Econ 214: Graduate Development Economics
Microeconomic Issues (Part I)

Autumn Quarter 2006

Instructor: Seema Jayachandran
Email: jayachan@stanford.edu
Office: 230 Landau Economics Building
Office hours: Fridays, by appointment

The course meets on Tuesdays and Thursdays from 3:15 to 5:05 pm in Room 140 of the Landau Economics Building.

1 Course Description and Requirements

This course is the first half of a two-part graduate sequence on microeconomic issues in development. The second part will be co-taught by Aprajit Mahajan and Giacomo DeGiorgi in the winter quarter. The two courses will cover complementary topics in the development literature plus relevant econometric techniques and theoretical models. Roughly speaking, this course places more emphasis on human capital, and the second part places more emphasis on consumption smoothing. Moreover, how we treat even the same topic may be quite different.

One of the course’s main objectives is to build skills in reading and writing applied microeconomics papers. Accordingly, I have designed the course with less emphasis on giving a thorough overview of the literature and more emphasis on teaching a few papers in detail.

The course is aimed primarily at economics PhD students who have satisfied all requirements for the first year. Prior knowledge of economic theory and econometrics at this level will be assumed. Please note that those of you who wish to have development as a field of specialization need at least two courses in the field with a ‘B’ grade or better.

Your grade for the course will be determined as follows:

• **30%: Problem Sets.** There will be 3 problem sets during the quarter. The due dates are to be determined, but they will be roughly Oct 10, Nov 14, and Dec 7. Collaboration with others is allowed and indeed encouraged, but I expect the work you submit to reflect a good deal of individual effort. Please submit separate problem sets and indicate with whom you worked. The problem sets will have empirical exercises that will require you to analyze data sets that I provide. My preference is that you use Stata to solve the data analysis problems, but you may use another statistical software package if you like.

• **20%: Referee Reports.** You are asked to write 3 referee reports on the following papers due Oct 17, Nov 7, and Nov 30, respectively:
  1. *Thornton (2006)* [field experiment on HIV testing in Malawi]
2. Pitt, Rosenzweig, and Hassan (2006) [indoor air pollution in Bangladesh and India]
3. Field and Torero (2006) [land titling and access to credit in Peru]

Please do not collaborate on the referee reports. The purpose of the exercise is to learn how to understand a paper upon reading it and judge its contribution and its strengths and weaknesses. This purpose is subverted if you are not forced to think critically about the paper on your own. Please refer to Prof. Alain de Janvry’s excellent guidelines on how to write a referee report: are.berkeley.edu/courses/ARE251/2004/assignments/RRGuidelines.pdf.

• **10%: In-class Presentation.** The exact format of this component of the class will depend on class size. Tentatively, each student will present one paper and lead a class discussion during a 45-minute session. You should thoroughly present an unstarred paper listed in the syllabus, or one not included that is relevant to the course. Please discuss your choice of paper with me. You should not present a paper which you already have seen presented in a workshop or have been taught in a class. You are required to pair up with a classmate and practice your presentations in front of each other beforehand; this is to improve the quality of the presentations for the benefit of your classmates. The papers discussed in student presentations are required reading for all students.

• **40%: Final Exam.** There will be a final examination on the last day of class, Thursday, December 7. If your schedules permit, the exam will be 2.5 hours long, extending beyond the regular class time (e.g., 4 to 6:30 pm). Otherwise, it will be held during the regular class time.

• **Class Participation.** Class participation will also be considered in borderline cases.

**Other Policies**

**Disabilities:** Students who have a physical or mental impairment that may necessitate an academic accommodation or the use of auxiliary aids and services in a class must initiate the request with the Disability Resource Center (DRC). The DRC will evaluate the request along with the required documentation, recommend the appropriate accommodations, and prepare a verification letter dated in the current academic term in which the request is being made. The student is responsible for arranging a proctor and location if necessary for the extended test period; timely notice is needed to arrange for appropriate accommodations. The DRC is located at 123 Meyer Library (phone 723-1066 voice; 725-1067 TTY).

**2 Reading List**

No textbook is required, but the following are useful references if you plan on doing work in development economics: (1) Deaton (1997), *The Analysis of Household Surveys* (an excellent introduction of micro-development work based on household survey data; also very useful for its treatment of econometric issues); (2) Ray (1998), *Development Economics* (an overview of many topics at an undergraduate level); (3) Berhman and Srinivasan (1995), *Handbook of Development Economics, Volume 3* (Volume 1 is also a good purchase).

The reading list, which is at the end of this syllabus, comprises mainly published papers and working papers. Readings marked with 2 stars (⋆⋆) are required. Readings with 1 star (⋆) also will be taught in lecture, but in less detail. The unstarred papers will be mentioned in class briefly.
and/or are useful for you to know if you plan on pursuing development economics further. They are also papers that you can draw upon for your in-class presentations. Links to unpublished readings are available at www.stanford.edu/~jayachan/econ214/readings.

3 Schedule

Tu Sep 26  Introduction
        Hartmann and Boyce (1983), Chapter 12

Th Sep 28  Effect of income on health
        Subramanian and Deaton (1996) **
        Case (2001)

Tu Oct 3   Effect of health on income
        Thomas et al. (2006) **
        Strauss (1986)

Th Oct 5   Nutritional poverty traps
        Dasgupta and Ray (1986) **
        Swamy (1997)

Tu Oct 10  Relationship between health and education
        Miguel and Kremer (2004) **
        Kremer and Miguel (2004) *
        Behrman and Wolfe (1989)
        Glewwe (1999)

Th Oct 12  Burden of infectious disease
        Kremer (2002) **
        Evans and Miguel (2005) *
        Young (2005)

Tu Oct 17  Returns to education
        Duflo (2001) **
        Psacharopoulos (1994) *
        Foster and Rosenzweig (1996)
Th Oct 19  Quality of education + Student presentation
   Chaudhury et al. (2006) *
   Banerjee, Deaton, and Duflo (2004) *
   Duflo and Hanna (2005) *
   Miguel and Gugerty (2005)

Tu Oct 24  Gender + Student presentation
   Deaton (1989) **
   Park and Rukunnuaykit (2004) *
   Qian (2006) *
   Anderson (2003)
   Miguel (2005)
   Oster (2005)

Th Oct 26  Intrahousehold allocation I
   Browning and Chiappori (1998) **
   Duflo (2003) *
   Thomas (1990)
   Browning, Bourguignon, Chiappori, and Lechene (1994)

Tu Oct 31  Intrahousehold allocation II
   Udry (1996) **
   Duflo and Udry (2003)

Th Nov 2  Catch-up + Student presentation

Tu Nov 7  Property rights
   Banerjee, Gertler, and Ghatak (2002) **
   Field (2005) *
   Banerjee and Iyer (2005)
   Besley (1995)
   Besley and Burgess (2000)

Th Nov 9  Corruption I + Student presentation
   Mauro (1995) **
   Shleifer and Vishny (1993) **
Fisman (2001) ⋆
Khwaja and Mian (2005)
Fisman and Wei (2004)

Tu Nov 14  Corruption II + Student presentation
   Olken (2005) **
   Banerjee (2006) + responses **
   Aidt (2003) *
   Di Tella and Schargrodsky (2003)

Th Nov 16  Social institutions + Student presentation
   Munshi and Rosenzweig (2006) *
   Fafchamps (2002)
   McMillan and Woodruff (1999)

Tu Nov 21  Globalization + Student presentation
   Topalova (2005) **
   Edmonds (2005)

Th Nov 23  Happy Thanksgiving

Tu Nov 28  Democratization
   Besley and Burgess (2002) **
   Pande (2003) *
   Chattopadhyay and Duflo (2004)

Th Nov 30  Technology
   Jensen (2006) **
   Foster and Rosenzweig (2004)

Tu Dec 5  No Class

Th Dec 7  Final Exam
References


