

**Econ 491 – Microeconomics of Development
Spring 2023 Quarter**

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Course Description and Goals:

In this course you will apply insights and techniques from micro- and macro-economics to understand particular issues faced in and by developing countries: explaining development and under-development, the role of policy in facilitating development, the role of institutions, microfinance, and poverty traps,... We shall examine many recent empirical research studies that attempt to answer research related to these issues.

This course is an advanced course in economic development. While development is a sprawling sub-field within economics, the focus of this class is on the *microeconomics* of development. Primary aims of this course include:

1. Students will learn to think critically about economic development and the developing world, with a focus on both reasons for underdevelopment and possible solutions.
2. Students will think critically about what *economics*, and especially economic theory, has to say about the process of development as well as the potential of particular proposed policy interventions to bring about change.
3. Students will become familiar with the latest research *methods* in applied economics, with a focus on randomized trials and related reduced-form techniques.
4. Students will develop tools to think critically about causation and claims of causal identification, with an eye toward being critical consumers of applied economics research.

Prerequisites:

The listed prerequisites for this course include Econ 300 (Intermediate Micro) and Econ 301 (Intermediate Macro). It will also be helpful if you have some familiarity with statistics or econometrics, such as Econ 382 or 482. While the course is aimed at upper-level undergraduates, it is also appropriate for MA-level students in related fields (such as public policy) who have an interest in economic development, provided you have sufficient quantitative training. Please talk to me after the first class if you have questions about this.

Remote Learning:

Lectures are Tuesday and Thursday 1.30-3.20pm. Lectures will be offered in-person in Smith 307. They will not be recorded but lecture slides will be available for viewing on Canvas. We will follow all UW Covid-19 policies, including but not limited to wearing masks where required. Office hours will be offered in person. Assignments must be submitted remotely via Canvas. Exams will be given in person. If you miss the first Midterm, it's weight will be placed on the second Midterm. If you miss the second Midterm, you will need to take a new exam next quarter.

Add Codes:

Assuming you have sufficient quantitative training, I can provide a limited number of add codes. It is department policy to prefer economics majors in this process, but some may be available for non-majors who are unable to register for the course without an override. Please talk to me after the first class if you need an add code.

Textbook:

Banerjee and Duflo, *Poor Economics*, Penguin Books Ltd, 2012

Grading:

The final grade will be calculated as follows:

1. First Midterm 25%
2. Second Midterm 25%
3. Final Paper 30% (Proposal 5%, Final Version 25%)¹
4. Homework Assignments 10%
5. Class participation 10%

Readings:

Development is a still-evolving field, so to complement the textbook a number of readings will be assigned. Most of the readings are assigned from leading economics journals or review articles. Class readings should be completed prior to the class for which they are listed. This is an upper-level, seminar-style class which relies heavily upon class discussion and interaction. Read the papers with a critical eye, looking both for the good and the bad, parts that are convincing and those that are less so (most papers have some of both). Some of the material is difficult; don't get discouraged if you need to ask a lot of questions or don't understand some of the technical details.

Readings are subject to change, as we may cover some topics quicker or slower than planned. Please read the main readings as indicated. Readings marked with ** are supplementary and optional: these often are more detailed and/or more technical readings that I will discuss during the lectures but do not expect you to have read.

Homework:

Homework consists of writing a short reaction to the readings prior to class and posting this on the course website. These will be graded on effort and completion. There are no "right" answers as long as you engage with the material in a thoughtful manner – such as assessing whether and how the readings are convincing, what more information you would like to know, questions you have, etc. This is intended to get you thinking about the readings before we discuss them in class.

Final Paper:

A final paper of 6-8 pages is required and due at 5pm on the final day of the exam period. The paper topic will be on a policy question of your choice involving economic development (broadly defined). More details are provided in the Term Paper Guidelines document available on Canvas. You should visit during office hours to get approval for your paper topic before beginning writing.

Writing Credit:

It is possible to receive writing credit for this course (a "W" on your transcript). This requires more work on your part: (1) the paper must be 10-12 pages; (2) you must turn the paper in earlier; (3) you must complete a peer review; and (4) you must complete revisions in response to the peer review and my feedback. If you choose this option, the 35% of the course grade due to the paper assignment is allocated as follows: 5% for Proposal, 20% for First Draft, 5% for Peer Review, 5% for Final Version. Further, if you wish to pursue this option, you must notify me by **Thursday, Apr 13**.

¹ This is amended as discussed below if you choose to pursue Writing Credit.

Class Participation:

Class participation is highly encouraged. This is an upper-level seminar-style class, so we will be discussing the readings at length during class. Some of the material is difficult, but do not be discouraged if you need to ask for clarification – other people probably have the same or similar questions.

Laptops in Class:

I strongly discourage the use of laptops in class. Research has shown that people tend to retain things better if they take notes by hand. Also, I have found that they make class discussion—which we will have a lot of in this class—more difficult. I will post lecture slides before class, so that you can print them out and take notes on them if you are so inclined. If you must use a digital note-taking device, a tablet is preferable.

Office Hours:

I will be holding office hours on Tuesday and Thursday 11-12pm in Savery 325 depending on your preference. If you are unable to make these times and would like to meet, please email me to suggest an alternative time. These hours might change when I travel, and I will schedule additional office hours around exam times.

Contact:

The easiest way to contact me is via email. Please put “491” in the title to the email so that I will know that it is not spam. It is okay to ask simple questions over email, but if you have more complicated questions, including clarifications about concepts in the readings and lectures or about paper topics, then it is usually better to come to office hours.

Topics

Date	Topic / Theme	Readings
Tue, Mar 28	Course introduction An introduction to the economic lives of people in developing countries	Poor Economics Ch 1 Banerjee, Abhijit V., and Esther Duflo. "The Economic Lives of the Poor." <i>The Journal of Economic Perspectives</i> 21.1 (2007): 141. ** Deaton, A., Measuring Poverty. In: A. V. Banerjee, R. Benabou, and D. Mookherjee (eds.), <i>Understanding Poverty</i> , (pp. 3–15) (Oxford University Press, 2006). URL: http://www.princeton.edu/~deaton/downloads/Deaton_Measuring_Poverty.pdf **Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. (2009). <i>Portfolios of the Poor</i> . Princeton University Press.
Thu, Mar 30	NO CLASS	

Tue, Apr 4	Risk	<p>Poor economics ch 6</p> <p>Dercon, S. (2002). Income risk, coping strategies, and safety nets. <i>The World Bank Research Observer</i>, 17(2), 141-166.</p> <p>Morduch, J., (1995), "Income Smoothing and Consumption Smoothing", <i>Journal of Economic Perspectives</i>, vol.9, Summer, 103-114</p> <p>**Dercon, S. and C. Porter (2014). "Live Aid Revisited: Long-term impacts of the 1984 Ethiopian Famine on Children", <i>Journal of the European Economic Association</i>, 12(4)</p> <p>** Jack, W., & Suri, T. (2014). Risk sharing and transactions costs: Evidence from Kenya's mobile money revolution. <i>American Economic Review</i>, 104(1), 183-223.</p>
Thu, Apr 6	Saving	<p>Poor Economics, ch 8</p> <p>Dupas, P., Robinson, J. (2013). Why don't the poor save more? Evidence from health savings experiments. <i>American Economic Review</i>, 103(4), 1138-71. (everything up to section 5)</p> <p>Karlan, D., Ratan, A. L., & Zinman, J. (2014). Savings by and for the Poor: A Research Review and Agenda. <i>Review of Income and Wealth</i>, 60(1), 36-78.</p> <p>**Ashraf, Nava, Dean Karlan, and Wesley Yin. 2006. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines." <i>Quarterly Journal of Economics</i> 121(2): 635-672.</p> <p>** Blumenstock, J., Callen, M., & Ghani, T. (2018). Why do defaults affect behavior? Experimental evidence from Afghanistan. <i>American Economic Review</i>, 108(10), 2868-2901.</p>
Tue, Apr 11	Education and Health + RCTs	<p>Poor Economics ch 3</p> <p>Ravallion, M. (2001), The Mystery of the Vanishing Benefits: An Introduction to Impact Evaluation, <i>World Bank Economic Review</i> 15(1): 115-140.</p> <p>Miguel, Edward, and Michael Kremer. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." <i>Econometrica</i> 72(1): 159-217. (Sections 1-5)</p>
Thu, Apr 13	Education – Returns Deadline to notify about intention to receive W credit	<p>Rosenzweig, Mark R. "Microeconomic approaches to development: Schooling, learning, and growth." <i>The Journal of Economic Perspectives</i> (2010): 81-96.</p> <p>Schultz, T. Paul. 2002. "Why Governments Should Invest More to Educate Girls." <i>World Development</i> 30(2): 207-225.</p> <p>Jensen, Robert. 2010. "The (Perceived) Returns to Education and the Demand for Schooling." <i>Quarterly Journal of Economics</i> 125(2): 515-548. (Sections 1, 2, 3A and 3B, 4)</p> <p>**Beaman, L., Duflo, E., Pande, R., & Topalova, P. (2012). Female leadership raises aspirations and educational attainment for girls: A policy experiment in India. <i>science</i>, 335(6068), 582-586.</p>

		<p>**Attanasio, O. P., & Kaufmann, K. M. (2014). Education choices and returns to schooling: Mothers' and youths' subjective expectations and their role by gender. <i>Journal of Development Economics</i>, 109, 203-216.</p>
Tue, Apr 18	Education – Incentives and Inputs (Supply Side)	<p>Poor Economics chapter 4</p> <p>Duflo, Esther. 2001. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." <i>American Economic Review</i> 91(4): 795-813. (Sections 1-2A and 3A)</p> <p>Glewwe, P., & Muralidharan, K. (2016). Improving education outcomes in developing countries: Evidence, knowledge gaps, and policy implications. In <i>Handbook of the Economics of Education</i> (Vol. 5, pp. 653-743). Elsevier. (Sections 4.2-4.4)</p> <p>** Muralidharan, K., Singh, A., & Ganimian, A. J. (2019). Disrupting education? Experimental evidence on technology-aided instruction in India. <i>American Economic Review</i>, 109(4), 1426-60.</p> <p>** Banerjee, A. V., Cole, S., Duflo, E., & Linden, L. (2007). Remedying education: Evidence from two randomized experiments in India. <i>The Quarterly Journal of Economics</i>, 122(3), 1235-1264.</p>
Thu, Apr 20	Education – Incentives and Transfers (Demand Side)	<p>Schultz, T. Paul. 2004. "School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program." <i>Journal of Development Economics</i> 74(1): 199-250. (Sections 1-5)</p> <p>Baird, Sarah, Craig McIntosh, and Berk Ozler. 2011. "Cash or Condition? Evidence from a Cash Transfer Experiment." <i>Quarterly Journal of Economics</i> 126(4): 1709-1753. (everything until "Heterogeneity of Program Impacts", page 1740)</p> <p>**Benhassine, Najy, Florencia Devoto, Esther Duflo, Pascaline Dupas, and Victor Pouliquen. 2015. "Turning a Shove into a Nudge? A "Labeled Cash Transfer" for Education." <i>American Economic Journal: Economic Policy</i>, 7 (3): 86-125.</p>
Tue, Apr 25	Catch-up/midterm prep	
Thu, Apr 27	FIRST MIDTERM	
Tue, May 2	Fertility	<p>Poor Economics ch 5</p> <p>de Silva, Tiloka, and Silvana Tenreyro. 2017. "Population Control Policies and Fertility Convergence." <i>Journal of Economic Perspectives</i>, 31 (4): 205-28.</p>

		<p>Ashraf, Nava, Erica Field, and Jean Lee. 2014. "Household Bargaining and Excess Fertility: An Experimental Study in Zambia." <i>American Economic Review</i>, 104 (7): 2210-37. (everything except section 2 – conceptual framework)</p> <p>Nava Ashraf; Erica Field; Giuditta Rusconi; Alessandra Voena; and Roberta Ziparo) 2017, Traditional Beliefs and Learning about Maternal Risk in Zambia. <i>American Economic Review: Papers & Proceedings</i> 107 (5) (this is only 4 pages)</p> <p>**La Ferrara, Eliana, Alberto Chong, and Suzanne Duryea. 2012. "Soap Operas and Fertility: Evidence from Brazil." <i>American Economic Journal: Applied Economics</i>, 4 (4): 1-31.</p>
Thu, May 4	<p>Microenterprises and Financial Markets – Returns to Capital</p> <p>PAPER PROPOSALS DUE FRIDAY, MAY 5</p>	<p>Poor Economics ch 9</p> <p>De Mel, Suresh, David McKenzie, and Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." <i>Quarterly Journal of Economics</i> 123(4): 1329-1372. (Sections I-IV)</p> <p>Duflo, E., Kremer, M., & Robinson, J. (2008). How high are rates of return to fertilizer? Evidence from field experiments in Kenya. <i>American economic review</i>, 98(2), 482-88.</p> <p>** De Mel, Suresh, David McKenzie, and Christopher Woodruff. 2009. "Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns." <i>American Economic Journal: Applied Economics</i> 1(3): 1-32.</p> <p>** Bernhardt, A., Field, E., Pande, R., & Rigol, N. (2019). Household matters: Revisiting the returns to capital among female microentrepreneurs. <i>American Economic Review: Insights</i>, 1(2), 141-60.</p>
Tue, May 9	Microenterprises and Financial Markets – Credit	<p>Poor Economics ch 7</p> <p>Banerjee, A. V. (2013). Microcredit under the microscope: what have we learned in the past two decades, and what do we need to know?. <i>Annu. Rev. Econ.</i>, 5(1), 487-519.</p> <p>Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2015). The miracle of microfinance? Evidence from a randomized evaluation. <i>American economic journal: Applied economics</i>, 7(1), 22-53.</p> <p>** Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman. 2015. "Six Randomized Evaluations of Microcredit: Introduction and Further Steps." <i>American Economic Journal: Applied Economics</i> 7(1) 1-21.</p> <p>**Field, E., Pande, R., Papp, J., & Rigol, N. (2013). Does the classic microfinance model discourage entrepreneurship among the poor? Experimental evidence from India. <i>American Economic Review</i>, 103(6), 2196-2226.</p>
Thu, May 11	Cash transfers and anti-poverty programmes	<p>Johannes Haushofer and Jeremy Shapiro. The short-term impact of unconditional cashtransfers to the poor: Experimental evidence from Kenya. <i>The Quarterly Journal of Eco-nomics</i>, 131(4):1973–2042, 2016 (up to section 4.2)</p>

		<p>Banerjee, A., Duflo, E., Goldberg, N., Karlan, D., Osei, R., Parienté, W., ... & Udry, C. (2015). A multifaceted program causes lasting progress for the very poor: Evidence from six countries. <i>Science</i>, 348(6236). (Up to section "Country-by-country variation")</p> <p>**Bandiera, O., Burgess, R., Das, N., Gulesci, S., Rasul, I., & Sulaiman, M. (2017). Labor markets and poverty in village economies. <i>The Quarterly Journal of Economics</i>, 132(2), 811-870.</p>
Tue, May 16	Labour	<p>Heath, R., Mobarak, A. M. (2015). Manufacturing growth and the lives of Bangladeshi women. <i>Journal of Development Economics</i>, 115, 1-15.</p> <p>Jensen, R. (2012). Do labor market opportunities affect young women's work and family decisions? Experimental evidence from India. <i>The Quarterly Journal of Economics</i>, 127(2), 753-792. (up to section 4E)</p> <p>** Abebe, G., Caria, A. S., Fafchamps, M., Falco, P., Franklin, S., & Quinn, S. (2021). Anonymity or distance? Job search and labour market exclusion in a growing African city. <i>The Review of Economic Studies</i>, 88(3), 1279-1310. (sections 1-2.3, 3 and 4)</p> <p>** Alfonsi, L., Bandiera, O., Bassi, V., Burgess, R., Rasul, I., Sulaiman, M., & Vitali, A. (2020). Tackling youth unemployment: Evidence from a labor market experiment in Uganda. <i>Econometrica</i>, 88(6), 2369-2414.</p>
Thu, May 18	Migration PAPERS DUE FOR THOSE RECEIVING WRITING CREDIT	<p>Bryan, G., Chowdhury, S., Mobarak, A. M. (2014). Underinvestment in a profitable technology: The case of seasonal migration in Bangladesh. <i>Econometrica</i>, 82(5), 1671-1748. (Up to section 5)</p> <p>Lee, J. N., Morduch, J., Ravindran, S., Shonchoy, A., & Zaman, H. (2021). Poverty and migration in the digital age: Experimental evidence on mobile banking in Bangladesh. <i>American Economic Journal: Applied Economics</i>, 13(1), 38-71.</p> <p>** Gazeaud, J., Mvukiyehe, E., & Sterck, O. (2020). Cash transfers and migration: Theory and evidence from a randomized controlled trial. <i>The Review of Economics and Statistics</i>, 1-45.</p>
Tue, May 23	Information – Prices	<p>Aker, Jenny C., and Isaac M. Mbiti. 2010. "Mobile Phones and Economic Development in Africa." <i>Journal of Economic Perspectives</i> 24(3): 207-232.</p> <p>Aker, Jenny C. 2010. "Information from Markets Near and Far: Mobile Phones and Agricultural Markets in Niger." <i>American Economic Journal: Applied Economics</i> 2(3): 46-59.</p> <p>** Cole, S. A., & Fernando, A. N. (2021). 'Mobile'izing Agricultural Advice Technology Adoption Diffusion and Sustainability. <i>The Economic Journal</i>, 131(633), 192-219.</p> <p>** Jensen, Robert. 2007. "The Digital Provide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector." <i>Quarterly Journal of Economics</i> 122(3): 879-924.</p>

Thu, May 25	Institutions, History, and Geography PEER REVIEW DUE FOR THOSE RECEIVING WRITING CREDIT	<p>Poor Economics Ch10</p> <p>Acemoglu, D., Johnson, S. and Robinson J., (2001), The Colonial Origins of Comparative Development: An Empirical Investigation, American Economic Review, December, volume91, pp. 1369-1401.</p> <p>Nunn, Nathan, and Leonard Wantchekon. 2011. "The Slave Trade and the Origins of Mistrust in Africa." American Economic Review, 101 (7): 3221-52.</p> <p>J. Sachs, "Institutions Matter, but Not for Everything," Finance & Development (June 2003), pp. 38-41. https://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/sachs.pdf</p>
Tue, May 30	TBA / Catch-up	
Thu, Jun 1	SECOND MIDTERM FINAL PAPER DUE FRIDAY JUN 9 5PM	