

Development Economics

Module 1, 2020-2021

Michele Valsecchi
New Economics School
mvalsecchi@nes.ru

Anton Lyutin (Teaching Assistant)
New Economics School
alyutin@nes.ru

Course information

Course Website: see my.nes

Office Hours: TBA

Class Time: TBA

Room Number: TBA

TAs: TBA

Course description

How do the poor live? What constraints do they face? How do markets in low and middle-low income countries look like? What policies have been shown to be effective in getting people out of poverty and what other policies have failed?

This course presents (selected) topics in development economics.

In the first part of the course, we will analyze their choices regarding education, health, fertility and intra-household bargaining. Most of these choices depend at least partially on the state provision of public goods (social programs, schools/teachers, hospitals/nurses and doctors, basic infrastructures for electricity, among others), so we will also review whether/when civil servants are corrupt and whether/when they are inefficient.

In the second part of the course, we will analyze the choices of the poor regarding borrowing & saving. Most of these choices depend partially on the existence of markets, so we will focus on whether/when/why these markets may or may not exist, or may/may not function properly. Depending on time and interest, I will incorporate some recent insights from recent research in psychology and behavioral economics.

In the third part of the course, we will analyze some features of the broader socio-economic environment where the poor often live: ethnically cleavages and prevalence of cultural and religious traits that might or might not be an advantage. For each feature, we will review the evidence suggest whether/how they affect the lives of the poor. Depending on time, I will also review some recent evidence on foreign aid.

The aim of the course is to introduce the student to some key ideas in development. Together we will discuss whether/how such ideas were tested. For this reason, the course will be based on state-of-the-art research using micro-data and micro-econometric methods, including program evaluation and Randomized Control Trials (RCTs). The goal is to understand why some policy interventions succeed and why some others fail. Nearly all topics will be covered using empirical papers. Mandatory papers are listed in the section “course contents”. Additional papers are listed at the end of the document.

Course Structure

The course covers around 9 topics in 7 weeks, i.e., around 1-2 lectures per topics. Each topic will be covered using lecture notes, discussions in class, 1-2 mandatory articles specified here in the syllabus. Any additional article covered in class will not be mandatory reading and will be listed in a separate document that I will update regularly.

Knowledge of the basic material will be tested with three short tests in class. Each test lasts around 20 minutes and typically asks to summarize two mandatory papers. I will provide more detailed instructions in class. The timing of the tests will be announced during the first two weeks of the course.

Since one of the main aims of the course is to inspire students to develop their own research ideas, students are free to replace one of the tests in class with a research proposal (2-3 pages) to be completed at home (and sent by email to me before the test). Students with promising proposals can replace the final exam with a mini essay (max 10 pages) that they can present in front of their class mates. Proposals should be centered on a development economics topic and can be related, but cannot completely overlap, with their dissertation projects. Any overlap should be declared and discussed with me in advance to make sure it is not too substantial.

If the circumstances do not allow a standard offline course format, I will consider whether alternative course evaluations. These changes, if any, will be announced during the first two weeks of the course.

Course requirements, grading, and attendance policies

The successful student will have to demonstrate knowledge of state of the art on the research of development. The grade will be based as follows:

- 10% for participation in class;
- 27% for quizzes in class;
- 63% final test (or final essay).

All components of the final grade are non-blocking.

The timing of the class quizzes will be announced in advance.

Students are free to hand in the research proposal any time before one of the class quizzes.

Students whose research proposal turns out to be impractical or infeasible can replace the final project with a standard final test in class. The deadline for switching from the final project to the standard final test is 10 days before the last class (or the dates of the last quiz, if later).

In case of make-up, the student and the teacher agree on a reasonable time to implement the set of improvements to the research project (a rough benchmark could be 3 weeks), otherwise the student can switch to a standard test in class. In both cases, the final grade for the make-up cannot be higher than 7.

Course contents

The course material is composed of i) my lecture notes, ii) mandatory articles; iii) optional articles.

I selected 14 mandatory articles (i.e., one paper per lecture) to avoid excessive workload.

Optional articles will be listed in a separate document. Students do not need to read non-mandatory articles as long as they attend the lectures and listen actively to the discussion in class.

Topic 1: Corruption

Benjamin A. Olken, Patrick Barron. 2009. "The Simple Economics Of Extortion: Evidence From Trucking In Aceh," *Journal Of Political Economy*, 2009, Vol. 117, No. 3

Topic 2: Public Service Delivery and Education

Duflo. 2001. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment", *American Economic Review*

Duflo, Hanna and Ryan. 2012. "Incentives Work: Getting Teachers to Come to School", *American Economic Review*, 102(4): 1241-1278

Topic 3: Public Service Delivery and Health

Ashraf, Nava, James Berry and Jesse Shapiro. 2010. "Can Higher Prices Stimulate Product Use? Evidence from a Field Experiment in Zambia". *American Economic Review* 100 (December 2010): 2383-2413.

Barnebeck, Thomas Andersen, Carl-Johan Dalgaard, and Pablo Selaya. 2016. "Climate and the Emergence of Global Income Differences", *The Review of Economic Studies*: 1-30.

Topic 4: Public Service Delivery and Infrastructures

Lee, Miguel and Wolfram. Forthcoming. "Experimental Evidence on the Economics of Rural Electrification", *Journal of Political Economy*.

Topic 5: fertility, intra-household bargaining and gender

Ashraf, Nava, Erica Field, And Jean Lee. "Household Bargaining And Excess Fertility: An Experimental Study In Zambia." *American Economic Review* 104, No. 7 (July 2014).

Alberto Alesina, Paola Giuliano, Nathan Nunn. 2013. "On The Origins Of Gender Roles: Women And The Plough," *The Quarterly Journal Of Economics*, 128(2).

Topic 6: borrowing (i.e., access to credit) and saving

Gröger, A. and Y. Zylberberg. 2016. "Internal Labor Migration as a Shock Coping Strategy: Evidence from a Typhoon", *American Economic Journal: Applied Economics*

Attanasio, Orazio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons, and Heike Harmgart. 2015. "The Impacts of Microfinance: Evidence from Joint-Liability Lending in Mongolia." *American Economic Journal: Applied Economics*, 7 (1): 90-122.

Topic 7: Culture, Trust and Religion in the shadow of History

Yanagizawa, David and Filipe Campante. 2015. "Does Religion Affect Economic Growth and Happiness? Evidence from Ramadan", *Quarterly Journal of Economics*, 130(2)

Nunn, Nathan, and Leonard Wantchekon. 2011. "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review* 101 (7):3221-52. doi: 10.1257/aer.101.7.3221.

Topic 8: Ethnic cleavages

Hjort, J. 2014. "Ethnic Divisions and Production in Firms", *Quarterly Journal of Economics*

Extra topic: Foreign Aid

Andersen, Jurgen Juel, Niels Johannesen, and Bob Rijkers. 2020. «Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts», mimeo.

Description of course methodology

The course is based on lectures that involve active participation of students in discussion. Depending on the pace of the lectures and the interest of the students, the course will cover 1 or 2 of the extra topics listed.

Sample tasks for course evaluation

What do we know about the effect of schooling construction programs in developing countries? What can we learn from them? Discuss and compare Duflo (2001) and Martinez-Bravo (2017) for the case of Indonesia.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated. For all assignments, exams and attendance, the NES academic integrity policy applies. Students should consult the NES Student Handbook for further details.