

## **440.663.51: Development Microeconomics**

Class meetings: Mondays, 6:00pm – 8:15pm, May 21 – August 20  
Instructor: Dr. Bilal Zia  
Office hours: by appointment (email for times)  
Email: bzia1@jhu.edu

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### **Course description**

This course analyzes the constraints on individuals, households, and policy-makers in developing countries. We will study household and individual behavior under different types of market failures and learn how to evaluate the impact of development policy interventions. The overall goal of this course is to help develop your ability to read and critique research in development economics. The instruction will be based on journal articles and working papers, along with appropriate textbook references. The required textbook readings are meant to provide background and context; the class will focus mainly on journal articles and papers.

The course will be taught in a blended fashion, with 25% in-person and 75% online lectures. The first four lectures will be in-person, and the remaining eight lectures will be online. More details on the schedule will be provided in the first class on May 21, which will be in-person in the assigned classroom.

### **Prerequisites**

440.601 Microeconomic Theory and Policy; 440.606 Econometrics

### **Requirements**

You should keep up to date with the readings and may find it helpful to form study groups to cover the class readings. On the reading list, required readings are indicated with a \*, and other recommended readings have no stars.

**Class participation** will count for 15% of the semester grade. The in-person lectures will be discussion-oriented, and participation in the discussion will be an important component of your class grade.

A **group paper (4-5 pages) and virtual presentation** will count for 50% of the semester grade. I will randomly assign students into three groups, and group size will depend on total class size. Each group will be given a separate assignment question. Group presentations will consist of a 45 minute presentation for each group with all members participating. The presentations will take place virtually with each group recording a powerpoint presentation. More details and due dates will be provided in the first class.

The **final exam** will count for 35% of the semester grade, and will cover class readings and discussion. The exam will be held on the final day of class, Monday August 20, and will be virtual. Scheduling conflicts with exam dates must be cleared with me at least 2 weeks in advance. Any rescheduled exams must be taken earlier than the scheduled exam.

### **Disabilities**

If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. I will treat any information you provide as private and confidential.

## **Course materials**

### **Required Text**

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

### **Optional Text**

Bardan, Pranab, and Christopher Udry (1999). *Development Microeconomics*. Oxford University Press.

## **Course Outline and Readings**

### ***Class 1: Introduction to Economic Development – Facts and Puzzles (May 21)***

#### **Textbook Chapters:**

\*Ray, Chapters 1, 2, and 3

#### **Articles and Papers:**

\*Banerjee, A., Duflo, E. (2007). *The Economic Lives of the Poor*. The Journal of Economic Perspectives, 21(1), pp. 141-167.

Collins, Daryl, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven (2009). *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press: Princeton. Chapters 1 and 2

### ***Class 2: Microeconomic Determinants of Poverty, Productivity, and Nutrition (June 4)***

#### **Textbook Chapters:**

\*Ray, Chapters 6 , 8, and Chapter Section 13.4

Bardhan and Udry, Chapters 10 and 11

#### **Articles and Papers:**

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

Thomas, D., E. Frankenberg, J. Friedman, J. Habicht, N. Jones, C. McKelvey, G. Pelto, B. Sikoki, J. Smith, C. Sumantri, and W. Suriastini (2004). *Causal Effect of Health on Labor Market Outcomes: Evidence from a Random Assignment Iron Supplementation Intervention*. California Center for Population Research Online Working Paper Series, Paper CCPR-022-04.

***Class 3: How are Developing Countries Different? A Brief Macro Overview of Public Finance and Taxation, and Implications for Poverty Alleviation (Guest Lecture by Dr. Anne Brockmeyer, The World Bank) (June 11)***

Textbook Chapters:

\*Tim Besley & Torsten Persson (2013), "Taxation and Development", *Handbook for Public Economics*.

Articles and Papers:

\*Fisman Ray and Shang-Jin Wei (2004) "Tax Rates and Tax Evasion: Evidence from Missing Imports in China", *Journal of Political Economy*, 112(2).

\*Joana Naritomi (2015), "Consumers as Tax Auditors", Working Paper.

Dina Pomeranz (2015), "No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax", *American Economic Review*, 105 (8).

Roger Gordon & Wei Li (2009), "Tax Structures in Developing Countries: Many Puzzles and a Possible Explanation", *Journal of Public Economics*, 98 (7-8).

Michael Best, Anne Brockmeyer, Henrik Kleven, Johannes Spinnewijn and Mazhar Waseem, (2015), "Production vs Revenue Efficiency with Limited Tax Capacity: Theory and Evidence from Pakistan", *Journal of Political Economy*, 123 (6).

Jonathan Gruber (2013), *Public Finance and Public Policy*, fourth edition, Chapter 1 (Why Study Public Finance?).

Olken Ben and Monica Singhal (2011) "Informal Taxation", *American Economic Journal: Applied Economics*, 3 (4).

***Class 4: Development Evaluations and Empirical Methods (June 18)***

Textbook Chapters:

\*Ray, Appendix 2 (pg. 777-804)

Articles and Papers:

\*Duflo, E., Banerjee, A., Glennerster, R., Kremer, M. (2008). *Randomization in Development Economics: A Toolkit*. in Schultz, T. P., Strauss, J., (eds.) *Handbook of Development Economics*, Volume 4, North Holland Press, Amsterdam.

\*McKenzie, David and Miriam Bruhn (2009). *In Pursuit of Balance: Randomization in Practice in Development Field Experiments*. *American Economic Journal: Applied Economics*, 1(4): 200-32.

Angrist, J., Krueger, A. (1999). *Empirical Strategies in Labor Economics*. in Ashenfelter, O., Card, D. (eds.) *Handbook of Labor Economics*, Volume 3, North Holland Press, Amsterdam, pp. 1277-1366.

Kremer, M. (2003). *Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons*. American Economic Association Papers and Proceedings, 93(2), pp. 102-106.

**Class 5: Non-Experimental Methods (June 25) – ONLINE LECTURE**

**Class 6: Health and Education (July 2) – ONLINE LECTURE**

Articles and Papers:

\*Maccini, Sharon, and Dean Yang (2009). *Under the Weather: Health, Schooling, and Socioeconomic Consequences of Early-Life Rainfall*. American Economic Review, Vol. 99, No. 3, June 2009, pp. 1006-1026.

\*Cohen, Jessica, and Pascaline Dupas (2007). *Free Distribution vs. Cost-Sharing: Evidence from a Malaria-Prevention Field Experiment in Kenya*. Brookings Institution Global Economy and Development Working Paper Number 11, December 2007.

\*Duflo, Esther (2001). *Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment*. American Economic Review, 91(4), 2001: 795-813.

\*Duflo, Esther, and Rema Hanna (2005). *Monitoring Works: Getting Teachers to Come to School*. NBER Working Paper 11880, December 2005.

\*Kremer, Michael, and Edward Miguel (2004). *Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities*. Econometrica, Vol. 72, No. 1, 2004, pp. 159-217.

Strauss, John, and Duncan Thomas (1998). *Health, Nutrition, and Economic Development*. Journal of Economic Literature, 36(2): 766-817.

Filmer, Deon, Jeffrey Hammer, and Lant Pritchett (2000). *Weak Links in the Chain: A Diagnosis of Health Policy in Poor Countries*. World Bank Research Observer, 15(2), August 2000, pp. 199-224.

Angrist, Joshua, Eric Bettinger, Erik Bloom, Elizabeth King, and Michael Kremer (2002). *Vouchers for Private Schooling in Colombia: Evidence from a Randomized Natural Experiment*. American Economic Review, Vol. 92, no. 5, December 2002, pp. 1535-1558.

**Class 7: Decision Making Within Households (July 9) – ONLINE LECTURE**

Textbook Chapters:

\*Bardhan and Udry, Chapter 2

Articles and Papers:

\*Duflo, Esther, and Christopher Udry (2003). *Intrahousehold Resource Allocation in Cote d'Ivoire: Social Norms, Separate Accounts and Consumption Choices*. MIT Working Paper.

\*Ashraf, Nava (2009). *Spousal Control and Intra-Household Decision Making: An Experimental Study in the Philippines*. *American Economic Review*, Issue 99, No. 4 (September 2009): 1245-1277.

Robinson, Jonathan (2011). *Limited Insurance Within the Household: Evidence from a Field Experiment in Western Kenya*. UCSC Working Paper.

### ***Class 8: Credit Markets and the Promise of Microfinance (July 16) – ONLINE LECTURE***

#### Textbook Chapters:

\*Ray, Chapter 14

Bardhan and Udry, Chapter 7

#### Articles and Papers:

\*Karlan, Dean, Jonathan Zinman (2009). *Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment*. *Econometrica*, vol. 77(6), pages 1993-2008.

\*Gine, Xavier, Jessica Goldberg, and Dean Yang (2012). *Credit Market Consequences of Improved Personal Identification: Field Experimental Evidence from Malawi*, *American Economic Review*, Vol. 102, No. 6, October 2012, pp. 2923-2954.

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

\*Banerjee, Abhijit, Esther Duflo, and Cynthia Kinnon (2010). *The Miracle of Microfinance: Evidence from a Randomized Evaluation*. MIT Working Paper.

Gine, X., Karlan, D. (2009), "Group versus Individual Liability: A Field Experiment in the Philippines," mimeo, World Bank and Yale University.

Beatriz Armendariz and Jonathan Morduch, *The Economics of Microfinance*, MIT Press, 2005. Chapters 1, 2, 4, and 5

### ***Class 9: Savings and Insurance (July 23) – ONLINE LECTURE***

#### Textbook Chapters:

\*Ray, Chapter 15

Bardhan and Udry, Chapter 8

#### Articles and Papers:

\*Dupas, Pascaline and Jonathan Robinson (2013). *Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya*, American Economic Journal: Applied Economics, 5(1): 163-92.

\*Ashraf, Nava, Dean Karlan, and Wesley Yin (2006). *Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines*. Quarterly Journal of Economics, 121(2), pp. 635-672.

\*Cole, Shawn, Thomas Sampson, and Bilal Zia (2011). *Prices or Knowledge? What Drives Demand for Financial Services in Emerging Markets?* Journal of Finance, Vol. 66, Issue 6: 1933-1967, December 2011

\*Morduch, Jonathan (1999). *Between the State and Market: Can Informal Insurance Patch the Safety Net?* World Bank Research Observer, 14(2), August 1999.

\*Gine, Xavier, and Dean Yang (forthcoming). *Insurance, Credit, and Technology Adoption: Field Experimental Evidence from Malawi* Journal of Development Economics, forthcoming.

\* Cole, Shawn, Xavier Giné, Jeremy Tobacman, Petia Topalova, Robert Townsend, and James Vickery (2013) *Barriers to Household Risk Management: Evidence from India*, American Economic Journal: Applied Economics, 5(1): 104-35.

Kast, Felipe and Dina Pomeranz (2009), "Peers as a Savings Commitment Device: Evidence from a Field Experiment among Low-Income Micro-Entrepreneurs in Chile," working paper, Pontificia Universidad Católica de Chile and Harvard University.

Jensen, Robert (2000). *Agricultural Volatility and Investments in Children*. American Economic Review, 90(2): 299-404.

### ***Class 10: Migration and Remittances (July 30) – ONLINE LECTURE***

#### Articles and Papers:

\*World Bank, Global Economic Prospects 2006: Economic Implications of Remittances and Migration. Chapters 4 and 5.

\*Dean Yang (2008), *International Migration, Remittances, and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks*," Economic Journal, Vol. 118, April 2008, pp. 591-630.

\*Nava Ashraf, Diego Aycinena, Claudia Martinez A., and Dean Yang (2008), "Remittances and the Problem of Control: A Field Experiment Among Migrants from El Salvador," mimeo, University of Michigan, 2008.

\*McKenzie, David and Bilal Zia (2012). *Who you Train Matters: Identifying Complementary Effects of Financial Education on Migrant Households*, World Bank Policy Research Working Paper No. 6157, August 2012.

World Bank, Migration and Remittances Fact Book. Online resource. (Skim the data on this website and look up information for regions and countries of interest to you.)  
<http://go.worldbank.org/QGUCPJTOR0>

Nancy Birdsall, Dani Rodrik, and Arvind Subramanian, "How to Help Poor Countries," *Foreign Affairs*, Vol. 84, Iss. 4, Jul/Aug 2005, p. 136.

### ***Class 11: Financial Literacy (August 6) – ONLINE LECTURE***

#### Articles and Papers:

\*Carpena, Fenella, Shawn Cole, Jeremy Shapiro, and Bilal Zia (2015). *The ABCs of Financial Education: Experimental Evidence on Attitudes, Behavior, and Cognitive Biases*, World Bank Policy Research Working Paper No. 7413, September 2015

\*Cole, Shawn, Thomas Sampson, and Bilal Zia (2011). *Prices or Knowledge? What Drives Demand for Financial Services in Emerging Markets?* *Journal of Finance*, Vol. 66, Issue 6: 1933-1967, December 2011

\*Drexler, Alejandro, Greg Fischer, and Antoinette Schoar (2014). *Keeping it Simple: Financial Literacy and Rules of Thumb*. *American Economic Journal: Applied Economics*

\*Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts (Forthcoming). *Does Management Matter? Evidence from India*. Forthcoming, *Quarterly Journal of Economics*.

Bruhn, Miriam, and Bilal Zia (Forthcoming). *Stimulating Managerial Capital in Emerging Markets: The Impact of Business and Financial Literacy for Young Entrepreneurs*, *Journal of Development Effectiveness*.

Bruhn, Miriam, Dean Karlan, and Antoinette Schoar (2010). *What Capital is Missing in Developing Countries?* *American Economic Review Papers and Proceedings*, 100 (2): 629-33

### ***Class 12: Behavioral Economics Meets Development Economics (August 13) – ONLINE LECTURE***

#### Fun Books to Read (not required):

Sunstein, Cass, and Richard Thaler (2008). *Nudge*. Yale University Press.

Collins, Daryl, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven (2009). *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press.

Ariely, Dan (2010). *The Upside of Irrationality*. Harper.

#### Articles and Papers:

\*Hastings, Justine, and Jesse Shapiro (2011). *Mental Accounting and Consumer Choice: Evidence from Commodity Price Shocks*. University of Chicago Working Paper.

\*Karlan, Dean, McConnell, Margaret, Sendhil Mullainathan, and Jonathan Zinman (2011). *Getting to the Top of Mind: How Reminders Increase Savings*. Yale University Working Paper.

\*Duflo, Esther, Michael Kremer, and Jonathan Robinson (forthcoming). *Nudging Farmers to Use Fertilizer*. American Economic Review.

\*Berg, Gunhild, and Bilal Zia (2013), *Harnessing Emotional Connections to Improve Financial Decisions: Evaluating the Impact of Financial Education through Mainstream Media*, World Bank Policy Research Working Paper No. 6407, April 2013.

Mullainathan, Sendhil (2005). *Development Economics Through the Lens of Psychology*. Harvard University Working Paper.

***Class 13: Final Exam (August 20) – Virtual***

Exam file will be made available on the course blackboard website by 5:45PM Eastern Standard Time. Timing for the exam will start at 6PM and the exam will end at 8PM. Students must submit their completed exam files via email ([bzia1@jhu.edu](mailto:bzia1@jhu.edu)) by 8:15PM.

15 minute buffers are allowed on both ends to account for slow internet connections. Please consult with me in advance if you will be unable to access a reliable internet source during this time.