

## 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
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:  
 AURIOL Emmanuelle: [emmanuelle.auriol@tse-fr.eu](mailto:emmanuelle.auriol@tse-fr.eu). Office T.353.  
 GAY Victor: [victor.gay@tse-fr.eu](mailto:victor.gay@tse-fr.eu). Office T.458.

### 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). It aims at providing students with an overview of recent research in the field of Development Microeconomics, especially that concerned with industrial organization issues with a special focus on quality management in developing countries, the behavior of firms and governments, and the organization of markets.

The second part of the course (15 hours; 10 sessions 1.5 hour each) will be taught by Victor Gay. 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 two take-home examinations: one for development economics and one for economic history.

**Bibliography/references:**

**Part One: Economic Development**

**Emmanuelle Auriol: Quality Provision in Developing Countries**

**General Readings :**

1. Jean Tirole "Industrial Organization" MIT Press

2. Emmanuelle Auriol, Claude Crampes and Antonio Estache “Regulating Public Services: Bridging the Gap between Theory and practice”, 2021 Cambridge University Press.
3. Modern Industrial Organization 3rd Edition, by Dennis W. Carlton and Jeffrey M. Perloff, Addison-Wesley, ISBN 0-321-01145-7
4. Emmanuelle Auriol, Gaëlle Balineau and Nicolas Bonneton, « Quality for Development », Book mimeo.

### **1. Introduction (1 session)**

Emmanuelle Auriol, Gaëlle Balineau and Nicolas Bonneton, « Quality for Development »,

Quality Provision by Monopoly: Vertical and horizontal models of quality, lemons and credence goods (Tirole Chapter 2, Chapter 7; Carlton-Perloff: Chapter 8, Chapter 14, Chapter 15)

Price and Quality Discrimination (Tirole Chapter 3, Chapter 4 ; Carlton-Perloff : Chapter 11, Chapter 12)

### **2. Experience Quality: moral hazard and adverse selection in developing countries (1 session)**

Anagol, S. (2017). “Adverse selection in asset markets: Theory and evidence from the Indian market for cows.” *Journal of Development Economics*.

Balineau, G. (2013). “Disentangling the effects of fair trade on the quality of Malian cotton”. *World Development*, 44:241{255.

Davis, L. W. and Kahn, M. E. (2010). “International trade in used vehicles: The environmental consequences of nafta”, *American Economic Journal: Economic Policy*, 2:58-82.

Dranove, D. and Jin, G. Z. (2010). “Quality disclosure and certification: Theory and practice.” *Journal of Economic Literature*, 48(4):935-963.

Duflo, E., Kremer, M., and Robinson, J. (2011). “Nudging farmers to use fertilizer: Theory and experimental evidence from Kenya.” *American Economic Review*, 101(6):2350-90.

### **3. Building a good reputation: repeated purchases (1 session)**

Atkin, D., Faber, B., and Gonzalez-Navarro, M. (2018). Retail globalization and household welfare: Evidence from Mexico. *Journal of Political Economy*, 126(1):1-73.

Bai, J., Gazze, L., and Wang, Y. (2019). Collective reputation in trade: Evidence from the Chinese dairy industry.

Banerjee, A. V. and Duflo, E. (2000). Reputation effects and the limits of contracting: A study of the Indian software industry. *The Quarterly Journal of Economics*, 115(3):989-1017.

Fafchamps, M., Vargas Hill, R., and Minten, B. (2008). Quality control in nonstaple food markets: evidence from India. *Agricultural Economics*, 38.

Greif, A. (1993). Contract enforceability and economic institutions in early trade: The maghribi traders' coalition. *The American economic review*, pages 525-548.

Hansman, C., Hjort, J., Leon-Ciliotta, G., and Teachout, M. (2020). Vertical integration, supplier behavior, and quality upgrading among exporters. *Journal of Political Economy*, 128(9):3570-3625.

Kranton, R. and Swamy, A. V. (2008). Contracts, hold-up, and exports: textiles and opium in colonial India. *American Economic Review*, 98(3):967-89.

Macchiavello, R. and Morjaria, A. (2015). The value of relationships: evidence from a supply shock to Kenyan rose exports. *The American Economic Review*, 105(9):2911-2945.

McMillan, J. and Woodruff, C. (1999). Interfirm relationships and informal credit in Vietnam. *The Quarterly Journal of Economics*, 114(4):1285-1320.

Michelson, H., Fairbairn, A., Ellison, B., Maertens, A., and Manyong, V. (2021). Misperceived quality: Fertilizer in Tanzania. *Journal of Development Economics*, 148:102579.

#### **4. Credence Attribute and Certification in Developing Countries (1 session)**

Auriol, E. and Schilizzi, S. G. (2015). "Quality signaling through certification in developing countries." *Journal of Development Economics*, 116:105-121.

Bold, T., Kaizzi, K. C., Svensson, J., and Yanagizawa-Drott, D. (2017). "Lemon technologies and adoption: measurement, theory and evidence from agricultural markets in Uganda." *The Quarterly Journal of Economics*, 132(3):1055-1100.

Byanyima, M. (2009). "Ground control. making the grade in agriculture" Policy Voices Series. London: Africa Research Institute. <http://africaresearchinstitute.org/newsite/wp-content/uploads/2013/03/PV-Ground-Control-Making-the-grade-in-agriculture.pdf>.

Galland, J.-P. (2017). "Big third-party certifiers and the construction of transnational regulation." *The ANNALS of the American Academy of Political and Social Science*, 670(1):263-279.

#### **5. Corruption and public provision of quality (1 session)**

Topics include the measurement and impact of corruption on economic, social and political outcomes, with a special focus on quality issue.

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

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.

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

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

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.

Auriol Emmanuelle "Regulating Quality in the Water Sector: A Theoretical Perspective", 2021, in *Oxford Research Encyclopedia of Global Public Health* by Oxford University Press <https://doi.org/10.1093/acrefore/9780190632366.013.314>

## **Part Two: Economic History**

### **Introduction: Economics and the Modern Economic Historian (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, 2021; Valencia Caicedo, 2021).

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. 2021. "Historical Natural Experiments: Bridging Economics and Economic History." In Bisin, A. & Federico, G. (Eds.), *Handbook of Historical Economics*.

Valencia Caicedo, F. 2021. "Historical Econometrics: Instrumental Variables and Regression Discontinuity Designs." In Bisin, A. & Federico, G. (Eds.), *Handbook of Historical Economics*.

### **1. Economic History and Trade Economics (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.

### **2. Economic History and Labor Economics (2 sessions)**

Topics about labor force participation of women especially, and the consequences of World Wars.

Acemoglu, D., Autor, D. H., and Lyle, D. 2004. "Women, War, and Wages: The Effect of Female Labor Supply on the Wage Structure at Midcentury." *Journal of Political Economy*, 112(3), 497–551.

Boehnke, J., and Gay, V. 2020. "The Missing Men: World War I and Female Labor Force Participation." *Journal of Human Resources*, forthcoming.

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

Fernandez, R., Folgi, A., and Olivetti, C. 2004. "Mothers and Sons: Preference Formation and Female Labor Dynamics." *The Quarterly Journal of Economics*, 119(4), 1249–99.

Goldin, C. 1991. "The Role of World War II in the Rise of Women's Employment." *American Economic Review*, 81(4), 741–56.

Goldin, C. 2006. "The Quiet Revolution that Transformed Women's Employment, Education, and Family." *American Economic Review*, 96(2), 1–20.

Goldin, C, and Olivetti, C. 2013. "Shocking Labor Supply: A Reassessment of the Role of World War II on Women's Labor Supply." *American Economic Review*, 103(3), 257–62.

Goldin, C. 2014. "A Grand Gender Convergence: Its Last Chapter." *American Economic Review*, 104(4): 1091–119.

Olivetti, C. 2014. "The Female Labor Force and Long-Run Development: The American Experience in Comparative Perspective." In *Human Capital in History: The American Record*. Boustta, L. P., Frydman, C., and Margo, R. A. (Eds). University of Chicago Press.

Olivetti, C., and Petrongolo, B. 2016. "The Evolution of Gender Gaps in Industrialized Countries." *Annual Reviews of Economics*, 8, 405–34.

Rose, E. K. 2018. "The Rise and Fall of Female Labor Force Participation During World War II in the United States." *Journal of Economic History*, 78(3), 673–711.

Valencia Caicedo, F. 2020. "Historical Econometrics: Instrumental Variables and Regression Discontinuity Designs." CEPR Working Paper.

### **3. Economic History and Urban Economics (VG - 2 sessions)**

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

Becker, S. O., Heblich, S., and Sturm, D. M. 2021. "The Impact of Public Employment: Evidence From Bonn." *Journal of Urban Economics*, 122, 103291.

Bogart et al. 2020. "Transportation and Urban Growth in the First Industrial Revolution." Working Paper.

Davis, R. D. and Weinstein, D. E. 2002. "Bones, Bombs, and Break Points: The Geography of Economic Activity." *American Economic Review*, 92(5), 1269–1289.

Donaldson, D. 2018. "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure." *American Economic Review*, 108(4-5), 899–934.

Eckert, F., Gvirtz, A., Liang, J., and Peters, M. 2020. "A Method to Construct Geographical Crosswalks with an Application to US Counties Since 1790." NBER Working Paper 26770.

Fernihough, A. and O'Rourke, K. H. 2020. "Coal and the European Industrial Revolution." *The Economic Journal*.

Gay, V. 2021. "Mapping the Third Republic. A Geographic Information System of France (1870–1940)." *Historical Methods*.

Giuliano, P. and Matranga, A. 2020. "Historical Data: where to Find Them, How to Use Them." NBER Working Paper 27967.

Hanlon, W. W. 2017. "Temporary Shocks and Persistent Effects in Urban Economies: Evidence from British Cities after the U.S. Civil War." *The Review of Economics and Statistics*, 99(1), 67–79.

Hanlon, W. W. 2020. "Coal Smoke, City Growth, and the Costs of the Industrial Revolution." *Economic Journal*, 130(626), 462–488.

Hanlon, W. W. and Heblich, S. 2020. "History and Urban Economics." NBER Working Paper 27850.

Hornbeck, R. and Keniston, D. 2017. "Creative Destruction: Barriers to urban Growth and the Great Boston Fire of 1872." *American Economic Review*, 107(6), 1365–1398.

Redding S. J. and Rossi-Hansberg, E. 2017. "Quantitative Spatial Economics." *Annual Review of Economics*, 9, 21–58.

#### **4. 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 Culture (2 sessions)**

Does culture matter for long-run development? How can we explain the wide cultural disparities that characterize the world today? Processes through which culture emerge and change are historical by nature and have deep rooted origins. We will explore three types of explanations that have been highlighted in recent research: the structures of ancestral societies such as the pre-modern division of labor; historical institutions such as the slave trade; and idiosyncratic historical events such as shocks to the sex ratio through wars. We



will particularly focus on the empirical strategies that enable to credibly identify cultural effects independent from other factors, especially institutions.

Alesina, A., Giuliano, P., & Nunn, N. 2013. "On the Origins of Gender Roles: Women and the Plough." *The Quarterly Journal of Economics*, 128(2): 469–530.

Michalopoulos, S., Putterman, L., & Weil, D.N. 2019. "The Influence of Ancestral Lifeways on Individual Economic Outcomes in Sub-Saharan Africa." *Journal of the European Economic Association*, 117(4), 1186–1231.

Gay, V. 2021. "The Legacy of the Missing Men: The Long-Run Impact of World War I on Female Labor Force Participation." TSE Working Paper 21–1173.

Nunn, N. & Wantchekon, L. 2011. "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review*, 101(7), 3221–3252.

Teso, E. 2019. "The Long-Term Effect of Demographic Shocks on the Evolution of Gender Roles: Evidence from the Transatlantic Slave Trade." *Journal of the European Economic Association*, 17(2), 497–534.

**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*