

Econ 8784: Ph.D. Seminar in Economic Development (“Micro-Development”)

Course Meets 08/23/2005 - 12/8/2005

Tue, Thurs: 11:00 am – 12:15 pm, Room: Econ 5

No Class: Thurs, Oct 13 (Fall Break) and Thurs, Nov 24 (Thanksgiving)

Course Website: www.colorado.edu/Economics/courses/mobarak

Prerequisites: Ph.D. Level Microeconomic Theory and Econometrics
(need to see me if you don't have these prerequisites)

Instructor: A. Mushfiq Mobarak, Assistant Professor, Department of Economics

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Office Hours: Tue 9:30am-10:45am, Thurs 1:15pm-3:00pm

Texts

There is no required text for this course. The lectures and discussion will be primarily based on journal articles and working papers in the reading list provided below. Here are some texts that you may find useful to consult from time to time:

Jeffrey Wooldridge, Economic Analysis of Cross Section and Panel Data, MIT Press, 2001

Debraj Ray, Development Economics, Princeton University Press, 1998.

Pranab Bardhan and C. Udry, Development Microeconomics, Oxford Univ. Press, 1999

H. Chenery and T.N. Srinivasan eds, Handbook of Development Economics Vols. I to IV, Elsevier Publishers.

Angus Deaton, The Analysis of Household Surveys: A Microeconometric Approach to Development Policy, World Bank, 1997

Wooldridge is an excellent panel data econometrics reference text. Ray's book is an advanced undergraduate or Master's level text that contains intuitive treatments of some of the material covered in this course. Bardhan and Udry is a more advanced text that attempts to summarize the literature on each of the topics it covers. The four-volume Handbook of Development Economics set contain essays on selected issues in development by prominent authors in each sub-field. This is an expensive set. You might consider using the copies available in the Reserve Room of Norlin library.

Course Objectives & Description

The objective of this course is to put you in a position to do original research in development economics. You will be required to write a research proposal and submit it to me before the end of the semester. I have chosen papers for the reading list that will help you understand what “state of the art” research in development economics constitutes. Many of the papers are current – yet to be published, including several successful “job market papers” from Ph.D. students in development who were on the market in the last couple of years.

Although the course will examine both theoretical and empirical issues in economic development, the focus will be on the empirical side, which reflects some major trends in this field, as well as my own research interests. We will be concerned mostly with micro-economic issues in development. This course complements Econ 8774, which is a “macro-development” course being taught by Professor Murat Iyigun, which covers macroeconomic issues, and is more theoretical in its approach. The two courses make up the development economics field at Colorado.

You will have to work through some problem sets that will require you to clean, compile and analyze data. One of the first topics we will cover is empirical research methodology in development economics, and I will point you to some publicly available micro and macro datasets that may be useful for your research. During class, we will primarily discuss the papers in the reading list below. Once in a while, the lectures may be based on a few chapters from the list of texts above. To get the most out of this course, please read the papers in advance. I will ask you to hand in summaries of papers throughout the semester in order to give you the proper incentives to read. Reading ahead will also no doubt help your class participation grade.

Grading

1. You will be required to hand in one-page summaries of numerous (15-20) papers on the syllabus during the course of the semester. The summary should make clear that you’ve read the entire paper. Apart from the fact that these are graded, there is another very important reason for you to do a good job on these summaries: I will make available the summary you wrote for you to consult while you are writing the final exam. The summaries will be due at the beginning of the class period on the first day that we move to that ‘topic’ on the syllabus.
2. I will assign 3 problem sets which will require you to spend many hours cleaning, compiling and analyzing data using a statistical software package such as Stata. You can use any software package you choose, but based on my own experience doing empirical research, I will highly recommend that you use Stata.
3. The class participation grade will be based on your willingness to contribute meaningfully to class discussion. It will help if you read the papers in advance
4. I will ask you to write referee reports for either 2 or 3 unpublished papers. Each referee report should be at least 2-3 pages double-spaced. The report should start with a brief 1-2 paragraph summary of the main point of the article and the methodology used. This should be followed by a critique and suggestions for improvement. You should describe your main 3-4 points of critique in detail as if

- you were writing directly to the author. Conclude the report with more minor comments. A good referee report not only clearly states the shortcomings of the work, but also lays out detailed (and realistic) suggestions for improvement.
5. You will develop a research proposal on a topic related to development economics over the course of the semester. You are expected to have several conversations with me about your research idea. The proposal should be as detailed as possible, and will outline the research question, develop an appropriate literature review noting the gap in the literature that your work will fill, the methodology to be employed and the data to be used (if the project is empirical). Even better, if you already have data, you should show me some preliminary analysis, summary statistics etc. You will be graded on the originality of your ideas, and on how well you develop the proposal. The proposal will be due towards the end of the semester; an exact due date will be announced. For students also enrolled in 8774, you can use the same research proposal, as long as that proposal has a strong empirical component to it.
 6. There will be a short final exam, so I can gauge whether you retained the material that we discussed in class.

The following weights will be used to compute your final grade:

One-Page Summaries	15%
Class Participation	5%
Problem Sets (10% each)	30%
Referee Reports (3)	20%
Research Proposal	20%
Exam	10%

University Policies

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and www.Colorado.EDU/disabilityservices

We will make reasonable accommodations for students who have conflicts between religious observance dates and course examinations or assignments. Please talk to me at the beginning of the semester, if you think you may require such accommodation. For university policies on this and on other things such as classroom behavior, see www.colorado.edu/policies/index.html.

For the university honor code, see www.colorado.edu/academics/honorcode/ Plagiarism is not allowed. This means that you cannot copy anyone else's work and pass it off as your own. Each person must turn in assignments that are the fruit of his/her own sincere efforts.

The University of Colorado at Boulder policies on Discrimination and Harassment (<http://www.colorado.edu/policies/discrimination.html>), on Sexual Harassment, and on Amorous Relationships applies to all students, staff and faculty. Any student, staff or

faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>

Schedule of Topics and Reading List

* You are required to hand in one-page summaries of the starred articles

1. Introduction to Development and History of the Field

(1 lecture)

Amartya Sen, "The Concept of Development," Chapter 1 in *Handbook of Development Economics, Volume 1*, pp. 9-26.

Paul Krugman, "The Fall and Rise of Development Economics," Chapter 1 in *Development, Geography and Economic Theory*, MIT Press, 1995. (This book can be read online using Norlin's ebook collection. Search for the book in the Chinook catalog, and there is a link) (www.netlibrary.com)

2. Empirical Research in Development

(3.5 lectures)

Deaton, Angus (1993). "Data and Econometric Tools for Development Economics," in *Handbook of Development Economics Vol. III*.

Udry, C. (1995). "Recent Advances in Empirical Microeconomic Research in Poor Countries: An Annotated Bibliography," *Journal of Economic Education* 28 (1): 58-75. Working Paper: www.econ.yale.edu/~cru2/pdf/review.pdf

Discussion Pieces

- a. "Ugly Children May Get Parental Short Shrift," *New York Times*, May 3, 2005
 - b. "One Possible Cure for the Common Criminal," *New York Times*, June 16, 2005
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Joshua Angrist and Alan Krueger (1999). "Empirical Strategies in Labor Economics." In Orley Ashenfelter and David Card eds. *Handbook of Labor Economics*, v. 3. Amsterdam: Elsevier Science. Ch. 23. (working paper version: <http://www.irs.princeton.edu/pubs/pdfs/401.pdf>)

*Angrist, Joshua and Alan Krueger (2001), "[Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments](#)," *Journal of Economic Perspectives*, Vol. 15 (4), pp. 69-87.

Holland, Paul, (1986) "Statistics and Causal Inference", *Journal of the American Statistical Association*, Vol. 81 (396), 945-960. (JSTOR)

Freedman, David (1991) "Statistical Models and Shoe Leather," *Sociological Methodology*, Vol. 21, 291-313. (JSTOR)

*Meyer, Bruce D. (1995), "Natural and quasi-experiments in economics," *Journal of Business and Economic Statistics*, 13 (2), pp. 151-161. <http://papers.nber.org/papers/t0170.pdf>

John Bound, David Jaeger and Regina M. Baker (1995). "Problems with Instrumental Variables Estimation when the Correlation between the Instruments and the Endogenous Explanatory Variable is Weak," *Journal of the American Statistical Association* 90 (430): 443-450, June. (JSTOR)

Marianne Bertrand, Esther Duflo and Sendhil Mullainathan (2004). "How Much Should We Trust Differences-in-Differences Estimates?," *Quarterly Journal of Economics*, 2004, 119(1): 249-75. (can access through library website for QJE)

3. Growth in Developing Countries

(3 lectures)

*Acemoglu, D. and F. Zilibotti (1997), "Was Prometheus Unbound by Chance? Risk, Diversification and Growth," *Journal of Political Economy* 105 (4): 709-751. (JSTOR)

Pritchett, Lant (2000), "Understanding Patterns of Economic Growth: Searching for Hills among Plateaus, Mountains and Plains," *World Bank Economic Review* 14 (2): 221-50.

<http://www.worldbank.org/research/journals/wber/revmay00/pdf/Article1.pdf>

Mobarak, A. Mushfiq (2005). "Democracy, Volatility and Development," *The Review of Economics and Statistics* 87 (2), May 2005.

(access through library website for published version or on papers.ssrn.com)

*Levine, Ross and David Renelt (1992). "A Sensitivity Analysis of Cross-Country Growth Regressions," *American Economic Review* 82(4): 942-963. (JSTOR)

Durlauf, Steven (2001). "Manifesto for a Growth Econometrics," *Journal of Econometrics* 10: 65-69.

*Acemoglu, D., S. Johnson and J. Robinson (2001). "Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (5): 1369-1401. (JSTOR)

Comment on Paper: David Albouy (2005). "The Colonial Origins of Comparative Development: A Reexamination Based on Improved Settler Mortality Data.,"

<http://ist-socrates.berkeley.edu/~albouy/AJRreinvestigation/AJRreinvestigation.pdf>

Reply to comment: http://econ-www.mit.edu/faculty/download_pdf.php?id=1138

4. Definitions and Measurement: Income, Poverty, Inequality, PPP

(1 lecture)

Debraj Ray, *Development Economics*. Chapter 2 (sections 2.2-2.6), Chapter 6 (section 6.3), Chapter 8 (section 8.2 and Appendix).

United Nations, *Human Development Report 1996* (pg. 106), *Human Development Report 1990* Chapter 1 ("Defining and Measuring Human Development")

5. Trade and Development

(2 lectures)

*Verhoogen, Eric (2004). "Trade, Quality Upgrading and Wage Inequality in the Mexican Manufacturing Sector: Theory and Evidence from an Exchange-Rate Shock," working paper, Columbia University.

<http://www.columbia.edu/~ev2124/research/Verhoogen.Upgrading.pdf>

Mobarak and Purbasari (2005). "Political Trade Protection in Developing Countries: Firm Level Evidence from Indonesia"

<http://www.colorado.edu/Economics/courses/mobarak/Research.htm>

Thierry Mayer, Philippe Martin, Mathias Thoenig (2005), *Make Trade not War?*, Working Paper

*Topalova, Petia (2004). "Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty and Inequality from India"

http://econ-www.mit.edu/graduate/candidates/download_res.php?id=143

6. Corruption

(2 lectures)

Bardhan, P. (1997). "Corruption and Development: A Review of Issues," *Journal of Economic Literature* 35 (3): 1320-1346. (JSTOR)

Fisman, R. (2001). "Estimating the Value of Political Connections," *American Economic Review* 91(4): 1095-1102. (JSTOR)

*Ray Fisman and Shang-Jin Wei (2004). "Tax Rates and Tax Evasion: Evidence from 'Missing Imports' in China," *Journal of Political Economy* 112 (2): 471-496

<http://www.nber.org/~wei/data/fisman&wei2004/fisman&wei2004.pdf>

*Olken, Benjamin A. (2004), "Monitoring corruption: Evidence from a field experiment in Indonesia," Mimeo, Harvard, November.

(<http://www.nber.org/~bolken/corruptionexperiments.pdf>)

7. Political Economy & Public Service Delivery

(4 lectures)

Besley, T. and R. Burgess (2004), "The Political Economy of Government Responsiveness: Theory and Evidence from India," *Quarterly Journal of Economics* 117 (4): 1415-1451.

<http://ideas.repec.org/a/tpr/qjecon/v117y2002i4p1415-1451.html>

*A. Foster and M. Rosenzweig (2001). "Democratization, Decentralization and the Distribution of Local Public Goods in a Poor Rural Economy," Working Paper, November.

Mobarak, Rajkumar and Cropper (2004). "The Political Economy of Health-Care Provision and Access in Brazil," World Bank Policy Research Paper 3508, http://www.colorado.edu/Economics/courses/mobarak/Mobarak_Rajkumar_Cropper_Brazil.pdf

Khwaja, Asim and Atif Mian (2005). "Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market," http://gsbwww.uchicago.edu/fac/atif.mian/research/MianKhwaja_PoliticalLending.pdf

*Duflo, Esther and R. Chattopadhyay (2004). "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica* 72(5), pp. 1409-1443. http://econ-www.mit.edu/faculty/download_pdf.php?id=437

Wantchekon, Leonard (2004). "Clientelism and Voting Behavior: Evidence from a Field Experiment in Benin", *World Politics*, Forthcoming. http://www.nyu.edu/gsas/dept/politics/faculty/wantchekon/research/WP_0331.pdf

World Bank (2003), *World Development Report 2004: Making Services Work for Poor People*, Washington DC: The World Bank. http://wdsbeta.worldbank.org/external/default/WDSContentServer/IW3P/IB/2003/10/07/000090341_20031007150121/Rendered/PDF/268950PAPER0WDR02004.pdf

8. Environment, Health and Development

(3 lectures)

Mark M. Pitt, Mark R. Rosenzweig, and Md. Nazmul Hassan (2005). "Sharing the Burden of Disease: Gender, the Household Division of Labor and the Health Effects of Indoor Air Pollution," BREAD Working Paper 093. <http://www.cid.harvard.edu/bread/abstracts/093.htm>

Jayachandran, Seema (2005). "Air Quality and Infant Mortality During Indonesia's Massive Wildfires in 1997," BREAD Working Paper 095. <http://www.cid.harvard.edu/bread/abstracts/095.htm>

*Grant Miller (2005). "Contraception as Development? New Evidence from Family Planning in Colombia," http://www.cid.harvard.edu/cidwp/pdf/grad_student/009.pdf

*Kremer, M. and Miguel, T (2004). "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica*, Vol. 72, No. 1 (January, 2004), 159–217 (http://emlab.berkeley.edu/users/emiguel/miguel_worms.pdf)

9. Water

(2 lectures)

*Esther Duflo and Rohini Pande (2005). "Dams," BREAD Working Paper No. 100, <http://www.cid.harvard.edu/bread/abstracts/100.htm>

Hilary Sigman (2002). "International Spillovers and Water Quality in Rivers: Do Countries Free Ride?," *American Economic Review*, vol. 92(4), pages 1152-1159

Stefan Ambec and Yves Sprumont (2002). "Sharing a River," *Journal of Economic Theory* 107 (2): 453-462

10. Marriage

(3.5 lectures)

*Mark Rosenzweig and Oded Stark (1989). "Consumption Smoothing, Migration, and Marriage: Evidence from Rural India," *Journal of Political Economy* 97(4): 905-26 (JSTOR)

*M. Browning, P. A. Chiappori (1998). "Efficient Intra-Household Allocations: A General Characterization and Empirical Tests," *Econometrica*, 66 (6): 1241-1278

Lena Edlund and Evelyn Korn (2002). "A Theory of Prostitution," *Journal of Political Economy*, vol. 110, issue 1, pages 181-214

Bittles, Alan (2001). "Consanguinity and its Relevance to Clinical Genetics," *Clinical Genetics*, 60: 89-98.

Hanan Jacoby and Ghazala Mansuri (2005). "Watta-Satta: Exchange Marriage and Women's Welfare in Rural Pakistan," Working Paper, World Bank
(will be available in late September)

*Nava Ashraf (2005). "Spousal Control and Intra-Household Decision Making: An Experimental Study in the Philippines," Working Paper.
http://www.people.fas.harvard.edu/~ashraf/Spousal_Control.pdf

11. Land & Credit Markets

(3 lectures)

Kranton, R. and A. Swamy (1999). "The Hazards of Piecemeal Reform: British Civil Courts and the Credit Market in Colonial India," *Journal of Development Economics* 58: 1-24.

*Eswaran, M and A. Kotwal (1985), "A Theory of Contractual Structure in Agriculture," *American Economic Review* 75 (3): 352-367. (JSTOR)

Pitt, Mark & S. Khandker (1997), “The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?,” *Journal of Political Economy*. (JSTOR)

Ashraf, Nava, Dean Karlan, and Wesley Yin. (2004). “Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines”, BREAD Working Paper No. 083. <http://www.cid.harvard.edu/bread/abstracts/083.htm>

12. Trust, Social Capital, Behavioral Economics

(2 lectures)

*Rabin, M. (1993). “Incorporating Fairness into Game Theory and Economics,” *American Economic Review* 83(5): 1281-1302 (JSTOR)

Dean Karlan (2005). “Using Experimental Economics to Measure Social Capital and Predict Financial Decisions,” forthcoming, *American Economic Review*
<http://aida.econ.yale.edu/karlan/papers/gamespaper.pdf>