This course analyzes the constraints on households and policy makers in developing countries using econometric tools. Empirical micro-economic studies of behavior and policy outcomes under different types of market failures are drawn upon. It also aims at understanding the empirical tools economists use to analyze these constraints. The understanding of the micro-economic foundations of several development problems will be used to discuss policy choices and outcomes in different contexts. We will rely on empirical micro-economic studies to study behavior under different types of market failures and to evaluate the impacts of policy interventions. Topics include inter alia inequality, fertility, education, health, poverty, nutrition, and failures in land, labor, credit and insurance markets.

Prerequisites: 440.601 Microeconomic Theory and Policy; and 440.606 Econometrics.

Dr. Ruth Vargas Hill  
Class hours: Monday 6.00pm -8.45 pm  
Office hours: by appointment  
r.v.hill@cgiar.org

Requirements:

There will be two individual written assignments, one group presentation and a final exam. Students are also expected to do the required readings before each class and actively participate in class discussion. Guiding questions for the readings will be distributed the week prior to class, and all students are expected to be prepared to answer those questions in class, and actively contribute to the related discussions.

Writing assignments (30% of grade): There will be two individual written assignments. Each assignment will be 15% of the grade and they will be due at the beginning of class 4, and the beginning of class 10.

Group presentation (20% grade): Analysis and presentation of an evaluation of a development project. Each group will be assigned a topic and due date will be noon of the day the topic is covered in class.

Class participation (10% grade)

Final exam (40% grade): The in class exam will take place on the scheduled date. Absences from the exam are allowed only for validated medical reasons. Scheduling conflicts with exam dates must be cleared with the instructor 3 weeks in advance of the scheduled date at the latest. Any rescheduled exams must be taken earlier than the scheduled exam.
Readings

Required texts:
There are two required texts for this class:

Other required readings for each class are listed in the outline below. They are conceptual and empirical papers available on the ERES website or on reserve.

Recommended:
For those who have not read Amartya's Sen Development as Freedom (1999, Anchor Books, New York) it is recommended additional reading, particularly for class 2. Additional recommended readings for each week will be given out the week prior to class.

Course Outline and required readings

Class 1: Introduction: the microeconomics of convergence and poverty traps
Ray, chapter 1 (Introduction), chapter 2 (Economic Development: Overview), chapter 3 (Economic Growth).


Class 2: Measuring poverty and inequality and policy approaches
Ray, chapter 6 (Economic Inequality) and chapter 8 (Poverty and Undernutrition).

Bardhan and Udry, chapter 11 (Poverty alleviation: Efficiency and equity issues), chapter 10(Human Capital and Income Distribution).


Class 3: Empirical policy evaluation


Class 4: Household Economics
Bardhan and Udry, chapter 2 (Household Economics)


Class 5: Markets: transaction costs, asymmetric information and collusion
Ray, chapter 11 (Markets in Agriculture)
Bardhan and Udry, chapter 9 (interlinkages)


Class 6: Labor markets and migration
Ray, chapter 13 (Labor) and chapter 10 (Rural and Urban)

Bardhan and Udry, chapter 4 (Labor)


Class 7: Education


Class 8: Health and Nutrition


Class 9: No class, time allocated to self-study to complete the second written assignment

Class 10: Land Markets
Bardhan and Udry, chapter 6 (land)


Class 11: Credit markets and savings
Bardhan and Udry, chapter 7 (credit)


Class 12: Insurance, Risk and Vulnerability
Bardhan and Udry, chapter 8 (risk and insurance)


Class 13: Technology adoption
Bardhan and Udry, Chapter 12 (Technological Progress And Learning)


Tavneet Suri. 2006. Selection and Comparative Advantage in Technology Adoption Economic Growth Center Discussion Paper No. 944, Yale University


Class 14: Final Exam