ECON 616: Economic Development
Fall 2022

Monday/Wednesday, 2:00-3:15

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Tydings 3115C  Web: http://econweb.umd.edu/~goldberg/
301-405-3559  Office hours: By appointment

Description

Survey of a variety of models explaining how market failures may lead to poverty and underdevelopment, with an emphasis on the empirical evaluation of constraints faced by individuals in developing countries and the programs that attempt to alleviate those constraints. Topics include: agricultural and land markets, labor markets, human capital in developing countries, credit markets, and consumption smoothing and risk coping.

Course Objectives

At the end of this course, students should be familiar with the canonical papers in applied micro-economic development, and with more recent empirical work. Students will develop skills as critical readers; learn to assess the rigor of common empirical approaches in development economics; and learn to build upon past theoretical and empirical research to develop new questions of academic and policy relevance. Each student will write an empirical paper that extends a published paper, building on the original question and including new analysis. The goal of this assignment is to strengthen and apply econometric skills to data from developing countries, develop and evaluate identification strategies, and learn to build on the existing academic literature.

Requirements

In addition to the requirements listed below, reading the required papers (indicated with a * on the reading list below) is essential. You will be expected to discuss and answer questions about the required readings in class. You should also at least skim 1-2 other related papers for each topic, to have a better sense of how the required readings fit into the body of related literature.

1) 20% Class participation: Active participation in the discussion of assigned readings, some familiarity with related papers (papers on the syllabus are fine; you may also use Google Scholar or other tools to look for additional, related papers on topics of particular interest), and thoughtful discussion of potential extensions to the assigned readings.
• What is the model (or conceptual framework) in this paper? In that model, who is optimizing? Over what are they optimizing (i.e., what do they choose)? What is their objective (what do they want to maximize)? What are the constraints?
• What is the identifying assumption for the main empirical question in this paper?
• What is one potential thread to identification or inference that the authors address? How do they address it? Are there other threats to identification they do not address to your satisfaction? How would those issues change the results or interpretation?
• Explain the main conclusion – what do we learn from this paper?

2) 25% 1 page extension ideas (10, due throughout the semester – chose 10 of 19 possible due dates): To prepare for lectures and subsequent discussions, you are required to develop potential extensions to the required readings and submit these brief write-ups via ELMS, 24 hours before class. Typically, these extensions will be empirical questions, but you may propose constructing a theoretical model if you can clearly articulate its main attributes.

Your proposed extensions should relate directly to the assigned reading or to another paper on the topic that is included in the reading list. These assignments do not need to be carefully-crafted papers; bullet points are sufficient so long as you explain yourself clearly. These extensions should include:
• A clearly stated research question, which is a sentence ending in a question-mark.
• A brief explanation of what we already know about the hypothesis you propose testing. What model(s) and evidence inform your null hypothesis? How would the research question you propose add to the existing literature?
  o It’s ok if the extension is to test a hypothesis in a different context (different country, different time period, different population), but you should explain what we learn from this. What is different about the constraints, returns, institutions, etc. that might lead us to expect different effects? Or, what do we learn about preferences or constraints from finding the same/different effects in this context relative to the settings in the existing literature?
  ▪ To start, you may consider extensions that add waves of survey data (but verify that additional waves exist), test the same question in a different country (verify that the data to do so exist), look at a similar policy change in a different country, test for heterogenous effects (be sure to provide the economic motivation for why we would expect different effects on different sub-populations), or offer a robustness
check that is important to interpreting the results of the
original paper.

- Extensions that test for heterogenous effects are interesting if 1) there is a theoretical reason to expect different effects in different subgroups, and 2) the sample size is sufficient that tests of heterogenous effects have reasonable statistical power.
- It’s even better if the extension pushes the question – tests mechanisms, relaxes assumptions, explores relationships between topics.
- One way to expand upon experimental papers is to think about how to test the same question using quasi-experimental variation. This is especially true when the experiment tests an intervention that is related to real-world government programs or policies.
- If you propose an experiment, propose one that you expect that you could implement as part of a dissertation. The idea of these assignments is for you to begin developing research ideas, so hypothetical experiments that are impractical to implement do not meet the goal of the assignment.

- What type of variation and data would you need to test the research question you propose?

3) **25% 2 page literature reviews (5, due throughout the semester – complete this assignment for all dates on which it is listed in the syllabus):** These assignments are, effectively, very brief literature reviews – you are asked to choose a paper that was not among the assigned readings (but may be one of the other papers listed on the reading list, or may be another paper *published in an economics journal on a closely related topic*). You should explain the paper you select, answering the same questions as described in the section about preparing for class participation. Then, you should explain how the selected paper builds upon the assigned readings (or was the basis for the assigned readings, as the case may be). It is important to relate the selected paper to all of the assigned readings for the topic and to other related papers you identify, especially among recently published or working papers, and in doing so, to draw out the relationships between the papers. How do these papers come together to develop a conceptual framework and evidence for or against it? What does the selected paper add to or change what we already knew?

Unlike the one-page extension ideas, these assignments should be written in complete sentences, in the style of journal articles in economics.

4) **30% Extension of the literature (due December 19, 2022):** You will develop and begin to execute a research project that extends paper that you have read in class, by building on the research question and strategy from that paper. This assignment should consider an empirical question. You may base it on one of the one-page extensions you submit during the semester. In order to complete the assignment by the due date, it is important to make sure that you can obtain the necessary data. You should submit a one page
description of your extension plan, following the format for the one-page extension assignments but specifying the source of data you will use, no later than November 14, 2022.

Your final written assignment will include approximately 10-15 pages of text and at least three tables, and will have four parts, corresponding to key sections of an empirical paper:

a. **Introduction:** this should clearly state your research question and the motivation for asking it (this can include the welfare implications and the underlying question about an economic puzzle). You should also offer a short description of your empirical strategy and your preliminary results.

b. This blog post by Dave Evans ([https://www.cgdev.org/blog/how-write-introduction-your-development-economics-paper](https://www.cgdev.org/blog/how-write-introduction-your-development-economics-paper)) offers useful advice on writing introductions, but because this assignment does not require a fully developed paper, your introduction may not include all of the elements it mentions (for example, you may not be prepared to discuss policy implications based on your preliminary empirical work), and will be shorter than described. **Literature review:** What is the related evidence? That is, how do other papers relate to yours? The literature review is not a summary of related papers; it is a discussion of how those papers fit together with and inform the question your paper addresses. The advice in Dave Evans’s blog post is quite useful for this section of the assignment.

c. **Empirical strategy:** What is the regression equation of interest, and what identification strategy will you use to estimate it? The identification strategy will be a quasi-experimental strategy such as regression discontinuity, instrumental variables, or differences in differences, that leverages some source of real-world variation.

Explain both the method and the source of variation you leverage to implement it.

What are the identifying assumptions? What are the threats to identification? Explain these concepts as they pertain to the identification generically (parallel trends, valid instrument, etc.) and as they specifically relate to your application and source of variation.

What data do you use? What are the important properties of the data as they relate to your empirical strategy?

d. **Results:** include at least three tables: one with summary statistics for the key variables, one that reports the results of the main specification, and one that provides the most important robustness check or validity check for the identification strategy. The text of this section should explain the results, focusing on interpreting the point estimates (magnitudes as well as statistical significance). Make sure to use the key coefficient in a sentence (“Treatment D increases outcome Y by beta percentage points”) that makes clear the units of measure. If the robustness checks indicate problems with your
identification strategy (such as lack of parallel pre-trends for differences-in-differences) explain the problem, how it affects the interpretation of the results, and what if anything you could do to address it.

You are strongly encouraged to attend the Labor, Public Finance, and Development seminar, which meets from 3:30 PM to 5:00 PM on Thursdays. You may also be interested in the AREC seminar, which meets on Wednesdays at 3:30 pm in Symons Hall.

**Course Policies**

UMD’s policies on graduate courses and graduate student rights and responsibilities can be found here: [https://gradschool.umd.edu/faculty-and-staff/course-related-policies](https://gradschool.umd.edu/faculty-and-staff/course-related-policies)

**Reading List**

Readings marked with an asterisk (*) are required and will be discussed in class. Other readings are provided as references for students especially interested in each topic.

This reading list is long, but does not include every important topic in development economics. In particular, macro development topics including poverty and inequality measurement and economic growth get less attention than they deserve. The course will not cover institutions, political economy or public infrastructure.

I strongly encourage you to build up your own file of notes as you read papers for this and other field classes. One option is to write brief summaries of papers after you read them. Another is to keep spreadsheet that records bibliographical information as well as the main research question, the identification strategy, the conclusion, and your brief comments on the paper. These files will be useful for finding related literature as you are writing papers, and in ensuring you are prepared to discuss the classic and recent literature in the field as you go on the job market.

In addition to the articles below, excellent general references and textbooks include:


1. Agriculture and land markets
Property rights and land tenure


Tenancy


**Farm size and productivity**


**Technological adoption**


Griliches, Zvi (1957). “Hybrid Corn: An Exploration in the Economics of


2. Labor markets

Agricultural HH separability


Dillon, Brian, and Barrett, Christopher B (2017). “Agricultural Factor Markets in


**Labor Supply**


**Labor Market Networks**


Bryan, Gharad Dean Karlan, and Jonathan Zinman (2010). “Making the Most of the Friends you Have: Referrals and Enforcement in a Referrals Field Experiment,” Mimeo, Yale University.


Migration


Gibson, John and David McKenzie (2011). "The Microeconomic Determinants of

3. Social norms and relationships

**Household bargaining**


**Gender norms**


Social norms


4. Coping with risk

Informal insurance and risk sharing


Rosenzweig, Mark and Oded Stark (1989). “Consumption Smoothing, Migration, and


Insurance Markets


5. Social Protection

Unconditional and conditional cash transfers


### 6. Human capital

**Education**


**Health**


### 9. Financial inclusion

**Microcredit**


**Literature**, Vol. 37, No. 4, pages 1569-1614.


**Savings – November 23**


**Time inconsistency and commitment savings**


<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading</th>
<th>Class structure</th>
<th>Assignment (due 24 hours before class)</th>
<th>Miscellaneous notes on potential extensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>29-Aug</td>
<td>Intro</td>
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<td>Introduction, discussion of course expectations</td>
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<tr>
<td>31-Aug</td>
<td>Property rights</td>
<td>Besley (JPE 1995)</td>
<td>Lecture, followed by discussion of Field (2007) in relation to the required reading</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>3-Sep</td>
<td>No class -- Labor Day</td>
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<td>7-Sep</td>
<td>Agricultural productivity</td>
<td>Benjamin (OJE 1995)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>12-Sep</td>
<td>Technology adoption</td>
<td>Conley and Udry (AER 2010)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>14-Sep</td>
<td>Technology adoption</td>
<td>Student-selected paper from syllabus, or a related paper published in a peer-reviewed economics journal</td>
<td>Student led discussion of the selected papers in relation to the papers from the previous lecture and the related literature</td>
<td>2 page written discussion of the relationship between the selected paper and the required readings about labor markets.</td>
<td>Network effects; adoption of digital technology; relationship to trade and trade regulations</td>
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<tr>
<td>19-Sep</td>
<td>Household separability</td>
<td>Benjamin (EMCA 1992)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>21-Sep</td>
<td>Labor supply</td>
<td>Jayachandran (JPE 2006)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>26-Sep</td>
<td>No class -- Rosh Hashanah</td>
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<td>3-Oct</td>
<td>Labor market networks</td>
<td>Calvo-Armengol and Jackson (AER 2004) and Beaman and Migrader (AER 2012)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>5-Oct</td>
<td>No class -- Yom Kippur</td>
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<td>10-Oct</td>
<td>Labor markets</td>
<td>Student-selected paper from syllabus, or a related paper published in a peer-reviewed economics journal</td>
<td>Student led discussion of the selected papers in relation to the papers from the previous lecture and the related literature</td>
<td>2 page written discussion of the relationship between the selected paper and the required readings about labor markets.</td>
<td>Network effects; adoption of digital technology; relationship to trade and trade regulations</td>
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<tr>
<td>12-Oct</td>
<td>Migration</td>
<td>Mushiri (OJE 2003)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>17-Oct</td>
<td>Migration</td>
<td>Bryan et al. (EMCA 2014)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Natural experiments that affect incentives to migrate; affects on families of migrants; remittances; effects on destination communities. More challenging but interesting: equilibrium effects, relation to growth, intellectual property, dissemination of social and political norms.</td>
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<td>19-Oct</td>
<td>Migration</td>
<td>Student-selected paper from syllabus, or a related paper published in a peer-reviewed economics journal</td>
<td>Student led discussion of the selected papers in relation to the papers from the previous lecture and the related literature</td>
<td>2 page written discussion of the relationship between the selected paper and the required readings about migration.</td>
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<td>24-Oct</td>
<td>Household bargaining</td>
<td>Duflo (WBER 2003)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Not especially fruitful: tests of the unitary HH model.</td>
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<tr>
<td>26-Oct</td>
<td>Gender norms</td>
<td>Jayachandran (IMF Review, forthcoming)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Care-giving (child and elder care); heterogeneous effects of shocks.</td>
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<td>31-Oct</td>
<td>Social norms</td>
<td>Zakia and Ozier (RiStud 2016)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Interactions between social norms and formal institutions (financial products, social protection schemes).</td>
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<tr>
<td>2-Nov</td>
<td>Household and social norms</td>
<td>Student-selected paper from syllabus, or a related paper published in a peer-reviewed economics journal</td>
<td>Student led discussion of the selected papers in relation to the papers from the previous lecture and the related literature</td>
<td>2 page written discussion of the relationship between the selected paper and the required readings about norms.</td>
<td>Experiments are tempting, but need to be closely mapped to real-world constructs. Look for natural experiments, such as labor market disruptions with asymmetric impacts on men and women.</td>
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<td>7-Nov</td>
<td>Informal insurance</td>
<td>Townsend (EMCA 1994)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Not especially fruitful: tests for the existence of informal insurance.</td>
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<td>9-Nov</td>
<td>Insurance markets</td>
<td>Mobarak and Rosenzweig (WP 2012)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Interactions between insurance and other financial products or institutions; government policies that mitigate risk; strategies for coping with aggregate shocks; how imperfect risk coping affects other markets (labor, etc.).</td>
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<tr>
<td>14-Nov</td>
<td>Insurance and risk-coping</td>
<td>Student-selected paper from syllabus, or a related paper published in a peer-reviewed economics journal</td>
<td>Student led discussion of the selected papers in relation to the papers from the previous lecture and the related literature</td>
<td>2 page written discussion of the relationship between the selected paper and the required readings about insurance.</td>
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<tr>
<td>16-Nov</td>
<td>Cash transfers</td>
<td>Baird et al. (QJE 2011)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
<td>Focus on learning rather than years of schooling; understanding the return to education in informal labor markets; think about access to formal sector employment.</td>
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<td>21-Nov</td>
<td>Education</td>
<td>Evans and Popova (WBRO 2016)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading and at least one additional empirical paper about education in developing countries.</td>
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<td>28-Nov</td>
<td>Health — supply</td>
<td>Das et al. (JEP 2008)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>30-Nov</td>
<td>Health — demand</td>
<td>Dupas (ARE 2011)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading and at least one additional empirical paper about demand for health care in developing countries.</td>
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<td>5-Dec</td>
<td>Micro credit</td>
<td>Banerjee et al. (AEJ: Applied 2015)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading and at least one additional empirical paper about micro credit.</td>
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<td>7-Dec</td>
<td>Savings</td>
<td>Dupas and Robinson (AEJ: Applied 2013)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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<tr>
<td>12-Dec</td>
<td>Time inconsistency</td>
<td>Ashraf et al. (QJE 2006)</td>
<td>Lecture, followed by discussion of potential empirical or theoretical extensions.</td>
<td>1 page discussion of a research question that builds upon or extends the assigned reading.</td>
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