

COURSE OUTLINE
Econ G6306: Industrial Development
Eric Verhoogen
Spring 2020

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 electronic version of this list has links; for many articles you must be at a computer in the Columbia domain (or using the appropriate proxy server) to access them.

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.

Wooldridge, J. (2002). *Econometric Analysis of Cross Section and Panel Data*. MIT Press, Cambridge, MA. My own favorite econometrics reference.

Angrist, J. D. and Pischke, J. (2009). *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](#))

Sutton, J. (2001). Rich Trades, Scarce Capabilities: Industrial Development Revisited. STICERD Discussion Paper, London School of Economics. ([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](#))

Verhoogen, E. (2020). Firm-Level Upgrading in Developing Countries. Unpub. paper, Columbia University

2 EMPIRICAL METHODS AND METHODOLOGICAL DEBATES

- * 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](#))

Freedman, D. A. (1991). Statistical Models and Shoe Leather. *Sociological Methodology*, 21:291–313. ([link](#))

Duflo, E., Glennerster, R., and Kremer, M. (2008). 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](#))

Banerjee, A. V. and Duflo, E. (2009). The Experimental Approach to Development Economics. *Annual Review of Economics*, 1(1):151–178. ([link](#))

Deaton, A. (2010). Instruments, Randomization, and Learning about Development. *Journal of Economic Literature*, 48(2):424 – 455. ([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](#))
- * 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):pp. 1329–1372. ([link](#))
- * Karlan, D. and Zinman, J. (2009). Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment. *Econometrica*, 77(6):1993–2008. ([link](#))
- * Banerjee, A. and Duflo, E. (2014). Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program. *Review of Economic Studies*, 81:572–607. ([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](#))

Ponticelli, J. and Alencar, S. L. (2016). Court Enforcement, Bank Loans and Firm Investment: Evidence from a Bankruptcy Reform in Brazil. *Quarterly Journal of Economics*, 131(3):1365–1413. ([link](#))

Karlan, D., Osei, R., Osei-Akoto, I., and Udry, C. (2014). Agricultural Decisions after Relaxing Credit and Risk Constraints. *Quarterly Journal of Economics*, 129(2):597–652 ([link](#))

Antras, P. and Foley, C. F. (2015). Poultry in Motion: A Study of International Trade Finance Practices. *Journal of Political Economy*, 123(4):853–901 ([link](#))

Fisman, R., Paravisini, D., and Vig, V. (2017). Cultural Proximity and Loan Outcomes. *American Economic Review*, 107(2):457–92 ([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](#))

Banerjee, A. (2003). Contracting Constraints, Credit Markets and Economic Development. 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](#))

4 MORE ON CONTRACTING: REPUTATIONS, NETWORKS, CONTROL RIGHTS

- * 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 Economic Studies*, 71:19–42. ([link](#))
- * Burchardi, K. B., Gulesci, S., Lerva, B., and Sulaiman, M. (2018). Moral Hazard: Experimental Evidence from Tenancy Contracts. *Quarterly Journal of Economics*, 134(1):281–347 ([link](#))

Goldstein, M. and Udry, C. (2008). The Profits of Power: Land Rights and Agricultural Investment in Ghana. *Journal of Political Economy*, 116(6):pp. 981–1022. ([link](#))

Macchiavello, R. and Morjaria, A. (2015). The Value of Relationships: Evidence from a Supply Shock to Kenyan Rose Exports. *American Economic Review*, 105(9):2911–45. ([link](#))

Bai, J. (2018). Melons as Lemons: Asymmetric Information, Consumer Learning and Seller Reputation. Unpub. paper, Harvard Kennedy School. ([link](#))

Bai, J., Gazze, L., and Wang, Y. (2017). Collective Reputation in Trade: Evidence from the Chinese Dairy Industry. Unpub. paper, Harvard Kennedy School ([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](#))

Bardhan, P. and Mookherjee, D. (2011). Subsidized Farm Input Programs and Agricultural Performance: A Farm-level Analysis of West Bengal's Green Revolution, 1982-1995. *American Economic Journal: Applied Economics*, 3(4):186–214. ([link](#))

Blouin, A. and Macchiavello, R. (2019). Strategic Default in the International Coffee Market. *Quarterly Journal of Economics*, 134(2):895–951 ([link](#))

Greif, A. (1993). Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition. *American Economic Review*, 83(3):525–48. ([link](#))

5 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](#))

Breza, E., Kaur, S., and Shamdasani, Y. (2018). The Morale Effects of Pay Inequality. *Quarterly Journal of Economics*, 133(2):611–663 ([link](#))

Heath, R. (2018). Why Do Firms Hire Using Referrals? Evidence from Bangladeshi Garment Factories. *Journal of Political Economy*, 126(4):1691–1746 ([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](#))

Beaman, L. and Magruder, J. (2012). Who Gets the Job Referral? Evidence from a Social Networks Experiment. *American Economic Review*, 102(7):3574–93 ([link](#))

Dasgupta, P. and Ray, D. (1986). Inequality as a Determinant of Malnutrition and Unemployment: Theory. *Economic Journal*, 96(384):1011–1034. ([link](#))

6 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](#))

* 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](#))

* Conley, T. and Udry, C. (2010). Learning about a New Technology: Pineapple in Ghana. *American Economic Review*, 100(1):pp. 35–69. ([link](#))

* Cai, J. and Szeidl, A. (2017). Interfirm Relationships and Business Performance. *Quarterly Journal of Economics*, 133(3):1229–1282 ([link](#))

- * Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., and Roberts, J. (2013). Does Management Matter? Evidence from India. *Quarterly Journal of Economics*, 128(1):1–51. ([link](#))
 - * Atkin, D., Chaudhry, A., Chaudry, S., Khandelwal, A. K., and Verhoogen, E. (2017a). Organizational Barriers to Technology Adoption: Evidence from Soccer-Ball Producers in Pakistan. *Quarterly Journal of Economics*, 132(3):1101–1164 ([link](#))
- Dufo, E., Kremer, M., and Robinson, J. (2011). Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya. *American Economic Review*, 101(6):2350–2390. ([link](#))
- Suri, T. (2011). Selection and Comparative Advantage in Technology Adoption. *Econometrica*, 79(1):159–209. ([link](#))
- Giorcelli, M. (2019). The Long-Term Effects of Management and Technology Transfers. *American Economic Review*, 109(1):121–52 ([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](#))
- Bandiera, O. and Rasul, I. (2006). Social Networks and Technology Adoption in Northern Mozambique. *Economic Journal*, 116(514):pp. 869 – 902. ([link](#))
- Adhvaryu, A., Kala, N., and Nyshadham, A. (2019). Management and Shocks to Worker Productivity. NBER working paper no. 25865 ([link](#))
- Menzel, A. (2019). Knowledge Exchange and Productivity Spill-overs in Bangladeshi Garment Factories. Unpub. paper ([link](#))
- Foster, A. D. and Rosenzweig, M. R. (2010). Microeconomics of Technology Adoption. *Annual Review of Economics*, 2(1):395–424 ([link](#))

7 INDUSTRY DYNAMICS AND PRODUCTIVITY

- * 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](#))
 - * Gandhi, A., Navarro, S., and Rivers, D. (forthcoming). On the Identification of Gross Output Production Functions. *Journal of Political Economy* ([link](#))
- Jovanovic, B. (1982). Selection and the Evolution of Industry. *Econometrica*, 50:649–670. ([link](#))
- Ackerberg, D. A., Caves, K., and Frazer, G. (2015). Identification Properties of Recent Production Function Estimators. *Econometrica*, 83(6):2411–2451. ([link](#))
- Foster, L., Haltiwanger, J., and Syverson, C. (2008). Reallocation, Firm Turnover and Efficiency: Selection on Productivity or Profitability? *American Economic Review*, 98(1):394–425. ([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](#))
- Syverson, C. (2011). What Determines Productivity? *Journal of Economic Literature*, 49(2):326–65. ([link](#))
- Verhoogen, E. (2020). Firm-Level Upgrading in Developing Countries. Unpub. paper, Columbia University. Section 2.

8 TRADE AND PRODUCTIVITY

- * Melitz, M. J. (2003). The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity. *Econometrica*, 71(6):1695–1725. ([link](#))
 - * Melitz, M. J. and Ottaviano, G. I. P. (2008). Market Size, Trade, and Productivity. *Review of Economic Studies*, 75(1):295 – 316. ([link](#))
 - * De Loecker, J., Goldberg, P. K., Khandelwal, A. K., and Pavcnik, N. (2016). Prices, Markups and Trade Reform. *Econometrica*, 84(2):445–510 ([link](#))
 - * Atkin, D., Khandelwal, A. K., and Osman, A. (2017b). Exporting and Firm Performance: Evidence from a Randomized Trial. *Quarterly Journal of Economics*, 132(2):551–615 ([link](#))
 - * Bustos, P. (2011). Trade Liberalization, Exports and Technology Upgrading: Evidence on the Impact of MERCOSUR on Argentinian Firms. *American Economic Review*, 101(1):304–340. ([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](#))
- Amiti, M. and Konings, J. (2007). Trade Liberalization, Intermediate Inputs, and Productivity: Evidence from Indonesia. *American Economic Review*, 97(5):1611 – 1638 ([link](#))
- Pavcnik, N. (2002). Trade Liberalization, Exit and Productivity Improvements: Evidence from Chilean Plants. *Review of Economic Studies*, 69:245–276. ([link](#))
- De Loecker, J. and Goldberg, P. K. (2014). Firm Performance in a Global Market. *Annual Review of Economics*, 6(1):201–227. ([link](#))

9 TRADE, QUALITY, INPUTS, WAGES

- * Kugler, M. and Verhoogen, E. (2012). Prices, Plant Size and Product Quality. *Review of Economic Studies*, 79(1):307–339. ([link](#))
 - * Verhoogen, E. (2008). Trade, Quality Upgrading, and Wage Inequality in the Mexican Manufacturing Sector. *Quarterly Journal of Economics*, 123(2):489–530. ([link](#))
- Bastos, P., Silva, J., and Verhoogen, E. (2018). Export Destinations and Input Prices: Evidence from Portugal. *American Economic Review*, 108(2):353–392. ([link](#))
- Bastos, P. and Silva, J. (2010). The Quality of a Firm’s Exports: Where You Export to Matters. *Journal of International Economics*, 82(2):99–111. ([link](#))
- Manova, K. and Zhang, Z. (2012). Export Prices Across Firms and Destinations. *Quarterly Journal of Economics*, 127(1):379–436. ([link](#))
- Brambilla, I., Lederman, D., and Porto, G. (2012). Exports, Export Destinations and Skills. *American Economic Review*, 102(7):3406–3488. ([link](#))
- Goldberg, P. K. and Pavcnik, N. (2007). Distributional Effects of Globalization in Developing Countries. *Journal of Economic Literature*, 45(1). ([link](#))
- Frías, J. A., Kaplan, D. S., Verhoogen, E., and Alfaro-Serrano, D. (2018). Exports and Wage Premia: Evidence from Mexican Employer-Employee Data. Unpub. paper, Columbia University ([link](#))
- Hansman, C., Hjort, J., León, G., and Teachout, M. (forthcoming). Vertical Integration, Supplier Behavior, and Quality Upgrading among Exporters. *Journal of Political Economy* ([link](#))

10 MISALLOCATION

- * 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](#))
- * Hsieh, C.-T. and Klenow, P. J. (2009). Misallocation and Manufacturing TFP in China and India. *Quarterly Journal of Economics*, 124(4):pp. 1403–1448. ([link](#))
- * Rotemberg, M. and White, T. K. (2017). Measuring Cross-Country Differences in Misallocation. Unpub. paper, NYU ([link](#))
- * Gollin, D. and Udry, C. (2019). Heterogeneity, measurement error and misallocation: Evidence from African agriculture. NBER working paper no. 25440 ([link](#))
- Hsieh, C.-T. and Olken, B. A. (2014). The Missing ‘Missing Middle’. *Journal of Economic Perspectives*, 28(3):89–108 ([link](#))
- Hsieh, C.-T. and Klenow, P. J. (2014). The Life Cycle of Plants in India and Mexico. *Quarterly Journal of Economics*, 129(3):1035–1084. ([link](#))
- Peters, M. (2019). Heterogeneous Mark-Ups, Growth and Endogenous Misallocation. Unpub. paper, Yale. ([link](#))

11 INDUSTRIAL POLICY AND ITS DISCONTENTS

- * Crespi, G., Fernández-Arias, E., and Stein, E., editors (2014). *Rethinking Productive Development: Sound Policies and Institutions for Economic Transformation*. Inter-American Development Bank, Washington DC. Read English synopsis. ([link](#))
- * Rodrik, D. (2004). Industrial Policy for the 21st Century. Unpub paper, Harvard University. ([link](#))
- Harrison, A. and Rodríguez-Clare, A. (2010). Trade, Foreign Investment, and Industrial Policy in Developing Countries. In Rodrik, D. and Rosenzweig, M., editors, *Handbook of Development Economics*, vol. 5, pages 4039–4214. North-Holland. ([link](#))
- Lane, N. (forthcoming). The New Empirics of Industrial Policy. *Journal of Industry, Competition and Trade* ([link](#))