



# Development Microeconomics 2

(GSEFM – Ph.D. Program in Economics)

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**Office Hours:** Mondays, 14:00-16:00 (appointment via email required).

**Lecture:** Wednesdays 09:00 - 10:30 and 11:00 - 12:30, RuW 4.203

## 1 Overview

- This field course explores the application of microeconomic analysis to topics related to economic issues in developing countries.
- The objectives of this course are to prepare the participant for original research and to help identify possible thesis topics.
- Because of its methodological focus, the course is also useful for students who intend to work on applied microeconomic and microeconometric topics in fields other than development.
- Knowledge of basic development economics at an undergraduate level is useful, but not required. Microeconomic theory and econometrics at the graduate level are prerequisites for this course.
- This course is complementary to, but independent of, the Development Microeconomics 1 field course offered in WiSe 2017-18 by Prof. Schündeln (i.e. Development Microeconomics 1 is not a requirement).

## 2 Format

- In the first class (April 11th, 2018), the lecturer will provide an overview of the topics. Students must send an email to the lecturer to:
  1. register for their two presentations by sending the name of the papers which they wish to present (it is recommended to send more than two options in the case a paper has already been taken by another student); and
  2. suggest the topic on which they expect to write the term paper.
- Registrations for presentations and term paper will be assigned in a first-come, first-served basis. Proposals can be sent to the lecturer before the first class and the deadline is April 17th, 2018.



- If some topics from the list are not covered in the students' wish-list or some topics are on "hot demand", a random assignment of some papers may take place.
- Starting from the third class, each lecture will be divided into two sections.
  1. In the first part, the lecturer will present relevant aspects of the topic of study, including theoretical background and recent empirical evidence.
  2. In the second part, students will present papers related to the topic.
- Active student participation is expected in both parts of the lecture.
- The deadline for the term paper is June 8th, 2018. A short *exposé* of the term paper will be discussed with the lecturer in an individual meeting the week of April 30th, 2018.
- Though not mandatory, it is recommended that the term paper relates to the in-class presentations' topic and/or technical aspects.

### 3 Evaluation

- Presentations (40%): each student will be responsible for two in-class presentations of a paper from the reading list.
- Term paper (40%): the paper must have a maximum of 15 pages plus additional material (references, figures, tables, etc.), and contain three main sections: (i) a deep overview of the particular topic, including a general literature review; (ii) an in-depth analysis of (at least) one technical paper; and (iii) a research proposal, where possible avenues to extend the contribution of the technical paper discussed are discussed.
- Class participation (20%).

### 4 Topics and readings

For each topic a list of the relevant related studies is provided. Readings with (\*) are available for student presentations. There is no required textbook, but the following three books are recommended for a general overview of most topics:

- Pranab K. Bardhan and Christopher Udry. *Development Microeconomics*. Oxford University Press, Oxford, UK, 1999 (henceforth BU).
- Debraj Ray. *Development economics*. Princeton University Press, 1998 (henceforth RAY).
- Abhijit Banerjee and Esther Duflo. *Poor economics: A radical rethinking of the way to fight global poverty*. PublicAffairs Store, 2011 (henceforth PE).



**Lecture 1: Household economics – Agricultural household model, non-separability, unitary and efficient households**

- BU: Chapter 2.
- Christopher Udry. Efficiency and market structure: Testing for profit maximization in African agriculture. In G. Ranis and L. K. Raut, editors, *Trade, Growth and Development. Essays in Honor of Professor T.N. Srinivasan*. Elsevier Science, Amsterdam, The Netherlands, 1999.
- Esther Duflo and Christopher Udry. Intrahousehold resource allocation in Cote d'Ivoire: Social norms, separate accounts and consumption choices. NBER Working Papers 17743, 2004.
- Christopher Udry. Gender, agricultural production, and the theory of the household. *Journal of Political Economy*, 104(5):1010–1046, 1996.

**Lecture 2: Rural markets I – Land**

- RAY: Chapter 12.
- BU: Chapter 6.
- Joseph E Stiglitz. Incentives and risk sharing in sharecropping. *The Review of Economic Studies*, 41(2):219–255, 1974.
- (\*) Abhijit V Banerjee, Paul J Gertler, and Maitreesh Ghatak. Empowerment and efficiency: Tenancy reform in West Bengal. *Journal of political economy*, 110(2):239–280, 2002.
- (\*) Markus Goldstein and Christopher Udry. The profits of power: Land rights and agricultural investment in Ghana. *Journal of Political Economy*, 116(6):981–1022, 2008.
- (\*) Daniel Ayalew Ali, Klaus Deininger, and Markus Goldstein. Environmental and gender impacts of land tenure regularization in Africa: Pilot evidence from Rwanda. *Journal of Development Economics*, 110(3):262–275, 2014.
- (\*) Jean-Marie Baland and James A Robinson. Land and power: Theory and evidence from Chile. *The American Economic Review*, 98(5):1737–1765, 2008.
- (\*) F Daniel Hidalgo, Suresh Naidu, Simeon Nichter, and Neal Richardson. Economic determinants of land invasions. *The Review of Economics and Statistics*, 92(3):505–523, 2010.



### **Lecture 3: Rural markets II – Labor**

- RAY: Chapter 13.
- BU: Chapter 4.
- Seema Jayachandran. Selling labor low: Wage responses to productivity shocks in developing countries. *Journal of Political Economy*, 114(3):538–575, 2006.
- (\*) Sangeeta Prata and Erwan Quintin. Are labor markets segmented in developing countries? A semiparametric approach. *European Economic Review*, 50(7):1817–1841, 2006.
- (\*) Isabel Günther and Andrey Launov. Informal employment in developing countries: Opportunity or last resort? *Journal of development economics*, 97(1):88–98, 2012.
- (\*) Erica Field. Entitled to work: Urban property rights and labor supply in Peru. *The Quarterly Journal of Economics*, 122(4):1561–1602, 2007.
- (\*) Rita Almeida and Pedro Carneiro. Enforcement of labor regulation and informality. *American Economic Journal: Applied Economics*, 4(3):64–89, 2012.
- (\*) Eric V Edmonds and Norbert Schady. Poverty alleviation and child labor. *American Economic Journal: Economic Policy*, 4(4):100–124, 2012.

### **Lecture 4: Migration**

- RAY: Chapter 10.
- Sir W. Arthur Lewis. Economic development with unlimited supplies of labour. *Manchester School*, 22:139–191, 1954.
- Michael A Clemens. Economics and emigration: Trillion-dollar bills on the sidewalk? *The Journal of Economic Perspectives*, 25(3):83–106, 2011.
- (\*) Alwyn Young. Inequality, the urban-rural gap, and migration. *The Quarterly Journal of Economics*, 128(4):1727–1785, 2013.
- (\*) David McKenzie and Hillel Rapoport. Network effects and the dynamics of migration and inequality: Theory and evidence from Mexico. *Journal of development Economics*, 84(1):1–24, 2007.
- (\*) Nava Ashraf, Diego Aycinena, Claudia Martínez A, and Dean Yang. Savings in transnational households: A field experiment among migrants from El Salvador. *Review of Economics and Statistics*, 97(2):332–351, 2015.



- (\*) Kathleen Beegle, Joachim De Weerd, and Stefan Dercon. Migration and economic mobility in Tanzania: Evidence from a tracking survey. *Review of Economics and Statistics*, 93(3):1010–1033, 2011.
- (\*) John Gibson and David McKenzie. The economic consequences of ‘brain drain’ of the best and brightest: Microeconomic evidence from five countries. *The Economic Journal*, 122(560):339–375, 2012.

### **Lecture 5: Social and economic networks**

- Abhijit Banerjee, Arun G. Chandrasekhar, Esther Duflo, and Matthew O. Jackson. The diffusion of microfinance. *Science*, 341(6144):363–371, 2013.
- Oriana Bandiera and Imran Rasul. Social networks and technology adoption in northern Mozambique. *Economic Journal*, 116(514):869–902, 2006.
- Dany Jaimovich. Missing links, missing markets: Evidence of the transformation process in the economic networks of Gambian villages. *World Development*, 66:645–664, 2015.
- (\*) Marcel Fafchamps and Flore Gubert. The formation of risk sharing networks. *Journal of Development Economics*, 83(2):326–350, 2007.
- (\*) Timothy Conley and Christopher Udry. Learning about a new technology: Pineapple in Ghana. *American Economic Review*, 100(1):35–69, March 2010.
- (\*) Michael Kremer and Edward Miguel. The illusion of sustainability. *The Quarterly Journal of Economics*, 122(3):1007–1065, 2007.
- (\*) Esther Duflo, Pascaline Dupas, and Michael Kremer. Peer effects, teacher incentives, and the impact of tracking: Evidence from a randomized evaluation in Kenya. *The American Economic Review*, pages 1739–1774, 2011.
- (\*) Abhijit Banerjee and Kaivan Munshi. How efficiently is capital allocated? Evidence from the knitted garment industry in Tirupur. *The Review of Economic Studies*, 71(1):19–42, 2004.

### **Lecture 6: Conflicts and Economic Development**

- Christopher Blattman and Edward Miguel. Civil war. *Journal of Economic Literature*, 48(1):3–57, 2010
- (\*) Edward Miguel, Shanker Satyanath, and Ernest Sergenti. Economic shocks and civil conflict: An instrumental variables approach. *Journal of Political Economy*, 112(4):725–753, 2004
- (\*) Edward Miguel and Gerard Roland. The long-run impact of bombing Vietnam. *Journal of Development Economics*, 96(1):1–15, 2011





- (\*) Maarten J Voors, Eleonora EM Nillesen, Philip Verwimp, Erwin H Bulte, Robert Lensink, and Daan P Van Soest. Violent conflict and behavior: A field experiment in Burundi. *American Economic Review*, 102(2):941–964, 2012
- (\*) Alberto Abadie and Javier Gardeazabal. The economic costs of conflict: A case study of the Basque country. *American Economic Review*, 93(1):113–132, 2003
- (\*) Christopher Blattman and Jeannie Annan. The consequences of child soldiering. *The Review of Economics and Statistics*, 92(4):882–898, 2010

### **Lecture 7: Environment and Economic Development**

- Andrew Foster and Mark Rosenzweig. Economic growth and the rise of forests. *The Quarterly Journal of Economics*, 118(2):601–637, 2003.
- Michael Greenstone and B Kelsey Jack. Envirodevonomics: A research agenda for an emerging field. *Journal of Economic Literature*, 53(1):5–42, 2015.
- William T Harbaugh, Arik Levinson, and David Molloy Wilson. Reexamining the empirical evidence for an environmental Kuznets curve. *Review of Economics and Statistics*, 84(3):541–551, 2002.
- (\*) Jean-Marie Baland, Pranab Bardhan, Sanghamitra Das, Dilip Mookherjee, and Rinki Sarkar. The environmental impact of poverty: Evidence from firewood collection in rural Nepal. *Economic Development and Cultural Change*, 59(1):23–61, 2010.
- (\*) Jennifer Alix-Garcia, Craig McIntosh, Katharine RE Sims, and Jarrod R Welch. The ecological footprint of poverty alleviation: Evidence from Mexico’s Oportunidades program. *Review of Economics and Statistics*, 95(2):417–435, 2013.
- (\*) Alix Peterson Zwane. Does poverty constrain deforestation? Econometric evidence from Peru. *Journal of Development Economics*, 84(1):330–349, 2007.
- (\*) Jennifer Alix-Garcia, Katharine RE Sims, and Patricia Yañez-Pagans. Only one tree from each seed? Environmental effectiveness and poverty alleviation in Mexico’s payments for ecosystem services program. *American Economic Journal: Economic Policy*, 7(4):1–40, 2015.
- (\*) Robin Burgess, Matthew Hansen, Benjamin Olken, Peter Potapov, and Stefanie Sieber. The political economy of deforestation in the tropics. *The Quarterly Journal of Economics*, 127(4):1707–1754, 2012.