

Development: Theory, Public Policy, and Historical Perspectives

Course title – Intitulé du cours	Development: Theory, Public Policy, and Historical Perspectives
Level / Semester – Niveau / semestre	M2 ETE / S2
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	AURIOL Emmanuelle GAY Victor SALEH Mohamed STRAUB Stéphane
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	30
TA Hours – Volume horaire TD	
TP Hours – Volume horaire TP	
Course Language – Langue du cours	English
TA and/or TP Language – Langue des TD et/ou TP	English

Teaching staff contacts:

Meeting by appointment only, preferred mean of interaction by email:

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Course Objectives: newly acquired knowledge once the course completed should be well identified

This course provides a general introduction to the field of Development Economics and its synergies with Industrial Organization, Political Economy, and Economic History. The first part of the course (15 hours) will be taught by Emmanuelle Auriol (EA) and Stéphane Straub (SS). It aims at providing students with an overview of recent research in the field of Development Microeconomics, especially that concerned with industrial organization issues, the behavior of firms and governments, and the organization of markets. It will also cover the application of microeconomic tools to economic development issues in developing and emerging countries. This will include political economy issues such as corruption and political connections, as well as impact evaluation of infrastructure investments, policies, and regulation.

The second part of the course (15 hours; 10 sessions 1.5 hour each) will be taught by Victor Gay (VG) and Mohamed Saleh (MS). It will focus on introducing students to Economic History, with its synergies with various fields in economics, including development economics, labor economics, and

trade. This will cover recent advances in using history as a laboratory to test economic theory and to examine the causes and effects of public policies, and in exploring the historical origins of contemporary economic development outcomes.

The course is the first introductory course of the doctoral field on “Development, History, and Political Economy.” It primarily targets students enrolled in the Master 2 in Economic Theory and Econometrics (M2 ETE), but it is also open to students enrolled in the Master 2 in Public Policy and Development (M2 PPD).

Prerequisites :

Microeconomic theory and Applied Econometrics. Although the course will not use difficult mathematics, some familiarity with game theory and incentive theory will be helpful for Part One (Development Economics).

Practical information about the sessions:

Students are expected to attend all classes and participate in class discussions. Using laptops or tablets is allowed for taking notes only.

Grading system :

The grade will be based on a take-home examination that combines both parts: development economics and economic history.

Bibliography/references:

Part One: Economic Development

General Readings (EA):

Laffont J.J. [*Regulation and Development*](#), collection Frederico Caffe Lectures, Cambridge University Press, mars 2005.

Antonio Estache and Quentin Wodon, “Infrastructure and Poverty in Sub-Saharan Africa”, Palgrave Macmillan, 2014.

1. Privatization, (De)regulation and Public-Private-Partnerships (2 sessions EA)

Auriol, E. and P. Picard (2004), “Infrastructure and Public Utilities Privatizations in Developing Countries”, *World Bank Economic Review*.

Auriol, E. and P. Picard (2009), "Government Outsourcing: Public Contracting with Private Monopoly", the *Economic Journal*, vol. 119, n°540, p. 1464-1493

Auriol, E. and S. Biancini, 2015, "Powering Up Developing Countries through Economic Integration" *World Bank Economic Review*, vol. 29, n°1, p. 1-40.

Bortolotti B. and D. Siniscalco, 2003, *The Challenges of Privatization: An International Analysis*, Oxford University Press.

Galiani, S., P. Gertler and E. Schargrotsky (2005), "Water for Life: The Impact of Privatization of Water Services on Child Mortality", *Journal of Political Economy*, 113: 83-120.

Guasch, J.L., J.J. Laffont and S. Straub (2007), "Renegotiation of Concession Contracts in Latin America", *International Journal of Industrial Organization*.

Iossa, I and D. Martimort (2015), "The Simple Microeconomics of Public-Private Partnerships", Volume 17, Issue 1, February 2015, Pages 4–48

Meggison W. (2017), *Privatization, State Capitalism, And State Ownership of Business In The 21st Century*, now publishers Inc, Foundations and Trends in Finance.

Meggison W. and J. Netter (2000), "From State to Market: A Survey of Empirical Studies on Privatization" *Journal of Economic Literature*, 39: 321-389.

2. Corruption in Procurement and in Privatization (1 session EA)

Auriol, Emmanuelle "Corruption in Procurement and Public Purchase", 2006, AURIOL Emmanuelle, *International Journal of Industrial Organization*, 24, 867-885.

Auriol, Emmanuelle and Aymeric Blanc "Capture and Corruption in Public Utilities: The Cases of Water and Electricity in Sub-Saharan Africa", *Utilities Policy*, 17 (2009) 203–216

Auriol, Emmanuelle, Stephane Straub and Thomas Flochel, "Public Procurement and Rent-Seeking in Paraguay", *World Development* Vol. 77, pp. 395–407, 2016

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

Olken, B. & Pande, R. (2012). Corruption in Developing Countries. *Annual Review of Economics*, 4, 479-505.

Pande, R. (2008). Understanding Political Corruption in Low Income Countries, in *Handbook of Development Economics*, Vol. 4, eds.T. Schultz and J. Strauss. North-Holland: Elsevier.

3. Taxation Base and the Cost of Public Funds in Developing Countries (1 session EA)

Auriol, Emmanuelle. and Michael Warlters, "Taxation Base in Developing Countries", *Journal of Public Economics*, 2004.

Auriol, Emmanuelle and Michael Warlters, 2011, "The Marginal Cost of Public Fund in Developing Countries: An application to 38 African countries", *J. of Development Economics*.

Bardhan P. and C. Udry, *Developments Microeconomics*, Chapter 5.

Besley, T. and T. Persson, "Why do Developing Countries Tax So little?", *Journal of Economics Perspectives*, Vol. 28, N°4, pp. 99-120, 2014

Djankov, Simeon, Rafael La Porta, Florencio Lopez de Silanes and Andrei Shleifer, "The Regulation of Entry", *Quarterly Journal of Economics*, CXVII, (2002), 1-37.

Friedman, Eric., Simon Johnson, Daniel Kaufmann and Pablo Zoido-Lobaton, "Dodging the Grabbing Hand: The Determinants of Unofficial Activity in 69 countries", *Journal of Public Economics*, 76, (2000), 459-493.

La Porta, Rafael and Andrei Shleifer, "Informality and Development", *Journal of Economics Perspectives*, Vol. 28, N°3, pp. 109-126, 2014

Schneider, Friedrich and Dominik Enste, "Shadow Economies: Size, Causes, and Consequences", *Journal of Economic Literature*, XXXVIII, (2000), 77-114.

4. Corruption (SS – 2 sessions)

Topics include the measurement and impact of corruption on economic, social and political outcomes, the effectiveness of various anti-corruption measure, and the industrial organization of corruption among others.

Rose-Ackerman, Susan and Bonnie J. Palifka. 2016. *Corruption and Government: Causes, Consequences, and Reform*. Cambridge: Cambridge University Press.

Olken, Benjamin and Pande, Rohini, "Corruption in Developing Countries". *Annual Review of Economics* 4, pp. 479-505, July 2012.

John McMillan and Pablo Zoido, 2004, "How to Subvert Democracy: Montesinos in Peru", *Journal of Economic Perspectives*, Volume 18, Number 4, Pages 69-92.

Mauro, P. (1995). "Corruption and Growth." *The Quarterly Journal of Economics*, 110(3): 681-712.

Bertrand, Marianne, Simeon Djankov, Rema Hanna and Sendhil Mullainathan. 2007. "Obtaining a Driving License in India: An Experimental Approach to Studying Corruption." *The Quarterly Journal of Economics*, 122(4): 1639-1676.

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

Ritva Reinikka & Jakob Svensson "Fighting corruption to improve schooling: Evidence from a newspaper campaign in Uganda", *Journal of the European Economic Association*, 2005, 3 (2-3): 259-267.

Ferraz, Claudio and Frederico Finan. 2008. "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes." *Quarterly Journal of Economics*. 123(2): 703—745.

Frederico Finan and Claudio Ferraz, "Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports", *American Economic Review*, 2011, 101: 1274-1311.

Olken, B. and Barron, P. (2009). "The Simple Economics of Extortion: Evidence from Trucking in Aceh." *Journal of Political Economy*, 117(3): 417-452.

Olken B., "Corruption Perceptions vs. Corruption Reality". *Journal of Public Economics*, 93 (7-8), pp. 950-964, August 2009.

5. Political Connections and Rent-Seeking (SS – 2 sessions)

Topics include the measurement and impact of political connections on the value of firms and their access to different inputs and economic opportunities, as well as their welfare implications.

Fisman, Raymond. 2001. "Estimating the Value of Political Connections." *American Economic Review*, 91(4): 1095-1102.

Roberts, B. E. 1990. A dead senator tells no lies: Seniority and the distribution of federal benefits. *American Journal of Political Science* 34(1): 31–58.

Hsieh, Chang-Tai, Edward Miguel, Daniel Ortega and Francisco Rodriguez. 2008. "The Price of Political Opposition: Evidence from Venezuela's Maisanta." *American Economic Journal: Applied Economics*.

Khwaja, Asim I. and Atif Mian. 2005. "Do lenders favor politically connected firms? Rent provision in an emerging financial market." *Quarterly Journal of Economics*, 120 (4): 1371-1411.

Fisman, Raymond, Florian Schulz and Vikrant Vig, "The Private Returns to Public Office", 2013.

Krueger, A. (1974). The political economy of the rent seeking society. *American Economic Review*, 64, 291-303.

Acemoglu, Daron, Hassan, Tarek A. and Ahmed Tahoun. 2018. "The Power of the Street: Evidence from Egypt's Arab Spring." *Review of Financial Studies*, 31(1), pp. 1-42.

Auriol, Emmanuelle, Thomas Flochel and Stéphane Straub, 2016, "Public Procurement and Rent-Seeking: The Case of Paraguay", *World Development*, 77, 395–407.

6. Political Connections, the case of China (SS – 2 sessions)

Topics include the analysis of the specific form of political connections prevalent in China, their welfare impact, and their implications for political incentives and economic outcomes.

Fisman, Raymond and Yongxiang Wang, 2015. "The Mortality Cost of Political Connections", forthcoming, *Review of Economic Studies*, 82, 1346–1382.

Chen, Ting, and James Kai-sing Kung. 2018. "Busting the 'Princelings': The Campaign Against Corruption in China's Primary Land Market." *The Quarterly Journal of Economics* 134 (1): 185–226.

Jia, Ruixue, Masayuki Kudamatsu, and David Seim, "Political Selection in China: The Complementary Roles of Connections and Performance," *Journal of the European Economic Association*, 13 (2015), 631–668.

Bai, Chong-En, Chang-Tai Hsieh, and Zheng Song. 2019. "Special Deals with Chinese Characteristics." *NBER Macroeconomics Annual*.

Li, Hongbin, Lingsheng Meng, Qian Wang and Li-An Zhou. 2008. "Political connections, financing and firm performance: Evidence from Chinese private firms." *Journal of Development Economics*, 87(2): 283-299.

Part Two: Economic History

Introduction: Economics and the Modern Economic Historian (MS - 1 session)

This introduction provides a short overview of the role of economic history in modern economics. It discusses how economists have traditionally approached economic history (McCloskey, 1976; Arrow, 1985; Solow, 1985), and how they approach it today, especially in their use of natural experiments in history (Abramitzky, 2015; Cantoni and Yuchtman, 2020).

McCloskey, D.N. 1976. "Does the Past Have Useful Economics?" *Journal of Economic Literature*, 14(2), 434–461.

Arrow, K.J. 1985. "Maine and Texas." *American Economic Review*, 75(2), 320–323.

Solow, R.M. 1985. "Economic History and Economics." *American Economic Review*, 75(2), 328–331.

Abramitzky, R. 2015. "Economics and the Modern Economic Historian." *Journal of Economic History*, 75(4), 1240–1251.

Cantoni, D., & Yuchtman, N. 2020. "Historical Natural Experiments: Bridging Economics and Economic History." NBER Working Paper.

1. Economic History and General Economic Theory (MS - 2 sessions)

Topics include the role of private property rights in incentivizing investment, how the arrival of new private information gets incorporated into prices, and the formation of preferences.

Hornbeck, Richard, "Barbed Wire: Property Rights and Agricultural Development," *Quarterly Journal of Economics*, May 2010, 125 (2), 767–810.

Libecap, Gary D. and Dean Lueck, "The Demarcation of Land and the Role of Coordinating Property Institutions," *Journal of Political Economy*, 2011, 119 (3), 426–467.

Koudijs, Peter, "The Boats That Did Not Sail: Asset Price Volatility in a Natural Experiment," *Journal of Finance*, 2016, 71 (3), 1185–1226.

Dube, Arindrajit, Ethan Kaplan, and Suresh Naidu, "Coups, Corporations, and Classified Information," *Quarterly Journal of Economics*, August 2011, 126 (3), 1375–1409.

Alesina, Alberto and Nicola Fuchs-Schündeln, "Good Bye Lenin (or Not?): The Effect of Communism on People's Preferences," *American Economic Review*, 2007, 97 (4), 1507–1528.

Koudijs, Peter, and Hans-Joachim Voth, "Leverage and Beliefs: Personal Experience and Risk-Taking in Margin Lending," *American Economic Review*, 2016, 106 (11), 3367–3400.

2. Economic History and Trade Economics (MS - 2 sessions)

Topics include testing the theory of comparative advantage, the role of distance in trade, the evaluation of trade policies, and the impact of access to markets.

Bernhofen, Daniel M. and John C. Brown, "A Direct Test of the Theory of Comparative Advantage: The Case of Japan," *Journal of Political Economy*, 48-67 2004, 112 (1).

Feyrer, James, "Distance, Trade, and Income – The 1967 to 1975 Closing of the Suez Canal as a Natural Experiment," NBER Working Paper Series, 2009, 15557.

Pascali, Luigi, "The Wind of Change: Maritime Technology, Trade, and Economic Development," *American Economic Review*, 2017, 107 (9), 2821–2854.

Juhasz, Reka, "Temporary Protection and Technology Adoption: Evidence from the Napoleonic Blockade," *American Economic Review*, 2018, 108 (11), 3339–3376.

Donaldson, Dave and Richard Hornbeck, "Railroads and American Economic Growth: A "Market Access" Approach," *Quarterly Journal of Economics*, May 2016, 131 (2), 799–858.

3. Economic History and Labor Economics (VG - 2 sessions)

Topics include determinants of health, the fetal origins hypothesis, determinants of human capital investment, and migration.

Almond, Douglas, "Is the 1918 Influenza Pandemic Over? Long-Term Effects of In Utero Influenza Exposure in the Post-1940 U.S. Population," *Journal of Political Economy*, 2006, 114 (4), 672–712.

Almond, Douglas, Lena Edlund, and Marten Palme, "Chernobyl's Subclinical Legacy: Prenatal Exposure to Radioactive Fallout and School Outcomes in Sweden," *Quarterly Journal of Economics*, 11 2009, 124 (4), 1729–1772.

Bleakley, Hoyt, "Disease and Development: Evidence from Hookworm Eradication in the American South," *Quarterly Journal of Economics*, 2007, 122 (1), 73–117.

Bleakley, Hoyt and Joseph Ferrie, "Shocking Behavior: Random Wealth in Antebellum Georgia and Human Capital Across Generations," *Quarterly Journal of Economics*, 2016, 131 (3), 1455–1495.

Hornbeck, Richard and Suresh Naidu, "When the Levee Breaks: Black Migration and Economic Development in the American South," *American Economic Review*, 2014, 104 (3), 963–90.

4. Economic History and Urban Economics (VG - 1 session)

Topics include the role of infrastructures for development and the mechanisms of urban growth.

Baum-Snow, Nathaniel. 2007. "Did Highways Cause Suburbanization?" *The Quarterly Journal of Economics*, 122(2), 775–805.

Bleakley, Hoyt and Jeffery Lin. 2012. "Portage and Path Dependence." *The Quarterly Journal of Economics*, 127(2), 73–117.

Heblich, Stephan, Stephen J. Redding, and Daniel M. Sturm. 2018. "The Making of the Modern Metropolis: Evidence from London." NBER Working Paper 25047.

Hornbeck, Richard and Daniel Keniston. 2017. "Creative Destruction: Barriers to Urban Growth and the Great Boston Fire of 1872." *American Economic Review*. 102(4), 1477–1507.

5. Economic History and Innovation (VG - 1 session)

Topics include the role of faculty quality, peer effect, physical capital, and property rights for scientific production.

Moser, Petra, Alessandra Voena, and Fabian Waldinger. 2014. "German Jewish Emigres and US Invention." *American Economic Review*, 104(10), 3222–3255.

Waldinger, Fabian. 2010. "Quality Matters: The Expulsion of Professors and the Consequences for PhD Student Outcomes in Nazi Germany." *Journal of Political Economy*, 118(4), 787–831.

Waldinger, Fabian. 2012. "Peer Effects in Science: Evidence from the Dismissal of Scientists in Nazi Germany." *Review of Economic Studies*, 79(2), 838–861.

Waldinger, Fabian. 2016. "Bombs, Brains, and Science: The Role of Human and Physical Capital in the Production of Scientific Knowledge." *Review of Economics and Statistics*, 98(5), 811–831.

6. Economic History and Political Economy (VG - 1 session)

Adena, Maja, Ruben Enikolopov, Maria Petrova, Veronica Santarosa, and Ekaterina Zhuravskaya. 2015. "Radio and the Rise of The Nazis in Prewar Germany," *Quarterly Journal of Economics*, 130(4), 1885–1939.

Strömberg, David. 2004. "Radio's impact on public spending." *Quarterly Journal of Economics*, 2004, 119(1), 189–221.

Session planning:

See detailed syllabus above.

Distance learning:

Distance learning can be provided when necessary by implementing:

- *Interactive virtual classrooms via Zoom*
- *Recorded lectures (videos)*
- *Chatrooms: Weekly office hours on Zoom upon request*