Contact information.
Arun Chandrasekhar
Email: arungc@stanford.edu
Office hours: by email

Logistics.
Class times: T-Th (11.30-1.20)
Course website: canvas

Course description. This course is aimed at economics PhD students who have satisfied all the first year requirements. Prior knowledge of theory and econometrics at the first year PhD level is assumed. If you wish to have development as a field and want this to count towards it, you need at least a ‘B’ or better in this course.

Grading and assignments.
• Problem sets (20%).
There will be 3 problem sets during the quarter. They will contain both theoretical and empirical exercises. The empirical exercises can be done in Matlab, R, and/or Stata. I recommend that you become fluent in the first two. You can work with others, though each person is expected to submit their own work. It should reflect a substantial amount of individual effort. Additionally, please indicate with whom you worked (on each problem). Ideally you can just email me the pdf.

Due Dates: April 19, May 10, May 31

• Referee reports (20%).
You will have to write two referee reports. Please do not collaborate on these.
(1) Due April 21: “Subsidy Policies with Learning from Stochastic Experiences” by Jing Cai, Alain DeJanvry, and Elisabeth Sadoulet
(2) Due May 19: “Understanding the Average Impact of Microcredit Expansions: A Bayesian Hierarchical Analysis of 7 Randomised Experiments” by Rachael Meager

• Research proposal (25%).
You are asked to develop a research proposal on a development economics topic that is feasible for a second-year paper. An initial proposal is due by April 30. It should describe the research question, motivates its importance, situate it within the literature and propose how you will answer it (an identification
strategy, model to be developed, description of potential data sets – ideally all of the above). The proposal should be about 10-15 pages long. The goal is to have a head start on your second-year paper requirement.

• In-class presentations (35%).
You will have to give three 30-45 minute talks on 3 papers. You should summarize the main research questions, the methods used, and facilitate a discussion including any shortcomings. Think about this as an oral referee report or a seminar where you are presenting your own work (without the emotional baggage that you will surely encounter in the future!).

Other course policies.

• Students with Documented Disabilities: Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk (phone: 723-1066, URL: http://studentaffairs.stanford.edu/oae).

• Missed exam: The Department of Economics has a common policy across courses that governs exam attendance. Students must take each exam on the scheduled date. Exam dates will not be changed for individual students to accommodate job interviews, family events, etc. Exceptions will be made only for serious medical reasons or in the event of a death in the family. In the case of a medical problem, you must provide a letter from a doctor stating explicitly that the medical problem prevents you from taking the exam. If a student-athlete must be off-campus the day of an exam, he/she must take the exam on the scheduled exam date and supply his/her answers by fax on that date. Please read the guidelines at http://economics.stanford.edu/undergraduate/economics-common-syllabus.

• Requests for re-grading: The department common syllabus also lays out the process that must be followed to request re-grading of an assignment or exam. All re-grade requests should be submitted in writing, to the professor, copying the director of undergraduate studies (Professor Pete Klenow, klenow@stanford.edu), within a week from when we return your work. Students must not approach either instructor or TA with an oral request before making their written request. Please read the full department policy carefully, as we will only re-grade problem sets and exams if the request complies with it.

• Late assignments: Late assignments will not be accepted.
**General readings.** The required readings for this class mostly consist of academic papers. No textbooks are required, though you may want to have a look at some of these (out of interest):


**Course Outline.** The course will roughly follow the structure below – but this is a live document and therefore things are subject to change.

I. Introduction


II. Savings

A. Benchmark


B. Obstacles


C. Reputation, social networks, RoSCAs and the like
   • Dupas, Pascaline, and Jonathan Robinson (2012). “Why don’t the poor save more? Evidence from Health Savings Experiments”.
   • Gugerty, Mary Kay (2007), “You Can’t Save Alone: Commitment in Rotating Savings and Credit Associations in Kenya.”

III. Insurance
   A. Full commitment

   B. Limited commitment

   C. Hidden income

   D. Moral Hazard
      • Kinnan (2013). “Distinguishing barriers to insurance in Thai villages”

E. Migration
F. Network Approaches

(i) Why relationships ought to be embedded?

(ii) How should village networks be organized?

(iii) When networks form endogenously to share risk, how will they look?

IV. Credit

A. Credit and money lenders


B. Microfinance 1: Overview

- Banerjee. (2012). “Microcredit under the microscope: What have we learnt in the last two decades, what do we need to know?”

C. Microfinance 2: Why groups?


D. Microfinance 3: group composition: who joins with whom and why?

- 2 videos:
  - a talk by Dean Karlan on a Mexico-wide microfinance expansion: [http://www.youtube.com/watch?v=v61CCDLF6ss](http://www.youtube.com/watch?v=v61CCDLF6ss)
  - a response by Abhijit Banerjee on the same topic: [http://www.youtube.com/watch?v=5wjp7msxbY8](http://www.youtube.com/watch?v=5wjp7msxbY8)

E. Microfinance 4: does the group really matter? Group vs individual

- Bryan, G. et al. (2014).

F. Microfinance 5: What are loans used for?


G. Microfinance 6: How does microfinance impact the social network?

- Banerjee, Chandrasekhar, Duflo and Jackson (2016). “Changes in social network structure in response to exposure to formal credit markets”

H. Microfinance 7: What does demand look like?

I. Microfinance 9: What happens with large scale expansion?
- Rai and Sjöström. “Redesigning Microfinance”

J. Microfinance 10: Do banks channel deposits to the right folk?
* Banerjee, Cole and Duflo. “Banking Reform in India.”

V. Information
A. Diffusion
(i) Applications of diffusion
(ii) Theory of diffusion
B. Social Learning and Information Aggregation

(i) Why might the law of large numbers fail under Bayesian learning?


(ii) DeGroot learning on a network


(iii) Applications


(iv) Putting it together: Diffusion + Aggregation

* Banerjee et al. (2018) “When less is more: Experimental evidence on information delivery during India’s demonetization.”


* Banerjee et al. (2016) “Naive learning with uninformed agents”

* Ngatia, Muthoni. “Social interactions, stigma, and HIV testing.” (2016).
VI. Firms and contracts
A. Overview:


B. Networks:

• Bertrand and Schoar. Family Firms.

VII. Public finance
A. Public goods:


B. Redistribution:

• Hanna and Olken, “Universal Basic Incomes vs. Targeted Transfers: Anti-Poverty Programs in Developing Countries,” *Journal of Economic Perspectives* 32 (4), pp. 201-226