Economics 881
Foundations of Development Economics: Theory and Empirics

Erica Field and Xiao Yu Wang

Class
Friday 08:45-11:15
Classes begin: 28 August 2015
Classes end: 20 November 2015
Classroom: Social Sciences 111

Contact information
Erica Field
Email: emf23@duke.edu
Office: Social Sciences 309
Office hrs: Monday 1:30-3:00
and by appointment

Xiao Yu Wang
Email: xy.wang@duke.edu
Office: Social Sciences 320
Office hrs: Wed 10:30-noon
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 address 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 three 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:

- Daniel Bjorkegren, “The Adoption of Network Goods: The Spread of Mobile Phones in Rwanda”
- Frank Schilbach, “Alcohol and Self-Control: A Field Experiment in India”

The paper choices for the second report are:

- Kaivan Munshi and Mark Rosenzweig, “Networks and misallocation: insurance, migration, and the rural-wage gap”
- Namrata Kala, “Ambiguity Aversion and Learning in a Changing World: The Potential Effects of Climate Change from Indian Agriculture”

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 2 Oct 2015, and the second report is due before class on 13 Nov 2015.

Second, before each class, write a short reading response for each of the papers we will discuss -- one theory paper, and up to three empirical papers (you can choose which to critique if more than that are listed). Each response should be brief (one long paragraph is enough), but heavy in content, and should answer the following three questions:

1. Why is this a seminal paper in the literature?
2. What is in your mind the major shortcoming of the paper? (Be sure to explain why you consider it to be a major shortcoming.)
3. What is one significant improvement that could be made to the paper? (Be sure to explain why it would be a significant improvement.)

There is no need to provide a general summary of the paper’s techniques or results in these responses – go straight into critic mode!
Email your review to both Erica and Xiao Yu, and be prepared to share your review with the rest of the class when we call upon you to do so.

Third, you will take a (written) in-class exam at the end of the semester. The scheduled exam time is TBA. The exam will cover material discussed in lecture and the main assigned readings.

Due dates:

- Referee report #1: Before class on 2 Oct 2015
- Referee report #2: Before class on 13 Nov 2014
- Final exam: TBA

Always email your work to both Erica and Xiao Yu.

Students who plan to take only one-half of the course should complete the first referee report and will be administered an exam covering the first half of the material (please let Erica and Xiao Yu know if you are only registered for the first quarter—we will arrange for a midterm for you outside of class).

The final grade breakdown is as follows:

Referee reports: 20% each
Paper responses: 20%
Final exam: 40%

3. Class web-site

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

4. Development Economics at Duke and Beyond

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 3.15-4.45 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/. 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/. Duke econ students should register for Econ 911.11, and policy students may register for Econ 911.01.
Finally, please check the BREAD (http://ipl.econ.duke.edu/bread/) and NBER Dev (http://www.nber.org/programs/dev/dev.html) websites regularly for announcements (for conferences, calls for papers, etc.), and for working papers.
5. Topics covered

The following topics will be covered in this course:

<table>
<thead>
<tr>
<th>Section</th>
<th>Lect</th>
<th>Date</th>
<th>Topic</th>
<th>Lecturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital</td>
<td>1</td>
<td>28-Aug</td>
<td>Intro/Poverty Traps and Health</td>
<td>Field/Wang</td>
</tr>
<tr>
<td>Financial Markets</td>
<td>2</td>
<td>4-Sep</td>
<td>Risk, Credit, and Savings</td>
<td>Field/Wang</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>11-Sep</td>
<td>Microfinance</td>
<td>Field/Wang</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>18-Sep</td>
<td>Insurance</td>
<td>Field/Wang</td>
</tr>
<tr>
<td>Labor and Firms</td>
<td>5</td>
<td>25-Sep</td>
<td>NO CLASS</td>
<td>Field/Wang</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>2-Oct</td>
<td>Technology Adoption</td>
<td>Field/Wang</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9-Oct</td>
<td>Political Economy and Voting</td>
<td>Field/Wang</td>
</tr>
<tr>
<td>Households</td>
<td>7</td>
<td>16-Oct</td>
<td>Decision-making in the Household/Gender</td>
<td>Field/Wang</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>23-Oct</td>
<td>Institutions</td>
<td>Field/Wang</td>
</tr>
<tr>
<td>Institutions and Governance</td>
<td>9</td>
<td>30-Oct</td>
<td>Firms and Contracting</td>
<td>Wang</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>6-Nov</td>
<td>Land and Property Rights</td>
<td>Field</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>13-Nov</td>
<td>Corruption</td>
<td>Field/Wang</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>20-Nov</td>
<td>Public Finance and Collective Action</td>
<td>Field/Wang</td>
</tr>
</tbody>
</table>
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)


Risk, Credit, and Savings

Readings for Discussion

Theory


Hoff, Karla and Joseph E. Stiglitz, “Imperfection Information and Rural Credit Markets: Puzzles and Policy Perspectives”, chapter in The Economics of Rural Organization: Theory, Practice and Policy
Empirical
Dupas and Robinson “Why Don’t the Poor Save More?” *American Economic Review*.


Additional Readings


**Microfinance**

*Readings for Discussion*

**Theory**


**Empirical**


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


Insurance
Readings for Discussion
Theory


*Empirical*


*Additional Readings*


**Technology Adoption**

*Readings for Discussion*

**Theory**


**Empirical**


**Political Economy and Voting**

*Theory*


*Empirical*


Acemoglu, Daron, Tristan Reed, and James A Robinson. 2014. “Chiefs: Economic Development and Elite

**Additional Readings**


[http://personal.lse.ac.uk/kudamats/kudamatsu2006.pdf]

**Decision-making in the Household/Gender**

**Readings for Discussion**

**Theory**


**Empirical**


**Additional Readings**


**Readings**


**Institutions**

**Readings for Discussion**
Theory

Empirical


Other Readings:


**Firms and Contracting**

**Readings for Discussion**

**Theory**


**Empirical**


**Additional Readings:**


**Land and Property Rights**

*Readings for Discussion*


*Additional Readings:*


**Corruption**

*Readings for Discussion*


INTERESTING TOPICS NOT COVERED IN CLASS

Conflict and Culture


Firms


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 Distributive Politics”, QJE 1995


**Gender and Society**


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
