

Syllabus for Ec 721, Part B

Fall 2007 Boston University

EC 721, Part B TOPICS IN DEVELOPMENT ECONOMICS (INEQUALITY AND GOVERNANCE)

Dilip Mookherjee

Class hours: MW 2—3.30, Rm 546

Office Hours: W 11-12.30, Th 2-3.30

Prerequisites: Ec701, 703 (or equivalent)

This is the second half of the first field course in development economics, following on the first part taught by Andy Newman. Topics to be covered: inequality and human capital dynamics, governance and corruption.

The grade for this half of the course will be based on a final exam (40%), problem sets (25%), a referee report on an assigned paper (20%), and class participation (15%). Class participation includes both your involvement in class discussions, and on presentation of one of the key readings (papers marked (SP)) listed below.

You are also expected to attend the IED seminar, 3:30 to 5 p.m. on Mondays in SSW 315. The seminar schedule can be found at <http://www.bu.edu/econ/ied/>

TOPICS AND READINGS

Journal Abbreviations: *AER* (American Economic Review), *EJ* (Economic Journal), *ETA* (Econometrica), *JDE* (Journal of Development Economics), *JPE* (Journal of Political Economy), *RES* (review of Economic Studies), *JPubE* (Journal of Public Economics) *QJE* (Quarterly Journal of Economics)

*: Paper will be used as basis for class lectures; compulsory reading. Papers without * will be referred to and represent supplementary reading

1. MACRO-DYNAMICS: CAPITAL ACCUMULATION, OCCUPATIONAL CHOICE AND INEQUALITY (5 sessions)

Oct 22: *O Galor and J Zeira, Income Distribution and Macroeconomics, RES 1993

Oct 24: A Banerjee and A Newman, Occupational Choice and the Process of Development, JPE 1993

*M Ghatak and J Jiang, A Simple Model of Inequality, Occupational Choice and Development, JDE 2002

Oct 29: *D Mookherjee and D Ray, Persistent Inequality, RES 2003
D McKenzie and C Woodruff, Do Entry Costs Provide an Empirical Basis for Poverty Traps?, mimeo, UC San Diego.

Oct 31: * (SP)R Townsend and K Ueda, Financial Deepening, Inequality and Growth: A Model-Based Quantitative Evaluation, RES 2006

Nov 5: * (SP) K Munshi and M Rosenzweig, Traditional Institutions Meet the Modern World: Caste, Gender and Schooling Choice in a Globalizing Economy, mimeo, Brown University

2. GOVERNANCE AND CORRUPTION

Median Voter Theory, Interest Groups (2 sessions)

Nov 7: *T Persson and G Tabellini, *Political Economics*, Chapter 3
A Alesina and D Rodrik, Distributive Politics and Economic Growth, QJE 1994
*T Besley and S Coate, Sources of Inefficiency in a Representative Democracy, AER 1998

Nov 12: *E Grossman and G Helpman, Electoral Competition and Special Interest Politics, RES 1996
P Bardhan and D Mookherjee, Ideology versus Competition in Redistributive Politics: Land Reform in West Bengal, mimeo, 2006.

Political Institutions: Historical Perspectives (2 sessions)

Nov 14: * (SP) D Acemoglu, S Johnson and J Robinson, Colonial Origins of Comparative Development, AER 2001
D Acemoglu, S Johnson and J Robinson, Reversal of Fortune, QJE 2002

Nov 19, 21: no class

Nov 26: * (SP) A Banerjee and L Iyer, History, Institutions and Economic Performance, AER 2005
P Pandey, Service Delivery and Capture in Public Schools: How Does History Matter, mimeo, World Bank

Corruption (5+ sessions)

Nov 28: *T Besley and J McLaren, Taxes and Bribery: The Role of Wage Incentives, EJ 1993
D Mookherjee, Incentive Reforms in Developing Country Bureaucracies: Lessons from Tax Administration, World Bank Conference on Development Economics 1997

Dec 3: *(SP) M Bertrand, S Djankov, R Hanna and S Mullainathan, Does Corruption Produce Unsafe Drivers? Mimeo, Harvard University Dept of Economics. Forthcoming QJE

Dec 5: * (SP)B Olken, Monitoring Corruption: Evidence from a Field Experiment in Indonesia, JPE, 115(2), 200-249

Dec 10, 12 plus any additional days (based on interest): (SP)

Accountability Problems in Public Service Delivery

N. Chaudhury, J. Hammer, M. Kremer, K Muralidharan and F. Rogers, “Missing in Action: Teacher and Health Worker Absence in Developing Countries,” JEP, 20(1), Winter 2006, 91—116.

M. Araujo, F. Ferreira, P. Lanjouw and B. Ozler, “Local Inequality and Project Choice: Theory and Evidence from Ecuador”, World Bank Discussion Paper (presented in IED seminar last year)

Ali Cheema and S Khan Mohmand, “The Political Economy of Devolved Provision: Equity-based Targeting or Elite Capture: Case Evidence From 2 Pakistani Unions,” Working Paper, Lahore University of Management Sciences, December 2004.

S Galiani, P Gertler and E Schargrodsky, School Decentralization: Helping the Good Get Better, But Leaving the Rest Behind, mimeo, 2005

Corruption Reforms

C Ferraz and F Finan, Exposing Corrupt Politicians: Effects of Publicly Released Audits in Brazil on Electoral Outcomes, mimeo, forthcoming QJE.
<http://www.econ.ucla.edu/ffinan/audit.pdf>

R Reinikka and L Svensson, Local Capture: Evidence From a Central Government Transfer Program in Uganda, QJE, 119(2), 2004.

R Reinikka and L Svensson, Fighting Corruption to Improve Schooling: Evidence from a Newspaper Campaign in Uganda, mimeo, World Bank, 2004

T Besley and A Prat, Handcuffs for the Grabbing Hand? Media Capture and Government Accountability, mimeo, LSE 2005:
<http://econ.lse.ac.uk/staff/tbesley/papers/mediacap.pdf>

