

# Development Economics

## Module 4, 2018-2019

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## Course information

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**Course Website: TBA**

**Office Hours: TBA**

**Class Time: TBA**

**Room Number: TBA**

**TAs: TBA**

## Course description

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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. Crucially, we 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: post-conflict settings, ethnically cleavages and prevalence of cultural 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.

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 survey articles or empirical papers. The course topics and readings are listed below. The number of lectures assigned to each topic is approximate and may be

adjusted in the course of the semester.

## **Course requirements, grading, and attendance policies**

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The grade will be a combination of active class attendance, referee reports/problem sets, and the final essay. The weight in the final grade:

- referee reports and problem sets– 30%
- class participation – 5%
- Final exam– 65%

## **Course contents**

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### **Lecture 1: the economic lives of the poor**

\*Banerjee and Duflo. 2007. "The Economic Lives of the Poor", *Journal of Economic Literature*, 21(1): 147-167.

### **Lecture 2: Corruption**

\*Olken, B. A. and R. Pande (2012). "Corruption in Developing Countries." *Annual Review of Economics* 4(1): 479-509.

\*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

### **Lecture 3: Corruption or bureaucrats' effectiveness?**

\*Finan, Frederico and Olken, Benjamin A. and Pande, Rohini. 2015. "The Personnel Economics of the State", NBER Working Paper No. 21825.

Bandiera, Prat and Valletti. 2009. "Active and Passive Waste in Government Spending: Evidence from a Policy Experiment", *American Economic Review*, 99(4): 1278–1308

### **Lecture 4 & 5: 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*

Martinez-Bravo. 2017. "The Local Political Economy Effects of School Construction in Indonesia", *American Economic Journal: Applied Economics*, 9(2): 256–289

\*Tessa Bold, D. Filmer, G. Martin, E. Molina, B. Stacy, J. Svensson, W. Wane. 2017. "Enrollment Without Learning: Teacher Effort, Knowledge, and Skill in Primary Schools in Africa" *Journal of Economic Perspective*, 31(4).

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

\*Jensen, Robert. 2010. "The (perceived) returns to education and the demand for schooling", *Quarterly Journal of Economics*

\*Munshi and Rosenzweig. 2006. "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy", *American Economic Review*.

### **Lecture 5 & 6: Public Service Delivery and Health**

\*Dupas and Miguel. 2017. "Impacts and Determinants of Health Levels in Low-Income Countries", *Handbook of Economic Field Experiment*.

Alsan. 2015. "The Effect of the TseTse Fly on African Development", *American Economic Review*

Andersen, Dalgaard and Selaya. 2016. "Climate and the Emergence of Global Income Differences", *Review of Economic Studies*.

### **Lecture 7 & 8: Public Service Delivery and Infrastructures**

\*Duflo, Esther, and Rohini Pande. "Dams." *Quarterly Journal of Economics* 122.2 (May 2007): 601-646.

\*Donaldson. 2012. "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure", *American Economic Review* (forth.)

\*Dinkelman. 2011. "The Effects of Rural Electrification on Employment: New Evidence from South Africa", *American Economic Review*

Economic Review

\*Lee, Miguel and Wolfram. 2018. "Experimental Evidence on the Economics of Rural Electrification", mimeo.

**Lecture 8 & 9: borrowing (i.e., access to credit) and saving**

\*de Mel, Suresh, David McKenzie and Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment", *The Quarterly Journal of Economics*, 123(4): 1329–1372

\*Banerjee, A., D. Karlan and J. Zinman (2015). "Six Randomized Evaluations of Microcredit: Introduction and Further Steps." *American Economic Journal: Applied Economics* 7(1): 1-21.

Selected parts of Mullainathan and Shafir's book "Scarcity"

**Lecture 10: fertility, intra-household bargaining and gender**

\*Duflo, E. (2012). "Women Empowerment and Economic Development." *Journal of Economic Literature* 50(4): 1051-1079.

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

Ashraf, N. (2009). "Spousal Control and Intra-household Decision Making: An Experimental Study In The Philippines." *American Economic Review* 99(4): 1245-1277.

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).

**Lecture 11 & 12: 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)

\*Erik Meyerson. 2014. "Islamic Rule And The Empowerment Of The Poor And Pious," *Econometrica*, Vol. 82, No. 1 (January, 2014), 229–269

\*Nunn, Nathan and Leonard Wantchenkon. 2011. "The Slave Trade and the Origins of Mistrust in Africa", *American Economic Review*, 101(7).

Nunn. 2013. "Historical Development", Chapter prepared for the *Handbook of Economic Growth*

**Lecture 13: Conflict**

\*Blattman, C. and E. Miguel (2010). "Civil War." *Journal of Economic Literature* 48(1): 3-57.

\*Dube, Oeindrila and Juan Vargas. 2013. "Commodity Price Shocks and Civil Conflict: Evidence from Colombia", *Review of Economic Studies*, 2013, vol. 80, issue 4, 1384-1421

\*David Yanagizawa-Drott. 2015. "Propaganda And Conflict: Evidence From The Rwandan Genocide," *Quarterly Journal of Economics*

**Extra topic (1): Ethnic cleavages**

\*Alesina, A., and La Ferrara, E. 2005. "Ethnic Diversity and Economic Performance", *Journal of Economic Literature*

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

Alesina, A., S. Michalopoulos and E. Papaioannu. "Ethnic Inequality", *Journal of Political Economy*

De Luca, G., R. Hodler, P. Rashky, M. Valsecchi. 2018. "Ethnic Favoritism: An Axiom of Politics?", *Journal of Development Economics*

**Extra topic (2): Rural-urban migration, structural transformation and international migration**

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

\*Bustos, P, B. Caprettini and J. Ponticelli. 2016. "Agricultural Productivity and Structural Transformation: Evidence from Brazil", *American Economic Review*

\*Hanson, G. 2010. "International Migration and the Developing World", *Handbook of Development Economics*, Vol.5

**Extra topic (3): Foreign Aid**

\*Qian, Nancy. 2015. "Making Progress on Foreign Aid", *Annual Review of Economics*, 7:277-308.

\*Ilyana Kuziemko and Eric Werker. 2006. How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations,” *Journal of Political Economy*, 114(5): 905-930.

Clemens, Radelet, Bhavnani, Bazzi. 2011. “Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth”, *The Economic Journal*, 122.

### **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**

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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.

### **Course materials**

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The main readings for the course are comprised of the assigned papers. Starred papers should be read before class. The remaining papers serve as a reference list and should be read if you are interested in a particular topic. There is no textbook for this course.

### **Academic integrity policy**

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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.