



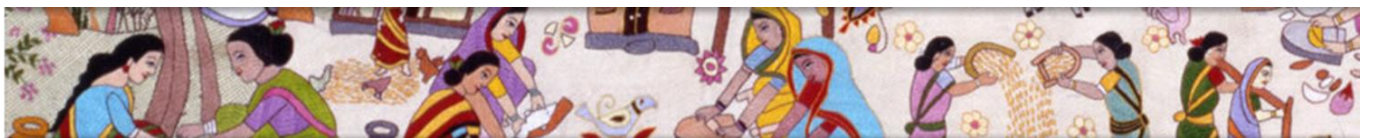
PRIMCED Newsletter

No. 7 (May 2013)



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Message from the Project Leader

Takashi Kurosaki (Project Leader)

On March 8 and 9, 2013, we held an international workshop to publicize the PRIMCED research outcomes. Please see an article in this newsletter for the workshop details. I am grateful to those who participated in the workshop for the productive discussion.

We are now in the fourth year of the five-year project. As the project leader, I have just submitted a report for the mid-term review. Let me summarize here the main message from the report.

Overall, I think the project contributes to our understanding of the process of long-term economic development and the effects of policies and institutions in the following way. First, we have shown that combining an analysis of developing countries today with that of developed countries before the take-off (e.g., pre-war Japan) is beneficial because of complementarity. Second, we have shown that our understanding of economic development is enhanced by comparing the results from analyses using macro variables and micro variables. These two points imply that our approach has the potential to be applied to the

big issue of economic development, which is inherently difficult in an approach based solely on randomized controlled trials (RCTs).

I can list two research areas in which the PRIMCED project has produced several outcomes of high quality. The first is the impact of natural and manmade disasters on households and the regional economy. By comparing microeconomic studies from several developing countries (Pakistan, India, the Philippines, Fiji, Zambia, etc.) with studies on pre-war Japan, we have shown that the impact and recovery process are diverse, depending on the type of disasters and level of market development. The second is the role of human capital in the economic catch-up. As a PRIMCED outcome, a new dataset on education stock has been compiled for several Asian countries, from which detailed catch-up paths have been described. Microeconomic and microeconomic studies have provided evidence in support of the macro speculation regarding the role of network and infrastructure.

As a byproduct of the three-year research activities, we have collected detailed micro and macro data. We



have emphasized the collection of original micro data in contemporary developing countries in Asia and Africa on the one hand, and the compilation of historical data on pre-war Japan on the other. All data focus on economic institutions and organizations. On our website, we have added information on the kind of data we are collecting. The data collection and compilation will continue for two more years. We hope to make the database readily accessible to those researchers interested in the long-run process of development. In the two international workshops held in the first three years, participants expressed high expectations for our research approach, findings, and database.

In the remaining two years, we plan to continue with data collection and compilation, individual analysis of each dataset, and comparative analysis. We also plan to hold an international symposium in 2014/15 to share our research outcomes with academics and development practitioners, both domestic and abroad. In terms of research, we intend to emphasize the following three themes.

The first is building a model that will serve as the baseline to interpret micro, macro, contemporary, and historical patterns regarding important issues in economic development and long-run poverty reduction. Such a microeconomic model should incorporate dynamic optimization of households or firms and market equilibriums. We will first construct the default

model, which we will extend for specific issues that are key to economic development (credit access, network, avoidance of natural disasters, etc.).

Second, our analysis will cover the second phase of economic development so that a middle-income country that graduates from the poverty trap can smoothly proceed to becoming a high-income country, avoiding the middle-income country trap. Human capital, policies, and institutions that enable the second transition could be different from those required for the first transition. Nevertheless, it could be possible that low-income developing countries in the quest for the first transition need to prepare for the second transition. This issue could be an important topic in comparative economic development analysis.

Third, we plan to conduct more policy-oriented research, especially in those areas in which the PRIMCED research outcomes in the first three years are abundant. For instance, policies to introduce weather index insurance and to improve credit access are good candidates for this type of analysis. When appropriate, we will implement RCTs. However, the advantage of the PRIMCED approach will be that we can interpret the RCT results in the long-run context of economic development.

As project leader, I would greatly appreciate your further support so that we may achieve our project outcomes.

Report on International Workshop

Editors

On March 8 and 9, 2013, we held our second international PRIMCED workshop at Mercury Tower, Hitotsubashi University. The workshop was co-organized and co-sponsored by The Center for Economic Institutions, Hitotsubashi University (CEI),



A session

and Grant-in-Aid for Scientific Research-S, "Poverty Reduction, Institutions, Markets, and Policies in Developing Countries: Toward a Theory of Comparative Economic Development" (PRIMCED).

The past fiscal year was the third year of PRIMCED, and the middle of our five-year project. In preparation for a mid-term review scheduled for the end of the last fiscal year, we held two primary workshops during the year. The first was a three-day workshop that included PRIMCED researchers, on June 29–30 and July 20, 2012. The purpose of this workshop was to share knowledge on the PRIMCED dataset and the preliminary research results based on this dataset, as well as to discuss methodologies for integrating those results. Reflecting the achievement of the first



A session

workshop, we planned the second international workshop for March 8–9, 2013, which would be open to all researchers and policymakers. The purpose of the second workshop was to publicize our research outcomes and gather feedback that would facilitate the progress of future research.

The workshop program comprised 13 presentations, including 7 guest speakers. On the first day, speakers conducting historical analyses and comparative analyses covering various economies from a macro perspective presented their research results. They focused on topics such as economic growth, inequality, redistribution, industry, and education. The research results of theoretical and microeconomic analyses in particular economies from a micro perspective were discussed on the second day. These presentations focused on topics such as risk-coping mechanisms in developing countries, the impact of natural disasters, antenatal care, and urban transportation infrastructure. Over the two days, we discussed key common issues, including why institutions play an important role in economic development, the determinants of institutions, how to measure the impact of institutions on resource allocation or distribution, and how historical analyses or quantitative empirical analyses can be used to design optimal institutions or policies. The participants actively exchanged their research ideas.

At the reception on the first day, we enjoyed pleasant conversation and a great view from the top of the Mercury Tower. The goals of this workshop were successfully met.



Prof. Keijiro Otsuka and Prof. Scott Rozelle

Program

The First Day (March 8, 2013)

Session 1

【Chair: Takashi Kurosaki (Hitotsubashi University)】

Scott Rozelle (Stanford University)

"Will China Fall into a Middle Income Trap? Growth, Inequality and Future Instability"

Chiaki Moriguchi (Hitotsubashi University)

"Taxation and Public Goods Provision in China and Japan before 1850"

(co-authored with Tuan-Hwee Sng)

Session 2

【Chair: Kentaro Nakajima (Tohoku University) ,
Naohito Abe (Hitotsubashi University)】

Keijiro Otsuka

(National Graduate Institute for Policy Studies)

"Cluster-Based Industrial Development in Contemporary Developing Countries and Modern Japanese Economic History" (co-authored with Tomoko Hashino)

Tetsuji Okazaki (The University of Tokyo)

"Expanding Empire and Spatial Distribution of Economic Activities: The Case of Colonization of Korea by Japan in the Prewar Period" (co-authored with Kentaro Nakajima)

Kyoji Fukao (Hitotsubashi University)

"Regional Inequality and Migration in Prewar Japan, 1890-1940" (co-authored with Jean-Pascal Bassino, Ralph Paprzycki, Tokihiko Settsu, and Tangjun Yuan)

Session 3

【Chair: Tetsuji Okazaki (The University of Tokyo)】

Myung Soo Cha (Yeungnam University)

"State Famine Relief as a Cause of the Great Divergence"

Yoshihisa Godo (Meiji Gakuin University)

"The Role of Education in the Economic Catch-Up in East Asia"



The reception

The Second Day (March 9, 2013)**Session 1**

[Chair: Chiaki Moriguchi (Hitotsubashi University)]

Marjorie Pajaron (Stanford University)

"Remittances, Informal Loans, and Assets as Risk-Coping Mechanisms: Evidence from Agricultural Households in Rural Philippines"

Krislert Samphantharak

(University of California, San Diego)

"Risk and Return in Village Economies" (co-authored with Robert M. Townsend)

Session 2

[Chair: Yasuyuki Sawada (The University of Tokyo)]

Ethan Ligon (University of California, Berkeley)

"Structural Experimentation to Distinguish between Models of Risk Sharing with Frictions" (co-authored with Laura Schechter)

Yoshito Takasaki (University of Tsukuba)

"Cognition, Learning, and Perceptions about Information and Incentives: Experimental Evidence from Antenatal Care in Nigeria" (co-authored with Ryoko Sato)

Session 3

[Chair: Fumiharu Mieno (Kyoto University)]

Albert Park (The Hong Kong University of Science and Technology)

"Disaster, Relocation, and Child Development: Evidence from the Wenchuan Earthquake" (co-authored with Yasuyuki Sawada, Heng Wang, and Sangui Wang)

Takashi Kurosaki (Hitotsubashi University)

"Urban Transportation Infrastructure and Poverty Reduction: Delhi Metro's Impact on the Cycle Rickshaw Rental Market"

PRIMCED Discussion Paper Series (2013.1~2013.3)

No. 33 (January 2013) Hangtian Xu and Kentaro Nakajima, "Highways and Development in the Peripheral Regions of China."

No. 34 (February 2013) Ayako Matsuda, Takashi Kurosaki, and Yasuyuki Sawada, "Rainfall and Temperature Index Insurance in India: Project Documentation."

No. 35 (February 2013) Tuan-Hwee Sng and Chiaki Moriguchi, "Taxation and Public Goods Provision in China and Japan before 1850."

No. 36 (March 2013) Kazuya Wada, "Changes in Employment Structures and Investments in Children's Education: Evidence from Rural India."

No. 37 (March 2013) Takashi Kurosaki and Hidayat Ullah Khan, "Household Vulnerability to Wild

Animal Attacks in Developing Countries: Experimental Evidence from Rural Pakistan."

No. 38 (March 2013) Yutaka Arimoto, Takeshi Sakurai, Mari Tanaka, and Ralandison Tsilavo, "Rice Trading in Madagascar: Report on Rice Trader Survey 2011."

No. 39 (March 2013) Takashi Kurosaki, "Dynamics of Household Assets and Income Shocks in the Long-run Process of Economic Development: The Case of Rural Pakistan."

No. 40 (March 2013) Ryo Kambayashi, "The Role of Public Employment Services in a Developing Country: The Case of Japan in the Twentieth Century."

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