

Development Economics

Fall 2002

Two sessions / week
1.5 hours / session

Esther Duflo
Abhijit Banerjee
Michael Kremer

This class contributes to the fulfillment of requirements for the development field for Economics Ph.D. students at both Harvard and MIT. People other than Economics Ph.D. students should consult with the instructors before enrolling.

The first two-thirds of the class will be taught jointly by Abhijit Banerjee and Esther Duflo and the last one-third will be taught by Michael Kremer.

Requirements: Problem sets will generally be handed out every other Wednesday and will be due one week later. The final exam will count for 70% of the grade, and the problem sets will account for the remaining 30%. The final exam will be held at the regular class meeting place and time. Class participation will also be considered in borderline cases.

Many readings are available on the web. For readings not on the web, there are two separate course books. Course books with readings for the first two-thirds of the course (the MIT section, those listed with double stars) is currently available at the MIT Copy Technology Center. Readings will also be put on reserve at Dewey library and Littauer library. Readings for the last third (the Kremer section) of the class are available on Harvard's e-reserves.

Everyone is encouraged to attend the Development Seminar, which meets on Tuesdays for 1.5 hours at Harvard. When there is an out-of-town speaker, we normally take the speaker out to dinner, and we will try to save a couple of spots for graduate students each time.

Everyone is also encouraged to attend the Development Lunch. MIT's Development Lunch meets on Mondays. The Harvard Development Lunch meets on Wednesdays.

General readings

BOOKS:

Ray, Debraj. Development Economics . Princeton University Press, 1998.
(recommended)

Deaton, Angus. *The analysis of Household Surveys* . John Hopkins, 1997.
(recommended)

Bardhan, Pranab and Christopher Udry. *Development Microeconomics* . Oxford: Oxford University Press, 1999.

Articles:

** Meyer, Bruce D. (1995), "Natural and quasi-experiments in economics," *Journal of Business and Economic Statistics* , 13 (2), pp. 151-161.

** 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

Josh Angrist and Alan Krueger, "Empirical Strategies in Labor Economics", ch. 23 in Ashenfelter and Card, *Handbook of Labor Economics*, vol. 3. (Recommended Reading)

1. Introduction (1 lecture)

** Boyce, J. and B. Hartmann, "A Quiet Violence: View from a Bangladesh Village," chapters 1, 12 and 13.

2. Nutrition and Health (2 lectures)

** Strauss, John and Duncan Thomas (1995), "Human Resources: Empirical Modeling of Household and Family Decisions." In Behrman, Jere and T.N. Srinivasan, eds., *Handbook of Development Economics* , Volume 3. Amsterdam: North Holland, pp. 1885-2023.

** Dasgupta, Partha and Debraj Ray (1986), "Inequality as a Determinant of Malnutrition and Unemployment: Theory," *The Economic Journal* , Vol. 96 (384), pp. 1011-1034.

* Srinivasan, T. N. (1994), "Destitution: A Discourse," *Journal of Economic Literature* , Vol. 32 (4), pp. 1842-55.

* Subramanian, Shankar and Angus Deaton (1996), "The Demand for Food and Calories," *Journal of Political Economy* , Vol. 104 (1), pp 133-62.

* Miguel, Edward and Michael Kremer (2001), " Worms: Education and Health Externalities in Kenya ".

3. Education (3 lectures)

** Duflo, Esther (2001), "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment" *American*

Economic Review , Vol. 91 (4), pp 795-813.

* Duflo, Esther (2000), "The Medium Run Consequences of Educational Expansion: Evidence from a Large School Construction Program in Indonesia," (Forthcoming in the *Journal of Development Economics*) available here until then

* Angrist, Joshua and Victor Lavy (1999), "Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement," *Quarterly Journal of Economics* , Vol 114 (2), pp. 533-575.

4. Land (2 lectures)

* Shaban, Radwan (1987) "Testing between Competing Models of Sharecropping," *Journal of Political Economy* , Vol. 95 (5), pp. 893-920.

* Banerjee, Abhijit, Paul Gertler and Maitresh Ghatak (2002), "Empowerment and Efficiency: Tenancy Reform in West Bengal," *Journal of Political Economy* , Vol. 110 (2), pp 239-280.

** Banerjee, Abhijit (1999), "Prospects and Strategies for Land Reforms", In B. Pleskovic and J. Stiglitz (eds), *Annual World Bank Conference on Development Economics 1999* . Washington, DC: World Bank, pp. 253-284. (To Be Handed Out)

* Besley, Timothy and Robin Burgess (2000), "Land Reform, Poverty Reduction, and Growth: Evidence from India," *Quarterly Journal of Economics* , Vol. 115 (2), 389-430.

5. Credit (4 lectures)

* Banerjee, Abhijit (2002), " Contracting Constraints, Credit Markets and Economic Development ", mimeo, MIT.

* Burgess, Robin And Rohini Pande(2002), " Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment ," (joint with Robin Burgess), mimeo.

* Banerjee, Abhijit and Esther Duflo (2002), " Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program ,"

* Banerjee, Abhijit and Kaivan Munshi (2002), " How Efficiently is Capital Allocated? Evidence from the Knitted Garment Industry in Tirupur ," mimeo, MIT.

* Karlan, Dean (2002), " Social Capital and Group Banking ," mimeo

** Morduch, Jonathan (1999), "The Microfinance Promise," *Journal of Economic Literature* , Vol. 37 (4), pp. 1569-1614.

* Pitt, Mark and Shahidur Khandker (1998), "The Impact of Group-based Credit

Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" *Journal of Political Economy* , Vol. 106 (5), pp. 958-996.

6. Reputation

* Tirole, Jean (1996), "A Theory of Collective Reputations (With Applications to the Persistence of Corruption and to Firm Quality)," *Review of Economic Studies* , Vol. 63 (1), pp.1-22.

* Banerjee, Abhijit and Esther Duflo, "Reputation Effects and the Limits of Contracting: A study of the Indian Software Industry," *Quarterly Journal of Economics* , Vol. 115 (3), pp. 989-1017, 2000.

* Greif, Avner (1993) "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition," *American Economic Review* , 83(3), pp.525-548.

7. Gender and Family

** Browning, Martin and Pierre-Andre Chiappori (1998), "Efficient Intra-household Allocations: A General Characterization and Empirical Tests," *Econometrica* , Vol. 66 (6), pp. 1241-1278.

* Garg, Ashish and Jonathan Morduch (1998), "Sibling Rivalry and the Gender Gap: Evidence from Child Health Outcomes in Ghana," *Journal of Population Economics* , Vol. 11 (4), pp. 471-493.

* Duflo, Esther (2000), " Grandmothers and Granddaughters: Old Age Pension and Intra-household Allocation in South Africa ,"

* Udry, Christopher (1996), "Gender, Agricultural Production, and the Theory of the Household," *Journal of Political Economy* , Vol. 104 (5), pp. 1010-1045.

* Duflo, Esther and Christopher Udry (2001), " Intrahousehold Resource Allocation in Côte d'Ivoire: Social Norms, Separate Accounts and Consumption Choices ,"

* Chiappori, Pierre-Andre, Bernard Fortin and Guy Lacroix (2001), " Marriage Market, Divorce Legislation and Household Labor Supply ", mimeo, University of Chicago.

* Angrist, Josh (2001), " How Do Sex Ratios Affect Marriage and Labor Markets? Evidence from America's Second Generation ," mimeo, MIT.

Part II: General Equilibrium

Kremer, M. Contents of Course Packet for 14.771/Harvard 2390b

8. Technology

Klenow, P. and A. Rodriguez-Clare, "The Neoclassical Revival in Growth Economics: Has it Gone too Far?," *NBER Macroeconomics Annual* , pp. 73-114, 1997.

Banerjee, A, "A Simple Model of Herd Behavior," *The Quarterly Journal of Economics* , 107 (3), pp. 797-817.

Ellison, G. and D. Fudenberg, "Rules of Thumb for Social Learning," *Journal of Political Economy* , 101 (4), pp. 612-643, 1993.

Foster A.D. and M.R. Rosenzweig, "Learning by Doing and Learning from Others: Human Capital and Technical Change in Agriculture," *Journal of Political Economy* , 103 (6), pp. 1176-1209, 1995.

Kremer, M., "The O-Ring Theory of Economic Development" *The Quarterly Journal of Economics* , 108 (3), pp. 551-575, 1993.

Basu, Susanto and David N. Weil, "Appropriate Technology and Growth," *The Quarterly Journal of Economics* , 113 (4), pp. 1025-54. November 1998.

Kremer, M., "Creating Markets for New Vaccines: Part I: Rationale," *Innovation Policy and the Economy* , MIT Press, Volume 1, 2001.

Kremer, M., "Creating Markets for New Vaccines: Part II: Design Issues," *Innovation Policy and the Economy* , MIT Press, Volume 1, 2001.

9. Population

Malthus, T.R., Chapters 1 & 2, "Essay on the Principle of Population 1798," The Works of Thomas Robert Malthus, Pickering & Chatto Publishers Limited, London, 1986.

Kremer, M., "Population Growth and Technological Change: 1,000,000 B.C. to 1990," *Quarterly Journal of Economics*, 108 (3), pp. 681-716. August 1993. (Reprinted in *Economic Growth: Theory and Evidence*, edited by Gene Grossman, Elgar. Reference Collection, International Library of Critical Writings in Economics, no. 68, 1996; and in *Population Economics*, edited by Julian Simon, forthcoming.)

Galor, O., and David N. Weil, "The Gender Gap, Fertility, and Growth," *American Economic Review*, 86 (3), pp. 374-387, 1996.