Economics 881
Foundations of Development Economics: Theory and Empirics

Erica Field and Xiao Yu Wang

Class
Friday 08:45-11:45
Classes begin: 30 August 2013
Classes end: 22 November 2013
Classroom: Social Sciences 111

Contact information

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and by appointment

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and by appointment

1. Goals

The primary goal of this semester-long course is to provide an introduction to some emerging issues in the economics of development, with a focus on the roles of individuals, families, institutions and policies. Throughout the class, emphasis will be placed on the interaction between modeling behaviors of agents and choosing appropriate empirical methods to understand the processes that are investigated. The course will discuss empirical methods ranging from random assignment to structural modeling in the context of examples drawn from the literature.

Examples will illustrate how economic models can provide insights into understanding behavior and how, with appropriate research design, high quality data and prudent choice of econometric methods, it is possible to assess the empirical content of those models and their contributions to understanding the world around us. These examples should provide you with the foundation to apply these kinds of models and methods to a wide range of problems in economics in the field of development and more broadly.

The syllabus and reading list are intended to be a guide to help you become acquainted with the issues, models and methods in the areas covered by the course. Classes will focus on a subset of papers. For each topic, we will begin by laying out the main issues within an economic framework, relying primarily on standard consumer demand theory. We will proceed to assess the value of different research designs that might be used to investigate the topic; these will take into account the underlying theory, concerns with measurement and econometric methodology. The course will then discuss existing empirical evidence and evaluate what we have learnt.

2. Course requirements

The course will follow a lecture format. Every student is expected to participate in all aspects of the class. An essential requirement of the class is the mandatory paper readings. You must read these papers extremely carefully. While you will not be formally graded on your participation
during lectures, the value to you and your colleagues of asking questions and raising new ideas cannot be over-stated. Guidance about the key readings for each lecture will be provided. In discussing individual papers, we will discuss questions about each paper related to understanding its research design:

- Why is this paper considered a contribution? As a measure of its importance, why is this paper published and cited?
- What innovative strategies did the authors use to translate a research question to a feasible theory or empirical specification?
- How else might the authors’ have formulated this question? What are the positives and negatives of their approach?
- What other questions does this research open up?

For you to learn both these types of skills, we will require discussion in class. The more discussion we have, the better the class will be.

Grades will depend on two activities:

First, you will write two referee reports, reviewing a paper by a student on the job market in development last year and this year. Please include two sets of comments that address both the theoretical and empirical contributions of the paper. The two papers for the first report are:

- Jessica Leight, “Reallocating wealth? Insecure property rights and agricultural investment in rural China”
- Melanie Morten, “Temporary migration and endogenous risk sharing in village India”

The paper choices for the second report will be assigned later.

Treat this report as if you were reviewing the paper for a first rate journal. The goal is to evaluate the work, identify the strengths and weaknesses and make constructive suggestions for improving the work. Email your report to Erica and Xiao Yu. The first report is due before class on 11 Oct 2013, and the second report is due before class on 15 Nov 2013.

Second, you will write a project proposal that will form the foundation of a paper you plan to complete. The proposal should lay out the scientific question you will address, explain why it is important, and provide an overview of the theory and empirical methods you will employ. A natural template for this proposal is that of a grant: motivate the research idea in the context of the existing literature, present suggestive statistics from available data, lay out the research design, and present preliminary results when possible. The proposal should discuss any difficulties with interpreting the results in the desired manner, and how you plan to deal with these problems. It should be approximately 10 double-spaced pages and there will be a heavy emphasis on conciseness and clarity.

For a more theoretical paper, the proposal should describe the main model, its predictions, its key assumptions and caveats to the predictions, how these predictions differ from existing models, and how these differences could be observed in data.

For a more empirical paper, it should include the theoretical basis for the paper, the empirical strategy/specification, and the data (and additional data that you plan to have – be realistic).

You are strongly encouraged to provide some descriptive statistics using those data in order to establish the feasibility of your research. If you are writing a second year paper, you may use this proposal to describe your plans for that paper. This is a good opportunity to write a proposal that will
lead to a thesis chapter or research paper.

You are also strongly encouraged to discuss your plans for this proposal with both Erica and Xiao Yu. You must discuss your plans with at least one of them before class on Nov 01. The proposal is due at 5pm on Monday December 2. Email your proposal to Erica and Xiao Yu.

**Due dates:**

- Referee report #1: Before class on 11 Oct 2013
- Referee report #2: Before class on 15 Nov 2013
- Project proposal: By 5pm on 2 Dec 2013

Email your work to Erica and Xiao Yu

Students who plan to take only one-half of the course should complete the referee report and proposal. The due date for both pieces of work is 5 pm on 11 Oct 2013.

3. Class web-site

   All material will be on the web site for Econ 881 on Sakai.

4. Development Economics at Duke

   There are several intellectual activities that you are encouraged to at least sample during this term and in the future. First, the Labor and Development Seminar Series is held on Wednesday from 3.30-5.00 pm in Social Sciences 111. The seminars bring some of the best people in labor and development to campus to present and discuss their work. This is a spectacular opportunity to see work in progress and learn about the problems that we all encounter in our research and how we think about addressing them. See [http://ipl.econ.duke.edu/seminars/labordev/](http://ipl.econ.duke.edu/seminars/labordev/). When there is an out-of-town speaker, we will try to save a couple of spots in his/her schedule for graduate students. Please email Erica or Xiao Yu in advance if you are interested in meeting with a particular speaker.

   Second, the International Population Health and Development (IPHD) workshop is held on Friday from 12.00 noon to 1.00 pm in Social Sciences 111. IPHD is a forum for Duke, UNC and NC State students and faculty who are interested in population health and development to present their own work in progress. See [http://ipl.econ.duke.edu/seminars/iphd/](http://ipl.econ.duke.edu/seminars/iphd/)
5. **Topics covered**

The following topics will be covered in this course:

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<td>30-Aug</td>
<td>Intro/Poverty Traps and Health</td>
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<td>Financial Markets</td>
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<td>Technology Adoption</td>
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<td>18-Oct</td>
<td>Labor Markets and Contracting</td>
<td>Field/Wang</td>
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<td>Households</td>
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<td>25-Oct</td>
<td>Decision-making in the Household/Gender</td>
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<td>Institutions and Governance</td>
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<td>15-Nov</td>
<td>Corruption</td>
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<td>22-Nov</td>
<td>Public Finance and Collective Action</td>
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Readings

**General (All suggested readings)**

**Articles on methods**


**The Big Picture**


**Poverty traps and health**

*Readings for Discussion Theory*


*Empirical*


*Additional Readings*


Bleakley, Hoyt. “Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure.” Unpublished paper, August 2006. (PDF - 1.5 MB)


Credit and Savings
Readings for Discussion
Theory


Empirical
Dupas and Robinson “Why Don’t the Poor Save More?” American Economic Review.


Additional Readings


Microfinance
Readings for Discussion
Theory

Empirical


Karlan, Dean and Jonathan Zinman. “Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila” (May 2010), Mimeo.

Additional Readings

Besley, Tim, “Nonmarket Institutions for Credit and Risk Sharing in Low-Income Countries”, JEP 1995


**Risk and Insurance**

**Readings for Discussion**

**Theory**


**Empirical**


**Additional Readings**


**Firms**

*Readings for Discussion*

**Theory**


**Empirical**


**Additional Readings**


**Technology Adoption**

*Readings for Discussion*

*Theory*


*Empirical*


**Labor Markets and Contracting**

*Readings for Discussion*

*Theory*


Ghatak, M., “Group Lending, Local Information and Peer Selection”, JDE 1999

*Empirical*


**Additional Readings:**


Decision-making in the Household/Gender
Readings for Discussion
Theory


Empirical


Additional Readings


Readings


**Institutions**

*Readings for Discussion*


*Readings:*


**Land and Property Rights**

*Readings for Discussion*

*Theory*


*Empirical*


*Additional Readings:*


**Corruption**

*Readings for Discussion*

*Theory*


*Empirical*


*Additional Readings*


**Public Finance and Collective Action**

*Readings for Discussion*

*Theory*


*Empirical*


Additional Readings


INTERESTING TOPICS NOT COVERED IN CLASS

Political Economy and Voting


Conflict and Culture


Behavioral Economics in Development


Karna Basu, “Hyperbolic Discounting and the Sustainability of Rotational Savings and Credit Associations,” mimeo.


Growth and Income Distribution


Piketty, T., “Social Mobility and Redistributive Politics”, QJE 1995


Gender and Society
Readings for Discussion


**Readings**


Oster, Emily. “Hepatitis B Does Not Explain Male-Biased Sex Ratios in China” (Comment on “Hepatitis B and the Case of the Missing Women”) Draft, April 2008