

Governance, Industrial Organization and Development

Course title – Intitulé du cours	Governance, Industrial Organization and Development
Level / Semester – Niveau / semestre	M2/S1
School – Composante	Ecole d'Economie de Toulouse
Teacher – Enseignant responsable	Emmanuelle Auriol
Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
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Other teacher(s) – Autre(s) enseignant(s)	
Other teacher(s) – Autre(s) enseignant(s)	
Lecture Hours – Volume Horaire CM	30 hours
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	

Teaching staff contacts – Coordonnées de l'équipe pédagogique :

Emmanuelle Auriol, office T.353, meeting by appointment only, preferred mean of interaction email: emmanuelle.auriol@tse-fr.eu

Course Objectives – Objectifs du cours : The course aims at providing students with an overview of recent research in the field of development micro-economics, especially that concerned with industrial organization issues, the behaviour of firms, the organization of markets and the functioning of supporting institutions. The course's aim will be to show how simple conceptual frameworks and theory can help guide public policy in the specific context of developing countries.

Prerequisites – Pré requis : Although the course will not use difficult mathematics, some familiarity with game theory and incentive theory will be helpful.

Practical information about the sessions – Modalités pratiques de gestion du cours : The class is designed to be taught both remotely through zoom or in a class room. I will share my slides on Moodle and I will go through them during the class, either by sharing my screen or by projecting them in the class, depending on the configuration. In both cases I encourage students to ask questions and make comments during the class so that learning is dynamic and interactive. Both configurations are conducive of rich interactions. I ask students to read book chapters or papers ahead of the class in both cases. Since the class last for 3 hours, there is a break after 1h30 for 15mn so that we can all take a rest before refocusing again on the class material. I am always available for questions and happy to interact with students. The assignment for the class is to prepare a short paper by team of 2 on one of the topics covered in the class and that will be defined in agreement with me. It implies mastering the concepts covered in class, in addition to reading research papers to

make an analytical survey. I am confident that the exceptional circumstances we find ourselves will not prevent us from doing as much as the previous years, maybe more as we have more time to study.

Grading system – Modalités d'évaluation : The students will have to write in group of two a paper on a topics related to the papers studied in class. They will have to read the literature on the chosen topics and structured it to turn it into an analytical survey (70% of the grade). They will also have to present, again either in a team of 2 or alone, a paper from a reading list in front of all the class (30% of the grade).

Bibliography/references – Bibliographie/références : Syllabus

Books used in the class:

- ❖ Laffont J.J. *Regulation and Development*, collection Frederico Caffè Lectures, Cambridge University Press, mars 2005.
- ❖ Emmanuelle Auriol, Claude Crampes and Antonio Estache (ACE hereafter) “*Regulating public services: bridging the gap between theory and practice*”, Cambridge University Press, July 2021.

Introduction: Economic Integration, Governance and Economic Development

a. Main references:

- ❖ Mark Dincecco and Gabriel Katz, State Capacity and Long-Run Economic Performance, *The Economic Journal*, Volume 126, Issue 590, February 2016, Pages 189–218, <https://doi.org/10.1111/eoj.12161>
- ❖ Gordon H. Hanson, The Rise of Middle Kingdoms: Emerging Economies in Global Trade, *Journal of Economic Perspectives—Volume 26, Number 2—Spring 2012—Pages 41–64*
- ❖ Jonathan Eaton and Samuel Kortum, Putting Ricardo to Work, *Journal of Economic Perspectives—Volume 26, Number 2—Spring 2012—Pages 65–90*

b. Additional readings

- ❖ Noel D. Johnson and Mark Koyama, States and economic growth: Capacity and constraints, *Explorations in Economic History* 64 (2017) 1–20
- ❖ Nunn. 2009. “The Importance of History for Economic Development.” *Annual Review of Economics*, 1, 65-92.
- ❖ Jones and Klenow. 2016. “Beyond GDP? Welfare across Countries and Time.” *American Economic Review*, 106(9), 2426-2457.
- ❖ Acemoglu, Johnson and Robinson. 2005. “Institutions as a Fundamental Cause of Long-Run Growth.” In *Handbook of Economic Growth*, Volume 1A.

Topic 1: Structural Reforms in developing countries

a. Main references:

- ❖ ACE: chapters 1, 4 and 5
- ❖ Laffont Chapter 1

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

b. Additional readings

- ❖ Auriol, E. and Blanc A. (2009) "Capture and Corruption in Public Utilities: The Cases of Water and Electricity in Sub-Saharan Africa", *Utilities Policy*, 17 (2009) 203–216
- ❖ 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 P. Picard (2010), "A Theory of BOT Concession Contracts", forthcoming in the *Journal of Economic Behavior and Organization*.
- ❖ Auriol, E. and S. Biancini, "Powering Up Developing Countries through Economic Integration" *World Bank Economic Review*, vol. 29, n°1, 2015, p. 1-40.
- ❖ Laffont, J.J. and J. Tirole (1993), *A Theory of Incentives in Procurement and Regulation*, MIT Press.
- ❖ Birdsall N. and J. Nellis (2005) Eds., *Reality Check: The Distributional Impact of Privatization in Developing Countries*, Center for Global Development.
- ❖ Estrin, S and A. Pelletier (2018), "Privatization in Developing Countries: What Are the Lessons of Recent Experience?", *World Bank Research Observer*, 33 (1), February, 65–102
- ❖ Galiani, S., P. Gertler and E. Schargrodsy (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 E. and D. Martimort, 2015, "The Simple Microeconomics of Public-Private Partnerships", *Journal of Public Economic Theory*, Volume17, Issue1, on Public-Private Partnerships, February, Pages 4-48i
- ❖ Kenneth Lee, Edward Miguel, and Catherine Wolfram, Does Household Electrification Supercharge Economic Development?, *Journal of Economic Perspectives—Volume 34*, Number 1—Winter 2020—Pages 122–144
- ❖ Megginson W. (2005), *The Financial Economics of Privatization*, Oxford University Press.
- ❖ Megginson W. and J. Netter (2000), "From State to Market: A Survey of Empirical Studies on Privatization" *Journal of Economic Literature*, 39: 321-389.

Topic 2: Taxation in Developing Countries

- ❖ 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", *Journal of Development Economics*.
- ❖ Besley, T. and T. Persson, "Why do Developing Countries Tax So little?", *Journal of Economics Perspectives*, Vol. 28, N°4, pp. 99-120
- ❖ Bardhan P. and C. Udry, *Developments Microeconomics*, Chapter 5.
- ❖ Schneider, Friedrich and Dominik Enste, "Shadow Economies: Size, Causes, and Consequences", *Journal of Economic Literature*, XXXVIII, (2000), 77-114.
- ❖ Straub, Stéphane, "Informal Sector: The Credit Market Channel", *Journal of Development Economics*, 2005.
- ❖ Field, Erica (2003) "Entitled to Work: Urban Property Rights and Labor Supply in Peru", *Quarterly Journal of Economics*, November 2007.
- ❖ 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, R. and A. Shleifer, Informality and Development, *Journal of Economic Perspectives*—Volume 28, Number 3—Summer 2014—Pages 109–126

Topic 3: Quality of Governance in Developing Countries

- ❖ Auriol, E. and Tina Soreide, "An Economic Analysis of Debarment", 2017, *International Review of Law and Economics*, Volume 50, June 2017, Pages 36–49
- ❖ Auriol, E., S. Straub and T. Flochel, "Public Procurement and Rent-Seeking in Paraguay", 2016, *Development* Vol. 77, pp. 395–407
- ❖ Auriol, Emmanuelle and Julie Lassebie, (2014) "Capture for the Rich, Extortion for the Poor", mimeo.
- ❖ Bobonis, Gustavo J. Luis R. Cámara Fuertes, and Rainer Schwabe, Monitoring Corruptible Politicians, *American Economic Review* 2016, 106(8): 2371–2405
- ❖ Clarke, G. and L. Xu (2004), "Privatization, Competition, and Corruption: How Characteristics of Bribe Takers and Payers Affect Bribes to Utilities", *Journal of Public Economics*, 88: 2067-2097.
- ❖ Djankov S., Bertrand M., Hanna R., Mullainathan S., Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption, *Quarterly Journal of Economics*. 2007. No. 122 (4). P. 1639-1676.
- ❖ Ferraz, Claudio, and Frederico Finan. 2011. "Electoral Accountability and Corruption: Evidence from the Audits of Local Governments." *American Economic Review*, 101 (4): 1274-1311.
- ❖ Lehne Jonathan, Jacob N. Shapiro, Oliver Vanden Eynde, Building connections: Political corruption and road construction in India, *JDE* 131, pp 62-78, 2018
- ❖ Olken, B. (2007). Monitoring Corruption: Evidence from a Field Experiment in Indonesia., *Journal of Political Economy*, 115(2), 200-249.
- ❖ Olken, B. and 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.
- ❖ Ugur M., Corruption's Direct Effects On Per-Capita Income Growth: A Meta-Analysis, *Journal of Economic Survey*, (2014) Vol. 28, No. 3, pp. 472–490

5. Social Protection in developing countries

- ❖ Alby P., E. Auriol and P. Nguimkeu (2020), "Social Barriers to Entrepreneurship in Africa: the Forced Mutual Help Hypothesis", *Economica*, Volume 87, Issue 346, April 2020, Pages 299-327
- ❖ Auriol E. and J-L Démonsant (2012), "Education and Migration Decisions in Hierarchical Societies: the Case of Matam, Senegal", *Regional Science and Urban Economics*, vol 42, p. 875–889
- ❖ Baland, J-M and C. Guirkinger and C. Mali, Pretending to Be Poor: Borrowing to Escape Forced Solidarity in Cameroon, *Economic Development and Cultural Change*, Vol. 60, No. 1 (October 2011), pp. 1-16
- ❖ Barrientos Armando, Social Protection and Poverty, *Social Policy and Development Programme Paper Number 42*, 2010, United Nations Research Institute for Social Development
- ❖ Hanna, Rema, and Benjamin A. Olken. 2018. "Universal Basic Incomes versus Targeted Transfers: Anti-Poverty Programs in Developing Countries." *Journal of Economic Perspectives*, 32 (4): 201-26.

- ❖ Jakiela, P. and Owen W Ozier, Does Africa Need a Rotten Kin Theorem? Experimental Evidence from Village Economies, June 2012, *Review of Economic Studies* 83(1)
- ❖ La Ferrara, E., Family and Kinship Ties in Development: An Economist's Perspective, in J.-P. Platteau (ed.), *Culture, Institutions and Development*, Routledge, 2010, ch. 5.
- ❖ Platteau, J-P, Solidarity Norms and Institutions in Village Societies: Static and Dynamic Considerations, *Handbook on Gift-Giving, Reciprocity and Altruism*, S. Kolm and J. Mercier-Ythier (eds.), Amsterdam: North-Holland and Elsevier Volume 1, 2006, Pages 819-886
- ❖ Ramachandran Vijaya and Manju Kedia Shah, Why Are There So Few Black-Owned Firms in Africa? Preliminary Results from Enterprise Survey Data, Working Paper Number 104 January 2007, CGD.

6. Not-For-Profit and markets for ethical goods

- ❖ Auriol, Emmanuelle and Stefanie Brilon (2014), "Anti-Social Behavior in Profit and Non-Profit Organizations", the *Journal of Public Economics*.
- ❖ Balineau, G., 2013, "Disentangling the Effects of Fair Trade on the Quality of Malian Cotton", *World Development*, 44, 241-255.
- ❖ Balineau, G. & I. Dufeu, 2010, "Are Fair Trade goods credence goods? A new proposal, with French illustrations", *Journal of Business Ethics*, 92 (suppl.2), 331-345.
- ❖ Bénabou R. and J. Tirole, (2003), "Intrinsic and Extrinsic Incentives", *Revue of Economics Studies*, 70, 489-520.
- ❖ Besley T. and M. Ghatak (2005), "Competition and Incentives with Motivated Agents", *American Economic Review*, 95 (3), 616-636.
- ❖ Dragusanu, Raluca, Daniele Giovannucci, and Nathan Nunn. 2014. "The Economics of Fair Trade." *Journal of Economic Perspectives*, 28 (3): 217-36.
- ❖ Tirole, J. (1988). *The theory of industrial organization*. MIT press. (Chapters 2 & 7)
- ❖ Werker, Eric, and Faisal Z. Ahmed. 2008. "What Do Nongovernmental Organizations Do?" *Journal of Economic Perspectives*, 22 (2): 73-92.

Session planning – Planification des séances : The class is structured in 6 topics. For each of them there will be a lecture in the class and some papers to read at home. For the lecture on the quality of governance and on social protection, there will be also presentation of key papers by students.

Distance learning – Enseignement à distance :

Distance learning will be provided when necessary by implementing interactive virtual classrooms via Zoom

En cas de nécessité, un enseignement à distance sera assuré en mobilisant des classes en ligne interactive.