ECON 616: Economic Development

Fall 2016

Monday/Wednesday, 11:00-12:15, Tydings 2111

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Office hours: Wednesdays, 4:00 to 5:30 PM
(sign up by e-mail)

Description

Survey of a variety of models explaining how market failures may lead to poverty and underdevelopment, with an emphasis on the empirical evaluation of constraints faced by individuals in developing countries and the programs that attempt to alleviate those constraints. Topics include: agricultural and land markets, labor markets, human capital in developing countries, credit markets, and consumption smoothing and risk coping.

Course Objectives

At the end of this course, students should be familiar with the canonical papers in applied micro-economic development, and with more recent empirical work. Students will develop skills as critical readers; learn to assess the rigor of common empirical approaches in development economics; and learn to build upon past theoretical and empirical research to develop new questions of academic and policy relevance. Each student will develop a proposal for a substantial independent research project, suitable for a field and third year paper and as a chapter of the dissertation. Additionally, students will gain experience in key professional activities of academic economists, including writing referee reports and giving short presentations.

Requirements

In addition to the requirements listed below, reading the required papers (indicated with a * on the reading list below) is essential. You will be expected to discuss and answer questions about the required readings in class.

1) 15% One referee reports (due dates corresponding to topics in syllabus). Students will sign up to write a referee report for two of the working papers included on the syllabus and indicated by a ^. The written referee reports
will be due on the day the topic is covered in class, and accompanied by a 30-minute in-class presentation that summarizes and critiques the paper.

2) **35% Replicate and extend assignment** (due Monday Dec. 12; see handout)

3) **15%**: Three two-page research ideas, including the following sections (due Oct. 24, Nov. 4, and Nov. 21)
   
i. Statement of the research question.
   ii. Motivation/importance of the problem (4-5 sentences).
   iii. **Brief** summary of the related literature (1 paragraph).
   iv. Proposed data and/or setting for the research. What variables will you need in your analysis? How can you obtain the needed data?
   v. Empirical strategy (identification strategy and proposed estimating equations). Include a discussion of the required sample size.
   vi. Key outcomes (include “mock-ups” of key tables) and expected results.

These research ideas must be for feasible projects you could carry out as part of your dissertation. No more than one idea may be for an RCT, and if you propose an RCT, you must include a budget and proposed timeline for implementation.

4) **15% Midterm exam** (Wednesday Oct. 19, in class).

5) **20% Final exam** (Wednesday Dec. 9, in class).

You are strongly encouraged to attend the Labor, Public Finance, and Development seminar, which meets from 3:30 PM to 5:00 PM on Thursdays. You may also be interested in the Trade, Institutions, and Politics seminar, which meets from 3:30 PM to 5:00 PM on Mondays.

**Reading List**

Readings marked with an asterisk (*) are required and will be discussed in class; readings with double asterisks (**) are recommended. Other readings are provided as references for students especially interested in each topic. Working papers marked with a caret (^) are examples of the most recent developments in the literature. One of the course requirements is to write a referee report for a working paper included in this reading list.

**This reading list is long, but does not include every important topic in development economics.** In particular, macro development topics including poverty and inequality measurement and economic growth get less attention than they deserve. The course will not cover political economy or public infrastructure. I have entirely omitted readings on the relationship between institutions and economic development, which are covered in Economics 615.
I strongly encourage you to build up your own file of notes as you read papers for this and other field classes. One option is to write brief summaries of papers after you read them. Another is to keep spreadsheet that records bibliographical information as well as the main research question, the identification strategy, the conclusion, and your brief comments on the paper. These files will be useful as you prepare for exams in this class, for finding related literature as you are writing papers, and in ensuring you are prepared to discuss the classic and recent literature in the field as you go on the job market. You may find it useful to use a PDF management program such as Papers (for Macs) to organize files, search abstracts, and create LaTeX-friendly bibliographies.

I recommend chapters of Angrist and Pischke’s excellent Mostly Harmless Econometrics to accompany some of the assigned readings. These readings will complement the substantive journal articles with a discussion of the econometric methods used in development and other applied micro fields. I strongly encourage you to read these chapters to build your knowledge of how to read and write empirical papers; they should be considered required for any student not enrolled in Econ 626 this semester.

In addition to the articles below, excellent general references and textbooks include:


1. Poverty and inequality measurement (1 lecture – August 29)

Poverty


**Inequality**


2. Economic growth (1 lecture – August 31)
Angrist and Pischke, chapter 2

**Trends in growth**


**Empirical growth**


3. **Agriculture and land markets (4 lectures)**

Property rights and land tenure – September 7
Angrist and Pischke, chapter 3


Tenancy – September 12


Importance of Imperfect Information,” in J. Roumasset et al., eds., Risk, Uncertainty, and Agricultural Development.


Farm size and productivity – September 14


Technological adoption – September 19


4. Labor markets (5 lectures)

Agricultural HH separability – September 21


Maximization in African Agriculture.” Mimeo, Northwestern University.

**Agricultural labor markets – September 26**

501-514.

Binswanger, Hans and Mark Rosenzweig (1984). “Contractual Arrangements, 
Binswanger and Mark Rosenzweig, eds., *Econometric Models of Labor Supply 


Foster, Andrew and Mark Rosenzweig (1994). “A Test for Moral Hazard in the 

**Foster, Andrew and Mark Rosenzweig (1996). “Comparative Advantage, 
Information, and the Allocation of Workers to Tasks: Evidence from an 
347-374.

Foster, Andrew and Mark Rosenzweig (2010). ”Is There Surplus Labor in Rural 
India?” Working Papers 85, Yale University, Department of Economics.

**Labor Supply – September 28**

Angrist and Pischke, chapter 4

Labour.” *The Manchester School of Economic and Social Studies*, Vol. XXII, No. 
2, pages 139-191.

5, pages 847-861.


Econometric Analysis of Market Family Labor Supply in a Developing 

Work Responses to Idiosyncratic Agricultural Shocks in Rural India,” *The 

Earnings of Farm-Based Husbands and Wives in Northern Ghana,” *American 


**Labor Market Networks – October 5**


Bryan, Gharad Dean Karlan, and Jonathan Zinman (2010). “Making the Most of the Friends you Have: Referrals and Enforcement in a Referrals Field Experiment,” Mimeo, Yale University.


**Migration – October 10**


Chiquiar, Daniel and Gordon Hanson (2005). “International Migration, Self-


5. **Household bargaining (1 lecture – October 17)**


**MIDTERM EXAM – October 19**

6. Human capital (3 lectures)

Education – October 24
Angrist and Pischke, chapter 5


*Evans, David K. and Anna Popova (2015).** “What Really Works to Improve

**Nutrition – October 26**
Angrist and Pischke, chapter 7


**Health – October 31 and November 2**
Angrist and Pischke, chapter 8

Bobonis, Gustavo, Edward Miguel and Charu Puri Sharma (2006). “Anemia and


7. Social Protection (2 lectures)

**Unconditional and conditional cash transfers – November 7**


*Baird, Sarah, and Craig McIntosh and Berk Ozler (2011). "Cash or Condition?


**Public works programs – November 9**


**8. Consumption smoothing and risk coping (3 lectures)**

**Income and Consumption Smoothing – November 14**


**Informal insurance and risk sharing – November 16**


**Insurance Markets – November 21**


9. **Credit markets and financial inclusion (4 lectures)**

**Microcredit – November 28**


**Returns to capital – November 30**


Savings – December 5


Time inconsistency and commitment savings – December 7


Final Exam – December 9