

MOEC0487 – Global Poverty and Economics Development

Instructor

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Course Description

The class covers key topics in Development Economics. The course is composed of five modules: i) poverty measurement and evaluation; ii) financial markets for the poor; iii) challenges to private sector development; iv) globalization and industrial policies; v) the impact of COVID-19 in developing countries. The modules will cover both theory and empirics, emphasizing the relation between them. Due to time constraints, I will not cover several important core topics of the field. Some of these are covered in other classes. For instance, Guilherme Lichand's this term covers health, education, and gender topics.

Time

Lecture: Friday 14:00-15:45

Exercise session: Tuesday 14:00-15:45

Logistics

The entire course will take place in person. In each class, I will ask a few questions where each student will provide anonymous answers using clickers. This will help me clarify the key concepts in the lecture. I will also ask some open question where students can volunteer to answer. Finally, I strongly encourage students to ask questions in class. If something is unclear to you, many other students will probably feel the same!

I will upload on OLAT a preliminary version of class slides by 11am the day of the class. You are welcome to skim it before the class. I will then upload a final version of the slides and the lecture recording after class.

Prerequisites

Master Level Microeconomics and Econometrics

Class Policies

Please be advised that the use of laptops, smartphones, etc. is not allowed during classes. I will post the lecture notes on the class website.

Grading

| <i>Item</i> | <i>Date</i> | <i>Points</i> |
|---------------|---------------------------------|---------------|
| Problem set 1 | Assigned: F 15/10. Due: M 25/10 | 7.5 |
| Problem set 2 | Assigned: F 5/11. Due: M 15/11 | 7.5 |
| Problem set 3 | Assigned: F 26/11. Due: M 6/12 | 7.5 |
| Problem set 4 | Assigned: F 10/12. Due: M 20/12 | 7.5 |
| Final Exam | F 14/1/2022, h.14.15-15.45 | 70 |

Problem sets are due by 17:00 via email to natascha.baer@econ.uzh.ch. You can work in groups, but each student should submit the problem set separately.

The final exam will include questions that will cover materials in the lecture and section notes, in the problem sets, and in the required readings (marked with ** in the class schedule below). We will post all the lecture notes and section notes on the class website.

Readings

Required readings are marked with ** in the class schedule below. You are expected to skim them before the class (excepted for the first class) and to participate to the discussion about them. You are also expected to study them well in detail for the exam.

Other readings: I will cover some of their content in my slides. For the final exam, you need to learn the content of the slides related to this paper, but you do not need to review these readings in detail.

In addition, these are a few books that you may read if you want to study some of the topics more in depth.

- ☐ Ray, D. (1998). *Development Economics*.
- ☐ De Janvry A. and E. Sadoulet (2015), *Development Economics: Theory and Practice*
- ☐ Banerjee, A. V., Benabou, R., & Mookherjee, D. (Eds.). (2006). *Understanding poverty*. Oxford University Press.
- ☐ Banerjee, A., Banerjee, A. V., & Duflo, E. (2011). *Poor economics: a radical rethinking of the way to fight global poverty*. PublicAffairs.
- ☐ Angrist, J. D., & Pischke, J. S. (2014). *Mastering 'Metrics*. Princeton university press.

Modules

The course will include five modules:

1. Measurement and Evaluation in Development (lectures 1-4)
2. Financial Markets for the Poor (lectures 5-7)
3. Challenges and Opportunities for Private Sector Development (lectures 8-11)
4. Globalization and Industrial Policies (lectures 12-13)

Class schedule and reading

(I may make minor updates during the term)

| Class | Lecture date (section date) | Lecture Topic | Readings | Section Topic |
|-------|-----------------------------|--------------------------------------|--|--|
| 1 | 24/9 (28/9) | Introduction and Poverty Measurement | <ul style="list-style-type: none"> - **Hanna, Rema, and Benjamin A. Olken. "Universal basic incomes versus targeted transfers: Anti-poverty programs in developing countries." <i>Journal of Economic Perspectives</i> 32.4 (2018): 201-26. - **Banerjee, Abhijit, Paul Niehaus, and Tavneet Suri. "Universal basic income in the developing world." <i>Annual Review of Economics</i> (2019). - Banerjee, Abhijit V., and Esther Duflo. "The economic lives of the poor." <i>The journal of economic perspectives</i> 21.1 (2007): 141-167. https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.1.141 - Jean et al., Science 2016 http://science.sciencemag.org/content/353/6301/790 - | - Data Sources for Development + Basic Econometrics Review |
| 2 | 1/10 (5/10) | Randomized Controlled Trials 1 | <ul style="list-style-type: none"> - ** Duflo, Esther, Rachel Glennerster, and Michael Kremer. "Using randomization in development economics research: A toolkit." <i>Handbook of development economics</i> 4 (2007), sections 1-4 (you can skip 2.3. In section 4, you don't need to go through all the math) https://www.sciencedirect.com/science/article/pii/S1573447107040612 - Angrist, J. D., & Pischke, J. S. (2014). <i>Mastering 'metrics: The path from cause to effect</i>. Princeton University Press. chapter 1 http://assets.press.princeton.edu/chapters/s10363.pdf - ** De Mel, Suresh, David McKenzie, and Christopher Woodruff. "Returns to capital in microenterprises: evidence from a field experiment." <i>The quarterly journal of Economics</i> 123.4 (2008): sections I-V https://academic.oup.com/qje/article/123/4/1329/1933166 | - Randomized Controlled Trials: Basics |

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| 3 | 8/10 (12/10) | Randomized Controlled Trials 2 | <ul style="list-style-type: none"> - ** Duflo, Esther, Rachel Glennerster, and Michael Kremer. "Using randomization in development economics research: A toolkit." <i>Handbook of development economics</i> 4 (2007), sections 5-7 https://www.sciencedirect.com/science/article/pii/S1573447107040612 - ** Jayachandran, Seema, et al. "Cash for carbon: A randomized trial of payments for ecosystem services to reduce deforestation." <i>Science</i> 357.6348 (2017): 267-273. http://science.sciencemag.org/content/357/6348/267 - De Mel, Suresh, David McKenzie, and Christopher Woodruff. "Returns to capital in microenterprises: evidence from a field experiment." <i>The quarterly journal of Economics</i> 123.4 (2008): 1329-1372., sections VI.C-VII https://academic.oup.com/qje/article/123/4/1329/1933166 - Cunha, Jesse Martin, Giacomo De Giorgi, and Seema Jayachandran. <i>The price effects of cash versus in-kind transfers</i> http://faculty.wcas.northwestern.edu/~sjv340/pal.pdf | - Randomized Controlled Trials: Extensions |
| 4 | 15/10 (19/10) | Non- experimental analysis & Meta-Analysis | <ul style="list-style-type: none"> - ** Burke, Marshall, Solomon M. Hsiang, and Edward Miguel. "Climate and conflict." (2015). <i>Annual Review Economics</i> (2015), https://www.annualreviews.org/doi/pdf/10.1146/annurev-economics-080614-115430 | - Diff-in-diff, Panel Data and Instrumental Variables |
| 5 | 22/10 (26/10) | Financial Markets: Theory | <ul style="list-style-type: none"> - ** Karlan, Dean, et al. "Agricultural decisions after relaxing credit and risk constraints." <i>The Quarterly Journal of Economics</i> 129.2 (2014), <u>only the model in Appendix 1 (pages 1-5 only)</u> https://tinyurl.com/yafnu3wq - **Ghatak, Maitreesh, lecture notes on credit markets (pages 1-8 and 24-40 only) http://econ.lse.ac.uk/staff/mghatak/lecture3.pdf | - Review of models covered in class |
| 6 | 29/10 (2/11) | Microfinance | <ul style="list-style-type: none"> - **Breza, Emily, and Cynthia Kinnan. <i>Measuring the equilibrium impacts of credit: Evidence from the Indian microfinance crisis</i>. [you can skip section 6. "model calibration"] https://drive.google.com/file/d/1GC9nLMPWslgzzGtFBHlcPPWhzLjLBEFv/view - Banerjee, Abhijit, et al. "The miracle of microfinance? Evidence from a randomized evaluation." <i>American Economic Journal: Applied Economics</i> 7.1 (2015): 22-53.https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.20130533 - Buera, Francisco J., Joseph P. Kaboski, and Yongseok Shin. "Taking stock of the evidence on micro-financial interventions." <i>The Economics of Poverty Traps</i>. University of Chicago Press, 2017. https://www.nber.org/chapters/c13833.pdf | <ul style="list-style-type: none"> - Review of the empirical strategy in Breza and Kinnan (2021) - Other microfinance studies |
| 7 | 5/11 (9/11) | Saving (and Behavioral Economics) | <ul style="list-style-type: none"> - **Ashraf, Nava, Dean Karlan, and Wesley Yin. "<u>Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines.</u>" <i>The Quarterly Journal of Economics</i> (2006): 635-672 | - Review of intertemporal discounting |

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| | | | <ul style="list-style-type: none"> - 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. https://onlinelibrary.wiley.com/doi/full/10.1111/roiw.12101 - Schilbach, F., Schofield, H., & Mullainathan, S. (2016). The psychological lives of the poor. <i>American Economic Review</i>, 106(5), 435-40. https://economics.mit.edu/files/11364.pdf | - Other applications of behavioral economics to development |
| 8 | 12/11 | Firms and Infrastructure | <ul style="list-style-type: none"> - Allcott, Hunt, Allan Collard-Wexler, and Stephen D. O'Connell. "How do electricity shortages affect industry? Evidence from India." <i>The American Economic Review</i> 106.3 (2016): 587-624. https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20140389 - Lee, K., Miguel, E., & Wolfram, C. (2020). Does Household Electrification Supercharge Economic Development?. <i>Journal of Economic Perspectives</i>, 34(1), 122-44. - **Hjort, Jonas, and Jonas Poulsen "The arrival of fast internet and employment in Africa." <i>American Economic Review</i> 109.3 (2019): 1032-79. https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.20161385 | - No Section |
| 9 | 16/11 [SPECIAL TIME] (23/11) | Contracting | <ul style="list-style-type: none"> - Cabral, Luís MB. "The economics of trust and reputation: A primer." <i>New York University and CEPR</i> (2005). - ** Bai, Jie, Ludovica Gasse, and Yukun Wang. "Collective reputation in trade: Evidence from the Chinese dairy industry". No. w26283. National Bureau of Economic Research, 2019. https://drive.google.com/file/d/0B52sohAPtnAWekRXQWFwNnJRMFU/view | <ul style="list-style-type: none"> - Review of contracting theory covered in class - Other examples of reputation studies |
| 10 | 26/11 (30/11) | Corruption | <ul style="list-style-type: none"> - Banerjee, Abhijit, Sendhil Mullainathan, and Rema Hanna. <i>Corruption</i>. http://www.nber.org/papers/w17968 - **Olken, Benjamin A., and Patrick Barron. "The simple economics of extortion: evidence from trucking in Aceh." <i>Journal of Political Economy</i> 117.3 (2009): 417-452. https://www.journals.uchicago.edu/doi/abs/10.1086/599707 | <ul style="list-style-type: none"> - Review of corruption models covered in class - Other examples of corruption studies from Banerjee et al |
| 11 | 3/12 (7/12) | Rural-Urban Migration | <ul style="list-style-type: none"> - **Imbert, Clement, Marlon Seror, Yifan Zhang, and Yanos Zylberberg. "Migrants and firms: Evidence from china." (2020). https://www.dropbox.com/s/vnpi22iuaqspnw7/20201204_Migrants_and_Firms.pdf?dl=0 - Bustos, Paula, Bruno Caprettini, and Jacopo Ponticelli. "Agricultural Productivity and Structural Transformation: Evidence from Brazil." <i>American Economic Review</i> 106.6 (2016): 1320-1365. https://ideas.repec.org/a/aea/aecrev/v106y2016i6p1320-65.html - Lagakos, David. "Urban-Rural Gaps in the Developing World: Does Internal Migration Offer Opportunities?." <i>Journal of Economic Perspectives</i> 34.3 (2020): 174-92. | - Classical models of rural-urban labor markets: Lewis and Todaro-Harris |

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| 12 | 10/12 (14/12) | Trade and Development | <ul style="list-style-type: none"> - **Pavcnik, Nina. <i>The impact of trade on inequality in developing countries</i>. No. w23878. National Bureau of Economic Research, 2017. http://www.nber.org/papers/w23878 - McCaig, Brian. "Exporting out of poverty: Provincial poverty in Vietnam and US market access." <i>Journal of International Economics</i> 85.1 (2011): 102-113. https://www.sciencedirect.com/science/article/pii/S0022199611000572 - **Ray, D. (1998). <i>Development Economics. Sections 16.2-16.3</i> - Atkin, David. "Endogenous skill acquisition and export manufacturing in Mexico." <i>American Economic Review</i> 106.8 (2016): 2046-85. - Edmonds, Eric V., Nina Pavcnik, and Petia Topalova. "Trade adjustment and human capital investments: Evidence from Indian tariff reform." <i>American Economic Journal: Applied Economics</i> 2.4 (2010): 42-75. | - Review of theories of trade covered in class |
| 13 | 17/12 (21/12) | Industrial Policies | <ul style="list-style-type: none"> - **Murphy, Kevin M., Andrei Shleifer, and Robert W. Vishny. "Industrialization and the big push." <i>Journal of political economy</i> 97.5 (1989): 1003-1026. [only sections I-IV] https://www.journals.uchicago.edu/doi/abs/10.1086/261641 - **Wang, Jin. "The economic impact of special economic zones: Evidence from Chinese municipalities." <i>Journal of development economics</i> 101 (2013): 133-147. https://www.sciencedirect.com/science/article/pii/S0304387812000934 - Lane, Nathaniel. "The new empirics of industrial policy." <i>Journal of Industry, Competition and Trade</i> (2020): 1-26. - Belloc, Marianna, and Michele Di Maio. "Survey of the literature on successful strategies and practices for export promotion by developing countries." (2011). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2001000 | - Course review |