing empirical work in a developing-country context.

Ray, D. (1998). *Development Economics*. Princeton University Press, Princeton NJ. An advanced undergraduate or masters-level text, providing a good overview of the field of development; especially strong on theory.

Bardhan, P. and Udry, C., editors (2000). *Readings in Development Microeconomics. Volumes 1 and 2*. MIT Press. Collection of leading papers.

Wooldridge, J. (2002). *Econometric Analysis of Cross Section and Panel Data*. MIT Press, Cambridge, MA. My own favorite econometrics reference. The stata code for empirical examples is provided at <http://www.ats.ucla.edu/stat/stata/examples/eacspd/>.

Angrist, J. D. and Pischke, J. (2008). *Mostly Harmless Econometrics: An Empiricist's Companion*. Princeton University Press. Another useful, practical econometrics reference.

1 INTRODUCTION

- * Krugman, P. (1995). The fall and rise of development economics. In *Development, Geography and Economic Theory*, chapter 1. Cambridge: MIT Press. ([link](#))

- * Mookherjee, D. (1999). Contractual constraints on firm performance in developing countries. Unpub. Paper, Boston University. ([link](#))

Tybout, J. (2000). Manufacturing firms in developing countries: How well do they do, and why? *Journal of Economic Literature*, 38:11–44. ([link](#))

Banerjee, A. and Duflo, E. (2005). Growth theory through the lens of development economics. In Aghion, P. and Durlauf, S., editors, *Handbook of Economic Growth*, pages 473–552. Elsevier, Amsterdam. ([link](#))

Sutton, J. (2001). Rich trades, scarce capabilities: Industrial development revisited. STICERD Discussion Paper, London School of Economics. ([link](#))

Bardhan, P. (1993). Economics of development and the development of economics. *Journal of Economics Perspectives*, 7(2):129–42. ([link](#))

Murphy, K., Shleifer, A., and Vishny, R. (1989). Industrialization and the big push. *Journal of Political Economy*, 97:1003–1026. ([link](#))

2 EMPIRICAL METHODS AND METHODOLOGICAL DEBATES

- * Freedman, D. A. (1991). Statistical models and shoe leather. *Sociological Methodology*, 21:291–313. ([link](#))
- * Angrist, J. D. and Krueger, A. B. (1999). Empirical strategies in labor economics. In Ashenfelter, O. C. and Card, D., editors, *Handbook of Labor Economics*, volume 3A. Elsevier Science. ([link](#))
- * Imbens, G. W. and Wooldridge, J. M. (2009). Recent developments in the econometrics of program evaluation. *Journal of Economic Literature*, 47(1):5–86. ([link](#))
- Duflo, E., Glennerster, R., and Kremer, M. (2008a). Using randomization in development economics research: A toolkit. In Schultz, T. P. and Strauss, J. A., editors, *Handbook of Development Economics*, volume 4, pages 3895–3962. Elsevier. ([link](#))
- Rosenzweig, M. R. and Wolpin, K. I. (2000). Natural “natural experiments” in economics. *Journal of Economic Literature*, 38(4):827–874. ([link](#))
- Deaton, A. (2010). Instruments, randomization, and learning about development. *Journal of Economic Literature*, 48(2):424 – 455. ([link](#))
- Banerjee, A. V. and Duflo, E. (2009). The experimental approach to development economics. *Annual Review of Economics*, 1(1):151–178. ([link](#))
- Imbens, G. W. (2010). Better late than nothing: Some comments on deaton (2009) and heckman and urzua (2009). *Journal of Economic Literature*, 48(2):399–423([link](#))

3 CREDIT CONSTRAINTS

- * Bardhan, P. and Udry, C. (1999). *Development Microeconomics*. Oxford University Press, Oxford. Chapter 7. ([link](#))
- * Ghosh, P., Mookherjee, D., and Ray, D. (2000). Credit rationing in developing countries: An overview of the theory. In Mookherjee, D. and Ray, D., editors, *Readings in the Theory of Economic Development*, pages 383–401. London: Blackwell. ([link](#))
- * de Mel, S., McKenzie, D. J., and Woodruff, C. (2008). Returns to capital in microenterprises: Evidence from a field experiment. *Quarterly Journal of Economics*, 123(4):1329–1372. ([link](#))
- * McKenzie, D. J. and Woodruff, C. (2006). Do entry costs provide an empirical basis for poverty traps? Evidence from Mexican microenterprises. *Economic Development and Cultural Change*, 55(1):3 – 42. ([link](#))
- * Karlan, D. and Zinman, J. (2009). Observing unobservables: Identifying information asymmetries with a consumercredit field experiment. *Econometrica*, 77(6):1993–2008. ([link](#)) Longer version: ([link](#))
- * Banerjee, A. and Duflo, E. (2008). Do firms want to borrow more? Testing credit constraints using a directedlending program. Unpub. paper, MIT. ([link](#))
- Banerjee, A. (2003). Contracting constraints, credit markets and economic developmen. In Mathias Dewatripont, L. P. H. and Turnovsky, S. J., editors, *Advances in Economics and Econometrics: Theory and Applications. Eighth World Congress*, pages 1–46. Cambridge Press, New York. ([link](#))
- Banerjee, A. and Newman, A. (1993). Occupational choice and the process of development. *Journal of Political Economy*, 101:274–298. ([link](#))
- Stiglitz, J. E. and Weiss, A. (1981). Credit rationing in markets with imperfect competition. *American Economic Review*, 71(3):393–410. ([link](#))

Galor, O. and Zeira, J. (1993). Income distribution and macroeconomics. *Review of Economic Studies*, 60:35–52. ([link](#))

Visaria, S. (2009). Legal reform and loan repayment: The microeconomic impact of debt recovery tribunals in india. *American Economic Journal: Applied Economics*, 1(3):59 – 81. ([link](#))

Burgess, R. and Pande, R. (2005). Do rural banks matter? Evidence from the Indian social banking experiment. *American Economic Review*, 95(3):780–795. ([link](#))

4 REPUTATIONS AND NETWORKS

* Shapiro, C. (1983). Premiums for high quality products as returns on reputation. *Quarterly Journal of Economics*, 98:659–680. ([link](#))

* Tirole, J. (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. ([link](#))

* McMillan, J. and Woodruff, C. (1999). Interfirm relationships and informal credit in Vietnam. *Quarterly Journal of Economics*, 114(4):1285–1320. ([link](#))

* Banerjee, A. and Duflo, E. (2000). Reputation effects and the limits of contracting: A study of the Indian software industry. *Quarterly Journal of Economics*, 115:989–1017. ([link](#))

* Banerjee, A. and Munshi, K. (2004). How efficiently is capital allocated? Evidence from the knitted garment industry in Tirupur. *Review of Economics Studies*, 71:19–42. ([link](#))

Fisman, R. J. (2003). Ethnic ties and the provision of credit: Relationship-level evidence from African firms. *Advances in Economic Analysis and Policy*, 3(1). ([link](#))

Greif, A. (1993). Contract enforceability and economic institutions in early trade: The Maghribitraders' coalition. *American Economic Review*, 83(3):525–48. ([link](#))

5 ALLOCATION OF CONTROL RIGHTS

* Besley, T. (1995). Property rights and investment incentives: Theory and evidence from Ghana. *Journal of Political Economy*, 103(5):903–37. ([link](#))

* Banerjee, A., Gertler, P., and Ghatak, M. (2002). Empowerment and efficiency: Tenancy reform in West Bengal. *Journal of Political Economy*, 110:239–280. ([link](#))

* Field, E. (2007). Entitled to work: Urban property rights and labor supply in Peru. *Quarterly Journal of Economics*, 122(4):1561 – 1602. ([link](#))

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Johnson, S., McMillan, J., and Woodruff, C. (2002). Property rights and finance. *American Economic Review*, 92(5):1335–1356. ([link](#))

Bardhan, P. and Mookherjee, D. (forthcoming). Subsidized farm input programs and agricultural performance: A farm-level analysis of west bengal's green revolution, 1982-1995. Forthcoming, *American Economic Journal: Applied Economics*. ([link](#))

6 LABOR MARKETS

- * Bardhan, P. and Udry, C. (1999). *Development Microeconomics*. Oxford University Press, Oxford. Chapters 4, 5. ([link](#))
- * Shapiro, C. and Stiglitz, J. (1984). Equilibrium unemployment as a worker discipline device. *American Economic Review*, 74(3):433–44. ([link](#))
- * Kremer, M. (1993). The O-ring theory of economic development. *Quarterly Journal of Economics*, 108(3):551–575. ([link](#))
- Foster, A. D. and Rosenzweig, M. R. (1994). A test for moral hazard in the labor market: Contractual arrangements, effort and health. *Review of Economics and Statistics*, 76:213–227. ([link](#))
- Dasgupta, P. and Ray, D. (1986). Inequality as a determinant of malnutrition and unemployment: Theory. *The Economic Journal*, 96(384):1011–1034. ([link](#))
- Strauss, J. (1986). Does better nutrition raise farm productivity? *Journal of Political Economy*, 94(2):297–320. ([link](#))
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- Behrman, J. R. (1999). Labor markets in developing countries. In Ashenfelter, O. and Card, D., editors, *Handbook of labor economics. Volume 3B*, pages 2859 – 2939. Elsevier, U PA. ([link](#))

7 LEARNING AND TECHNOLOGY ADOPTION

- * Bardhan, P. and Udry, C. (1999). *Development Microeconomics*. Oxford University Press, Oxford. Chapter 12. ([link](#))
- * Manski, C. F. (1993). Identification of endogenous social effects: The reflection problem. *Review of Economic Studies*, 60(3):531–42. ([link](#))
- * Conley, T. and Udry, C. (forthcoming). Learning about a new technology: Pineapple in Ghana. Forthcoming, *American Economic Review*. ([link](#))
- * Foster, A. D. and Rosenzweig, M. R. (1995). Learning by doing and learning from others: Human capital and technical change in agriculture. *Journal of Political Economy*, 103:1176–1209. ([link](#))
- * Duflo, E., Kremer, M., and Robinson, J. (2008b). How high are rates of return to fertilizer? Evidence from field experiments in Kenya. *American Economic Review*, 98(2):482 – 488. ([link](#))
- * Duflo, E., Kremer, M., and Robinson, J. (forthcoming). Nudging farmers to use fertilizer: Theory and experimental evidence from Kenya. Forthcoming, *American Economic Review*. ([link](#))
- Ellison, G. and Fudenberg, D. (1993). Rules of thumb for social learning. *Journal of Political Economy*, 101(4):612–643. ([link](#))
- Munshi, K. (2004). Social learning in a heterogeneous population: Technology adoption in the Indian green revolution. *Journal of Development Economics*, 73:185–213. ([link](#))
- Suri, T. (2007). Selection and comparative advantage in technology adoption. Unpub. paper, MIT. ([link](#))
- Bandiera, O. and Rasul, I. (2006). Social networks and technology adoption in Northern Mozambique. *Economic Journal*, 116(514):869 – 902. ([link](#))

8 HETEROGENEITY AND PRODUCTIVITY MEASUREMENT

- * Jovanovic, B. (1982). Selection and the evolution of industry. *Econometrica*, 50:649–670. ([link](#))
- * Olley, G. S. and Pakes, A. (1996). The dynamics of productivity in the telecommunications industry. *Econometrica*, 64(6):1263–1297. ([link](#))
- * Levinsohn, J. and Petrin, A. (2003). Estimating production functions using inputs to control for unobservables. *Review of Economic Studies*, 70:317–341. ([link](#))
- * Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., and Roberts, J. (2011). Does management matter? Evidence from India. NBER Working Paper No. 16658. ([link](#))
- Wooldridge, J. M. (2009). On estimating firm-level production functions using proxy variables to control for unobservables. *Economics Letters*, 104(3):112–114. ([link](#))
- Katayama, H., Lu, S., and Tybout, J. R. (2009). Firm-level productivity studies: Illusions and a solution. *International Journal of Industrial Organization*, 27(3):403–413. ([link](#))
- Bartelsman, E. J. and Doms, M. (2000). Understanding productivity: Lessons from longitudinal microdata. *Journal of Economic Literature*, 38(3):569–594. ([link](#))
- Akerberg, D. A., Caves, K., and Frazer, G. (2006). Structural identification of production functions. Unpub. paper, UCLA. ([link](#))

9 TRADE, PRODUCTIVITY, PRICES, SPILLOVERS

- * Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6):1695–1725. ([link](#))
- * Pavcnik, N. (2002). Trade liberalization, exit and productivity improvements: Evidence from Chilean plants. *Review of Economic Studies*, 69:245–276. ([link](#))
- * Clerides, S., Lach, S., and Tybout, J. (1998). Is learning by exporting important? Micro-dynamic evidence from Colombia, Mexico and Morocco. *Quarterly Journal of Economics*, 113:903–947. ([link](#))
- * Kugler, M. and Verhoogen, E. (forthcoming). Prices, plant size and product quality. Forthcoming, *Review of Economic Studies*. ([link](#))
- * Javorcik, B. S. (2004). Does foreign direct investment increase the productivity of domestic firms? in search of spillovers through backward linkages. *American Economic Review*, 94(3):605–627. ([link](#))
- Tybout, J. (2003). Plant- and firm-level evidence on the ‘new’ trade theories. In Choi, E. K. and Harrigan, J., editors, *Handbook of International Trade*. Basil Blackwell, Oxford. ([link](#))
- Aitken, B. J. and Harrison, A. E. (1999). Do domestic firms benefit from direct foreign investment? Evidence from Venezuela. *American Economic Review*, 89(3):605–618. ([link](#))

10 TRADE, WAGES, INCOME DISTRIBUTION

- * Goldberg, P. K. and Pavcnik, N. (2007). Distributional effects of globalization in developing countries. *Journal of Economic Literature*, 45(1). ([link](#))
- * Feenstra, R. and Hanson, G. (1996). Foreign investment, outsourcing and relative wages. In Feenstra, R. and Grossman, G., editors, *Political Economy of Trade Policy: Essays in Honor of Jagdish Bhagwati*. MIT Press, Cambridge MA. ([link](#))
- * Verhoogen, E. (2008). Trade, quality upgrading and wage inequality in the Mexican manufacturing sector. *Quarterly Journal of Economics*, 123(2):489–530. ([link](#))

- * Frías, J. A., Kaplan, D. S., and Verhoogen, E. A. (2009). Exports and wage premia: Evidence from Mexican employer-employee data. Unpub. paper, Columbia University. ([link](#))

Topalova, P. (2007). Trade liberalization, poverty and inequality: Evidence from Indian districts. In Harrison, A., editor, *Globalization and Poverty*, pages 291–332. University of Chicago Press, Chicago IL. ([link](#))

11 INDUSTRIAL POLICY AND ITS DISCONTENTS (IF TIME)

- * Harrison, A. and Rodríguez-Clare, A. (forthcoming). Trade, foreign investment, and industrial policy. Forthcoming, Handbook of Development Economics. ([link](#))

- * Hausmann, R. and Rodrik, D. (2003). Economic development as self-discovery. *Journal of Development Economics*, 72(2):603–633. ([link](#))

- * Rodrik, D. (2004). Industrial policy for the 21st century. Unpub. Paper, Harvard University. ([link](#))

- * Grossman, G. M. and Helpman, E. (1994). Protection for sale. *The American Economic Review*, 84(4):833–850. ([link](#))

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Svensson, J. (2003). Who must pay bribes and how much? Evidence from a cross section of firms. *Quarterly Journal of Economics*, 118(1):207–230. ([link](#))

Pack, H. and Westphal, L. (1986). Industrial strategy and technological change: Theory vs. reality. *Journal of Development Economics*, 22:87–128. ([link](#))