Economics 881
Foundations of Development Economics: Theory and Empirics

Erica Field and Xiao Yu Wang

Class
Wednesday 08:45-11:15
Classes begin: 27 August 2014
Classes end: 19 November 2014
Classroom: Social Sciences 111

Contact information

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<thead>
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<td>Social Sciences 320</td>
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<tr>
<td>Office hrs: Friday 9:00-10:30</td>
<td>Fri 10:30-noon</td>
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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:

- Benjamin Feigenberg, “Priced Out: Aggregate Income Shocks and School Pricing in the Chilean Voucher Market”
- Gautam Rao, “Familiarity Does Not Breed Contempt: Diversity, Discrimination, and Generosity in Delhi Schools”

The paper choices for the second report are:

- David Atkin, Amit Khandelwal and Adam Osman “The Impact of Exporting: Evidence from a Randomized Experiment”

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 1 Oct 2014, and the second report is due before class on 12 Nov 2014.

Second, you will take a (written) in-class exam at the end of the semester. The scheduled exam time is Wednesday, December 10, 8:45-11:45am. The exam will cover material discussed in lecture and the main assigned readings.

Due dates:

Referee report #1 Before class on 1 Oct 2014
Referee report #2 Before class on 12 Nov 2014
Final exam Wed, 10 Dec 2014, 8:45-11:45am

Email your work to 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. The exam will take place during class time on 8 Oct 2014.

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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<thead>
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<th>Lect</th>
<th>Date</th>
<th>Topic</th>
<th>Lecturer</th>
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<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
<td>27-Aug</td>
<td>Intro/Poverty Traps and Health</td>
<td>Field/Wang</td>
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<tr>
<td>Financial Markets</td>
<td>2</td>
<td>3-Sep</td>
<td>Risk, Credit, and Savings</td>
<td>Field/Wang</td>
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<td></td>
<td>3</td>
<td>10-Sep</td>
<td>Microfinance</td>
<td>Field/Wang</td>
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<td>4</td>
<td>17-Sep</td>
<td>Insurance</td>
<td>Field/Wang</td>
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<td>Labor and Firms</td>
<td>5</td>
<td>24-Sep</td>
<td>Firms</td>
<td>Field/Wang</td>
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<td></td>
<td>6</td>
<td>1-Oct</td>
<td>Technology Adoption</td>
<td>Field/Wang</td>
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<td></td>
<td>8</td>
<td>8-Oct</td>
<td>MIDTERM</td>
<td>Field/Wang</td>
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<td>7</td>
<td>15-Oct</td>
<td>Labor Markets and Contracting</td>
<td>Field/Wang</td>
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<tr>
<td>Households</td>
<td>8</td>
<td>22-Oct</td>
<td>Decision-making in the Household/Gender</td>
<td>Field/Wang</td>
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<td>Institutions and Governance</td>
<td>9</td>
<td>29-Oct</td>
<td>Institutions</td>
<td>Field/Wang</td>
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<td>10</td>
<td>5-Nov</td>
<td>Land and Property Rights</td>
<td>Field/Wang</td>
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<td>11</td>
<td>12-Nov</td>
<td>Corruption</td>
<td>Field/Wang</td>
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<td>12</td>
<td>19-Nov</td>
<td>Public Finance and Collective Action</td>
<td>Field/Wang</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)


**Risk, 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


**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
Theory

Empirical


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**


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

**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