

Intermediate Development Economics (EC2303) Stockholm University Fall 2021

Welcome to Intermediate Development Economics (EC2303) at Stockholm University! I'm very much looking forward to the next few weeks with you. Please read this syllabus carefully — I will do my best to ignore emails that ask for information that's already contained here!

How to get in touch with me

My experience is that students vastly under-use the time of instructors; they feel shy, don't want to be a bother, are embarrassed because they haven't done the reading, etc. That's a mistake. You're taking this class for free, but *someone* is paying me a lot of money to teach it (for example your parents, through their taxes). You can make sure they are getting their money's worth by using me as a resource: email me, call me, come talk to me. I'm here to answer every question you have. Here is how to get in touch with me:

- Email me: haushofer@gmail.com
- Text/WhatsApp/Facetime/call me: +46 73 8466854. This is my mobile number and you should feel free to call or text when you have a question. I use regular text and phone, as well as WhatsApp and Facetime. This is not a joke. Use this option. Questions are often easily and quickly dealt with in this way. Don't worry about the time of day—if I don't want to be bothered right that minute I just won't pick up. I'll get back to you when I'm back online.
- Come see me: I work in office A686 in the “A” building at Stockholm University. Feel free to just stop by randomly to see if I'm around and have time to talk.
- Schedule a meeting: Here is a link to my calendar:
<https://calendar.google.com/calendar/embed?src=haushofer%40gmail.com&ctz=Europe%2FStockholm>
To schedule a meeting, you can simply find a time when I'm free and send a calendar invite for a meeting. You don't have to ask permission – just go ahead and schedule; if for some reason I can't make it, I'll let you know. Please restrict these meetings to between 12pm and 6pm on weekdays (Monday–Friday). Please also make them no longer than 20 minutes, and try to schedule them right before or right after another meeting, so that I don't have a lot of gaps in my schedule. If you're using Google calendar, please make the event editable by guests, so that I can easily propose a new time without having to email you. If that's all too complicated, you can schedule a meeting by emailing me; please list at least 3 times between 12pm and 6pm on weekdays (Monday–Friday) when you're available.

All online meetings will use this link: <https://stockholmuniversity.zoom.us/my/haushofer>.

What to talk to me about

Apart from issues related to the material of the class, I'm also very interested in talking to you about development in general, and issues related to your career: ways to get more involved in development beyond this class; employment and internship opportunities; options for further study, such as Master's degrees and doctorates. I can tell you how careers in development compare to other options, what the work environment is like in different places, what the salaries are; which graduate programs you could consider, how to apply and get in, what research careers look like,

etc.

I'm also keen to hear from you if/when you're struggling with the class. You're not here to impress me; rather, I'm here to help you get out of the class what you want to get out of it. If you're having trouble (e.g. with the math), please get in touch, we'll figure something out.

Mental health

Your health and happiness are more important than this course. I expect you to work hard, but whenever work gets in the way of you being healthy and happy, please let me know. If you are aware of specific things that you want to change, I'm eager to discuss with you whether and how we can make those changes; if you don't know what you want to change, I'm eager to brainstorm with you about possibilities. I will also always be supportive of you seeking healthcare, physical or mental.

Remote Student Exchange

We are fortunate to have a large number of guest students from the "Remote Student Exchange" (RSE) program as participants of the class. RSE was started here at Stockholm University in spring 2021, and offers students from low- and middle-income countries the opportunity to participate in university courses around the world remotely and free of charge. I'm sure that these students will enrich our collective learning experience, and want to extend a special welcome to them!

RSE students: I expect you to participate like the Stockholm University students. Specifically, you have to do the readings; complete the data project; and write the final exam. If you do all this, you will receive a grade for this course; a participation certificate; and a congratulatory letter from the president of the International Economic Association, Prof. Dani Rodrik (Harvard). If you registered as a "silent" participant on RSE this doesn't apply to you. If you want to switch your status, let me know.

How to address me: In Sweden, students address their professors by first name. Please try the Swedish way!

Course website

The course website is <https://haushofer.ne.su.se/ec2303/>. You'll find the readings there, as well as the current syllabus.

Textbook

The textbook for the course is "Poor Economics" by Abhijit Banerjee and Esther Duflo. If you're a Stockholm University student, please buy this book (e.g. <https://www.amazon.se/Poor-Economics-Barefoot-Hedge-fund-Surprising/dp/0718193660>), or borrow it from a library or a friend. If you are participating in the class as part of the Remote Student Exchange initiative, and don't have the means to buy the book yourself, you can get a free copy of the book. This is possible thanks to a heavy discount provided to us by the publisher of the book, Hachette. Please fill in this form to request a free copy of the book: https://docs.google.com/forms/d/e/1FAIpQLSfWN57-DoYj4czU2IOVTG8GvGbWlfXwcNb4-bbEGzHbSxhXig/viewform?usp=sf_link

Important: Please do this by Monday, August 30, so that I can get the books from the publisher in time for the first lecture!

Course email list

To make it easier to email both the Stockholm students and the Remote Exchange students, I've created an email list for the class. Please sign up for it at <https://www.freelists.org/list/ec2303>. After signing up, you can send emails to the entire class by emailing ec2303@freelists.org. Please use this list frequently and freely – I would like it to be a lively forum where you can ask questions, share interesting links, and discuss with each other and me. Think of it as an informal chat group.

Important: All class updates from me will be communicated through this email list. **There will be no updates on Athena.** If you want to receive updates from me about the class, you must sign up for the email list.

Lecture recordings

I'd like to make the lecture recordings available, both to you in preparation for the exam, and to others who want to learn from the class. To do this, I need your permission. Please go to <https://haushofer.ne.su.se/ec2303/consent> and follow the instructions there. Important: I cannot make recordings available unless everyone agrees to this!

Attendance and COVID-19 policy

We're in the fortunate situation that we can hold lectures in person. However, to make that safe for everyone, if you want to participate in person, you must have had at least the first dose of one of the COVID-19 vaccines approved in Sweden, at least one week before the lecture. If you don't fulfill this criterion, you can participate in lecture only if you wear a clinical (!) facemask for the whole duration of the lecture. This mask has to cover your nose and mouth fully at all times. **You must bring a copy of your vaccination pass, or a facemask, to each lecture.**

If you prefer to participate remotely, you can do that, although it would make me much happier if you joined in person.

I'm doubly vaccinated and will show you my vaccination pass upon request.

There is no penalty for absences.

For those of you who have kids: you are more than welcome to bring them to class. They don't need a mask.

Zoom link

The Zoom link for all lectures (as well as one-on-one meetings with me) is <https://stockholmuniversit.zoom.us/j/haushofer>. Please have your video on at all times during the Zoom meetings, and mute your microphone unless you are speaking.

Exam

The written exam will take place on Friday October 29 (locations below). The make-up exam will take place on Saturday December 11 (location below). The exam will test your knowledge and understanding of the material covered during lectures, as well as the readings listed above. You can earn a maximum of 80 points on the exam. All material from both the lectures and the readings is relevant for the exam, unless stated otherwise by me in writing. The exam consists of two sections: Section A contains four questions, each worth 10 points. You have to answer all of those four questions. Section B contains three questions, each worth 20 points. You answer only two of those questions (to be clear, if you answer more than two questions, I will grade only the first two). In addition to the examination, you can earn a maximum of 20 points on the data project. Your grade for the course will be based on the sum of your points on the exam and the data project. During grading, I will blind myself to your name.

Data Project

To get a sense for how results and papers in development economics are generated, you will do a small research project as part of the course, in groups of two. You will first choose a partner to work with. You're welcome to use the course email list to search for a partner. If you have not found a partner to work with by September 28, please email me to let me know.

Together with them, you then choose a dataset and a research question; conduct analysis to answer that question; and present your findings in a 10 minute presentation on October 18. You have to submit the code and your slides for the presentation by October 15 (5pm Sweden). This is what is graded (i.e. the delivery of the presentation is not graded.) You can earn up to 20 points for the code and presentation slides. If we have more groups than we have presentation time, I will choose a subset of projects for presentation. Note that your grade is not based on the presentation, but rather on the code and slides.

You can use either STATA or R for your data project. A separate course, EC6902, offers an introduction to STATA. Many of you will be taking that course anyway, but if you are not, you can audit the sessions on 14/9, 20/9 and 6/10, and 14/10 for an introduction to STATA. Please contact Adam Jacobsson (aja@ne.su.se) to gain access to those lectures.

For the content of the project, you have two options:

1. **Replicate and extend an existing analysis.** If you choose this option, you first download a dataset from an existing study; this can be an RCT or a study using a different method. Many studies make their datasets available on the journal website, or on the authors' website. If the dataset is available for download, but you cannot access it, you can email the authors to request it. (Important: don't email the authors before having thoroughly checked the journal website and their personal website!)

You then begin by replicating the existing main analysis. This consists of re-analyzing the dataset using exactly the same methods that are described in the original paper. Note this concerns the *main* analysis only. This is typically the table that presents the core findings of the paper. For example, in an RCT, it's usually the table that shows the impacts of the intervention on a set of index variables. You should do this while blinding yourself to the code of the original analysis, as well as the specific numbers in the original table.

Once you have replicated the analysis, you compare your results to those found by the original authors. Are there any differences? If yes, what are they due to?

Second, you extend the existing analysis. This could consist of looking at a new dimension of heterogeneity – e.g., how are the results different for young vs. old people, women vs. men? Or you could add a new set of control variables to see how the results change; or assess how the omission of baseline values of the outcome affects the precision of the results, etc. You are free to choose an extension that you find interesting. Then report the results of that extension using tables and/or graphs, and discuss how it changes how we think about the results of the study.

2. **Conduct a new analysis using a large cross-country dataset.** If you choose this option, you begin by downloading a large, publicly available cross-country survey dataset; examples include the World Values Survey (WVS); the Demographic and Health Survey (DHS); the Living Standards Measurement Study (LSMS); and the Afrobarometer. You can choose another dataset as long as it contains more than 1,000 observations from more than one country.

You then conduct a new analysis on this data to answer a question that interests you. For example, you might be interested in the correlation between mental health and education across and within countries; or the relationship between religion and income; or that between aid and corruption. You then present the results of your analysis using tables and/or graphs, and discuss how it changes our thinking about development, and what new questions it raises.

Be careful to distinguish correlation from causation as you do this. It's ok to conduct a purely correlational analysis – these can be very interesting! You can even speculate about the direction of causality, or about third variables. But you must make clear at every juncture that this is what you are doing. I will harshly penalize thoughtless causal interpretations of correlational results.

If you can establish a causal interpretation of your findings – e.g. through the use of instrumental variables, regression discontinuity, or a difference-in-differences approach – you are welcome to do that. Note, however, that this will be quite difficult in most cases. Nevertheless, what I wrote above about penalties for thoughtless causal interpretations is less of an issue here – if you've made a conscious effort to establish a causal claim, and describe in detail how you did so and on what assumptions it rests, you're unlikely to be guilty of the thoughtlessness I described earlier.

Representation of low-income country researchers

Development economics has a representation problem: much of the research is conducted by (often white) researchers from high-income countries. Recently the field has begun to undertake steps to remedy this, but the problem is still massive. I recommend this article for a good summary:

<https://www.tandfonline.com/doi/abs/10.1080/13504851.2021.1965528?src=&journalCode=rael20>

Detailed schedule

I made a Google calendar for the course, available at

[https://calendar.google.com/calendar/embed?src=suarngk314dqmqaahhm6ceeeecs%40group.calendar.google.com&ctz=Europe%](https://calendar.google.com/calendar/embed?src=suarngk314dqmqaahhm6ceeeecs%40group.calendar.google.com&ctz=Europe%2FStockholm)

You will also find an option there to add it to your own Google calendar (click the “+” sign).

Here's a detailed overview of the lectures, dates, locations, and readings. All readings are mandatory, and you are expected to do them *before* each lecture. For each lecture, you will read one original research paper; please come to lecture with two questions about this paper. (We won't always have time to discuss all questions, but it's a good exercise.) All times are local time in Stockholm.

Lecture 1: Wed 1/9 11:00–13:00, Auditorium 4, Södra huset hus B
Introduction: Facts, Measurement, and Methods Required readings:

1. Poor Economics: Foreword; Chapter 1: Think Again, Again
2. Esther Duflo's TED talk: https://www.ted.com/talks/esther_duflo_social_experiments_to_fight_poverty
3. Spend 20 minutes browsing www.ourworldindata.org

Lecture 2: Mon 6/9 08:00–10:00, Auditorium 8, Södra huset hus D
Capital Accumulation and Returns to Capital

1. Weil, David. 2012. *Economic Growth*. 3rd edition. Boston, MA: Routledge.
2. De Mel, Suresh, David McKenzie, and Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." *The Quarterly Journal of Economics* 123 (4): 1329–72.

Lecture 3: Thu 9/9 08:00–10:00, Auditorium 4, Södra huset hus B
Credit Markets and Microfinance

1. Poor Economics Chapter 9: Reluctant Entrepreneurs
2. Augsburg, Britta, Ralph De Haas, Heike Harmgart, and Costas Meghir. 2015. "The Impacts of Microcredit: Evidence from Bosnia and Herzegovina." *American Economic Journal: Applied Economics* 7 (1): 183–203.

Lecture 4: Thu 16/9 08:00–10:00, Auditorium 4, Södra huset hus B
Agriculture and Risk

1. Poor Economics Chapter 6: Barefoot Hedge-Fund Managers
2. Karlan, Dean, Robert Osei, Isaac Osei-Akoto, and Christopher Udry. 2014. "Agricultural Decisions after Relaxing Credit and Risk Constraints." *The Quarterly Journal of Economics* 129 (2): 597–652.

Lecture 5: Thu 23/9 10:00–12:00, Auditorium 4, Södra huset hus B
Nutrition-Based Poverty Traps

1. Poor Economics Chapter 2: A Billion Hungry People?
2. Schofield, Heather. 2020. "Ramadan Fasting and Agricultural Output." Working paper.

STATA lab: Mon 27/9 10:00–12:00, A5133, Södra huset hus A

Lecture 6: Thu 30/9 08:00–10:00, Auditorium 6, Södra huset hus C
Health

1. Poor Economics Chapter 3: Low-Hanging Fruit for Better (Global) Health?
2. Hamory, Joan, Edward Miguel, Michael Walker, Michael Kremer, and Sarah Baird. 2021. "Twenty-Year Economic Impacts of Deworming." *Proceedings of the National Academy of Sciences* 118 (14).

Lecture 7: Thu 7/10 08:00–10:00, Auditorium 8, Södra huset hus D
Mental health

1. Ridley, Matthew, Gautam Rao, Frank Schilbach, and Vikram Patel. 2020. "Poverty, Depression, and Anxiety: Causal Evidence and Mechanisms." *Science* 370 (6522). <https://doi.org/10.1126/science.aay0214>.
2. Baranov, Victoria, Sonia Bhalotra, Pietro Biroli, and Joanna Maselko. 2020. "Maternal Depression, Women's Empowerment, and Parental Investment: Evidence from a Randomized Controlled Trial." *American Economic Review* 110 (3): 824–59.

**Lecture 8: Fri 8/10 16:00–18:00, Auditorium 4, Södra huset hus B
Education**

1. Poor Economics Chapter 4: Top of the Class
2. Lucas, Adrienne M., and Isaac M. Mbiti. 2012. “Access, Sorting, and Achievement: The Short-Run Effects of Free Primary Education in Kenya.” *American Economic Journal: Applied Economics* 4 (4): 226–53.

**Lecture 9: Wed 13/10 10:00–12:00, Auditorium 10, Södra huset hus E
Political Economy and Institutions**

1. Poor Economics Chapter 10: Policies, Politics
2. Nunn, Nathan, and Leonard Wantchekon. 2011. “The Slave Trade and the Origins of Mistrust in Africa.” *American Economic Review* 101 (7): 3221–52.

In-class Presentations: Mon 18/10 08:00–13:00, Auditorium 4, Södra huset hus B

Examination: Fri 29/10

08:00–11:00, Brunnsvikssalen, Södra huset hus A, Examination

08:00–11:00, D499, Södra huset hus D, Examination

Make-up Examination: Sat 11/12 09:00–12:00, Brunnsvikssalen, Södra huset hus A