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**ESCUELA DE VERANO 2014**

**Salón:** W-404

**Fechas:** 10 de julio al 19 de julio.

**Horario:** 02:00 a 06:00 pm

This course surveys recent microeconomic work on firms in developing countries. Recurrent themes are: What are the obstacles to industrial development? How do firms and individuals respond to these obstacles, and with what consequences? A sub-title for the course might be "the microeconomics of growth." We will focus on micro-level empirical studies of the behavior of firms and individuals as well as theoretical models that relate in a fairly direct way to such studies. Topics to be covered include: credit constraints, contracting problems and creative solutions to them, learning and technology adoption, industry dynamics and productivity, the effect of trade and foreign direct investment on wages and productivity, and industrial policy.

**SYLLABUS**

The starred (\*) readings are required. The non-starred are recommended.

**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. Eric's favorite econometrics reference. The Stata code for empirical examples is provided at <http://www.ats.ucla.edu/stat/stata/examples/eacspd/>.
- Angrist, J. D. and Pischke, J. (2009). *Mostly Harmless Econometrics: An Empiricist's Companion*. Princeton University Press. Another useful, practical econometrics reference. [Biblioteca Economía, 330.015195 A536].

- Deaton, A. (1997). *Analysis of Household Surveys*. John Hopkins University Press. [Biblioteca Economía, 339.40723 D279]

## 1. Introduction

- \* Krugman, P. (1995). The fall and rise of development economics. In *Development, Geography and Economic Theory*, chapter 1. Cambridge: MIT Press. [Biblioteca Economía, 338.9 K683]
- Tybout, J. (2000). Manufacturing firms in developing countries: How well do they do, and why? *Journal of Economic Literature*, 38:11-44. ([link](#))
- Mookherjee, D. (1999). Contractual constraints on firm performance in developing countries. Unpub. Paper, Boston University. ([link](#))
- 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](#))
- Sutton, J. (2001). Rich trades, scarce capabilities: Industrial development revisited. STICERD Discussion Paper, London School of Economics. ([link](#))

## 2. Empirical Methods and Methodological Debates

- \* 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](#))
- 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](#))
- Duflo, E., Glennerster, R., and Kremer, M. (2008a). 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](#))
- Rosenzweig, M. R. and Wolpin, K. I. (2000). Natural "natural experiments" in economics. *Journal of Economic Literature*, 38(4):827-874. ([link](#))
- Deaton, A. (2010). Instruments, randomization, and learning about development. *Journal of Economic Literature*, 48(2):424 - 455. ([link](#))
- Banerjee, A. V. and Duflo, E. (2009). The experimental approach to development economics. *Annual Review of Economics*, 1(1):151-178. ([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):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](#))  
Longer version: [link](#)
- McKenzie, D. J. and Woodruff, C. (2006). Do entry costs provide an empirical basis for poverty traps? Evidence from Mexican microenterprises. *Economic Development and Cultural Change*, 55(1):3- 42. ([link](#))
- Banerjee, A. and Duflo, E. (forthcoming). Do firms want to borrow more? testing credit constraints using a directed lending program. Forthcoming, *Review of Economic Studies*. ([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](#))
- Stiglitz, J. E. and Weiss, A. (1981). Credit rationing in markets with imperfect competition. *American Economic Review*, 71(3):393-410. ([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](#))
- Burgess, R. and Pande, R. (2005). Do rural banks matter? Evidence from the Indian social banking experiment. *American Economic Review*, 95(3):780-795. ([link](#))

### 4. More on Contracting: Reputations, Networks, Control Rights

- \* 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](#))
- 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](#))
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- Besley, T. (1995). Property rights and investment incentives: Theory and evidence from Ghana. *Journal of Political Economy*, 103(5):903-37. ([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](#))
- Field, E. (2007). Entitled to work: Urban property rights and labor supply in Peru. *Quarterly Journal of Economics*, 122(4):1561- 1602. ([link](#))
- Greif, A. (1993). Contract enforceability and economic institutions in early trade: The Maghribi traders' coalition. *American Economic Review*, 83(3):525-548. ([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](#))
- Macchiavello, R. (2010). Development uncorked: Reputation acquisition in the new market for Chilean wines in the UK. Unpub. paper, University of Warwick. ([link](#))

## 5. Labor Markets

- \* Bardhan, P. and Udry, C. (1999). *Development Microeconomics*. Oxford University Press, Oxford. Chapters 4, 5. ([link](#))
- \* Kremer, M. (1993). The O-ring theory of economic development. *Quarterly Journal of Economics*, 108(3):551-575. ([link](#))
- Shapiro, C. and Stiglitz, J. (1984). Equilibrium unemployment as a worker discipline device. *American Economic Review*, 74(3):433-444. ([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](#))

- Dasgupta, P. and Ray, D. (1986). Inequality as a determinant of malnutrition and unemployment: Theory. *The 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](#))
- \* 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):35-69. ([link](#))
- Duflo, E., Kremer, M., and Robinson, J. (2011). Nudging farmers to use fertilizer: Theory and experimental evidence from Kenya. *American Economic Review*, 101(6):2350-2390. ([link](#))
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- Manski, C. F. (1993). Identification of endogenous social effects: The reflection problem. *Review of Economic Studies*, 60(3):531-542. ([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):869- 902. ([link](#))
- Duflo, E., Kremer, M., and Robinson, J. (2008b). How high are rates of return to fertilizer? Evidence from field experiments in Kenya. *American Economic Review*, 98(2):482- 488. ([link](#))

## 7. Heterogeneous Firms and Trade

- \* 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](#))
- \* Melitz, M. J. (2003). The impact of trade on intra-industry reallocations and aggregate industry productivity. *Econometrica*, 71(6):1695-1725. ([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](#))

- Pavcnik, N. (2002). Trade liberalization, exit and productivity improvements: Evidence from Chilean plants. *Review of Economic Studies*, 69:245-276. ([link](#))
- Melitz, M. J. and Ottaviano, G. I. P. (2008). Market size, trade, and productivity. *Review of Economic Studies*, 75(1):295-316. ([link](#))
- Bernard, A. B., Eaton, J., Jensen, J. B., and Kortum, S. (2003). Plants and productivity in international trade. *American Economic Review*, 93(4):1268-1290. ([link](#))
- Bernard, A. B., Redding, S. J., and Schott, P. K. (2011). Multi-product firms and trade liberalization. *Quarterly Journal of Economics*, 126(3):1271-1318. ([link](#))

## 8. 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](#))
- \* 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](#))
- Levinsohn, J. and Petrin, A. (2003). Estimating production functions using inputs to control for unobservables. *Review of Economic Studies*, 70:317-341. ([link](#))
- Jovanovic, B. (1982). Selection and the evolution of industry. *Econometrica*, 50:649-670. ([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](#))
- Bartelsman, E. J. and Doms, M. (2000). Understanding productivity: Lessons from longitudinal microdata. *Journal of Economic Literature*, 38(3):569-594. ([link](#))
- Akerberg, D. A., Caves, K., and Frazer, G. (2006). Structural identification of production functions. Unpub. paper, UCLA. ([link](#))
- Peters, M. (2011). Heterogeneous mark-ups and endogenous misallocation. Unpub. paper, MIT. ([link](#))

## 9. Trade, Product Quality, Labor Markets

- \*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. 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](#))
- Bastos, P., Silva, J and Verhoogen, E. (2014). Export destinations and input prices. NBER working paper no. 20143. ([link](#))
- Manova, K. and Zhang, Z. (2012). Export prices across firms and destinations. *Quarterly Journal of Economics*, 127(1):379-436. ([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](#))
- Goldberg, P. K. and Pavcnik, N. (2007). Distributional effects of globalization in developing countries. *Journal of Economic Literature*, 45(1). ([link](#))
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- Frías, J. A., Kaplan, D. S., and Verhoogen, E. A. (2009). Exports and wage premia: Evidence from Mexican employer-employee data. Unpub. paper, Columbia University. ([link](#))
- Brambilla, I., Lederman, D., and Porto, G. (2012). Exports, export destinations and skills. *American Economic Review*, 102(7):3406-3488. ([link](#))

## 10. Industrial Policy and its Discontents (if time)

- \* 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](#))

### **EVALUACIÓN:**

La evaluación del curso se hará sobre la base de dos talleres (25% cada uno) y un examen final (50%). Los talleres requieren de uso intensivo de Stata. Los estudiantes podrán trabajar en grupos para escribir el código de Stata que les permita abordar las preguntas del taller. Sin embargo, cada estudiante deberá entregar por separado las respuestas. Calculamos que cada taller tomará aproximadamente 15 horas en realizarse. El examen final será individual, a libro cerrado y tendrá una duración de dos horas.

Los enunciados de los talleres serán entregados a los estudiantes el 11 y el 17 de julio. La fecha límite de entrega de las respuestas del primer taller es el 16 de julio a las 2:00 pm. Para el segundo taller la fecha es el 23 de julio a las 11:00 pm. Los talleres pueden ser enviados por correo electrónico a los profesores. El examen final se hará en la última clase, el 19 de julio. Es de señalar que, para realizar los talleres los estudiantes pueden utilizar las siguientes salas de cómputo con STATA: Sala Kogui en el Bloque B y salas Farallones, Cocuy, Tuparro y Katios en el Bloque ML.

### ***CALIFICACIÓN:***

Numérica de acuerdo con la escala de la Universidad de los Andes (ver Reglamento General de Estudiantes de Maestría RGEM). El profesor podrá evaluar el desempeño de los estudiantes en el curso aplicando una sola prueba que corresponda al 100% de la calificación del curso.

<http://secretariageneral.uniandes.edu.co/index.php/es/normatividad-institucional/20-normatividad-institucional/74-reglamento-general-de-estudiantes-de-maestria>

En este caso, la nota definitiva del curso se aproximará de acuerdo a la siguiente pauta: x.00 a x.24 quedará en x.00, x.25 a x.74 quedará en x.50, x.75 a x.99 quedará en (x+1).00. La nota mínima para aprobar el curso es 3.

### ***FECHA DE RETIRO:***

El estudiante podrá retirar el curso, sin devolución, hasta un día hábil antes de la fecha del examen final estipulado por el Profesor. La Universidad no devolverá el dinero cancelado por concepto de matrículas de estos cursos de la Escuela de Verano.