

Development Economics

Module 3, 2019-2020

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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: 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. I will select 1-2 of these topics depending on student preferences.

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 classmates. 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.

Students who choose to write a mini essay can present it in front of their classmates. Students who choose the regular “final test” track can also present, if they want, a paper agreed with me in front of their classmates. In both cases, presentations are encouraged, but are not mandatory, and make students eligible for up to 10 percent presentation bonus.

Course requirements, grading, and attendance policies

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

- class participation: 10%
- problem sets: 27%
- Final exam: 63%
- Bonus presentation: 10%

Course contents

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: Corruption or bureaucrats’ effectiveness?

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

Topic 3: 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*

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

Topic 4: Public Service Delivery and Health

(Lecture notes and discussion in class)

Topic 5: Public Service Delivery and Infrastructures

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

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

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

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.

(plus selected parts of Mullainathan and Shafir's book "Scarcity" for behavioral and experimental insights)

Topic 7: 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 8: 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 Meyersson. 2014. "Islamic Rule And The Empowerment Of The Poor And Pious," *Econometrica*, Vol. 82, No. 1 (January, 2014), 229–269

Topic 9: Conflict

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

Extra topic (1): Ethnic cleavages

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*

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*

Extra topic (3): Foreign Aid

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.

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.

Course materials

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

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.

Further reading (including surveys of most topics covered in class)

- Banerjee and Duflo. 2007. "The Economic Lives of the Poor", *Journal of Economic Literature*, 21(1): 147-167.
- Olken, B. A. and R. Pande (2012). "*Corruption in Developing Countries.*" *Annual Review of Economics* 4(1): 479-509.
- Finan, Frederico and Olken, Benjamin A. and Pande, Rohini. 2015. "The Personnel Economics of the State", NBER Working Paper No. 21825.
- Martinez-Bravo. 2017. "The Local Political Economy Effects of School Construction in Indonesia", *American Economic Journal: Applied Economics*, 9(2): 256–289
- 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*.
- 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*.
- 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*
- Duflo, E. (2012). "Women Empowerment and Economic Development." *Journal of Economic Literature* 50(4): 1051-1079.
- Ashraf, N. (2009). "Spousal Control and Intra-household Decision Making: An Experimental Study In The Philippines." *American Economic Review* 99(4): 1245-1277.
- 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
- David Yanagizawa-Drott. 2015. Propaganda And Conflict: Evidence From The Rwandan Genocide," *Quarterly Journal of Economics*
- Nunn. 2013. "Historical Development", Chapter prepared for the *Handbook of Economic Growth*
- Qian, Nancy. 2015. "Making Progress on Foreign Aid", *Annual Review of Economics*, 7:277-308.
- Alesina, A., and La Ferrara, E. 2005. "Ethnic Diversity and Economic Performance", *Journal of Economic Literature*
- Blattman, C. and E. Miguel (2010). "Civil War." *Journal of Economic Literature* 48(1): 3-57.
- De Luca, G., R. Hodler, P. Rashky, M. Valsecchi. 2018. "Ethnic Favoritism: An Axiom of Politics?", *Journal of Development Economics*
- Hanson, G. 2010. "International Migration and the Developing World", *Handbook of Development Economics*, Vol.5
- Clemens, Radelet, Bhavnani, Bazzi. 2011. "Counting Chickens When They Hatch: Timing and the Effects of Aid on Growth", *The Economic Journal*, 122.
- Nunn, Nathan and Leonard Wantchenkon. 2011. "The Slave Trade and the Origins of Mistrust in Africa", *American Economic Review*, 101(7).