ECON 616: Economic Development

Fall 2017

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 complete a replication and extension of an empirical paper in order to strengthen and apply econometric skills to data from developing countries, develop and evaluate identification strategies, and learn to build on the existing academic literature. 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 report. Due dates and papers will be assigned during the first week of class.
2) 45% Replicate and extend assignment (due Monday Dec. 11; see handout).
3) **40%** Final exam (Friday December 15; see study guide).

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 28)

Poverty


Inequality


2. Economic growth (1 lecture – August 30)
Angrist and Pischke, chapter 2

Trends in growth


Empirical growth


3. Agriculture and land markets (4 lectures)

Property rights and land tenure – September 6
Angrist and Pischke, chapter 3


**Tenancy – September 6 at 3:30 pm (make-up)**


Farm size and productivity – September 18


Technological adoption – September 18 at 3:30 (make-up)


4. Labor markets (5 lectures)

Agricultural HH separability – September 20


Agricultural labor markets – September 25

*Deadline for approval of replication topics and extension plans*


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

Labor Supply – September 27
Angrist and Pischke, chapter 4


Labor Market Networks – October 2


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 4


5. Household bargaining (1 lecture – October 9)


6. Human capital (3 lectures)

**Education – October 16**

**Angrist and Pischke, chapter 5**


**Nutrition – October 18**

Angrist and Pischke, chapter 7


**Health – October 22 and October 25**

Angrist and Pischke, chapter 8

7. Social Protection (2 lectures)

Unconditional and conditional cash transfers – October 30
Submit replication of main results and bullet points explaining any differences from the original paper


Martinelli, Cesar and Susan Parker (2003). “Should Transfers to Poor Families be Conditional on School


Public works programs – November 1


*Beegle, Kathleen, Emanuela Galasso, and Jessica Goldberg (2017). “Direct and

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

**Income and Consumption Smoothing – November 3 at 11:00 am (make-up)**


**Informal insurance and risk sharing – November 10 at 11:00 am (make-up)**


**Replication and Extension presentations – November 13 and 15**

**Insurance Markets – November 27**


**9. Credit markets and financial inclusion (4 lectures)**
Microcredit – November 29


Returns to capital – December 4


Testing Credit Constraints Using a Directed Lending Program,” Mimeo, MIT.

Savings – December 6


Time inconsistency and commitment savings – December 11

Replication and extension project due


**Final Exam – December 15**