

Syllabus

ECON 261: Contemporaneous Development Strategies

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General information

Time and location: TR 12:40-02:00 p.m. SPR 4128
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Course description

This is the last course covering the field of development economics. The focus of the course will be on “microeconomic” topics related to development economics and it will be a balance between theoretical issues and applied work.

Requirements and grading

Two referee reports (due April 28 and May 28)	15% each.
One presentation	30%.
One paper (due June 4)	40%.

The guidelines for the referee reports (including the list of papers to choose from) will be posted later on the course's website. This is a good time for graduate students to start using typesetting software instead of your regular word processing. A very popular Windows version of L^AT_EX is MiKTeX (<http://www.miktex.org/>). You will need an editor for that, where TextPad (<http://www.textpad.com/>) or WinEdt (<http://www.winedt.com/>) are good options. If you are rich you can use Scientific Word instead.

Textbooks

These textbooks are suggested. We will use some chapters from them but most of the readings will be from the papers listed in the course outline.

- Bardhan, P. and C. Udry (1999), *Development Microeconomics*, Oxford University Press, New York.
- Deaton, A. (1997) *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*, Johns Hopkins University Press, Baltimore, MD. [HB849.49 .D43 1997]
- Banerjee, A., R. Bènabou, and D. Mookherjee (2006) *Understanding Poverty*. Oxford University Press. [HC79.P6 U534 2006]

Course outline and readings

The [*] symbol indicates the required readings. All others are suggested but some of them will be covered in class.

I. Measurement issues: Poverty, inequality, vulnerability and mobility

Poverty

- [*] Deaton, A. (1997) Section 3.1.
- Foster, J. Greer, J. and Thorbecke, E. (1984), "A Class of Decomposable Poverty Measures," *Econometrica* 52(3), 761-766.

- Ravallion, M. (1992), “Poverty Comparisons: A Guide to Concepts and Methods,” LSMS Working Paper No. 88, The World Bank.

Inequality

- [*] Atkinson, A. B. (1970), “On the Measurement of Inequality,” *Journal of Economic Theory* 2, 244-63.
- Cowell, F.A. (2000) Chapter 2 Measurement of inequality in *Handbook of Income Distribution*, Vol. 1, pp. 87-166.
- [*] Esteban, J.M. and D. Ray (1994) “On the Measurement of Polarization,” *Econometrica* 62(4):819-851.
- Duclos, J-Y., J.M. Esteban and D. Ray (2004) “Polarization: Concepts, Measurement and Estimation,” *Econometrica* 72(6):1737-1772.

Vulnerability

- Ligon, E. and Schechter, L. (2003), “Measuring Vulnerability,” *Economic Journal* 113(486), 95-102.
- [*] Calvo, C. and Dercon, S. (2005), “Measuring Individual Vulnerability,” Oxford University, WPS No. 229.

Mobility

- [*] Fields, G. and E. Ok (1999) “The Measurement of Income Mobility: An Introduction to the Literature,” pp. 557-96 in *Handbook of Income Inequality Measurement*. Kluwer Academic.
- McKenzie, D. J. and F. Antman (2005) “Earnings Mobility and Measurement Error: A Pseudo-Panel Approach,” World Bank Policy Research Working Paper No. 3745

Multidimensional Framework (Invited Speaker: Prasanta Pattanaik)

- Dutta, I.; P. K. Pattanaik and Y. Xu (2003) “On Measuring Deprivation and the Standard of Living in a Multidimensional Framework on the Basis of Aggregate Data”, *Economica*, 70(278): 197-221.

- Pattanaik, P.K. and Y. Xu (2007) “Minimal relativism, dominance, and standard of living comparisons based on functionings”, *Oxford Economic Papers*, 59(2): 354-374.
- Pattanaik, P., S. Reddy and Y. Xu (2008) “On procedures for measuring deprivation and living standards of societies in a multi-attribute framework”, Mimeo.

II. Poverty dynamics

- [*] M. Carter and C. Barrett (2006) The Economics of Poverty Traps and Persistent Poverty: An asset-based approach,” *Journal of Development Studies*, 42(2):178 - 199.
- [*] Lybbert, T., C. Barrett, S. Desta and D.L. Coppock (2004). “Stochastic Wealth Dynamics and Risk Management among a Poor Population,” *Economic Journal* 114(498):750-777.
- Jalan, J. and M. Ravallion (2000) “Is transient poverty different? Evidence for rural China” *Journal of Development Studies* 36(6): 82-99.
- Baulch, B. and J. Hoddinott (2000) “Economic Mobility and Poverty Dynamics in Developing Countries,” *Journal of Development Studies* 36(6): 1-24.
- Buera, F. (2005). “Persistency of Poverty, Financial Frictions, and Entrepreneurship,” Unpublished paper, Northwestern University.
- Carter, R. and J. May (2001) “One Kind of Freedom: Poverty Dynamics in Post-apartheid South Africa” *World Development*, 29(12):1987-2006, December.

III. Credit markets

- [*] Ghosh, P.; D. Mookherjee and D. Ray (2000) “Credit Rationing in Developing Countries: An Overview of the Theory”, Chapter 11 in *Readings in the Theory of Economic Development*, edited by D. Mookherjee and D. Ray, London: Blackwell, pages 383–301.

- [*] Kochar, A. (1997). “An Empirical Investigation of Rationing Constraints in Rural Markets in India,” *Journal of Development Economics* 53(2): 339-372.
- Hoff, K. and J. E. Stiglitz (1993). “Imperfect Information and Rural Credit Markets: Puzzles and Policy Perspectives,” in Hoff, Braverman and Stiglitz (eds.) *The Economics of Rural Organization: Theory, Practice, and Policy* (Oxford University Press).
- Bannerjee, A. and E. Dufflo (2002). “Do Firms Want to Borrow More? Testing Credit Constraints using a Directed Credit Program,” MIT Working Paper.
- Burgess, R. and R. Pande (2005): “Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment”, *American Economic Review*, 95(3).
- Ginè, X., P. Jakiela, D. Karlan and J. Morduch (2006) “Microfinance Games,” unpublished manuscript.

IV. Risk Sharing and Informal Insurance

- Bardhan, P. and Udry, C. (1999) Chapter 8.
- [*] Townsend, R. (1994), “Risk and Insurance in Village India,” *Econometrica* 62(3), 539-591.
- [*] Ligon, E., Thomas, J. P. and 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. and Ravallion, M. (1993), “Reciprocity Without Commitment: Characterization and Performance of Informal Insurance Arrangements,” *Journal of Development Economics* 40(1), 1-24.
- Genicot, G. and Ray, D. (2003), “Group Formation in Risk-Sharing Arrangements,” *Review of Economic Studies* 70(1), 87-113.

- Mazzocco, M. and S. Saini (2006) “Testing Efficient Risk Sharing with Heterogeneous Risk Preferences: Semi-parametric Tests with an Application to Village Economies,” Unpublished Working Paper.

V. Intrahousehold allocations: Theory and applications

- [*] Browning, M. and P.A. Chiappori. 1998. “Efficient Intra-Household Allocations: a General Characterization and Empirical Tests,” *Econometrica*
- [*] Udry, C. and E. Duflo (2003) “Intrahousehold Resource Allocation in Côte d’Ivoire: Social Norms, Separate Accounts and Consumption Choices,” Unpublished Working Paper.
- Udry, C. (1996) “Gender, Agricultural Productivity and the Theory of the Household,” *Journal of Political Economy*, 104(5):1010-1046.
- Haddad, L. and R. Kanbur (1990) “How Serious is the Neglect of Intra-Household Inequality?” *Economic Journal* 100(402): 866-881.
- Rangel, M. and D. Thomas. 2006. “Out of West Africa: Evidence on the Efficient Allocation of Resources within Farm Households,” Unpublished Working Paper.
- Dubois, P. and E. Ligon. 2003. “Incentives and Nutrition for Rotten Kids: Intrahousehold Food Allocation in the Philippines,” Unpublished Working Paper.

VI. Social interactions

- [*] Durlauf, S. (2001). “On the Empirics of Social Capital,” *Economic Journal* 112(483):F437-F458.
- [*] Karlan, D. (2005). “Using Experimental Economics to Measure Social Capital and Predict Financial Decisions,” *American Economic Review*, 95(5):1688-1699.
- Carter, M. and M. Castillo (2006). “An Experimental Approach to Social Capital in South Africa,” Unpublished manuscript.

- Fafchamps, M. and B. Minten (2002). “Returns to Social Network Capital among Traders,” *Oxford Economics Papers*, 54(2): 173-206.
- Duflo, E., P. Dupas and M. Kremer (2008) “Peer Effects and the Impact of Tracking: Evidence from a Randomized Evaluation in Kenya”

VII. Early Life Investments

- [*] Cunha, F., J. J. Heckman, L. Lochner and D. V. Masterov (2006), “Interpreting the Evidence on Life Cycle Skill Formation”, In: E. Hanushek and F. Welch, Editor(s), *Handbook of the Economics of Education*, Elsevier, 1(chapter 12):697-812.
- [*] Maluccio, J., J. Hoddinott, J. Behrman, R. Martorell, A. Quisumbing and A. Stein (2008) The Impact of Improving Nutrition During Early Childhood on Education among Guatemalan Adults Mimeo.
- [*] Berlinski, S., S. Galiani and M. Manacorda (2008) “Giving children a better start: Preschool attendance and school-age profiles,” *Journal of Public Economics*, 92(5-6):1416-1440, June.
- [*] Nisbett, R. (2009) *Intelligence and How to Get It: Why Schools and Cultures Count*, chapter “Mind the Gap”. W.W. Norton & Co. 282p.
- Berlinski, S., S. Galiani and P. Gertler (2009) “The effect of pre-primary education on primary school performance,” *Journal of Public Economics*, 93(1-2):219-234, February.
- Currie, J. (2001) “Early Childhood Education Programs,” *Journal of Economic Perspectives*, 15(2):213-238, Spring.
- Dinkelman, T (2008) “The long-term effects of being born in a drought: Evidence from the Cape Area Panel Study 2002-2006” Mimeo.

VIII. Institutions: micro evidence

- [*] Besley, T. (1995), “Property Rights and Investment Incentives: Theory and Evidence from Ghana,” *Journal of Political Economy* 103(5), 903-937.

- [*] Fisman, R. and E. Miguel (2007), “Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets,” *Journal of Political Economy*, 115(6):1020-1048.
- [*] Kudamatsu, M. (2006), “Has Democratization Reduced Infant Mortality in sub-Saharan Africa? Evidence from Micro Data,” Mimeo.
- Besley, T. and Burgess, R. (2000), “Land Reform, Poverty Reduction, and Growth: Evidence from India,” *Quarterly Journal of Economics* 115(2), 389-430.
- Field, E. (2007), “Entitled to Work: Urban Property Rights and Labor Supply in Peru,” *Quarterly Journal of Economics*, 112(4):1561-1602.

IX. Corruption

- [*] Svensson, J. (2005) “Eight Questions about Corruption” *Journal of Economic Perspectives* 19(3): 19-42, Summer.
- [*] Fisman, R. (2001) “Estimating the value of political connections”, *American Economic Review* 91(4):1095-1102.
- [*] Mookherjee, D. and I. Png (1995) “Corruptible Law Enforcers: How Should They Be Compensated?” *Economic Journal*, 105(428):145-159, January.
- Olken, B. (2006) “Monitoring Corruption: Evidence from a Field Experiment in Indonesia”, Unpublished working paper.
- Mauro, P. (1995) “Corruption and Growth” *The Quarterly Journal of Economics*, 110(3), 681-712.
- Bardhan, P. (1997), Corruption and Development: A Review of Issues,” *Journal of Economic Literature* 35, 1320-1346.
- Bertrand, M., S. Djankov, R. Hanna, and S. Mullainathan (2007) “Obtaining a Driving License in India: An Experimental Approach to Studying Corruption” *Quarterly Journal of Economics* November 122(4):1639-1676.