

Economics 326
Economics of Developing Countries
Spring 2022

Instructor

Professor Lori Beaman

Kellogg Global Hub, Room 3377 (2211 Campus Drive)

l-beaman@northwestern.edu

Lectures: TTh 12:30pm-1:50pm

Office hours: Fridays 12:30pm-1:50pm in person, 3-4pm via [Zoom](#), or by appointment

Teaching Assistant

Tai Lam

tai.lam@u.northwestern.edu

Office hours: Mondays 12-1:30pm and Wednesdays 3:30-5pm

TA section: Only meeting on Fridays 1-1:50pm on April 22nd and May 20th

Course Description

Welcome to Econ 326! In this course, we will explore together the underlying reasons why many countries are currently underdeveloped and the implications for individuals' well-being. The focus of the course is the study of microeconomic issues in development: the institutions and structure of markets in developing countries. We will ask such questions as "Do the poor under-invest in education and health?" and "Can public policy be used to improve the well-being of people living in developing countries?" Other topics include credit and microfinance, insurance, and corruption. We will combine insights from economic theory and empirical analysis using data from low income countries to investigate these questions.

Topics

Development is a large field. Out of necessity, we will need to focus the class on certain aspects of development. This course will focus on major topics in the microeconomics of development with an emphasis on empirics. The course Econ 325 entitled Economic Growth and Development which focuses on saving, capital accumulation, technological change, structural change, demographic transition, and income distribution. Therefore, we will not cover growth theory or cross-country inequality in this course. We will focus instead on issues related to human development, including education, nutrition and health; formal and informal risk-coping mechanisms, savings, credit and microfinance; and finally gender and development, corruption and community participation.

Prerequisites

Econ 281, 310-1, and 310-2.

Grading

Grading for this class will be based on 4 assignments, 2 short reading responses, 1 midterm, and a final exam. The problem sets will count for 30%, the reading responses and class participations will constitute 5%, the midterm will count for 30%, and the final exam 35%.

The date of the midterm is April 28, during our normal meeting time. The final exam is during class on Wednesday May 31.

Readings and Textbook

The main readings of the courses will be covered by the following texts:

- *Portfolios of the Poor* by Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven
- *Development Economics* by Debraj Ray
- Readings, both academic papers, policy papers and media pieces, available online.

You are not required to purchase the Ray textbook. I have requested to have it on e-reserve through Canvas.

All the links in the syllabus work as of this writing (most can be found on JSTOR, Google scholar, or other online sources, such as the authors' websites.) Northwestern covers subscription fees to access these resources. However, you will need to be on campus or access the internet via Northwestern using a VPN.

Readings with a * are required while the remaining articles are recommended.

Assignments

Econometrics is a prerequisite for this class. However, we will spend some time at the beginning of the quarter to review some basic econometrics. You will also be asked to use either the statistical program Stata in the assignments for the course or R. Stata can be purchased at a reduced student rate through the [Stata Grad Plan](#) or is accessible in all of the lab workstations and public workstations in the University Library. If you purchase Stata, get either Stata/IC or Stata/SE but not Small Stata. You may also access Stata remotely by requesting an individual account at NUworkspace: <http://nuworkspace.northwestern.edu/request-an-account/>. R is freely available.

Assignments are due at the beginning of the class. The 4 assignments will be due on the following dates, and the problem sets will be distributed at least one week in advance:

- Problem Set 1: due April 14
- Problem Set 2: due April 21
- Problem Set 3: due May 12
- Problem Set 4: due May 24

Collaboration with others is allowed and encouraged, but the work you submit should reflect a good deal of individual effort. Each individual should turn in a problem set and indicate with whom he/she/they worked.

Reading Responses

You will be asked to provide 2 reading responses this quarter. The reading response should be 1 paragraph (200-300 words) on chapter 3 and chapter 5 of *Portfolios of the Poor*. The response should be turned in at the start of class the day we first cover material related to that chapter. As you will see, *Portfolios of the Poor* uses qualitative and quantitative methods to examine how the poor use financial instruments to manage their lives. The reading responses should comment on one type of behavior described in the chapter – ideally corresponding to a case study (a particular family or individual in the sample) – which is either inconsistent with economic theory you have learned thus far at

Northwestern or is an excellent example of classic economic theory. We will discuss this more in detail in class, but this is an opportunity for me to get to know all students better.

Reading responses will be due:

- Chapter 3: May 3
- Chapter 5: May 10

Course policies

- Requests for re-grading: Re-grade requests should be submitted in writing (by email) to me within a week from when we return your work.
- Contacting me: Please use email if you'd like to reach me! I don't check messages on Canvas regularly, so will not see any messages you post there.

College/university policies

- Students with documented disabilities: Any student with a verified disability requiring special accommodations should speak to AccessibilityNU and provide documentation to me as early as possible in the quarter, ideally in the first week, to arrange appropriate accommodation. All discussions with me and with AccessibleNU will remain confidential.
- Academic integrity: Suspicion of academic integrity violations will be referred immediately to the Academic Dean's office; University rules prohibit subsequent discussion of the situation with the student. Northwestern University's understanding and expectations in regard to issues of academic honesty are articulated in the Undergraduate Catalog. While you are a Northwestern student, you will be treated as an adult and will be held accountable for your actions; consequently you are expected to know and abide by the rules of the institution. It is important that you read and understand the ethical use of information (see Academic Integrity at Northwestern: A Basic Guide). Whether intentional or not, improper use of materials can be considered a violation of academic honesty. For example, you should not refer to prohibited materials (notes, another student's exam, a calculator) during an exam, alter an exam for re-grading, or fabricate excuses or lie in connection with your academic work. If you are unsure as to what is permissible, please consult us, because ignorance is not a valid excuse.

Recorded lectures

Class sessions for this course will occur in person. Lectures will be recorded and made available to students on a case by case basis: please email the instructor to request access to the recordings. The goal is for everyone to attend classes regularly so we can have engaging conversations during class time.

• Recording by Students

Unauthorized student use of classroom recordings — including distributing or posting them — or other academic activities (including office hours on Zoom) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact ANU.

- Copyright of Class Materials and Recordings

Unauthorized use of classroom recordings – including distributing or posting them – is also prohibited. Under the University’s Copyright Policy, faculty own the copyright to instructional materials – including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display, or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording, or unauthorized.

Schedule of lectures

1. Background: March 31

*Portfolios of the Poor (POP), Ch 1

2. Empirical Methods: April 5

*Ray, Appendix 2.3

*Glewwe, P., M. Kremer, S. Moulin and E. Zitzwitz (2004). “[Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya](#),” *Journal of Development Economics* 74 (1): 251-268.

Duflo, E., R. Glennerster, and M. Kremer (2007). “[Using Randomization in Development Economics Research: A Toolkit](#),” *Handbook of Development Economics* 4, 3895–3962

3. Poverty traps: April 7

*Ray pp. 272-281, 489-504

*Kraay, A. and D. McKenzie (2014). [Do poverty traps exist? Assessing the evidence](#). *Journal of Economic Perspectives*, 28(3), pp.127-48.

4. Income and Nutrition: April 12

*Hidrobo, M., Hoddinott, J., Peterman, A., Margolies, A. and V. Moreira, V. (2014). “[Cash, food, or vouchers? Evidence from a randomized experiment in northern Ecuador](#).” *Journal of development Economics*, 107, pp.144-156.

*Banerjee, A (2016). ”[Policies for a Better-fed world](#),” *Review of World Economics*, 152: pp3-17.

Troller-Renfree, S.V., Costanzo, M.A., Duncan, G.J., Magnuson, K., Gennetian, L.A., Yoshikawa, H., Halpern-Meehin, S., Fox, N.A. and K.G. Noble, K.G. (2022). “[The impact of a poverty reduction intervention on infant brain activity](#).” *Proceedings of the National Academy of Sciences*, 119(5).

5. The Health and Education Interrelationship: April 14

*Miguel, E and M. Kremer (2004). "[Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities](#)," *Econometrica* 72 (1): 159-217.

- *Optional review of policy impact of research:* [Deworming to increase school attendance](#)

6. Education: April 19 and 21

Returns to education: April 19

*Duflo, E. (2001). "[Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment](#)," *American Economic Review* 91 (4): 95-813.

Edmonds, E. and N. Pavcnik (2005). "[Child Labor in the Global Economy](#)," *Journal of Economic Perspectives* 19 (1): pp. 199-220.

Quality of education and COVID impacts: April 21

Chaudhury, N., Hammer, J., Kremer, M., Muralidharan, K. and Rogers, F.H. (2006) "[Missing in Action: Teacher and Health Worker Absence in Developing Countries](#)," *Journal of Economic Perspectives* 20(1): 91–116.

Vegas, E., Shah, S. and B. Fowler (2021). "[Ed Tech and Educational Opportunity during the COVID-19 School Closures: A Case Study of Chennai, Tamil Nadu](#)." Brookings Institute, August 2021.

Snilstveit, B., Stevenson, J., Menon, R., Philips, D., Gallagher, E., Geleneen, M., Jobse, H., Schmidt, J., and E. Jiminez (2016). "[The impact of education programmes on learning and school participation in low- and middle-income countries](#)." 3ie systematic review.

7. Behavioral economics and Development: April 26

*Mani, A., Mullainathan, S., Shafir, E. and J. Zhao (2013). "[Poverty impedes cognitive function](#)," *Science*, 341(6149), pp.976-980.

*J-PAL Briefcase: [A Well-Timed Nudge](#)

(Optional full paper) Duflo, E., M. Kremer and J. Robinson (2011) "[Nudging Farmers to Utilize Fertilizer: Theory and Experimental Evidence from Kenya](#)," *American Economic Review* 101, 2350–2390.

Datta, S. and S. Mullainathan (2014). "[Behavioral design: a new approach to development policy](#)," *Review of Income and Wealth*, 60(1), pp.7-35.1

Midterm: April 28

8. Risk: May 3

*Ray, Ch. 15

*Townsend, R. (1995). "[Consumption Insurance: An Evaluation of Risk-Bearing Systems in Low-Income Economies.](#)" *Journal of Economic Perspectives*, 9 (3): 83-102.

*POP, Ch 3 – reading response due!

9. Savings and Mobile Money: May 5

*POP Ch. 4

*Ashraf, N., D. Karlan and W. Yin. (2006), "[Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines,](#)" *Quarterly Journal of Economics*, 121 (2): 635-672.

*Suri, T. and W. Jack (2016). "[The long-run poverty and gender impacts of mobile money.](#)" *Science* 354.6317: 1288-1292.

IGC Brief on mobile money <https://www.theigc.org/reader/regulating-mobile-money-support-scale/>

10. Credit: May 10 and 12 (2 lectures)

May 10: Credit Market Frictions and Informal Credit

*POP, Ch. 2 and 5 – chapter 5 reading response due!

*Ray, Ch. 14

*Karlan, D. and J. Zinman. (2007), "[Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Experiment,](#)" *Econometrica* 77 (6): pp. 1993-2008. (Read working paper version from link but skip theory section.)

Udry, C. (1990), "[Credit Markets in Northern Nigeria: Credit as Insurance in a Rural Economy.](#)" *World Bank Economic Review* 4 (3): 251-269.

Alem, I. (1990), "[Imperfect Information, Screening, and the Cost of Informal Lending: A Study of a Rural Credit Market in Pakistan.](#)" *World Bank Economic Review* 4 (3): 329-349.

May 12: Microfinance

*POP, Ch. 6 and 7

*Banerjee and Duflo, Chapter 7

*Banerjee, A., E. Duflo, R. Glennerster and C. Kinnan (2015). "[The Miracle of Microfinance? Evidence from a Randomized Evaluation.](#)" *American Economic Journal: Applied Economics* 7(1): 22-53.

Banerjee, A., D. Karlan and J. Zinman (2015). "[Six Randomized Evaluations of Microcredit: Introduction and Further Steps.](#)" *American Economic Journal: Applied Economics* 7(1): 1-21.

11. Environment: May 17 Guest lecture by Dr. Lauriane Yehouenou

*Hardin, G. (1968). "[The Tragedy of the Commons.](#)" *Science* 162:243-248.

*Jayachandran, S., De Laat, J., Lambin, E.F., Stanton, C.Y., Audy, R. and N.E. Thomas (2017). "[Cash for carbon: A randomized trial of payments for ecosystem services to reduce deforestation.](#)" *Science* 357, 267–273

12. Cash transfers and Graduating the Ultra Poor: May 19

*Banerjee, A., Duflo, E., Goldberg, N., Karlan, D., Osei, R., Parienté, W., Shapiro, J., Thuysbaert, B. and C. Udry (2015). "[A multifaceted program causes lasting progress for the very poor: Evidence from six countries.](#)" *Science* 348.6236: 1260799.

"[Impacts of Cash in a Pandemic: Evidence from cash-based programming in low-and middle-income countries.](#)" Innovations for Poverty Action, July 2021.

Haushofer, J. and J. Shapiro (2016). "[The Short-term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya.](#)" *The Quarterly Journal of Economics* 131(4): pp. 1973-2042.

13. Gender Inequality: May 24

*Jayachandran, S. (2015). "[The Roots of Gender Inequality in Developing Countries,](#)" *Annual Review of Economics* 7: pp. 63-88.

Duflo, E. (2012). "[Women's Empowerment and Economic Development,](#)" *Journal of Economic Literature* 50(4): pp. 1051-1079.

*Beaman, L., E. Duflo, R. Pande and P. Topalova (2012). "[Female Leadership Raises Aspirations and Educational Attainment for Girls: A Policy Experiment in India,](#)" *Science* 2 February 2012, 335 (6068): pp. 582-586.

14. Corruption: May 26

*Olken, B. (2007). "[Monitoring Corruption: Evidence from a Field Experiment in Indonesia](#)," *Journal of Political Economy* 115 (2): 200-249.

Bertrand, M., Djankov, S., Hanna, R., & Mullainathan, S. (2007). "[Obtaining a driver's license in India: an experimental approach to studying corruption](#)," *The Quarterly Journal of Economics*, pp. 1639-1676.

Shleifer, A. and R. Vishny (1993). "[Corruption](#)," *Quarterly Journal of Economics*, 108 (3): pp. 599-617.

Final: May 31