Foundations of Development Economics
AAE 642

Professor Jennifer Alix-Garcia

Spring 2017

1 Preliminaries

Course schedule:	MW 9:30-10:45
Office:	417 Taylor Hall
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Office Hours:	by appointment
Course Materials:	readings available on Canvas

2 Course description

This course provides an overview of development economics. The topics covered include economic growth, trade, measurement of poverty and inequality, human capital (impacts of and policies to encourage accumulation), agricultural household models, technology adoption, migration, credit, savings, insurance, infrastructure, and the environment. We will cover both basic theory and empirical applications.

Prerequisites: AAE 635 and 636 or equivalent.

3 Learning objectives

Students should leave this course with the following set of knowledge:

- An overview of development economic theory, including basic closed and open economy macroeconomic models as well as,

- the microeconomic relationships underlying them, including individual and household choice to invest in human capital, agricultural household models, models of credit and insurance markets in developing countries, and a basic understanding of technology adoption decisions.
- The ability to calculate measures of poverty and inequality using household data.
- An overview of the empirical approaches used to analyze problems in development, including the use of observational data, both cross-sectional and panel, natural experiments, and intentional experiments.
- An understanding of the sources of market failures that cause households to become or remain poor and
- policies that have been effective in addressing these issues.

4 Course requirements

4.1 Participation

This is a graduate course. You are expected to come prepared to discuss and analyze the readings.

4.2 Homework assignments

Homework assignments will combine theory and data analysis. You will need to use Stata or some similar statistical package. The computers in the department's computer lab have Stata, and if you do not have an account for those computers please let me know and I will help you get one. Thanks to Laura Schechter, there is a handout available on the class website giving you some introductory information on how to get started in Stata. If you have more questions after looking at that please feel free to contact me. One advantage of using Stata is that I should be able to respond to your programming-related questions; this may not be true with other packages.

4.3 Research proposal

Part of the requirements of this class is to submit and present a short research proposal. The research proposal should be 8-10, double-spaced. It should briefly (3-4 pages) survey an existing literature in development economics, and then describe a planned research project. You do not need

to carry out the project, but you should present a clear research question, describe why the question is interesting, propose a framework for understanding the question, and, if your project is empirical in nature, describe how you would estimate the effect of interest, including a description of what kind of data you might need. You will present your proposal to the class during a 10 minute presentation at the end of the semester. All students must meet with me outside of class to discuss their topic. A rough draft of the proposal will be due approximately halfway through the semester (March 15). This can be in outline form if you wish, and should contain at least 10 possible sources for your study. This sources should come from the following sources, or journals of similar rank: *American Economic Review, Journal of Political Economy, Quarterly Journal of Economics,* any journals in the *American Economic Journal* family, *American Journal of Agricultural Economics, Journal of Development Economics, Environment and Development Economics, Journal of the Association of Environmental and Resource Economists, Journal of Environmental Economics and Management, Journal of Human Resources, Review of Economics and Statistics, the Economic Journal, Journal of the European Economic Association, World Bank Economic Review* and *Environment and Resource Economics*.

4.4 Grading

Assignment due dates and point distributions are given below. If you choose not to turn in an assignment on time, you will lose 20% of the total points that you earn on the assignment for each day that it is late.

Assignment	Points	Due date
Homework 1	15	Feb 8
Homework 2	15	Mar 1
Homework 3	15	Apr 3
Homework 4	15	Apr 19
Final exam	20	May 10 (time TBA)
Research proposal	20	end of exam period

Grades will be awarded according to the following scale:

>= 93%	: A
< 93 & >=88 %	: AB
<88 & >=83 %	: B
<83 & >=78%	: BC
< 78 & >= 70	: C
< 70 & >= 60	: D
< 59	: F

5 Class schedule and readings

This schedule is subject to change at any point within the semester.

1. Growth in a closed economy **[NOTE THAT THERE IS NO CLASS JAN 23]**

   - **[Jan 18]** (Optional) Sala i Martin, Xavier. "The World Distribution of Income: Falling Poverty and Convergence, Period" *Quarterly Journal of Economics* 121, no 2: 351-397 (2006)
   - **[Jan 25]** Romer Ch. 1
   - **[Jan 30]** Mankiw, Gregory, David Romer, and David Weil. "A Contribution to the Empirics of Economic Growth" *The Quarterly Journal of Economics* 107(2): 407-437 (1992)

2. Global interdependence and growth

   - **[Feb 1]** Helpman (2004) "Interdependence"
   - **[Feb 1]** Estevadeoral and Taylor "Is the Washington Consensus Dead? Growth, Openness, and the Great Liberalization, 19702s-2000s" *NBER Working Paper 14264* (2008)

3. History and institutions

   - **[Feb 6]** Nunn, Nathan "The Importance of History for Economic Development" *Annual Review of Economics* 1: 65-92 (2009)
   - **[Feb 6]** Acemoglu, Daron, Simon Johnson, and James A Robinson "The Colonial Origins of Comparative Development: An Empirical Investigation" *American Economic Review* 91(5): 1369-1401 (2001)

   HW 1 due Feb 8

4. Poverty – microstyle measurement

   - **[Feb 8]** (up through page 66) Ravallion, Martin "Poverty Comparisons: A Guide to Concepts and Methods" *LSMS Working Paper No. 88* The World Bank (1992)
   - **[Feb 13]** Banerjee, Abhijit, and Esther Duflo. "Economic Lives of the Poor" *Journal of Economic Perspectives* 21(1): 141-167 (2006)

5. Economic inequality – links to development and measurement

   - **[Feb 15]** Sen "From Income Inequality to Economic Inequality" *Southern Economic Journal* 64 (2): 384-401 (1997)
   - **[Feb 20]** Atkinson "On the Measurement of Inequality" *Journal of Economic Theory* 2: 244-63 (1970)

6. Human capital: nutrition

   - **[Feb 24]** Acemoglu, Daron and Simon Johnson "Disease and Development: The Effect of Life Expectancy on Economic Growth" *Journal of Political Economy* 115(6): 925-985 (2007)
   - **[Feb 26]** Dupas, Pascaline "Health behavior in developing countries" *Annual Review of Economics* 3: 425-449 (2011)

   HW 2 due Mar 1

7. Human capital: education

   - **[Mar 1]** Krueger, Alan and Mikael Lindahl "Education for Growth: Why and For Whom?" *Journal of Economic Literature* 39(4): 1101-1136 (2001)
   - **[Mar 6]** Duflo, Esther "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment" *American Economic Review* 91(4): 795-813 (2001)

8. Policies to increase human capital and RCTs

   - **[Mar 8]** Kremer and Holla "Improving Education in the Developing World: What Have We Learned from Randomized Evaluations?" *Annual Review of Economics* (2009)

- **[Mar 8]** Baird, McIntosh, and Ozler "Cash or Condition: Evidence from a cash transfer experiment" *Quarterly Journal of Economics*, 126 (4) (2011)
- **[Mar 8]** Bloom "The Core Analytics of Randomized Experiments for Social Research" *MDRC Working Papers on Research Methodology* (2005)

9. Labor: household models

   - **[Mar 13, 15]** Bardhan and Udry, chapter 2
   - **[Mar 15]** de Janvry, Fafchamps, Sadoulet "Peasant Household Behavior with Missing Markets: some paradoxes explained" *Economic Journal* 101 (409) (1991)
   - Optional text: Singh, Squire and Strauss World Bank Handbook

   Rough draft proposal due March 15

10. Land

    - **[Mar 27]** Bardhan and Udry, ch. 6
    - **[Mar 29]** de Janvry, Gonzalez-Navarro, Sadoulet "Are land reforms granting complete property rights politically risky? Electoral outcomes of Mexico's certification program" *Journal of Development Economics* 110 (2014)

    HW 3 due Apr 3

11. Migration

    - **[Apr 3]** Bardhan and Udry, chapter 5
    - **[Apr 5]** Munshi, Kaivan "Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market." *Quarterly Journal of Economics* 118(2): 549-599 (2003)
    - **[Apr 5]** Theoharides "Banned from the Band: The Effect of Migration Barriers on Origin-Country Labor Market Decisions" *Mimeo, Amherst College* (2016)

12. Technology adoption

    - **[Apr 10]** Bardhan and Udry, chapter 12

- **[Apr 10]** (optional) Foster, Andrew and Mark Rosenzweig "Learning by Doing and Learning from Others: Human Capital and Technical Change in Agriculture" *Journal of Political Economy* 103(6): 1176-1209 (1995)

13. Rural financial markets

    - **[Apr 14]** Conning and Udry "Rural Financial Markets in Developing Countries" *Handbook of Agricultural Economics* (2007)
    - **[Apr 17]** Aleem, Irfan "Imperfect Information, Screening and the Costs of Informal Lending: A Study of a Rural Credit Market in Pakistan" *World Bank Economic Review* 3: 329-349 (1990)
    - **[Apr 17]** Ashraf, Nava, Dean Karlan, and Wesley Yin. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines" *Quarterly Journal of Economics* 121(2): 635-672 (2006)
    - **[Apr 19]** Jensen, Robert "Agricultural Volatility and Investments in Children" *American Economic Review* (2000)
    - **[Apr 19]** Karlan, Osei, Osei-Akoto, and Udry. "Agricultural Decisions after Relaxing Credit and Risk Constraints," *Quarterly Journal of Economics*, Vol. 129, No. 2, pages 697-652 (2014)

    HW 4 due April 24

14. Environment

    - **[Apr 24]** Hanna and Oliva "The effect of pollution on labor supply: Evidence from a natural experiment in Mexico City" *Journal of Public Economics* Volume 122, pages 6879 (2015)
    - **[Apr 24]** Alix-Garcia, Jennifer, Craig McIntosh, Katharine Sims, and Jarrod Welch "The Ecological Footprint of Poverty Alleviation: Evidence from Mexico's Oportunidades Program" *Review of Economics and Statistics*, (2013)

15. **[Apr 26, May 1,3]** Review and proposal presentations

    Final Exam, May 10