Economic Development (Econ 591)

Professor Rachel Heath

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office hours: Thursday 4:00 – 5:30, or by appointment

office location: Savery 345

*Textbook:* Bardhan, Pranab and Christopher Udry, 1999. *Development Microeconomics.*

*Background readings*:

* Banerjee, A. and E. Duo (2007). “The Economic Lives of the Poor,” The Journal of Economic Perspectives.
* Banerjee, A., R. Benabou, and D. Mookherjee, 2006. *Understanding Poverty.*

*Other useful references*

* Deaton, Angus, 1997. *The Analysis of Household Surveys.*
* Ray, Debraj, 1998*. Development Economics.*

*Prerequisites:* The prerequisites are the first year graduate sequence in microeconomics and econometrics. If you have not taken these classes at UW, or are otherwise unsure of your background or preparation, come talk to me. I encourage students outside of the economics PhD program to take the class, but we should talk early in the quarter to make sure you have the tools to succeed.

The graduate sequence in macroeconomics and an undergraduate knowledge of development economics are helpful but not required. If you have never taken development before, you may find that the Ray undergraduate textbook provides useful background.

The problem sets in the class will require you to do data analysis. I strongly suggest using Stata. If you do not have any experience with Stata before the semester, you might find it useful to take an introductory class or investigate on your own before the semester. CSDE (the Center for the Study of Demography and Ecology) and CSSCR (the Center for Social Science Computation and Research) offer courses.

If you go the self-taught route (or as a reference or refresher after a class), some useful materials are

* <http://data.princeton.edu/stata/>
* <http://www.ats.ucla.edu/stat/stata/>
* <http://www.cpc.unc.edu/research/tools/data_analysis/statatutorial/index.html>

*Auditors:* Auditors are welcome. I encourage you to do as many of the readings as you can, so that you can get the most out of the class and better contribute to class discussions. You are also very welcome to do a research proposal in order to get feedback from me and your classmates on a nascent research idea.

*Assignments:* 2 problem sets, 1 in-class presentation on a paper, 1 research proposal and presentation of the research idea

*Grading*:

Problem Sets 30 percent

Presentation of paper/class participation 20 percent

Final project/presentation 50 percent

*Details on the paper presentation*: You’ll present one recent paper in development economics. We’ll allocate papers on the second day of class. The paper presentation should last approximately 15 minutes, so you will likely not be able to go through every detail of the paper. Instead, focus on the paper’s key contribution to development economics, and how elements of the paper (model, data, empirical strategy) are important for that contribution. You don’t have to uniformly positive, though: if you have any concerns or notice any limitations, point those out also.

*Details on the research proposal:* The paper should be approximately eight to ten pages. It will be due by the end of exam period (June 14). You should briefly survey the existing literature within a specific area of development economics and propose a feasible research project that helps fill a gap in this literature. Feasible means that if you think the project can be done with existing data, you should give an idea about which data you may use. If the project requires an experiment or data collection, then you should describe the timeline for the project, propose some potential collaborations or funding sources, and give details on the data collection. In either case, you should describe the theoretical framework for the project (whether or not there’s a formal model) and the proposed empirical strategy.

You are encouraged to come to office hours to discuss your idea with me at the early stages of writing your proposal. Since I know not every student is interested in development as a primary research area, topics in the intersection of development and other research areas are completely acceptable.

In the last three class meetings, you will give a presentation of your proposal. You should plan a presentation of approximately 15 minutes (this goes by quicker than you think, so survey the existing literature succinctly and get to your own idea quickly), and then we’ll have a few minutes of questions.

Schedule *(tentative – I’ll announce any changes as the course progresses)*

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| Date | Topics | Reading(s) |
| Thursday, September 26 | Course introductionThe agricultural household model | BU, chapter 2 |
| Tuesday, October 1 | The agricultural household model, continued | Jacoby, Hanan. “Shadow wages and peasant family labor supply: an econometric application to the Peruvian Sierra,” Review of Economic Studies, 1993.Benjamin, D. (1992). “Household composition, labor markets and labor demand: testing for separation in agricultural household models,” Econometrica, March, 60:287-298. |
| Thursday, October 3 | Intra-household allocation | [STUDENT PRESENTATION] Udry, Christopher, “Gender, Agricultural Production, and the Theory of the Household,” Journal of Political Economy, 1996.[STUDENT PRESENTATION] Qian, Nancy, “[Missing women and the price of tea in China: The effect of sex-specific earnings on sex imbalance](http://qje.oxfordjournals.org/content/123/3/1251.short)”, Quarterly Journal of Economics, 2008.Deaton, Angus “Looking for boy-girl discrimination in household expenditure data,” World Bank Economic Review, 1989.Duflo. E. (2003). “Granddaughters and grandmothers: Old age pensions in South Africa.” World Bank Economic Review. |
| Tuesday, October 8 | Risk, insurance, and savings | BU chapter 8Townsend, Robert, “[Risk and insurance in village India](http://www.jstor.org/stable/10.2307/2951659)”, Econometrica, 1994. |
| Thursday, October 10 | Risk, insurance, and savings | Paxson, Christina, “[Using weather variability to estimate the response of savings to transitory income in Thailand](http://www.jstor.org/stable/10.2307/2117600)” American Economic Review, 1992.Rosenzweig, M. and K. Wolpin. 2000. “Natural ‘Natural Experiments’ in Economics”.Journal of Economic Literature. Section 4.[STUDENT PRESENTATION] Kaivan Munshi & Mark Rosenzweig, 2006. "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy," American Economic Review. |
| Thursday, April 25 | Credit | **PROBLEM SET 1 DUE**BU chapter 7[STUDENT PRESENTATION] Karlan, Osei, Osei-Akoto, and Udry, Agricultural Decisions after Relaxing Credit and Risk Constraints <http://www.econ.yale.edu/~cru2/pdf/eui.pdf> |
| Tuesday, April 30 | Credit and interlinked contracts  | [STUDENT PRESENTATION] Karlan, Dean, and Jonathan Zinman. "Observing unobservables: Identifying information asymmetries with a consumer credit field experiment."*Econometrica* 77.6 (2009): 1993-2008.[STUDENT PRESENTATION] Banerjee, Abhijit, Esther Duflo, Rachel Glennester, and Cynthia Kinnan, “The Miracle of Microfinance? Evidence from a Randomized Evaluation,” BREAD Working Paper, 2010.BU Chapter 9 |
| Thursday, May 2 | TBA |
| Tuesday, May 7 | Property rights | Banerjee, Abhijit, Paul Gertler and Maitreesh Ghatak, “Empowerment and Efficiency:Tenancy Reform in West Bengal,” Journal of Political Economy, 110(2), 2002, 239-280.Markus Goldstein and Christopher Udry. The Profits of Power: Land Rights and Agricultural Investmentin Ghana. Center Discussion Paper 929, Economic Growth Center, Yale University, New Haven, CT,September 2008[STUDENT PRESENTATION] Besley, Timothy "Property Rights and Investment Incentives: Theory and Evidence from Ghana," Journal of Political Economy, Vol. 103, 1995, 903-37. |
| Thursday, May 9 | Technology adoption | Foster, Andrew and Mark Rosenzweig, “[Learning by doing and learning from others: Human capital and technical change in agriculture](http://www.jstor.org/stable/10.2307/2138708)”, Journal of Political Economy, 1995.[STUDENT PRESENTATION] Conley, Timothy and Christopher Udry, “[Learning about a new technology: Pineapple in Ghana](http://www.ingentaconnect.com/content/aea/aer/2010/00000100/00000001/art00002)”, American Economic Review, 2010.[STUDENT PRESENTATION] Duflo, Esther, Michael Kremer, and Jonathan Robinson. 2011. "Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya." *American Economic Review*, 101(6): 2350-90. |
| Tuesday, May 14 | Firms | **PROBLEM SET 2 DUE**Banerjee, Abhijit and Esther Duflo ““Do Firms Want to Borrow More: Testing Credit Constraints Using a Targeted Lending Program,” BREAD working paper, 2004.Udry, Christoper, and Santosh Anagol “The Returns to Capital in Ghana” AER Papers and Proceedings, 2009.De Mel, Suresh, David McKenzie, and Chris Woodruff, “Returns to Capital in Microenterprises: Evidence from a Field Experiment,” Quarterly Journal of Economics, 2008.[STUDENT PRESENTATION] “Does management matter: evidence from India”, Nick Bloom, Benn Eifert, Aprajit Mahajan, David McKenzie & John Roberts, mimeo, 2012. |
| Thursday, May 16 | Labor | BU Chapter 4[STUDENT PRESENTATION] Harrison, Ann and Jason Scorce, “Multinationals and Sweatshop Activism,” American Economic Review, 2010. |
| Tuesday, May 21 | Labor and Migration | Seema Jayachandran (2006). “Selling Labor Low: Wage Responses to Productivity Shocks in Developing Countries,” *Journal of Political Economy*, 114(3), 538-575. Duflo, Esther “[Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment](http://www.nber.org/papers/w7860)” (AER 2001) and “[The medium run effects of educational expansion: evidence from a large school construction program in Indonesia](http://www.sciencedirect.com/science/article/pii/S0304387803001846)” (JDE 2004)[STUDENT PRESENTATION] Bryan, Gharad, Shyamal Chowdhury, and Ahmed Mobarak. "Seasonal migration and risk aversion." (2012).http://www.povertyactionlab.org/sites/default/files/publications/299\_399%20Seasonal%20Migration%20January%202012.pdf |
| Thursday, May 23 | Education | Kremer, Michael and Alaka Holla, “Improving Education in the Developing World: What have we Learned from Randomized Evaluations?”, Annual Review of Economics, 2009.[STUDENT PRESENTATION] Jensen, Robert (2012). "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India," Quarterly Journal of Economics, 127(2), p. 753-792. |
| Tuesday, May 28 | Health | **PROBLEM SET 3 DUE**Pitt, M.M. and Rosenzweig, M.R. and Hassan, M.N. “Human Capital Investment and the Gender Division of Labor in a Brawn-Based Economy,” American Economic Review, 2012.Miguel, Edward, and Michael Kremer. "Worms: identifying impacts on education and health in the presence of treatment externalities." *Econometrica* 72.1 (2003): 159-217.[STUDENT PRESENTATION] Bleakley, Hoyt. 2010. "Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure." *American Economic Journal: Applied Economics*, 2(2): 1-45. |
| Thursday, May 30 | Research proposals |  |
| Tuesday, June 4 | Research proposals |  |
| Thursday, June 6 | Research proposals |  |

A note on breadth of topics: While even a year-long development syllabus can only begin to cover the span of the literature in development economics, time limitations will become even more apparent in a quarter long class. Knowing this, I won’t attempt to provide an exhaustive overview of the all of the topics in development economics. Instead, we’ll carefully go over the papers that are on the syllabus, with the aim of giving the students in the class the tools to analyze other areas of literature on their own. Accordingly, you are welcome to do your research proposal on a topic we have not covered explicitly in class (e.g. corruption, environmental economics).