

Development Economics

Module 1, 2024-2025

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Course information

Course Website: see my.nes

Instructor's Office Hours: TBA

Class Time: TBA

Room Number: TBA

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Course description

In this course, we learn about the constraints and the choices that poor households and small firms face in middle and low income countries, how they interact with the State and with markets, and what the evidence says about policies that work and policies that do not work.

In the first part of the course, we will analyze their choices regarding education, health, fertility and intra-household bargaining. Most of these choices depend at least partially on the state provision of public goods (social programs, schools/teachers, hospitals/nurses and doctors, basic infrastructures for electricity, among others), so we will also review whether/when civil servants are corrupt and whether/when they are inefficient.

In the second part of the course, we consider borrowing, saving and the labor supply choices of poor households. What capital markets are accessible to poor households, and how do they differ from formal markets found in rich countries? What is the role of social ties in this context? Is household behavior subject to psychological biases? The labor market turns out to be characterized by self-employment, which, in turn, leads us to discuss the diffusion of small firms: do they not grow because of low productivity or because they are constrained?

In the third part of the course, we will analyze some features of the broader socio-economic environment where the poor often live: ethnic diversity, cultural and religious norms, conflict. Finally, we conclude with foreign aid: stylized facts, allocation, effectiveness and waste.

The aim of the course is to introduce the student to some key ideas in development. Together we will discuss whether/how such ideas were tested. For this reason, the course will be based on state-of-the-art research using micro-data and micro-econometric methods, including program evaluation and Randomized Control Trials (RCTs). The goal is to understand why some policy interventions succeed and why some others fail. Key ideas are discussed using papers. In some cases, we discuss how the ideas were tested: these ideas are discussed more in detail and are accompanied by a mandatory paper

(see list in the syllabus). In most cases, I provide a lighter overview with just optional references for those interested in learning further by themselves.

Course requirements, grading, and attendance policies

The course covers around 9 topics in 7 weeks, i.e., about 1-2 lectures per topic. The lectures are centered on key ideas and whether empirical evidence supports them. Some ideas are discussed at length, either because they appear repeatedly during the course, or because it is particularly important or insightful to discuss how they were tested. Students are expected to gain fairly deep knowledge about them. Other ideas are instead described more quickly. Students can get a sense of the selection of important ideas by looking at the list of mandatory papers provided at the end of the syllabus. Note that the list is short because they are the important papers. I provide a broader (completely optional) literature in a separate document. The course is primarily empirical, so some knowledge of standard empirical methods is recommended.

Lectures will be given in hybrid mode, so both online and offline attendance is possible.

To encourage students to study timely, students can take optional tests in class. The tests are announced in advanced, last 20-30 minutes, and are graded. Taking the tests reduces the weight of the final exam in the final grade of the course. In the tests, I typically ask to summarize one mandatory paper and answers 2-3 short questions. I will provide more detailed instructions in class.

Since one of the main aims of the course is to inspire students to develop their own research ideas, students are free to replace one of the tests in class with a research proposal (of about 2 pages) to be completed at home (and sent by email to me before the test). Students can further replace another test by extending the proposal (for example, they may provide some descriptive statistics of the analysis they are carrying out). Finally, they can replace the final exam with a final essay based on the proposal. Proposals and essays should follow the anti-plagiarism policy spelled out at the end of the syllabus. Make sure you discuss with me in advance any overlap you have with your dissertation or with other projects. If a student wants to submit a final essay, the proposal is mandatory. However, submitting a proposal does not oblige the student to submit the final essay: just write me at least one week before the exam that you prefer to take the exam instead of writing the essay.

The grade will be based as follows:

- 15% for participation in class;
- up to 27% for quizzes in class (9% per quiz);
- up to 85% for the final exam (76% if you submit 1 quiz, 67% if you submit 2, 58% if you submit 3).

All components of the final grade are non-blocking.

Please note that participation in class is about participating to the discussion in class by questioning the material I present you or by building up on it to suggest relevant implications. Attending lectures passively will not contribute to this component.

In case of make-up, the student and the teacher agree on a reasonable time to implement the set of improvements to the research project (a rough benchmark could be 3 weeks), otherwise the student can switch to a standard test in class. In both cases, the final grade for the make-up cannot be higher than 3+.

Course contents

The course material is composed of i) my lecture notes, ii) mandatory articles; iii) optional articles.

I selected 14 mandatory articles (i.e., one paper per lecture) to avoid excessive workload. Optional articles will be listed in a separate document. Students do not need to read non-mandatory articles as long as they attend the lectures and listen actively to the discussion in class.

Topic 1: Corruption

Benjamin A. Olken, Patrick Barron. 2009. "The Simple Economics Of Extortion: Evidence From Trucking In Aceh," *Journal Of Political Economy*, 2009, Vol. 117, No. 3

Topic 2: Public Service Delivery and Education

Duflo. 2001. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment", *American Economic Review*

Duflo, Hanna and Ryan. 2012. "Incentives Work: Getting Teachers to Come to School", *American Economic Review*, 102(4): 1241-1278

Topic 3: Public Service Delivery and Health

Ashraf, Nava, James Berry and Jesse Shapiro. 2010. "Can Higher Prices Stimulate Product Use? Evidence from a Field Experiment in Zambia". *American Economic Review* 100 (December 2010): 2383-2413.

Barnebeck, Thomas Andersen, Carl-Johan Dalgaard, and Pablo Selaya. 2016. "Climate and the Emergence of Global Income Differences", *The Review of Economic Studies*: 1-30.

Topic 4: Public Service Delivery and Infrastructures

Lee, Miguel and Wolfram. Forthcoming. "Experimental Evidence on the Economics of Rural Electrification", *Journal of Political Economy*.

Topic 5: fertility, intra-household bargaining and gender

Ashraf, Nava, Erica Field, And Jean Lee. "Household Bargaining And Excess Fertility: An Experimental Study In Zambia." *American Economic Review* 104, No. 7 (July 2014).

Alberto Alesina, Paola Giuliano, Nathan Nunn. 2013. "On The Origins Of Gender Roles: Women And The Plough," *The Quarterly Journal Of Economics*, 128(2).

Topic 6: borrowing (i.e., access to credit) and saving

Gröger, A. and Y. Zylberberg. 2016. "Internal Labor Migration as a Shock Coping Strategy: Evidence from a Typhoon", *American Economic Journal: Applied Economics*

Attanasio, Orazio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons, and Heike Harmgart. 2015. "The Impacts of Microfinance: Evidence from Joint-Liability Lending in Mongolia." *American Economic Journal: Applied Economics*, 7 (1): 90-122.

Topic 7: Culture, Trust and Religion in the shadow of History

Yanagizawa, David and Filipe Campante. 2015. "Does Religion Affect Economic Growth and Happiness? Evidence from Ramadan", *Quarterly Journal of Economics*, 130(2)

Nunn, Nathan, and Leonard Wantchekon. 2011. "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review* 101 (7):3221-52. doi: 10.1257/aer.101.7.3221.

Topic 8: Ethnic cleavages

Hjort, J. 2014. "Ethnic Divisions and Production in Firms", *Quarterly Journal of Economics*

Topic 9: Foreign Aid

Andersen, Jurgen Juel, Niels Johannesen, and Bob Rijkers. 2020. «Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts», mimeo.

Extra topic: Migration

TBA

Sample tasks for course evaluation

What do we know about the effect of schooling construction programs in developing countries? What can we learn from them? Discuss and compare Duflo (2001) and Martinez-Bravo (2017) for the case of Indonesia.

Course materials

Required textbooks and materials

[This section must include literature sources that have been published in the last 5 years, as required by Russian State educational standards. Please make sure that the materials you list on the syllabus are ordered by the library]

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated and will be punished. This includes self-plagiarism: students cannot submit projects that are identical to or with minor modifications of those submitted for other courses. Major modifications might be allowed but must receive an explicit approval from the professor before submitting. Failure to declare overlap or submitting projects with high similarities to existing works will result in severe punishment. Students must adhere to these regulations as part of the NES Honor code. Course projects are subject to random plagiarism checks.