Development Economics: Syllabus

Slide 1

Why go beyond Abu’s story?

Journalistic account tells us about:

- Health and nutrition
- Credit
- Land
- Insurance
- Unemployment

Slide 2

We want to go beyond the journalistic account in two ways:

- Many implicit references to massive inefficiencies. But may be the poor are “poor but efficient” (Sol Tax $Penney Capitalism: A Guatemalan Indian Economy’), i.e. the market ensures the best allocation of (sparse) available resources, or are there market inefficiencies? Can we formalize and evaluate some of the arguments made in the journalistic account?
- Many empirical facts, but a small sample (one observation): what does the evidence tell us?

Slide 3

Year-long sequence objectives

- Discuss the “building blocks” of these processes (household, firms and markets): theory and evidence
- Integrate these building blocks in macro-models: theory and evidence
- Teach you some basic tools (theoretical and empirical) to be used in your own research.

In the first semester we will concentrate mostly on the building blocks, and in the second semester we will concentrate mostly on how they play together. But macro/micro issues will keep creeping into each other. Generally, the topic are organized so that they go from the more micro (less equilibrium) to the more macro (more equilibrium).

Slide 4

2. Nutrition and Health (2 lectures)

- The interrelationship of nutrition and productivity is a prime example of a vicious circle of poverty

- However, to get a poverty trap, you need high elasticity of calorie with respect to income, and income with respect to Calories.
4. Land (2 lectures)

- Sharecropping leads to a loss in productivity
- Then why does sharecropping arise? Can tenancy reform improve tenants’ incentives?

Contract theory
- Land reform

5. Credit (4 lectures)

- The (mi)allocation of capital
  Banerjee, Abhijit and Esther Duflo (2002), ‘Do Firms Want to Borrow More?’
- Government intervention and Micro-credit
  Burgess, Robin And Rohini Pandey, ‘Do Banks Matter?’
  Karlan, Dean (2002), ‘Social Capital and Group Banking.’
  Pitt, Mark and Shahidur Khandker (1998), ‘The Impact of Group-based Credit Programs on Poor Households in Bangladesh’

3. Education (3 lectures)

- How are education decisions made in the family? (role of returns, credit constraints, incomplete contracting within the family)
- Supply constraints and government intervention:
  Differences in Differences
  Angrist, Joshua and Victor Lavy (1999), “Using Maimonides’ Rule to Estimate the Effect of Class Size on Scholastic Achievement,” Regression Discontinuity Design
- Private and social returns to Education

Slide 5

Ultimately, the argument is empirical...


Slide 6

3. Education (3 lectures)

- How are education decisions made in the family? (role of returns, credit constraints, incomplete contracting within the family)
- Supply constraints and government intervention:
  Differences in Differences
  Angrist, Joshua and Victor Lavy (1999), “Using Maimonides’ Rule to Estimate the Effect of Class Size on Scholastic Achievement,” Regression Discontinuity Design
- Private and social returns to Education

Slide 7

4. Land (2 lectures)

- Sharecropping leads to a loss in productivity
- Then why does sharecropping arise? Can tenancy reform improve tenants’ incentives?

Contract theory
- Land reform

Slide 8

5. Credit (4 lectures)

- The (mi)allocation of capital
  Banerjee, Abhijit and Esther Duflo (2002), ‘Do Firms Want to Borrow More?’
- Government intervention and Micro-credit
  Burgess, Robin And Rohini Pandey, ‘Do Banks Matter?’
  Karlan, Dean (2002), ‘Social Capital and Group Banking.’
  Pitt, Mark and Shahidur Khandker (1998), ‘The Impact of Group-based Credit Programs on Poor Households in Bangladesh’
6. Reputation (2 lectures)

- Untangible barrier to entry (within and across countries)

7. Gender and Family (2 lectures)

- Gender discrimination in investment

- The family as a cooperative collective entity

- Failure of pareto efficiency within the family

8. Technology: Micro and micro aspects

- The macro picture
  Klenow, P. and A. Rodriguez-Clare, "The Neoclassical Revival in Growth Economics: Has it Gone too Far?,"
  Basu, Susanto and David N. Weil, “Appropriate Technology and Growth,”

- Learning and diffusion
  Foster A.D. and M.R. Rosenzweig, “Learning by Doing and Learning from Others”

- Incentives for innovators
  Kremer, M., “Creating Markets for New Vaccines: Parts I & II Rationale”

9. Population