

Syllabus for ECS-7015

Ph.D. Development Economics Fall 2018

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Office hours: TuTh 12:15- 1:15, or by appointment

Course schedule: TuTh 2- 3:15
Course meets: Deuxieme Maison 323

1. Course Description and Objectives

This class is a PhD level course on development economics. The goal of this course is to prepare students for their own work by giving them theoretical and empirical knowledge in micro-economic development and practices in critically reading papers and laying out research ideas. The topics covered include institutions, household models, credits, savings, insurance, education, health, migration, labor markets, and firms. The class will work through a few papers in detail rather than synthesize a literature. Students are expected to have read the articles and be prepared to discuss them in class in depth.

Although the course name is Development Economics *Theory*, the course will put equal, if not more, weight on empirical applications, given the importance of empirical work in the current literature on economic development.

2. Prerequisites

Graduate coursework in economic theory and econometrics is prerequisites for this class.

3. Course Requirements

3.1 Participation

You are expected to come prepared to discuss and analyze the readings.

3.2 Homework assignments

There will be four homework assignments that combine theoretical and data analysis. You will need to use Stata or similar statistical software.

3.3 Referee report

You will choose a paper from a list of job market papers and write a 3-5 page referee report. You will give a 25-30 minute presentation. The purpose of a referee report is to help the editor of a journal if s/he should reject the paper or request revisions (and if so, what revisions to request). The report should start with a one paragraph summary of the main argument of the paper. You should describe your main 3-4 points in detail as if you were

writing directly to the author. Conclude the report with more minor comments. A good referee report not only clearly states the shortcomings of the work, but also lays out constructive, detailed, and realistic suggestions for improvement.

This assignment will allow you to read and critique papers on the research frontier of development economics, and get a concrete sense of the quality of work being done by leading PhD candidates in the field.

3.4 Research ideas

You put together a 1-2 page research idea related to the topics that are covered in class. It should include 1) a specific research question, 2) theoretical predictions/reasoning (What answer does theory imply?), and 3) empirical strategy (What data and empirical model and equation would you use? What would be an identification issue?). There will be 2 to 3 assignments.

This assignment is intended to help you build the ability to come up with and frame a research idea. You do not need to cite the literature or spend time giving the background of the situation. You are expected to focus on developing your research question by asking yourself why the question is important and how you answer it. You do not need to choose your question based on available data. You can develop a research idea as if you have the ideal data set that would be feasible to collect with time and money.

3.5 Research proposal

Apart from the research idea assignment, you will submit and present a research proposal (8-10 pages double-spaced typed). The presentation will be 10-15 minutes. It can be in any topic. It should include a brief survey of an existing literature (max 3 pages), and then describe a research project (question, theory, data, empirical context, empirical framework, etc). You do not need to carry out the project but are encouraged to look for a potential data source with which you can start to implement your project. If you start implementing it and obtain a preliminary result, you can include it. This assignment will encourage you to generate, refine, and receive feedback on a research project that may form part of your dissertation.

Also, at the end of the proposal, attach a fake abstract of a paper that you would write if you successfully complete the project and obtain ideal results. (This abstract is not an abstract of your research proposal.) Writing this imaginary abstract will help you think how interesting your project can be.

3.6 Grading

Assignment due dates and point distributions are given below. If you choose not to turn in an assignment on time, you will lose 20% of the total points that you earn on the assignment for each day that it is late.

<u>Assignment</u>	<u>Points</u>	<u>Due date</u>
Homework 1	14	
Homework 2	14	
Homework 3	14	
Homework 4	14	

Referee report and presentation	14	Assorted date
Research ideas	10	
Research proposal	20	12/08/18
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Note. Rough draft proposal due 11/1/18		

4. Course Outline and Readings

This schedule is subject to change at any point within the semester. I may add or drop readings during the semester. I will announce changes in class and update the syllabus.

Day	Date	Topic	Assignment
1		Introduction	
2		Institutions and corruption	
3		Institutions and corruption	
4		Household model	
7		Savings	
8		Savings	Research idea 1
5		Credit	
6		Credit	HW1
9		Presentations of papers refereed	
10		Insurance	
11		Insurance	
12		Microfinance	
13		Microfinance	
14		Transfers	Research idea 2
15		Presentations of papers refereed	
16		Education	HW2
17		Education	
18		Education	
19		Health	
20		Health	Research idea 3
21		Presentations of papers refereed	
22		Migration	HW3
23		Migration	
24		Labor markets	
25		Labor markets	
26		Labor markets	
27		Firms and microenterprise	
28		Firms and microenterprise	HW4
29		Presentations of research proposals	
30		Presentations of research proposals	

The required readings are marked with an asterisk.

4.1 Introduction (Day 1)

- Banerjee, A. V., & Duflo, E. (2007). "The economic lives of the poor." *Journal of Economic Perspectives*, 21(1), 141-168.
- Schultz, T. W. (1980). "Nobel lecture: The economics of being poor." *Journal of Political Economy*, 88(4), 639-651.

Additional readings:

- Kraay, A., & McKenzie, D. (2014). "Do poverty traps exist? Assessing the evidence." *Journal of Economic Perspectives*, 28(3), 127-48.
- Spolaore, E., & Wacziarg, R. (2013). "How deep are the roots of economic development?" *Journal of Economic Literature*, 51(2), 325-69.

4.2 Institutions and corruption (Day 2, 3)

Institution and history

- * Acemoglu, Daron, Simon Johnson, and James A. Robinson "The Colonial Origins of Comparative Development: An Empirical Investigation" *American Economic Review* 91(5): 1369-1401 (2001)
- Albouy, David; "The Colonial Origins of Comparative Development: An Empirical Investigation: Comment" *AER*, 2012
- * Dell, M. (2010). "The persistent effects of Peru's mining mita." *Econometrica*, 78(6), 1863-1903.
- Nunn, N. (2008). "The long-term effects of Africa's slave trades." *Quarterly Journal of Economics*, 123(1), 139-176.
- 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.
- Asher, S., & Novosad, P. (2017). Politics and local economic growth: Evidence from India. *American Economic Journal: Applied Economics*, 9(1), 229-73.
- Acemoglu, Daron, Suresh Naidu, Pascual Restrepo and James A. Robinson (2013) "Democracy, Redistribution and Inequality," in *Handbook of Income Distribution*, Volume 2B, Chapter 21.
- Nunn, Nathan "The Importance of History for Economic Development" *Annual Review of Economics* 1: 65-92 (2009)

Corruption

- * Ferraz, C. & Finan, F. (2008), "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes," *Quarterly Journal of Economics* 123(2), 703-745.
- Olken, Ben. (2007), "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy* 115(2), 200-249.
- Banerjee, A. (1997), "A Theory of Misgovernance," *Quarterly Journal of Economics* 112(4), 1289-1332.
- Olken, Ben and Rohini Pande (2012) "Corruption in Developing Countries", *Annual Review of Economics*, Vol. 4.

4.3 Household model (Day 4)

- * Bardhan and Udry, *Development Microeconomics*, Chapter 2

- Singh, I, L Squire, and J Strauss, eds. (1986). *Agricultural Household Models: Extensions, Applications, and Policy*. Baltimore: Johns Hopkins University Press.

4.4 Savings (Day 5, 6)

- *Paxson, C. (1992), "Using Weather Variability to Estimate the Response of Savings to Transitory Income in Thailand," *American Economic Review* 82(1), 15-33.
- *Dupas, P. & J. Robinson (2013), "Why Don't the Poor Save More? Evidence from Health Savings Experiments," *American Economic Review* 103(4): 1138-1171.
- Ashraf, Nava, Dean Karlan, and Wesley Yin. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines" *Quarterly Journal of Economics* 121(2): 635-672 (2006)
- Dupas, P., J. Robinson (2013). "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya" *American Economic Journal: Applied Economics*, 5(1): 163-192.
- Deaton, A. (1991). "Saving and Liquidity Constraints," *Econometrica* 59(5), 1221-1248.
- Udry, C. (1995), "Risk and Saving in Northern Nigeria," *American Economic Review* 85(5), 1287-1300.
- Duflo, E., M. Kremer & J. Robinson (2011), *Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya*, *American Economic Review* 101(6): 2350-2390.

4.5 Credit (Day 7, 8)

- Ray, chapter 14
- * Bardhan & Udry, *Development Microeconomics*, Chapter 7.
- Stiglitz, J. & A. Weiss (1981), "Credit Rationing in Markets with Incomplete Information," *American Economic Review* 71(3), 393-410.
- Carter, M. R. (1988). Equilibrium credit rationing of small farm agriculture. *Journal of Development Economics*, 28(1), 83-103.
- * Karlan, D. & J. Zinman (2009), "Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment," *Econometrica* 77(6), 1993-2008.
- Burgess, R., & Pande, R. (2005). Do rural banks matter? Evidence from the Indian social banking experiment. *American Economic Review*, 95(3), 780-795.
- Banerjee, A. V., & Duflo, E. (2014). Do firms want to borrow more? Testing credit constraints using a directed lending program. *Review of Economic Studies*, 81(2), 572-607.

4.6 Presentations of papers refereed (Day 9)

4.7 Insurance (Day 10, 11)

- * Townsend, R. (1994), "Risk and Insurance in Village India," *Econometrica* 62(3), 539-591.

- * Ligon, E., Thomas, J. P. & Worrall, T. (2002), "Informal Insurance Arrangements with Limited Commitment: Theory and Evidence from Village Economies," *Review of Economic Studies* 69(1), 209-244.
- 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.
- Coate, S. & Ravallion, M. (1993), "Reciprocity Without Commitment: Characterization and Performance of Informal Insurance Arrangements," *Journal of Development Economics* 40(1), 1-24.
- Udry, Christopher "Credit Markets in Northern Nigeria: Credit as Insurance in a Rural Economy" *World Bank Economic Review* (1990)
- Ray, chapter 15
- Bardhan & Udry, *Development Microeconomics*, Chapter 8.

4.8 Microfinance (Day 12, 13)

- * 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.
- * Gine, X. & D. Karlan (2014), "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups," *Journal of Development Economics* 107 65–83
- Morduch, J. (1999), "The Microfinance Promise," *Journal of Economic Literature* 37(4), 1569-1614.
- Field, E., Pande, R., Papp, J., & Rigol, N. (2013). Does the classic microfinance model discourage entrepreneurship among the poor? Experimental evidence from India. *American Economic Review*, 103(6), 2196-2226.
- Ghatak, M. & T.W. Guinnane (1999), "The Economics of Lending with Joint Liability: Theory and Practice," *Journal of Development Economics* 60(1), 195-228.
- Banerjee, A., Karlan, D., & Zinman, J. (2015). Six randomized evaluations of microcredit: Introduction and further steps. *American Economic Journal: Applied Economics*, 7(1), 1-21.
- Pitt, M. & S.R. Khandker (1998), "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter," *Journal of Political Economy* 106(5), 958-996.
- Cai, Hongbin, Chen, Yuyu; Fang, Hangmin; Zhou, Li-An; "The Effect of Microinsurance on Economic Activities: Evidence from a Randomized Field Experiment"; *REStat* 2015

4.9 Transfers (Day 14)

- * Baird, S., McIntosh, C. & Özler, B. (2011), "Cash or Condition? Evidence from a Cash Transfer Experiment," *Quarterly Journal of Economics* 126(4), 1709-1753.
- Angelucci, M. & deGiorgi, G. (2009), "Indirect Effects of an Aid Program: How do Cash Injections Affect Ineligibles' Consumption?," *American Economic Review* 99(1), 486-508.
- Das, Jishnu; Do, Quy-Toan; Özler, Berk; "Reassessing Conditional Cash Transfer Programs"; *World Bank Research Observer* 2005

- Banerjee, Abhijit, Rema Hanna, Gabriel E. Kreindler & Benjamin A. Olken (2017), “Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs” *World Bank Research Observer*, Volume 32, Issue 2, 1 August 2017, Pages 155–184

4.10 Presentations of the papers refereed (Day 15)

4.11 Education (Day 16, 17, 18)

- * Duflo, Esther “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment” *American Economic Review* 91(4): 795-813 (2001)
- * Wantchekon, L., Klašnja, M., & Novta, N. (2014). “Education and human capital externalities: evidence from colonial Benin.” *Quarterly Journal of Economics*, 130(2), 703-757.
- * Muralidharan, Karthik and Venkatesh Sundararaman. (2011). “Teacher Performance Pay: Experimental Evidence from India”, *Journal of Political Economy*, 119(1), 39-77.
- Duflo, E., Dupas, P., & Kremer, M. (2011). Peer effects, teacher incentives, and the impact of tracking: Evidence from a randomized evaluation in Kenya. *American Economic Review*, 101(5), 1739-74.
- Lucas, A. M., & Mbiti, I. M. (2012). “Access, sorting, and achievement: the short-run effects of free primary education in Kenya.” *American Economic Journal: Applied Economics*, 4(4), 226-53.
- Kremer, Michael, Rebecca Thornton, and Edward Miguel. (2009). “Incentives to Learn”, *Review of Economics and Statistics*, 91(3), 437-456.
- Krueger, Alan and Mikael Lindahl “Education for Growth: Why and For Whom?” *Journal of Economic Literature* 39(4): 1101-1136 (2001)
- Kremer and Holla “Improving Education in the Developing World: What Have We Learned from Randomized Evaluations?” *Annual Review of Economics* (2009)

4.12 Health (Day 19, 20)

- * Miguel, T. & Kremer, M. (2004), “Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities,” *Econometrica* 72(1), 159-217.
- Baird, Sarah, Joan Hamory Hicks, Michael Kremer, and Edward Miguel. (2016). “Worms at Work: Long-run Impacts of Child Health Gains”, *Quarterly Journal of Economics*, 131(4), 1637-1680.
- * Das, Jishnu, Alaka Holla, Aakash Mohpal, and Karthik Muralidharan. (2016). “Quality and Accountability in Health Care Delivery: Audit-study Evidence from Primary Care in India”, *American Economic Review*, 106(12), 3765-3799.
- Dupas, Pascaline. (2014). “Short-run subsidies and long-run adoption of new health products: Evidence from a field experiment”, *Econometrica*, 82(1), 197-228.
- Bleakley, H. (2007). “Disease and development: evidence from hookworm eradication in the American South.” *Quarterly Journal of Economics*, 122(1), 73-117.

- Acemoglu, Daron and Simon Johnson “Disease and Development: The Effect of Life Expectancy on Economic Growth” *Journal of Political Economy* 115(6): 925-985 (2007)
- Dupas, Pascaline “Health behavior in developing countries” *Annual Review of Economics* 3: 425-449 (2011)
- Dupas, P., & Miguel, E. (2017). Impacts and determinants of health levels in low-income countries. In *Handbook of economic field experiments* (Vol. 2, pp. 3-93). North-Holland.

4.13 Presentations of the papers refereed (Day 21)

4.14 Migration (Day 22, 23)

- Bardhan and Udry, chapter 5
- * Yang, Dean “International Migration, Remittances, and Household Investment: Evidence from Philippine Migrants’ Exchange Rate Shocks” *Economic Journal* 118(528): 591-630 (2008)
- Clemens, M. A. (2013). Why do programmers earn more in Houston than Hyderabad? Evidence from randomized processing of US visas. *American Economic Review*, 103(3), 198-202.
- * Munshi, Kaivan “Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market.” *Quarterly Journal of Economics* 118(2): 549-599 (2003)
- Beam, E. A., McKenzie, D., & Yang, D. (2016). Unilateral facilitation does not raise international labor migration from the Philippines. *Economic Development and Cultural Change*, 64(2), 323-368.
- McKenzie, D., & Rapoport, H. (2007). Network effects and the dynamics of migration and inequality: theory and evidence from Mexico. *Journal of development Economics*, 84(1), 1-24.
- Bryan, G., Chowdhury, S., & Mobarak, A. M. (2014). Underinvestment in a profitable technology: The case of seasonal migration in Bangladesh. *Econometrica*, 82(5), 1671-1748.
- Clemens, M. A. (2011). Economics and emigration: Trillion-dollar bills on the sidewalk?. *Journal of Economic perspectives*, 25(3), 83-106.

4.15 Labor markets (Day 24, 25, 26)

Labor supply

- * Jayachandran, S. (2006). “Selling Labor Low: Wage Responses to Productivity Shocks in Developing Countries,” *Journal of Political Economy*, 114(3):538-575
- Field, E. (2007). Entitled to work: Urban property rights and labor supply in Peru. *Quarterly Journal of Economics*, 122(4), 1561-1602.
- Behrman, J. R. (1999). Labor markets in developing countries. *Handbook of labor economics*, 3, 2859-2939.

Labor market policies

- * Abel, Martin, Rulof Burger, and Patrizio Piraino (2018?) “The Value of Reference Letters—Experimental Evidence from South Africa, working paper.

- * Macchiavello, R., Rabbani, A., & Woodruff, C. (2015). The market for training services: a demand experiment with Bangladeshi garment factories. *American Economic Review*, 105(5), 300-304.
- De Mel, S., McKenzie, D., & Woodruff, C. (2010). Wage subsidies for microenterprises. *American Economic Review*, 100(2), 614-18.
- De Mel, S., McKenzie, D., & Woodruff, C. (forthcoming). Labor Drops: Experimental Evidence on the Return to Additional Labor in Microenterprises. *American Economic Journal: Applied Economics*
- Groh, M., Krishnan, N., McKenzie, D., & Vishwanath, T. (2016). Do wage subsidies provide a stepping-stone to employment for recent college graduates? Evidence from a randomized experiment in Jordan. *Review of Economics and Statistics*, 98(3), 488-502.
- McKenzie, D. (2017). How effective are active labor market policies in developing countries? A critical review of recent evidence. *The World Bank Research Observer*, 32(2), 127-154.
- McKenzie, D., & Woodruff, C. (2013). What are we learning from business training and entrepreneurship evaluations around the developing world?. *The World Bank Research Observer*, 29(1), 48-82.

4.16 Firms and Micro-enterprise (Day 27, 28)

- * De Mel, S., McKenzie, D., & Woodruff, C. (2008). "Returns to capital in microenterprises: evidence from a field experiment." *Quarterly Journal of Economics*, 123(4), 1329-1372.
- De Mel, S., McKenzie, D., & Woodruff, C. (2012). "One-time transfers of cash or capital have long-lasting effects on microenterprises in Sri Lanka." *Science*, 335(6071), 962-966.
- Fafchamps, M., McKenzie, D., Quinn, S., & Woodruff, C. (2014). "Microenterprise growth and the flypaper effect: Evidence from a randomized experiment in Ghana." *Journal of development Economics*, 106, 211-226.
- * Atkin, D., Khandelwal, A. K., & Osman, A. (2017). Exporting and firm performance: Evidence from a randomized experiment. *The Quarterly Journal of Economics*, 132(2), 551-615.
- 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.
- Atkin, D., Chaudhry, A., Chaudry, S., Khandelwal, A. K., & Verhoogen, E. (2017). Organizational barriers to technology adoption: Evidence from soccer-ball producers in Pakistan. *The Quarterly Journal of Economics*, 132(3), 1101-1164.

4.17 Presentations of draft research proposals (Day 29, 30)