Economics of Development

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Overview

The goal of this course is to better understand the lives of the world’s poor and why they remain poor. Specifically, the course addresses the main dimensions of poverty: lack of human capital, lack of assets, lack of insurance, lack of voice, etc., and tries to examine why poverty is not just a matter of initial low wellbeing: What price distortions and market failures hinder their quest to improve their wellbeing?

Another important focus of the course is on policies that try to address the issue of poverty: Is there scope for policy to help the world’s poor? What policies have been tried out? Have they been successful?

To answer these questions, the course emphasizes the methodological issues and covers a large portion of methodologies used in the field of microeconomics. A large share will be devoted to a method that puts social sciences to the test: field experiments in economics. This requires an understanding of how to read and interpret statistics and econometrics.

Recommended Textbooks

A. Banerjee, R. Benabou, and D. Mookherjee, Understanding Poverty, Oxford University Press: March 2006. This is a non-technical description of research by economists on most of the topics related to development economics.


Bardhan, Pranab, Christopher Udry, Development Microeconomics, Oxford University Press: New York 2000

Evaluation

The final score is three-fold:

1) A group of 2-3 students provides an oral presentation on the required reading paper each week of about 15 minutes. This counts for 30% of the final score.

2) Students take a final exam during the last lecture. This counts for 70% of the final score.
Plan of the Course

Lecture 1: What is Poverty?

• DE Ch. 2, 8.1-8.3
• "Measuring Poverty" in *UP*
• Bourguignon F., "From income to endowments: the difficult task of expanding the income poverty paradigm", document de travail DELTA n°2003-03

Lecture 2: Poverty and Human Capital (1): The Supply for Health

Required Reading:

Health and Nutrition
• DE Ch. 8 (esp. 8.4), Ch 13.4

The economics of risky behaviors

Lecture 3: Poverty and Human Capital (2): The Demand for Health

Required Reading:


**Lecture 4: Poverty and Human Capital (3): The Primacy of Education**

**Required Reading:**

• "The Primacy of Education," in *UP*

**Lecture 5: Poverty and Human Capital (3): The Supply for Education**

**Required Reading:**

• Kremer, Michael, “Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons,” *American Economic Review*, May 2004

**Lecture 6: Poverty and Human Capital (4): The Demand for Education**

**Required Reading:**

**Child Labor**
• "Policy Dilemmas for Controlling Child Labor" in *UP*

**Education**
• Emmanuel Skoufias and Bonnie McClafferty, "Is PROGRESA Working? Summary of the Results of an Evaluation by IFPRI" *IFPRI FCND DP #118*, 2001

**Lecture 7: Poverty and the Markets (2): Credit and Investment**

**Required Reading:**
Karlan, Dean and Jonathan Zinman (2008), "Observing unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment", forthcoming Econometrica

Credit and Investment
• DE Ch 14
• "Credit, Intermediation, and Poverty Reduction" in UP
• Abhijit Banerjee and Esther Duflo, “What do Banks (not) do?”, MIT Manuscript 2004
• Dean Karlan and Jonathan Zinman, "Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment," Dartmouth, Manuscript 2006

The microcredit promise

Lecture 8: Poverty and the Markets (3): Land and Property Rights

Required Reading:

Land
• DE 11 & 12
• "The Role of Agriculture in Development" in UP

Land Reform
• Sebastian Galiani and Ernesto Schargrodsky, "Property Rights of the Poor: Effects of Land Titling," Universidad Torcuato Di Tella Manuscript, 2006

Lecture 9: Poverty and the Markets (4): Risk and Insurance
Required Reading:

Insurance
• DE Ch 15

Insurance Failures
• "Micro-insurance: The Next Revolution?" in UP

Lecture 10: Poverty and the Political Economy (1): Public Goods

Required Reading:

• DE - Appendix to Ch. 17
• "Public Goods and Economic Development," in UP
• "Ethnic Diversity and Poverty Reduction," in UP

Lecture 11: Poverty and the Political Economy (2): Corruption

Required Reading:

• "Corruption and Development" in UP
• Fred Finan and Claudio Ferrez, “Exposing Corrupt Politicians: The Effect of Brazil’s Publicly Released Audits on Electoral Outcomes”, Forthcoming, Quarterly Journal of Economics.
• Fred Finan and Claudio Ferrez, “Electoral Accountability and Corruption in Local Governments: Evidence from Audit Reports, May 2007

Lecture 12: Final Exam