

ECON 760 Microeconomics of Development
Spring 2021
Instructor: Dr. Anita Alves Pena

Office: C327 Clark, Phone: 970-491-0821, Fax: 970-491-2925, Email: anita.pena@colostate.edu

Scheduled Class Meetings: TR 11am-12:15pm, by Zoom, Meeting ID: 964 5489 1867

Class “Norms”: Please turn on your camera and be prepared as if we were in a regular classroom.

Office Hours: by Zoom, please email to make an appointment

Reference:

Angus Deaton (1997) *The Analysis of Household Surveys: A Microeconomic Approach to Development*, Johns Hopkins University Press, Baltimore, MD. This book is out of regular print, but available for free download from the World Bank:

<http://documents.worldbank.org/curated/en/593871468777303124/pdf/multi-page.pdf>

Course website: login at <http://canvas.colostate.edu>

Course Objectives and Intended Learning Outcomes:

Students will learn the microeconomic theory of development that is relevant to the poorest countries in the world. This will include the study of information based market failures, coordination failures, the role of institutions, and the role of the state, primarily in the context of predominantly rural agrarian based economies. Dualism, interlinked credit and labor markets, dependency, migration and population will be examined as specific concepts/issues in these countries. Students also will learn how empirical research is undertaken using data from household surveys. Students will read journal articles using household survey data that are representative of the current field and will complete a research study of their own (replicating a published study) using data from a household survey in a developing country. The importance of paying attention to gender in development will be emphasized throughout the course. The course will be a combination of lectures by the professor, presentations by students, and seminar-style discussion. Students will be expected to participate actively in discussion of the lecture material and the selected articles. At the end of the course, students will make short presentations of their research to the class. Students will be evaluated on the basis of their participation in class discussions, “referee” reports of assigned papers, class presentations including that on personal research, and research paper.

Prerequisites:

First-year graduate microeconomics and econometrics, or equivalent. I will assume that you are already familiar with at least first-semester level theory and tools from these sequences and therefore can read, understand, and discuss academic literature within economics.

Contact Hours and Expectations for Work Outside of Instructional Time:

There will generally be several assigned required readings (journal articles) per week which may take one to two hours (or longer) each depending on your particular background and reading speed. This is in addition to book chapter readings which provide overview, and in addition to preparation of presentations and written assignments. The quality of class discussions depends on your preparation *whether or not you are presenter* so please keep this in mind even if nothing is physically due. This is a three credit course and therefore there is a six hour per week (*at least*) expectation for homework and other work outside of instructional time (equivalent to the federal credit hour definition of two hours of outside work for each contact hour). In some weeks, you may do more. This is a graduate class, and you are preparing for your professional future.

Other Expectations:

That you will be respectful of me and your classmates and will take the course seriously.

Department's Statement on Copyright:

Please do not share material from this course in online, print or other media. Course material is the property of the instructor who developed the course. Materials authored by third parties, which may be used in the course, are also subject to copyright protections. Posting course materials on external sites (commercial or not) violates both copyright law and the CSU Student Conduct Code. Students who share course content without the instructor's express permission, including with online sites that post materials to sell to other students, could face disciplinary or legal action.

Academic Integrity:

This course will adhere to the CSU Academic Integrity Policy as found on the Student Responsibilities page of the CSU General Catalog and the Student Conduct Code. At minimum, violations will result in a grading penalty in this course and a report to the Office of Conflict Resolution/Student Conduct Services.

Grading:

Please note the due dates for assignments on the schedule below. Note that you may have a presentation on the same date that something else is due. In this case, you will need to plan ahead.

Class Participation (10%): Attendance, participation, and preparation for class is expected. Note that a relatively large percentage of your final grade therefore is in this category since the quality of class discussion really does depend on your comments, reflections, and questions. To ensure that this happens, while you read, you should make sure that you can briefly summarize the research question, data, design, and (main) result *and provide an analytical response to the paper* (E.g., Any flaws? Assumptions and design believable? What you still don't understand and why it's confusing? Extensions? Etc.). I will select students during each class to discuss their thoughts along these lines, and you should be prepared to speak.

Literature Presentations (30%): Each of you will present *three* papers to the class from the syllabus below and lead subsequent discussion. Presentations should be of similar format to how papers are presented in a short academic seminar. This means that you should have presentation slides. Preparing these presentations will give you a chance to polish your academic presentation skills and will give you detailed understanding of the papers you present. You should aim for a presentation that is 20-30 minutes to allow plenty of discussion (which you will lead). I will assign the presentations early in the semester. Note that readings listed with a "[P]" in front will be (tentatively) presented by a student. That student will also lead the class discussion of the paper. I will add additional presentations (from existing readings) or adjust requirements if more people join the class in the registration period. I reserve the right to switch which papers will be presented by students as the semester progresses.

Mock Referee Reports (20%): You will write two mock referee reports based on job market papers (provided by the professor) in development economics. Reports should be two or three single-spaced typewritten pages. Reports should *briefly* summarize (one paragraph tops) and then *elaborately critique* the paper (i.e. is the question well motivated, is appropriate data used, are identifying assumptions reasonable, is the model appropriate for the question, etc.) The goal is to provide concrete and meaningful suggestions on improvement of the paper to the author. I will provide other details in class and online. The assignments are meant to help you develop the skill of professional critiquing and also to allow you to see examples of and think about (current year) job market papers.

Research Project (30%): Students will choose a household level dataset from the World Bank's Living Standard Measurement Study-LSMS (<http://surveys.worldbank.org/lsms>) or a similar data source and

propose it on a first-come, first-served basis to the professor. No two students will use the same data. There are many unrestricted surveys online with codebooks in English (and often also in native languages which you are welcome to use if your language abilities allow). If you have access from elsewhere to a different household survey data source, you may propose it. The research project will involve recreating the empirical analysis from a key paper in development economics (chosen by the professor) for the country of your choice and writing up the results as a comparison to the original paper. The professor will assign the paper along with particular elements that should be recreated. Students will turn in a theory/background section and summary statistic tables early in the semester and will turn in empirical model research findings at the end of the term. There is no suggested page or word count, and therefore you are asked to determine what is appropriate for the country that you are studying.

Presentation of Research/Data Project (10%): You will present your research project to the class near the end of the term. Like for other class presentations, you should have presentation slides. You should aim to motivate class discussion in your presentation. I envision that well-thought out and presented topics may lead to dissertation chapters, masters theses, or published “side” papers later. I will assign the presentation slots.

Syllabus and Reading List:

This schedule is subject to change and will be revised later in the semester if necessary. You are expected to complete the following reading whether or not we focus on specifics in class and whether or not you are the presenter.

All assignments will be submitted through Canvas to provided links on the deadlines as indicated below.

Week 1 (JAN 19): Introduction to the Microeconomics of Development

- Introduction of Deaton (1997)
- Easterlin, R. A. (1981). Why isn't the whole world developed?. *The Journal of Economic History*, 41(1), 1-17.
- Banerjee, A. & E. Duflo (2007). The Economic Lives of the Poor. *Journal of Economic Perspectives*, 21(1), 141-167.
- Banerjee, A. V., & Duflo, E. (2008). What is middle class about the middle classes around the world?. *Journal of Economic Perspectives*, 22(2), 3-28.
- Schilbach, F., Schofield, H., & Mullainathan, S. (2016). The psychological lives of the poor. *American Economic Review*, 106(5), 435-40.

Week 2 (JAN 26) Introduction to Methods and Data

- Chpt. 1 of Deaton (1997)
- Bardhan, P. (1993). Economics of Development and the Development of Economics. *Journal of Economic Perspectives*, 7(2), 129-142.
- Deaton, A. (2005). Measuring poverty in a growing world (or measuring growth in a poor world). *Review of Economics and Statistics*, 87(1), 1-19.
- Deaton, A. (2010). Instruments, randomization, and learning about development. *Journal of Economic Literature*, 48(2), 424-55.

Week 3 (FEB 2): The 2019 Nobel Prize!

- Banerjee, A. V. & E. Duflo (2009). The Experimental Approach to Development Economics, *Annual Review of Economics*, 1(1), 151-178.
- Banerjee, A. V. (2020). Field experiments and the practice of economics. *American Economic Review*, 110(7), 1937-51.

- Duflo, E. (2020). Field experiments and the practice of policy. *American Economic Review*, 110(7), 1952-73.
- Kremer, M. (2020). Experimentation, Innovation, and Economics. *American Economic Review*, 110(7), 1974-94.

Week 4 (FEB 9): REFEREE REPORT #1 DUE FEB 9

Agricultural Household Model, Intrahousehold Allocation, and Economies of Scale

- Ch. 4 of Deaton (1997)
- Deaton, A. (1989). Looking for Boy-Girl Discrimination in Household Expenditure Data, *World Bank Economic Review*, 3(1), 1-15.
- Udry, C. (1996). Gender, Agricultural Production, and the Theory of the Household, *Journal of Political Economy*, 101(5), 1010-1045.
- Deaton, A. & C. Paxson (1998). Economies of Scale, Household Size and the Demand for Food, *Journal of Political Economy*, 106(5), 897-930.
- Taylor, J. E., & Adelman, I. (2003). Agricultural household models: genesis, evolution, and extensions. *Review of Economics of the Household*, 1(1-2), 33-58.

Week 5 (FEB 16): *Labor and Migration*

- Kerr, S. P., Kerr, W., Özden, Ç., & Parsons, C. (2016). Global talent flows. *Journal of Economic Perspectives*, 30(4), 83-106.
- [P] Munshi, K. (2003). Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market, *The Quarterly Journal of Economics*, 118(2), 549-599.
- [P] Jayachandran, S. (2006). Selling labor low: Wage responses to productivity shocks in developing countries. *Journal of Political Economy*, 114(3), 538-575.
- [P] Yang, D. (2008). International Migration, Remittances and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks, *The Economic Journal*, 118(528), 591-630.
- [P] McKenzie, D. & H. Rapoport (2010). Self-Selection Patterns in Mexico-U.S. Migration: The Role of Migration Networks, *The Review of Economics and Statistics*, 92(4), 811-21.

Week 6 (FEB 23): COUNTRY/YEAR FOR EMPIRICAL PROJECT DUE FEB 23

Land, Savings, and Credit

- Ch. 6 of Deaton (1997)
- [P] Rosenzweig, M. R. & K. I. Wolpin (1993). Credit Market Constraints, Consumption Smoothing, and the Accumulation of Durable Production Assets in Low-Income Countries: Investments in Bullocks in India, *Journal of Political Economy*, 101(21), 223-244.
- [P] Field, E. (2007). Entitled to Work: Urban Property Rights and Labor Supply in Peru, *The Quarterly Journal of Economics*, 122(4), 1561-1602.
- [P] Karlan, D. & J. Zinman (2009). Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment, *Econometrica*, 77(6), 1993-2008.
- [P] Ashraf, N. (2009). Spousal control and intra-household decision making: An experimental study in the Philippines. *American Economic Review*, 99(4), 1245-77.

Week 7 (MAR 2): *Risk and Insurance*

- [P] Townsend, R. (1994). Risk and Insurance in Village India, *Econometrica*, 62(4): 539-591.
- [P] Udry, C. (1994). Risk and Insurance in a Rural Credit Market: An Empirical Investigation in Northern Nigeria, *Review of Economic Studies*, 61(3), 495-526.
- [P] Dercon, S. & P. Krishnan (2000). In Sickness and In Health: Risk Sharing within Households in Ethiopia, *Journal of Political Economy*, 108(4), 688-727.
- [P] Miguel, E. (2005). Poverty and Witch Killing, *Review of Economic Studies*, 72(4), 1153-1172.

Week 8 (MAR 9): THEORY/BACKGROUND AND SUMMARY STATISTICS TABLES OF PAPER
DUE MAR 9

Incomplete Finance Markets

- [P] Karlan, D., Osei, R., Osei-Akoto, I., & Udry, C. (2014). Agricultural decisions after relaxing credit and risk constraints. *The Quarterly Journal of Economics*, 129(2), 597-652.
- [P] Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2015). The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics*, 7(1), 22-53.
- [P] Lee, J.N., Morduch, J., Ravindran, S., Shonchoy, A., & Zaman, H. 2021. Poverty and Migration in the Digital Age: Experimental Evidence on Mobile Banking in Bangladesh. *American Economic Journal: Applied Economics*, 13(1), 38-71.

Week 9 (MAR 16): *Education*

- Bhattarai, N., Bernasek, A., & Pena, A. A. (2020). Factors Affecting School Attendance and Implications for Student Achievement by Gender in Nepal. *Review of Political Economy*, 32(2), 259-282.
- [P] Duflo, E. (2001). Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment, *American Economic Review*, 91(4), 795-813.
- [P] Schultz, P. T. (2004). School subsidies for the poor: evaluating the Mexican Progresa poverty program, *Journal of Development Economics*, 74(1), 199-250.
- [P] Evans, D. & E. Miguel (2007). Orphans and Schooling in Africa: A Longitudinal Analysis, *Demography*, 44(1), 35-57.
- [P] Oster, E., & Thornton, R. (2011). Menstruation, sanitary products, and school attendance: Evidence from a randomized evaluation. *American Economic Journal: Applied Economics*, 3(1), 91-100.

Week 10 (MAR 23): REFEREE REPORT #2 DUE MAR 23

Health

- Deaton, A. (2003). Health, inequality, and economic development. *Journal of Economic Literature*, 41(1), 113-158.
- [P] Subramanian, S. & A. Deaton (1996). The Demand for Food and Calories, *Journal of Political Economy*, 104(1), 133-162.
- [P] Miguel, E. & M. Kremer (2004). Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities, *Econometrica*, 72(1), 159-217.
- [P] Baird, S., Hicks, J. H., Kremer, M., & Miguel, E. (2016). Worms at work: Long-run impacts of a child health investment. *The Quarterly Journal of Economics*, 131(4), 1637-1680.

Week 11 (MAR 30): *Health*

- [P] Jayachandran, S. (2009). Air Quality and Infant Mortality: Evidence from Indonesia's Wildfires, *Journal of Human Resources*, 44(4), 916-954.
- [P] Cohen, J., & Dupas, P. (2010). Free distribution or cost-sharing? Evidence from a randomized Malaria prevention experiment. *The Quarterly Journal of Economics*, 1-45.
- [P] Ashraf, N., Field, E., & Lee, J. (2014). Household bargaining and excess fertility: an experimental study in Zambia. *American Economic Review*, 104(7), 2210-37.
- [P] Jayachandran, S., & Pande, R. (2017). Why are Indian children so short? The role of birth order and son preference. *American Economic Review*, 107(9), 2600-2629.

Week 12 (APR 6): *Coordination, Institutions, and Conflict*

- Rodrik, D. (2000). Institutions for high-quality growth: what they are and how to acquire them. *Studies in Comparative International Development*, 35(3), 3-31.
- Bauer, M., Blattman, C., Chytilová, J., Henrich, J., Miguel, E., & Mitts, T. (2016). Can war foster cooperation?. *Journal of Economic Perspectives*, 30(3), 249-74.
- [P] Burgess, R., Jedwab, R., Miguel, E., Morjaria, A., & Padró i Miquel, G. (2015). The value of democracy: evidence from road building in Kenya. *American Economic Review*, 105(6), 1817-51.
- [P] Dell, M., & Querubin, P. (2017). Nation building through foreign intervention: Evidence from discontinuities in military strategies. *The Quarterly Journal of Economics*, 133(2), 701-764.
- [P] Blouin, A., & Mukand, S. W. (2019). Erasing ethnicity? Propaganda, nation building, and identity in Rwanda. *Journal of Political Economy*, 127(3), 1008-1062.

Week 13 (APR 13): SPRING BREAK WEEK

Week 14 (APR 20): FORMATTED REGRESSION TABLES DUE APR 20

Learning, and Technology

- [P] Foster, A. D. & M. R. Rosenzweig (1995). Learning by Doing and Learning from Others: Human Capital and Technical Change in Agriculture. *Journal of Political Economy*, 103(6), 1176-1209.
- [P] Bandiera, O., & Rasul, I. (2006). Social networks and technology adoption in northern Mozambique. *The Economic Journal*, 116(514), 869-902.
- [P] Oster, E., & Thornton, R. (2012). Determinants of technology adoption: Peer effects in menstrual cup take-up. *Journal of the European Economic Association*, 10(6), 1263-1293.
- [P] Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., & Roberts, J. (2013). Does management matter? Evidence from India. *The Quarterly Journal of Economics*, 128(1), 1-51.

Week 15 (APR 27): *Human Capital and Income Distribution*

- Banerjee, A. V., & Newman, A. F. (1993). Occupational choice and the process of development. *Journal of Political Economy*, 101(2), 274-298.
- Bardhan, P. (1996). Efficiency, equity and poverty alleviation: Policy issues in less developed countries. *The Economic Journal*, 106(438), 1344-1356.
- Fukuda-Parr, S. (2003). The human development paradigm: operationalizing Sen's ideas on capabilities. *Feminist Economics*, 9(2-3), 301-317.
- Rosenzweig, M. R. (2010). Microeconomic approaches to development: Schooling, learning, and growth. *Journal of Economic Perspectives*, 24(3), 81-96.
- Kraay, A., & McKenzie, D. (2014). Do poverty traps exist? Assessing the evidence. *Journal of Economic Perspectives*, 28(3), 127-48.
- Mbiti, I. M. (2016). The need for accountability in education in developing countries. *Journal of Economic Perspectives*, 30(3), 109-32.

Week 16 (MAY 4): PRESENTATIONS OF RESEARCH PAPERS

Students will present final papers and receive feedback to be incorporated into final drafts of their papers; depending on final enrollment in the class, we may need to extend class periods and/or reschedule to a time that works for the presenters (Schedule will be TBD).

Week 17 (MAY 11): EXAM WEEK: RESEARCH PAPERS DUE

May 12: 6:20-8:20pm is our scheduled final exam time by the university; therefore 8:30pm SHARP will be the deadline to submit your final revised paper to Canvas. It is expected that you will have incorporated changes as indicated by presentation feedback from the week before. If you are done earlier though, please do go ahead and submit the paper earlier so that I can start grading!

Important information for students on COVID-19:

All students are required to follow public health guidelines in any university space, and are encouraged to continue these practices when off-campus(es). Students also are required to report any COVID-19 symptoms to the university immediately, as well as if they have potentially been exposed or have tested positive at a non-CSU testing location. If you suspect you have symptoms, please fill out the COVID Reporter (<https://covid.colostate.edu/reporter/>). If you have COVID symptoms or know or believe you have been exposed, it is important for the health of yourself and others that you complete the online COVID Reporter. Do not ask your instructor to report for you; if you report to your instructor that you will not attend class due to symptoms or a potential exposure, you are required to also submit those concerns through the COVID Reporter. If you do not have access to the internet to fill out the online COVID-19 Reporter, please call (970) 491-4600.

If you report symptoms or a positive test, your report is submitted to CSU's Public Health Office. You will receive immediate, initial instructions on what to do and then you will also be contacted by phone by a public health official. Based on your specific circumstances, the public health official may:

- choose to recommend that you be tested and help arrange for a test
- conduct contact tracing
- initiate any necessary public health requirements or recommendations and notify you if you need to take any steps

If you report a potential exposure, the public health official will help you determine if you are at risk of contracting COVID.

For the latest information about the University's COVID resources and information, please visit the **CSU COVID-19 site** (<https://covidrecovery.colostate.edu/>).