

**Econ 3473: Economic Development: Microeconomic Issues**

**Meeting:** Meets on, Tu–Th. at 11:00–12:15 p.m., in Oak Hall, Room No 112.

**Professor:** Nishith Prakash. Office hours: Tuesday 3:30 p.m. – 4:30 p.m.; Oak Hall (East SSHB), Room 331; telephone 860–486–8958; email: nishith.prakash@uconn.edu.

**Teaching Assistant:** Huanan Xu. Oak Hall (East SSHB), Room 336A; email: huanan.xu@uconn.edu.

**Appointments:** Meetings at any other time must be arranged in advance via e-mail or phone. I will make every attempt to respond to class-related emails within 24 hours. This policy does not apply to weekend days, so do not expect responses to emails during the weekend. I will also not respond to emails asking questions that are clearly answered on the syllabus or via prior emails: e.g. “when is the problem set due?”

**Course Requirements:** The final grades will be based on the following weighted combination:

- 4–6 Problem Sets (10%): Grade based on effort
- Mid Term Exam 1 (20%): March 14, Thursday in class
- Mid Term Exam 2 (20%): April 18, Thursday in class
- Group Presentations (10%): Last two weeks of classes
- Cumulative Final Exam (40%): Finals week
- *Grading Scale:* A: 90–100; B: 80–89; C: 70–79; D: 60–69; F: 0–59
- ***Extra Credit Policy:* There is no extra credit for this course. Please do not ask.**

**Class Rules:** I will not allow the following:

- Use of cell phone in class (calling and texting) unless there is an emergency
- Use of laptop for surfing internet, facebook etc.
- Chatting with your classmates
- Being disrespectful towards the instructor or your fellow classmates

Anyone who crosses the line will be asked to leave the classroom immediately.

**Overview and Philosophy:** Dear Students, welcome to the course. In the next several weeks, we will address seven to eight topics within the field of Economic Development.

Each lecture is based on a set of readings (book chapters and journal articles) and is intended to give you an overview of the topic and acquaint you with current research in the particular area. Also we will discuss particular articles that will help you explore the topic in greater detail. It is crucial that you read the prescribed chapter and articles carefully and come prepared for the class.

Below I recommend the recommended text books and provide the details of each topic we will cover. I look forward to seeing you in the lecture.

Course Materials and Coverage: Economic Development has been one of the most lively and thought provoking areas in the Economics. Over the past decade, the field of Economic Development has used advances in econometric methods and economic theory to reformulate some age old questions, which has made it an extremely lively and stimulating area of research.

This course will acquaint you with new ideas and new ways of answering age old questions about economic development. These are the very ideas that have enriched our understanding of the processes that ultimately engender economic development. The course has a broad reach and is relevant as an introduction to the subject for continuing students as well as to people who work in the worlds of policy and business. We will examine detailed survey data of the world's poor, and look at policies that have been attempted and evaluated scientifically. This requires a solid understanding of how to read and interpret statistics. It is designed to equip you with the theoretical and applied tools that would allow you to analyze the problems faced by the developing communities and countries in a systematic and analytical way.

Given the breadth of the topics covered, many students will find this to be a challenging course. The professor will do his utmost to help students master the material, but students will be expected to contribute their best, sustained, and consistent effort in attending classes, studying notes, reading the text, journal articles, solving problems, and consulting with the professor in office hours.

**Text Books:**

- Understanding Poverty (UP), A. Banerjee, R. Benabou, and D. Mookherjee, editors, Oxford University Press: March 2006. This is a non-technical description of research by economists on most of the topics
- Economic Development (ED) by Todaro and Smith (10th Ed, Addison Wesley Publishers)
- Poor Economics (PE) by Abhijit Banerjee and Esther Duflo (you can buy this on amazon.com for under \$30)

Journal articles and handouts will be posted on Husky CT.

**Course Requirements: PLEASE READ THIS CAREFULLY**

- *Participation and attendance:* Students are expected to attend all classes. Students are expected to be prepared by looking at the assigned readings and completing the problem sets in advance of the relevant class and to participate in discussions. I usually ask questions in the class randomly to encourage class participation and discussions.
- *Problem sets:* Problem sets will be assigned. Student solutions will be collected but NOT graded. Instead, I will distribute detailed answers to the problem sets and assign points for your effort and submission. You may work on these alone or in study groups. While I don't mind people working in groups on these problems, I strongly encourage you to not simply copy solutions from another student. Your performance on the exams will directly reflect the work you put in each week. The problem sets will assist in honing your problem solving skills and will reflect the kinds of questions on the exams. I usually post the solution on the same day, so I cannot give you partial credit if you are late. The solution to the problem sets should be typed and printed (no handwritten problem set will be accepted), and you can either hand it to me in class or leave it in my mail box or put it under my office door (make sure its my office). I do not accept late problem sets and problem sets sent over email, so do not even try.
- *Group Presentations:* Groups of 4-5 will do a class presentation (15 mins) during the last two week of the class. You will propose a randomized experiment on any interesting & unanswered question in development economics. You will be graded based on whether your proposal is actually feasible in addition to being interesting (but weighted towards interesting). During the presentation, I will be asking you questions and you are required to respond to my questions. **You will be graded on the following categories (2.5 points each): Research question and motivation, experiment design, policy recommendations, and how you answer my questions during the presentations.** Schedule for the in class presentation will be announced during the semester. By end of March, you need to give me the names of your group members.

- *Exams:* There will be two midterm exams, and a final exam. The first midterm exam will be on **March 14, Thursday** (during the regular class hours). The second midterm exam will be on **April 18, Thursday** (during the regular class hours). The final exam is comprehensive and will be scheduled during the final week.
- *Make-Up Policy:* There are NO makeup exams. If you miss an exam, your missing grade will be replaced by an average of your other grades, adjusted for why you missed the exam. Acceptable reasons include death (yours, others), critical illness validated with a note from the appropriate dean, or a College sponsored trip. Questions about grading of any exam must be addressed within two weeks of its return. Questions must be presented in writing, and the entire assignment or exam will be re-graded.
- *Legible Handwriting:* All of the exams for this course will require you to present your answers in written form. If I am not able to clearly discern what is written then you will receive no credit for the particular section(s) that are illegible. For this reason, I strongly recommend that you use print handwriting rather than cursive handwriting.

**Academic Integrity** Students are expected to abide by the honor code. The following are details on academic integrity as it relates to this class. Exams will be closed-book; collaboration on examinations is prohibited. Students may obtain help from others on problem sets and are indeed encouraged to work together on them in study groups.

**Husky CT** Handouts, lecture notes and problem sets will be made available on Husky CT. All the articles can be downloaded from google.com or JSTOR. It is students responsibility to print them in advance.

**Disabilities** Students with learning, physical, or psychiatric disabilities enrolled in this course that may need disability-related classroom accommodations are encouraged to make an office appointment to see me before the end of the second week of the term. All discussions will remain confidential, although the Student Disability Services office may be consulted to discuss appropriate implementation of any accommodation requested.

### Detailed Reading List:

- **(1) Introduction: Poverty, Inequality and Development**
  - (1.1) What is Poverty? How to measure Poverty?
    - \* Chapter 5 (ED)
    - \* Chapter 2 (PE)
    - \* Chapter 1 (UP)
  - Recommended Journal Articles

- Besley, T. and Burgess, R. (2003). Halving Global Poverty. *The Journal of Economic Perspectives*, 17(3) : 3-22
- Banerjee, A.V. and Duflo, E. (2007). The Economic Lives of the Poor. *The Journal of Economic Perspectives*. 21(1) : 141-167
- (1.2) Inequality and Development
  - \* Chapter 1 and 2 (ED)
  - \* Ravallion, M. “Inequality is bad for the Poor”, WPS 3677
- (1.3) Growth and Development
  - \* Chapter 2 (UP)
- **(2) Health and Economic Development**
  - (2.1) General Perspective
    - \* Chapter 8 (ED)
    - \* Chapter 3 (PE)
      - **Recommended Journal Articles**
      - Miguel, Edward, and Michael Kremer. “Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities”. *Econometrica* 72, no. 1 (2004): 159-218
  - (2.2) HIV and Risky Behavior
    - \* Esther Duflo, Pascaline Dupas, Michael Kremer, and Samuel Sinei, “Education and HIV/AIDS Prevention: Evidence from a Randomized Evaluation in Western Kenya,” World Bank Policy Research Working paper No. 4024, June 2006
    - \* Pascaline Dupas, “Relative Risks and the Market for Sex: Teenagers, Sugar Daddies, and HIV in Kenya,” NBER Working Paper No. 14707
    - \* Emily, Oster, “Routes of Infection: Exports and HIV Incidence in Sub-Saharan Africa” Draft, January, 2009. NBER Working Paper No. 13610
  - (2.3) Impact of Malaria on Health and Education
    - \* Bleakley, Hoyt, (2010) Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure. *American Economic Journal: Applied*, April 2010, 2(2):1-45
    - \* Lucas, Adrienne M. (2010), ”Malaria Eradication and Educational Attainment: Evidence from Paraguay and Sri Lanka,” *American Economic Journal: Applied Economics*, 2(2): 46-71
- **(3) Education and Economic Development**
  - Chapter 18 (UP)

- Chapter 8 (ED)
- Chapter 4 (PE)
  - \* **Recommended Journal Articles**
  - \* Kremer, Michael, “Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons,” American Economic Review, May 2004
  - \* Banerjee, Abhijit, Shawn Cole, Esther Duflo and Leigh Linden, “Remedying Education: Evidence from two Randomized Experiments in India,” forthcoming in Quarterly Journal of Economics
- Practical Aspects – Policy Debate
  - Ranjan, P and Prakash, N. “Education Policies and Practices: What have we Learnt so far and the Road Ahead?”, IZA DP No. 6614
  - Muralidharan, K and Prakash, N. “Cycling to School: Increasing Secondary School Enrollment for Girls in India”
- (4) **Child Labor**
  - Edmonds, Eric and Nina Pavcnik (2005). “Child Labor in the Global Economy”, Journal of Economic Perspectives, Winter 2005
  - Policy Dilemmas for Controlling Child Labor in UP (Ch 17)
- (5) **Rural Credit Markets**
  - Chapter 23 (UP)
  - Chapter 8 (PE)
    - \* **Recommended Journal Articles**
    - \* Morduch (1999). “An Innovative Form of Lending: Micro-Credit”
    - \* Morduch, Jonathan “The Microfinance Promise.” Journal of Economic Literature 37, no. 4 (1999): 1569-1614
    - \* Burgess and Pande “Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment” in 2005 American Economic Review
- (6) **Microfinance**
  - Lecture Notes
    - \* **Recommended Journal Articles**
    - \* “Repayment Frequency and Default in Micro-Finance: Evidence from India” (joint with Erica Field). Forthcoming in the Journal of European Economic Association Papers and Proceedings 2008

- \* “Peer Monitoring and Enforcement: Long Term Evidence from Microcredit Lending Groups with and without Group Liability” (January 2008), joint with Xavier Gine
- \* “The Miracle of Microfinance? Evidence From a Randomized Evaluation”. (June 2010). Abhijit Banerjee, Esther Duflo, Rachel Glennerster and Cynthia Kinnan

- **(7) Risk and Insurance** [If time permits]

- Chapter 8 (PE)
- Special topic - Index Based Livestock Insurance in Rural Kenya
  - \* **Recommended Journal Articles**
  - \* Christopher Udry’s “Risk and Insurance in a Rural Credit Market: An Empirical Investigation in Northern Nigeria” 1994 Review of Economic Studies
  - \* Mark Rosenzweig and Oded Stark’s “Consumption Smoothing, Migration and Marriage: Evidence from Rural India”, 1989 Journal of Political Economy
  - \* Elizabeth Frankenberg, James Smith and Duncan Thomas’ “Economic Shocks, Wealth and Welfare” 2003 Journal of Human Resources
  - \* David McKenzie’s “The Consumer Response to the Mexican Peso Crisis” 2006 Economic Development and Cultural Change

- **(8) Affirmative Action Policies and Economic Development** [If time permits]

- **Recommended Journal Articles**
- Chin and Prakash (2010) “The Redistributive Effects of Political Reservation for Minorities: Evidence from India”. Journal of Development Economics
- Pande (2003) “Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities? Theory and Evidence from India”. American Economic Review, September 2003, 93 (4), pp. 1132–1151
- Duflo et al. (2004) “Women as Policy Makers: Evidence from a Randomized Policy Experiment in India.” Econometrica, September 2004, 72 (5), pp. 1409–1443
- Esther Duflo, “Why Political Reservations,” Journal of the European Economic Association 3(2-3), May 2005, pp.668-678