

**Economics 24**  
**Development Economics**  
**Syllabus – Winter 2008**

**Professor Eric Edmonds**

**Description**

A majority of the world's population lives on less than \$2/day. The goal of this course is to better understand the lives of the world's poor. What are their lives like? Why do they remain poor? Specifically, what price distortions and market failures hinder their quest to improve their well-being? Is there scope for policy to help the world's poor?

We do not answer these questions with anecdotes and abstract theory. Rather, we examine detailed survey data of the world's poor, and look at policies that have been attempted and evaluated scientifically. This requires a solid understanding of how to read and interpret statistics. Economics 10 or equivalent is a must, and economics 20 and 21 are recommended

**Location**

Classroom: 213 Silsby Hall.

- Section 11 – MWF 11:15 – 12:20, x-period: Tu 12:00 – 12:50

Office hours: 308 Rockefeller Hall

3-5 Monday and Wednesday (check the course calendar for deviations)

See blackboard for the course calendar

**Textbooks and Other Materials**

*Understanding Poverty*, A. Banerjee, R. Benabou, and D. Mookherjee, editors, Oxford University Press: March 2006. This is a non-technical description of research by economists on most of the topics covered in the class. Almost all of the book will be assigned.

Ray, Debraj. *Development Economics*. Princeton University Press, 1998 is the best undergraduate textbook in development. Most of the formal models that we do in class can be sourced to this textbook. We use the textbook in about half the classes.

Most other readings will be posted on blackboard; book chapters are on reserve. It is expected that required reading be completed *before* class. A number of useful readings for following lecture notes (not listed below) will be included on the course blackboard site.

**Grading**

Grading for the course is based on four problem sets (5 percent), one midterm (30 percent), a cumulative final (45 percent), six policy briefs (20 percent). There are no makeup exams or policy discussions. If you miss a policy brief class or an exam, your missing grade will be replaced by an average of your other grades, adjusted for why you missed the exam or quiz. Acceptable reasons include death (yours, others), critical illness validated with a note from the appropriate dean, or a College sponsored trip. Questions about grading of any assignment or exam must be addressed within two weeks of its return. Questions must be presented in writing, and the entire assignment or exam will be regraded.

### **Students with Disabilities**

Students with disabilities enrolled in this course and who may need disability-related classroom accommodations are encouraged to make an appointment to see me before the end of the second week of the term. All discussions will remain confidential, although the Student Accessibility Services office may be consulted to discuss appropriate implementation of any accommodation requested.

### **Course Outline**

All readings required except \* recommended. UP=Understanding Poverty. DE=Development Economics

Note: Lecture notes and readings will be made available on blackboard during the term. It is the students own responsibility to manage their printing of any of these documents within any budget for printing they may have. It typically does not make sense to print lecture notes or readings in their entirety.

See blackboard for suggested policy brief readings.

## **1. The big picture**

### *1.1 What is poverty?*

- Abhijit Banerjee and Ester Duflo, "The Economic Lives of the Poor," *Journal of Economic Perspectives*, Forthcoming in 2007.
- DE Ch. 2, 8.1-8.3
  - \*DE Appendix 2 (this statistics review is a must)
  - "Measuring Poverty" in *UP*

### *1.2 Growth and Development*

- " Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune" in *UP*
  - \*"Colonialism, Inequality, and Long-Run Paths of Development" in *UP*
  - \*DE Ch. 3 & 4.1-4.3

### *1.3 Policy brief: Will the Millennium Development Goals be met in Africa?*

## **2. Poverty and economic opportunities**

### *2.1 Labor markets*

- DE 13 (13.4 will be emphasized in section 3.1)
  - \*Benjamin, Dwayne. 1992. "Household Composition, Labor Markets, and Labor Demand: Testing for Separation in Agricultural Household Models." *Econometrica* 60(2), March, 287-322.

### *2.2 Migration*

- DE Ch. 10
  - \*Kaivan Munshi and Mark Rosenzweig, "Why is Mobility in India so Low? Social Insurance, Inequality, and Growth" *BREAD Working Paper* 97, July 2005.
  - \*Mark Rosenzweig, "Consequences of Migration for Developing Countries," *UN Expert Group Meeting on International Migration and Development*, 2005.

### *2.3 Policy brief: Can positions be reconciled in the globalization debate?*

#### 2.4 Credit and investment

- DE Ch 14
- "Credit, Intermediation, and Poverty Reduction" in *UP*
- Abhijit Banerjee and Esther Duflo, "What do Banks (not) do?", MIT Manuscript 2004.
  - \*Dean Karlan and Jonathan Zinman, "Expanding Credit Access: Using Randomized Supply Decisions to Estimate the Impacts," *Dartmouth Manuscript 2007*.
  - \*Dean Karlan and Jonathan Zinman, "Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment," Dartmouth Manuscript 2006.

#### 2.5 The microcredit promise

- Beatriz Armendariz and Jonathan Morduch, "Microfinance: Where do we stand?" in Charles Goodhart, editor, *Financial Development and Economic Growth: Explaining the Links*. Basingstoke, Hampshire, UK: Palgrave Macmillan, 2004.
  - \*Dean Karlan and Nathanael Goldberg, "The Impact of Microfinance: A Review of methodological Issues," *Yale Manuscript 2006*
  - \*Morduch, Jonathan (1999b), "The Microfinance Promise," *Journal of Economic Literature*, 37 (December), 1569-1614.

#### 2.6 Policy brief: Can Fair Trade help Development?

### 3. Health and Human Capital

#### 3.1 Health and Nutrition

- DE Ch. 8 (esp. 8.4), Ch 13.4
- Hartmann, Betsy and James Boyce (1983). *A Quiet Violence*. Zed Press: London, Ch. 12.
- David Cutler, Angus Deaton, and Adriana Lleras-Muney, "The Determinants of Mortality," *Journal of Economics Perspectives*, Summer 2006.

#### 3.2 HIV & the economics of risky behaviors

- Thomas Philipson and Richard Posner, "The Microeconomics of the AIDS Epidemic in Africa," *Population and Development Review* 21(4), December 1995, 835-848
- \*Kremer, Michael (1996) "Integrating behavioral choice into epidemiological models of the AIDS epidemic", *Quarterly Journal of Economics*, May: 549-573
- \*Pascaline Dupas, "Relative risks and the market for sex: Teenagers, Sugar Daddies, and HIV in Kenya," *Dartmouth College Manuscript*, October 2006.
- \*Esther Duflo, Pascaline Dupas, Michael Kremer, and Samuel Sinei, "Education and HIV/AIDS Prevention: Evidence from a randomized evaluation in Western Kenya," *World Bank Policy Research Working Paper #4024*, June 2006.

#### 3.3 Policy brief: Why is there so little research on diseases endemic in the tropics?

### 4. Education and Human Capital

#### 4.1 Fertility

- DE Ch 9
- "Fertility and Income" in *UP*
- "Fertility in Developing Countries" in *UP*

- \*Gary Becker and Gregg Lewis, "On the Interaction between the Quantity and Quality of Children," *Journal of Political Economy* 81(2), March-April 1973, S279-S288.

#### 4.2 Child Labor

- Edmonds, Eric and Nina Pavcnik (2005), "Child Labor in the Global Economy," *Journal of Economic Perspectives*, Winter 2005.
- "Policy Dilemmas for Controlling Child Labor" in *UP*

#### 4.3 Education

- "The Primacy of Education," in *UP*
- Theodore Schultz, "Capital Formation by Education," *Journal of Political Economy* 68(6), December 1960, 571-583.
  - \*Parish, William and Robert Willis (1993), "Daughters, Education, and Family Budgets: Taiwan Experiences" *Journal of Human Resources*, 28(4)

#### 4.4 Educational Interventions

- Pratham, "Fighting Poverty: What Works?" 2006
- Kremer, Michael, "Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons," *American Economic Review*, May 2004. – See also references therein as interested
  - \*Emmanuel Skoufias and Bonnie McClafferty, "Is PROGRESA Working? Summary of the Results of an Evaluation by IFPRI" *IFPRI FCND DP #118*, 2001.
  - \*Glewwe, Paul (2002), "Schooling and Skills in Developing Countries: Education Policies and Socioeconomic Outcomes," *Journal of Economic Literature* 40, June 2002, 436-482.
  - \*Abhijit Banerjee and Esther Duflo, "Addressing Absence", *Journal of Economic Perspectives* 20(1), May 2005, 117-132.

## 5. Poverty and Property

### 5.1 Land

- DE 11 & 12
- "The Role of Agriculture in Development" in *UP*

### 5.2 Land Reform

- . Banerjee, Abhijit (1999), "Land Reform: Prospects and Strategies," *MIT Mimeo*
- Christopher Woodruff, "Review of de Soto's *The Mystery of Capital*," *Journal of Economic Literature*, December 2001, 1215-1223.
  - \*Abhijit Banerjee, Paul Gertler, and Maitreesh Ghatak (2001), "Empowerment and Efficiency: Tenancy Reform in West Bengal," *Journal of Political Economy* 110(2), 2002.
  - \*Erica Field, "Entitled to Work: Informal Enterprise in Urban Peru," *Development Outreach*, March 2005.
  - \*Sebastian Galiani and Ernesto Schargrodsky, "Property Rights of the Poor: Effects of Land Titling," *Universidad Torcuato Di Tella Manuscript*, 2006.
  - \*Udry, Christopher (1996), "Gender, Agricultural Production, and the Theory of the Household," *Journal of Political Economy*, Vol. 104 (5), pp. 1010-1045.
  - \*Markus Goldstein and Christopher Udry (2005), "The Profits of Power: Land Rights and Agricultural Investment in Ghana," Yale Manuscript.

## 6. Poverty and Vulnerability

### 6.1 Insurance

- DE Ch 15
- Townsend, Robert (1995), "Consumption Insurance: An evaluation of risk bearing systems in low income countries," *Journal of Economic Perspectives* 9(3), 83-102.

### 6.2 Insurance Failures

- "Microinsurance: The Next Revolution?" in *UP*
- Morduch, Jonathan, "Between the State and the Market: can Informal Insurance Patch the Safety Net?" *World Bank Research Observer* 14(2), August 1999, 187-207.
  - \*Elizabeth Frankenberg, James Smith, and Duncan Thomas, "Economic Shocks, Wealth, and Welfare," *Journal of Human Resources* 38(2), 2003, 280-321.
  - \*Edward Miguel, "Poverty and Witchkilling," *Review of Economic Studies*, forthcoming.
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### 6.3 Policy Brief: What can be done to ameliorate the effects of global climate change for the poor?

## 7. Poverty and Political Economy

### 7.1 Public Goods

- DE - Appendix to Ch. 17
- "Public Goods and Economic Development," in *UP*
- "Ethnic Diversity and Poverty Reduction," in *UP*
  - \*Abhijit Banerjee and Rohini Somanathan, "The Political Economy of Public goods: Some evidence from India," *MIT Manuscript* 2006.
  - \*Prenab Bardhan, Jean-Marie Balan, Sanghamitra Das, Dilip Mookherjee, and Rinki Sarkar, "The Environmental Impact of Poverty: Evidence from Firewood Collection in Rural Nepal," *Boston University Institute for Economic Development Working Paper #126*, 2002.

### 7.2 Corruption

- "Corruption and Development" in *UP*
- Ben Olken, "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy* 115(2), 200-249, April 2007.
  - \*Abhijit Banerjee, "A Theory of Misgovernance," *Quarterly Journal of Economics* 112(4), 1997, 1289-1332.
  - \*Raymond Fisman and Edward Miguel, "Cultures of Corruption: Evidence from Diplomatic Parking Tickets," *BREAD Working Paper #122*, May 2006.
  - Fred Finan and Claudio Ferrez, "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes", Forthcoming, *Quarterly Journal of Economics*.
  - Fred Finan and Claudio Ferrez, "Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports, May 2007"

### 7.3 Policy brief: How can aid be made more effective?

See blackboard "syllabus" section for specific class dates.