



## **DEVELOPMENT ECONOMICS**

ECNM10061, SCQF Level 10, 20 SCQF Credits

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DRPS: <http://www.drps.ed.ac.uk/23-24/dpt/cxecnm10056.htm>

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### **Contact Information:**

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### **Overview**

This course is designed to provide an in-depth introduction to some core topics in modern development economics. It is targeted at students with some knowledge of economic theory and econometrics at the undergraduate level.

The goal is to develop good economic intuition on the problems that occur in developing countries, trying to understand their causes while discussing the empirical strategies to analyse them. A key component of the course is the exposure of the students to experimental and quasi-experimental approaches used in the academic literature.

The course covers issues in development economics from both the micro and the macro perspective. We will delve deeply into recent studies at the research frontier that look at the role of health, nutrition, education, gender, as well as migration in shaping the economic outcomes of different individuals and households. We will also discuss the roles of institutions, history, international trade, as well as religion and culture in shaping the economic outcomes of different countries.

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## Course Requirements

The course requires Economics 2 (ECNM08006) or an equivalent course (for visiting students) is a mandatory requirement. Students **are highly encouraged** to be simultaneously taking (or have taken) Applications of Econometrics (ECNM10056).

We welcome all students who are able to solve basic consumer maximization problems and have an understanding of basic concepts in public economics: externalities, public good, and taxation. It is also important to have knowledge of essential tools in applied econometrics (regression, difference in differences, instrumental variables, regression discontinuity).

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## Course Organisation

Lectures. The course is primarily delivered in person through 2-hours weekly lectures. The slides will be uploaded to LEARN just before each lecture, but are definitely not exhaustive. Lectures will also be recorded and made available during the week. Lectures will cover the following topics:

- **Lectures 1-2:** Health and Nutrition
- **Lectures 3-4:** Education
- **Lecture 5:** Financial Frictions
- **Lecture 6:** Child labour
- **Lecture 7:** Labour markets
- **Lecture 8:** Institutions
- **Lecture 9:** Religion and culture
- **Lecture 10:** Gender and intrahousehold allocation

Tutorials (6). Tutorial sessions will run in weeks 4, 5 and 7-10. In weeks 4 and 5, we will critically discuss an academic paper and attempt to replicate the results (we will use Stata software to complete some of the exercises). Each problem set is due a week after it is handed out. During weeks 7-10, there is a group presentation in which students are required to prepare slides and discuss an article of their choice in detail. Tutorial attendance is a required part of the course, and a register will be taken.

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## Reading List

The study material for this course consists of the material covered in lectures (slides and exposition, your notes on these and related supplementary material provided to you during the course) and the academic papers on which these lectures are based. Students are expected to have read the article(s) **before** coming to class.

The following textbook introduces some of the material we will cover during the first weeks:

- Banerjee and E. Duflo (2011), *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* [henceforth Banerjee & Duflo].

In addition, students may need to consult the following textbook for the most technical aspects of academic papers:

- Angrist, J. D., and Pischke, J.-S. (2015), *Mastering Metrics: The Path from Cause to Effect*.

Lectures are primarily based on academic papers. The list below details the articles for each topic. Papers marked with two asterisks (\*\*) will be discussed in some detail during lectures while the others are recommended reading. Please, do note that the lecture contents may be subject to change, but this will always be announced in advance.

## Lecture 1-2: Health and Nutrition

\*\* Banerjee & Duflo Chapter 1-3

\*\* Bleakley, Hoyt (2007), "Disease and Development: Evidence from Hookworm Eradication in the American South," *Quarterly Journal of Economics*, Vol. 122(1), pp. 73–117. [\[link\]](#)

\*\* Acemoglu, D and S. Johnson, (2007) "Disease and Development: The Effect of Life Expectancy on Economic Growth," *Journal of Political Economy*, Vol. 115, pp. 925-85. [\[link\]](#)

\*\* Cohen, Jessica and Pascaline Dupas (2010), "Free Distribution or Cost-Sharing? Evidence from a Randomized Malaria Prevention Experiment," *Quarterly journal of Economics*, Vol. 125(1). [\[link\]](#)

\*\* Ashraf, Nava; Berry, James and Jesse M. Shapiro (2010), "Can Higher Prices Stimulate Product Use? Evidence from a Field Experiment in Zambia," *American Economic Review*, Vol. 100(5), pp. 2383-2413. [\[link\]](#)

Wilde, J., Apouey, B., Coleman, J., and Picone, G. (2019). "The effect of antimalarial campaigns on child mortality and fertility in sub-Saharan Africa". PSE Working Paper No. 2019–49. [\[link\]](#)

Dupas, P., (2014), "Short-run subsidies and long-run adoption of new health products: Evidence from a field experiment," *Econometrica*, Vol. 82(1), pp.197-228. [\[link\]](#)

Das, J., Holla, A., Mohpal, A. and Muralidharan, K., (2016), "Quality and Accountability in Health Care delivery: audit-study evidence from primary care in India," *American Economic Review*, Vol. 106(12), pp. 3765-9. [\[link\]](#)

Aiyar, A. and J. R. Cummins (2021), "An age profile perspective on two puzzles in global child health: The Indian Enigma & economic growth," *Journal of Development Economics*, Vol. 148. [\[link\]](#)

## Lecture 3-4: Education

\*\* Banerjee & Duflo. Chapter 4

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

\*\* Jensen, Robert (2010). "The (Perceived) Returns to Education and the Demand for Schooling," *Quarterly Journal of Economics*, 125(2), 515-548. [[link](#)]

\*\* Schultz, T. P. (2004), "School subsidies for the poor: Evaluating the Mexican Progresa poverty program," *Journal of Development Economics*, 74. [[link](#)]

\*\* Muralidharan, K., & Sundararaman, V. (2011). "Teacher Performance Pay: Experimental Evidence from India," *Journal of Political Economy*, Vol. 119(1), pp. 39-77. [[link](#)]

Adhvaryu, A. and Nyshadham, A. (2016), "Endowments at Birth and Parents' Investments in Children," *Economic Journal*, Vol. 126, pp. 781-820. [[link](#)]

Duflo E., Dupas P. & M. Kremer (2021), "The Impact of Free Secondary Education: Experimental Evidence from Ghana," NBER, Working Paper Series 28937. [[link](#)]

## **Lecture 5: Financial Frictions**

\*\*Rajan, Raghuram, and Luigi Zingales. "Financial Dependence and Growth." *American Economic Review* 88.3 (1998): 559-586. [[link](#)]

\*\*Burgess, Robin, and Rohini Pande. "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review* 95.3 (2005): 780-795. [[link](#)]

\*\*Banerjee, Abhijit, et al. "The Miracle of Microfinance? Evidence from a Randomized Evaluation." *American Economic Journal: Applied Economics* 7.1 (2015): 22-53. [[link](#)]

\*\*Karlan, Dean, et al. "Agricultural Decisions after Relaxing Credit and Risk Constraints." *Quarterly Journal of Economics* 129.2 (2014): 597-652. [[link](#)]

Dupas, Pascaline, Dean Karlan, Jonathan Robinson, and Diego Ubfal. 2018. "Banking the Unbanked? Evidence from Three Countries." *American Economic Journal: Applied Economics*, 10 (2): 257-97. [[link](#)]

Karlan, Dean, et al. "Impact of Savings Groups on the Lives of the Poor." *Proceedings of the National Academy of Sciences* 114.12 (2017): 3079-3084. [[link](#)]

Suri, Tavneet, and William Jack. "The Long-Run Poverty and Gender Impacts of Mobile Money." *Science* 354.6317 (2016): 1288-1292. [[link](#)]

## **Lecture 6: Child Labour**

\*\* Edmonds, E., and C. Theoharides (2021). Child Labor and Economic Development, Handbook of Labor, Human Resources and Population Economics, K. F. Zimmermann (Ed.). [\[link\]](#)

\*\* Basu, K., and P. H. Van (1998): "The Economics of Child Labor," American Economic Review, Vol. 88, pp. 412-427. [\[link\]](#)

\*\* Bharadwaj, P., L. Lakdawaka, and N. Li (2020): "Perverse Consequences of Well Intentioned Regulation: Evidence from India's Child Labor Ban," Journal of European Economic Association, Vol. 18(3), pp. 1158– 1195. [\[link\]](#)

\*\* Edmonds, E. V. and N. Schady (2012). "Poverty Alleviation and Child Labor," American Economic Journal: Economic Policy, Vol. 4, pp. 100–124. [\[link\]](#)

### **Lecture 7: Labour Markets**

\*\* Bryan, G., Chowdhury, S., and A. M. Mobarak (2014), "Underinvestment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh," Econometrica, Vol. 82 (5), pp. 1671-1748. [\[link\]](#)

\*\* Field, Erica (2007). "Entitled to Work: Urban Property Rights and Labor Supply in Peru," *The Quarterly Journal of Economics*, 122(4): 1561-1602. [\[link\]](#)

\*\* Clemens, M.A., Lewis, E., and H. M. Postel (2018), "The impact of immigration barriers on native workers: evidence from the US exclusion of Mexican Braceros," *American Economic Review*, 108(6), pp. 1468-87. [\[link\]](#)

Gerard, F., L. Lagos, D. Card and E. Severnini (2021), "Assortative Matching or Exclusionary Hiring? The Impact of Firm Policies on Racial Wage Differences in Brazil," American Economic Review, Vol. 111 (10), pp. 3418-57. [\[link\]](#)

Jensen, Robert (2012), "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India," Quarterly Journal of Economics, Vol. 127, Issue 2, pp. 753–792. [\[link\]](#)

Hanna, R. and P. Oliva (2015), "The Effect of Pollution on Labor Supply: Evidence from a Natural Experiment in Mexico City," Journal of Public Economics, Vol. 122, pp. 65-79. [\[link\]](#)

Ruyssen, Ilse and Sara Salomone (2018), "Female Migration: A Way out of Discrimination?" *Journal of Development Economics*, 130(C): 224-41. [\[link\]](#)

Galiani, Schargrotsky (2005). Property Rights for the Poor: Effects of Land Titling," journal of Public Economics, vol. 94 (9), pp. 700-729. [\[link\]](#)

### **Lecture 8: Institutions**

\*\*Acemoglu, Daron, Simon Johnson, and James A. Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation." American Economic Review 91.5 (2001): 1369-1401. [\[link\]](#)

\*\*Acemoglu, Daron, Simon Johnson, and James A. Robinson. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *Quarterly Journal of Economics* 117.4 (2002): 1231-1294. [\[link\]](#)

\*\*Acemoglu, D., Naidu, S., Restrepo, P., and J. A. Robinson (2019), "Democracy Does Cause Growth," *Journal of Political Economy*, Vol. 127.1, pp. 47-100. [\[link\]](#)

Michalopoulos, Stelios, and Elias Papaioannou. "Pre-Colonial Ethnic Institutions and Contemporary African Development." *Econometrica* 81.1 (2013): 113-152. [\[link\]](#)

Michalopoulos, Stelios, and Elias Papaioannou. "National Institutions and Subnational Development in Africa." *Quarterly Journal of Economics* 129.1 (2014): 151-213. [\[link\]](#)

Halvor Mehlum, Karl Moene, Ragnar Torvik, "Institutions and the Resource Curse", *Economic Journal*, 116, (2006): 1–20. [\[link\]](#)

Fenske, James. "Does Land Abundance Explain African Institutions?." *Economic Journal* 123.573 (2013): 1363-1390. [\[link\]](#)

## **Lecture 9: Religion and Culture**

\*\*McCleary, Rachel M., and Robert J. Barro. "Religion and Economy." *Journal of Economic Perspectives* 20.2 (2006): 49-72. [\[link\]](#)

\*\*Becker, Sascha O., and Ludger Woessmann. "Was Weber Wrong? A Human Capital Theory of Protestant Economic History." *The Quarterly Journal of Economics* 124.2 (2009): 531-596. [\[link\]](#)

\*\*Gorodnichenko, Yuriy, and Gerard Roland. "Culture, Institutions, and the Wealth of Nations." *Review of Economics and Statistics* 99.3 (2017): 402-416. [\[link\]](#)

Alesina, Alberto, and Paola Giuliano. 2015. "Culture and Institutions." *Journal of Economic Literature*, 53 (4): 898-944. [\[link\]](#)

Gharad Bryan, James J Choi, Dean Karlan (2021), "Randomizing Religion: the Impact of Protestant

Evangelism on Economic Outcomes," *The Quarterly Journal of Economics*, vol. 136(1), pp. 293-380. [\[link\]](#)

## **Lecture 10: Intrahousehold Allocation and Gender**

\*\* Banerjee & Duflo. Chapter 5. What drives fertility decisions?

\*\* Jayachandran, S. and Kuziemko, I. (2009), "Why do Mothers Breastfeed Girls Less than Boys? Evidence and Implications for Child Health in India," *Quarterly Journal of Economics*, 126(3): 1485-1538. [\[link\]](#)

\*\* Qian, Nancy (2008), "Missing Women and the Price of Tea in China," Quarterly Journal of Economics, Vol. 123(3), pp. 1251-85. [[link](#)]

\*\* Udry, Christopher (1996), "Gender, Agricultural Production, and the Theory of the Household," Journal of Political Economy, Vol. 104 (5), pp. 1010-1045. [[link](#)]

\*\*Ashraf, Nava, Erica Field and Jean Lee (2014), "Household Bargaining and Excess Fertility: An Experimental Study in Zambia," American Economic Review, 104(7), pp. 2210-2237.

Bobonis, Gustavo (2009), "Is the allocation of resources within the household efficient? New evidence from a randomized experiment," Journal of Political Economy, Vol. 117(3), pp. 453-503. [[link](#)]

Bursztyn, Leonardo, Alessandra L. González, and David Yanagizawa-Drott (2020), "Misperceived Social Norms: Women Working Outside the Home in Saudi Arabia," American Economic Review, Vol. 110 (10), pp. 2997-3029. [[link](#)]

Miller, G. and Mobarak, A.M., (2013), "Gender differences in preferences, intra-household externalities, and low demand for improved cookstoves," National Bureau of Economic Research, Working paper Series, 18964. [[link](#)]

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## Learning outcomes

After concluding this course students should be able to have:

- An understanding of key concepts, issues and models in development economics, along with empirical evidence and policy implications of those models and a deeper understanding of recent research findings in some specific areas of labour economics
- The ability to understand and critique empirical strategies to estimate causal relationships
- Research and investigative skills such as problem-framing and solving
- Communication skills in order to critique, summarise and communicate complex information to a diverse audience.
- Personal effectiveness through task management, time management, dealing with uncertainty and adapting to new situations, and personal and intellectual autonomy through independent learning.
- Practical/technical skills such as, modelling skills (abstraction, logic, succinctness), quantitative analysis and interpretation of data.

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## Assessment and Feedback

Participation in lectures and tutorials is highly recommended. The final mark is determined according to these components:

Assignment	Description	% of final mark	Due
Group Presentation	45-minute presentation	25	To be delivered during tutorials 7-10. Slides submission: Friday, March 1 at 5 PM.
Participation	Attendance during lectures and tutorials and problem-set submission	5	Ongoing requirement throughout the course. A register (attendance record) will be maintained during lectures and tutorials to track attendance.
Final Exam	In-person closed-book examination	70	May exam diet.

The **participation** mark is based on students' attendance to lectures 3-10, 6 tutorials and their submission of solutions to the 2 problem sets covered during tutorials held on weeks 4 and 5. Each of these individual components has a value of one or zero if the requirement is not met. This means that a student who missed only one lecture but attended all tutorials and submitted all problem sets got a final mark of 15/16. The participation component represents 5% of the final mark for the course. Please note that all problem set assignments are due **at 17:00 on Thursday of the tutorial's week** and any submission after that will receive a zero on the participation component. The same applies to unexcused absences from lectures and tutorials.

Assessment of the **group presentation** will be based on the quality of the slides, clarity of the presentation, as well as your performance during the Q&A. You should try to practice the presentation beforehand. As a rule of thumb, each person should prepare to speak for 7-8 minutes, leaving enough time for questions during the tutorial. Students will receive markings and feedback for their presentation in early April.

Students must base their presentations on the slides they have submitted; no other versions will be accepted. The tutor will be responsible for setting up the room for these presentations. Slides must be submitted on time. Late submission without a valid reason will incur the penalty of 5 marks + additional 5 marks for each 24 hours, up to the total of 35 marks deduction. Submissions that are late by more than 7 days will receive zero mark.

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### Marking guidelines

Group presentations will be assessed according to the following criteria:

- The presentation is well organized.
- The slides are well-designed and have the necessary information to complement the speech (but not an excessive amount of information).
- The presentation is clear and easy to follow for the audience.
- Details and concepts are not explained by repeating the text of the paper. There should be an effort for interpretation and explanation according to the audience



and the 45-minute time frame. As a rule, intuitive explanations are preferred over technical confusing information.

- The presentation includes the own group vision and opinion/evaluation of the paper and critically discusses the validity, relevance and applicability of it.
- Students reply correctly to questions raised during the presentation.

The final exam will consist of three short answer questions (worth 60%) and one long question (worth 40%). Examples of the types of questions you can expect are:

- Explain the mechanics and implications of an economic model seen in class.
- Discuss the strategy and findings from a journal article.
- Evaluate, based on the existing evidence, the desirability of a proposed development policy.

Please note that these examples are not exhaustive.

For most questions, points will be awarded for concise, clear and justified answers. Partial credit is given when the answer is too. Partial credit is given when the answers are unclear, imprecise, longer than necessary, or contain mistakes. No credit is awarded for answers that are irrelevant or unrelated to what the questions ask.

If asked to derive the results of an economic model, full credit will be awarded to correct answers that demonstrate the steps necessary to derive the result and which explain the intuition of the result. Partial credit will be awarded to answers that, while incorrect, demonstrate a clear understanding of the intuition and show a derivation that is roughly correct with just small mistakes.

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### **Changes to course for 2023-24**

The course follows the same structure as in the 2022-2023 academic year.