

ECON 760 Microeconomics of Development
Fall 2023
Instructor: Dr. Anita Alves Pena

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Scheduled Class Meetings: TR 9:30am-10:45am, Eddy 113

Office Hours: TR 12:30-2pm (starting in Week 2) and by appointment

Reference:

Angus Deaton (1997) *The Analysis of Household Surveys: A Microeconomic Approach to Development*, Johns Hopkins University Press, Baltimore, MD. Out of regular print, but available for free download: <http://documents.worldbank.org/curated/en/593871468777303124/pdf/multi-page.pdf>

Course website: login at <http://canvas.colostate.edu> (will be up by Week 2)

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.

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/Discussion (20%): 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/conference presentation. 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. 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 Report (10%): You will write a mock referee report based on job market papers (provided by the professor) in development economics. Reports should *briefly* summarize (at very most only one paragraph) and then *elaborately critique* (up to 2-3 single spaced pages) the paper (i.e. is the question well motivated, is appropriate data used and presented, are identifying assumptions reasonable, is the model appropriate for the question). The goal is to provide at least 3-4 concrete and meaningful suggestions to the author to improve the paper and then to conclude with other minor comments. A good referee report very clearly states the shortcomings of the work *and* provides detailed and realistic suggestions. I will provide other details in class and online. The assignment is meant to help you develop the skill of professional critiquing and also to allow you to see an example of and think about a current year job market paper.

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 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” projects. I will assign 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.

Week 1 (AUG 21): *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.
- Besley, T., & Burgess, R. (2003). Halving global poverty. *Journal of Economic Perspectives*, 17(3), 3-22.
- 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.

***NO CLASS THURSDAY, AUGUST 24 DUE TO INSTRUCTOR PRE-COMMITMENT, please use extra time to complete readings and organize yourself for the semester!**

Week 2 (AUG 28) *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.
- Duflo, E., Glennerster, R., & Kremer, M. (2007). Using randomization in development economics research: A toolkit. *Handbook of Development Economics*, 4, 3895-3962.
- Deaton, A. (2010). Instruments, randomization, and learning about development. *Journal of Economic Literature*, 48(2), 424-55.
- Miguel, E. (2021). Evidence on research transparency in economics. *Journal of Economic Perspectives*, 35(3), 193-214.

Week 3 (SEPT 4): *Field Experiments (and 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 (SEPT 11): COUNTRY/YEAR FOR EMPIRICAL PROJECT DUE SEPT 14 *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.
- Yatchew, A. (1998). Nonparametric regression techniques in economics. *Journal of Economic Literature*, 36(2), 669-721.
- 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: *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] Hussam, R., Kelley, E. M., Lane, G., & Zahra, F. (2022). The psychosocial value of employment: Evidence from a refugee camp. *American Economic Review*, 112(11), 3694-3724.

Week 6 (SEPT 25): *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.
 - Please also read this paper's web appendix (posted on Canvas)
- [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 (OCT 2): THEORY/BACKGROUND SECTION AND SUMMARY STATISTICS TABLES OF PAPER DUE OCT 5

Risk and Insurance

- [P] Townsend, R. (1994). Risk and Insurance in Village India, *Econometrica*, 62(4): 539-591.
 - Please also read: Ravallion, M., & Chaudhuri, S. (1997). Risk and Insurance in Village India: Comment. *Econometrica*, 171-184.
- [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] Auriol, E., Lassebie, J., Panin, A., Raiber, E., & Seabright, P. (2020). God insures those who pay? Formal insurance and religious offerings in Ghana. *The Quarterly Journal of Economics*, 135(4), 1799-1848.

Week 8 (OCT 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.
- [P] Sedai, A. K., Vasudevan, R., & Pena, A. A. (2021). Friends and benefits? Endogenous rotating savings and credit associations as alternative for women's empowerment in India. *World Development*, 145, 105515.

Week 9 (OCT 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] Ashraf, N., Bau, N., Nunn, N., & Voena, A. (2020). Bride price and female education. *Journal of Political Economy*, 128(2), 591-641.
- [P] Akresh, R., Halim, D., & Kleemans, M. (2023). Long-term and intergenerational effects of education: Evidence from school construction in Indonesia. *The Economic Journal*, 133(650), 582-612.

Week 10 (OCT 23): *Health*

*NO CLASS TUESDAY, OCTOBER 24 DUE TO INSTRUCTOR PRE-COMMITMENT, please use extra time to complete readings

- Deaton, A. (2003). Health, inequality, and economic development. *Journal of Economic Literature*, 41(1), 113-158.
- 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 (OCT 30): REFEREE REPORT ASSIGNMENT DUE NOV 2

Health, Continued

- [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] 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.

- [P] Miguel, E., & Mobarak, A. M. (2022). The economics of the COVID-19 pandemic in poor countries. *Annual Review of Economics*, 14, 253-285.

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

- 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] 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] 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 (NOV 13): FORMATTED REGRESSION TABLES DUE NOV 16

Learning, and Technology

- 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.
- Munshi, K. (2004). Social learning in a heterogeneous population: technology diffusion in the Indian Green Revolution. *Journal of Development Economics*, 73(1), 185-213.
- Bandiera, O., & Rasul, I. (2006). Social networks and technology adoption in northern Mozambique. *The Economic Journal*, 116(514), 869-902.
- 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.
- 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.

*NO CLASS THURSDAY, NOVEMBER 16 DUE TO INSTRUCTOR PRE-COMMITMENT, please use extra time to complete readings as discussion of these will continue into the week following break

Week 14 (NOV 20): FALL BREAK WEEK

Week 15 (NOV 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.
- 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.
- Egger, D., Haushofer, J., Miguel, E., Niehaus, P., & Walker, M. (2022). General equilibrium effects of cash transfers: experimental evidence from Kenya. *Econometrica*, 90(6), 2603-2643.

Week 16 (DEC 4): PRESENTATIONS OF RESEARCH PAPERS

Students will present final papers and receive feedback to be incorporated into final drafts of their papers (Schedule will be TBD).

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

DEC 11: 9:40-11:40am is our scheduled final exam time by the university; therefore 11:40am 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.

All the Other Stuff:

Accommodations:

Students requesting special accommodations, including virtual access, should contact Student Disability Center (SDC) at 970-491-6385. Accommodations will not be granted without pre-approval from SDC. If this applies to you, please make arrangements immediately.

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 in the Student Conduct Code. At a minimum, violations will result in a grading penalty in this course. As per university policy, "Any student found responsible for having engaged in academic misconduct will be subject to academic penalty and/or University disciplinary action" (General Catalog, <http://catalog.colostate.edu/general-catalog/policies/students-responsibilities/>). As such, any academic dishonesty in this course may result in a grade of "F" for the course and may be reported to the Office of Conflict Resolution and Student Conduct Services. Please be aware that the General Catalog specifically identifies the following examples of academic dishonesty: cheating, plagiarism, unauthorized possession or disposition of academic materials, falsification, and facilitation of cases of academic dishonesty. Plagiarism is defined as follows: "Plagiarism – Plagiarism includes the copying of language, structure, images, ideas, or thoughts of another, and representing them as one's own without proper acknowledgment and is related only to work submitted for credit; the failure to cite sources properly; sources must always be appropriately referenced, whether the source is printed, electronic or spoken. Examples include a submission of purchased research papers or homework as one's own work; paraphrasing and/or quoting material without properly documenting the source" (General Catalog, <http://catalog.colostate.edu/general-catalog/policies/students-responsibilities/>).

Title IX:

CSU's Discrimination, Harassment, Sexual Harassment, Sexual Misconduct, Domestic Violence, Dating Violence, Stalking, and Retaliation policy designates faculty and employees of the University as "Responsible Employees." This designation is consistent with federal law and guidance, and requires faculty to report information regarding students who may have experienced any form of sexual harassment, sexual misconduct, relationship violence, stalking or retaliation. This includes information shared with faculty in person, electronic communications or in class assignments. As "Responsible Employees," faculty may refer students to campus resources (see below), together with informing the Office of Support and Safety Assessment to help ensure student safety and welfare. Information regarding sexual harassment, sexual misconduct, relationship violence, stalking and retaliation is treated with the greatest degree of confidentiality possible while also ensuring student and campus safety.

Any student who may be the victim of sexual harassment, sexual misconduct, relationship violence, stalking or retaliation is encouraged to report to CSU through one or more of the following resources:

- o Emergency Response 911
- o Deputy Title IX Coordinator/Office of Support and Safety Assessment (970) 491-1350
- o Colorado State University Police Department (non-emergency) (970) 491-6425

For counseling support and assistance, please see the CSU Health Network, which includes a variety of counseling services that can be accessed at: <http://www.health.colostate.edu/>. And, the Sexual Assault Victim Assistance Team is a confidential student resource that does not have a reporting requirement and that can be of great help to students who have experienced sexual assault. The web address is <http://www.wgac.colostate.edu/need-help-support>.