AEDE 7421 Advanced Development Economics I

Fall Semester, 2017
Mon, Wed 12:45pm – 2:05pm
Agricultural Administration Building, room 247
The Ohio State University
Course Syllabus

Instructor:
Jon Einar Flåtnes
224 Agricultural Administration Building
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Office Hours: By appointment

Course Overview:
This course will provide a one-semester study of development economics at the doctorate level and aims to develop your skill set, competency, and intuition as a professional researcher doing applied development work. Together with the second course in the development sequence (AEDE 7425), this course will expose you to critical research, concepts, and methods in the development literature. There will be an emphasis on theoretical frameworks and concepts, as well as on applied empirical methods and data collection using household surveys and field experiments.

We will begin this course by discussing the foundation of development research, namely how to collect and analyze data using household surveys. Next, we will examine how to use such household data to measure poverty and inequality, and we will see how these concepts are less straightforward than they might appear. We will then turn our attention to agricultural household models and discuss their applicability and limitations in studying the behavior of smallholder farmers in developing countries. This discussion will provide a natural segue into the next topic of technology adoption, where we will take a closer look at the production function and better understand how input use and productivity can be affected through learning, social networks, and diffusion. During the subsequent five class meetings, we will do a thorough review of the literature on liquidity constraints and access to capital, with a special focus on credit rationing and group lending mechanisms. We will then move on to talk about how people cope with risk. In particular, we will discuss papers on consumption smoothing and asset smoothing, poverty traps, risk sharing and informal insurance, and finally, more formal insurance mechanisms, such as index insurance. At this point, we will switch gears and examine two relatively new but emerging fields in the development literature: experimental and behavioral economics. These two fields are also closely related, as experimental methods are often used to study behavioral problems.
As we go through each topic, we will first cover the basic conceptual framework, where the readings will generally come from book chapters and comprehensive review studies. This will set the stage for a deeper dive into specific research articles that have either been seminal in the literature or do an excellent job of highlighting a particularly interesting question.

**Course Structure:**
Class time will be a combination of me lecturing and class discussion. In each class, we will generally cover two readings from the literature, and I will spend approximately 40-60 minutes going through the main concepts and findings from these readings, as they relate to the topics of that day. The remaining time will be dedicated to class discussion, so *it is critical that you have read the articles prior to class*. While we may only have time to cover one of the articles in great detail during class time, you still need to read all the assigned readings in preparation for class.

**Course Materials:**
This course will be centered on influential journal articles and book chapters that effectively highlight the topics we will cover. To get the most out of this class and to ensure good class discussion, *it is important that you all have read the assigned articles prior to class*. For each class, we will generally cover two readings, which should be a reasonable workload. Even if you don’t understand the entire paper, make sure that you at least have read the introduction, the conclusion and the results section, and that you come prepared to discuss the main methods and findings. To encourage an effective class discussion, I want each of you to submit 2 questions on each of the required readings before class (more on this under assignments).

The reading list below provides a comprehensive (but not exhaustive) overview of some of the seminal readings within each topic. This list of meant to serve as a reference only, and only readings marked with an asterisk are required (though I may reference some of the other articles in class). If you are particularly interested in a topic, you can use this reading list to further explore the literature. All required readings will be posted on Canvas, and the rest should be easily found through a simple Google search.

**Prerequisites:**
The formal prerequisite for this course is AEDE 8712, and this course is intended for students with graduate training in microeconomic theory and econometrics. Please come and see me if you have any questions regarding the adequacy of your background preparation.

**Assignments:**
In order to be good development economist (or any economist for that sake!), it is critical that you are able to 1) derive your own theoretical models; 2) write publishable research articles; 3) critically assess existing research; and 4) present a paper orally to an audience. Fortunately for you, this course will offer you the opportunity to improve all those skills, by asking you to complete the following assignments:
1. **Research paper.** I ask you to prepare a draft paper on a subject of your choosing (but within the broad domain of micro-development economics). Besides a clear problem statement, a good paper will include a sophisticated and critical literature review, as well as a formal model of the problem you are studying. Given the brevity of this class, you need not fully solve your model, but you should have a clear structure and at least preliminary intuition and results. If you wish to approach a problem more empirically, that is fine as well. In this case, you should at a minimum have a serious discussion of models, identification strategies and estimation methods appropriate for your question. There is no particular page limit, but a good paper would generally be between 15 and 25 pages double-spaced. This paper may complement the paper proposal that you will be writing in the spring for AEDE 7425, and my goal is that your paper should be an early draft version of your second-year research paper (in particular if your field is in development economics). Moreover, your submission should be original for this class, meaning that you may NOT use any version of a paper (even if slightly modified) submitted previously or for a different class. If you are in doubt whether your submission is sufficiently original, please come and see me. The paper is due on the day of your final exam (December 14 @ 5pm), although you are welcome (and strongly encouraged) to submit an earlier draft for me to review.

2. **A theoretically oriented take-home exam.** For this assignment, I will give you a few different theoretical problems, and I will ask you to pick one and to derive a theoretical model and its implications. You submission should be structured as a research paper and not merely as the answer to a microeconomics problem set. You may pick up your take-up assignment any time between Thursday November 2 @ 12:45pm and Thursday November 9 @ 12:45pm, but you must return it to me no later than 96 hours after you pick it up.

3. **Referee report.** Throughout the course of your career, you will be writing a number of referee reports for peer-reviewed journals that you publish in or intend to publish in. Writing referee reports is not only an important contribution to the field, but it’s also a chance for you to gain exposure to front-of-the-line research and to develop your own eye for good research questions and methods. In this class, you will write one referee report, which should be held to the same standards as a good referee report written for a top field journal. You will choose one paper among a set of existing working papers, and we will discuss the format of the referee report in class. Your referee report is due on Monday October 9 @ 12:45pm.

4. **Presentation.** Being able to present a research paper to an audience of economists is a critical skill, and one that may help you land your dream job. In this class, I want each of you to choose one paper from the syllabus (among the ones in bold/italic) and prepare a 40-minute presentation on it. In particular, you should plan to talk for 30 minutes and then lead a class discussion about your paper for 10 minutes. Please sign up for a paper (using the Google Sheet on Canvas) as soon as possible, as choices will be on a first-come, first-serve basis.
5. **Questions on readings.** In order to encourage effective class discussion, I ask that each of you to prepare 2 questions on each of the required readings before class (typically 4 questions for each class). You will submit these questions in writing using Google Forms (see link on Canvas) at least one hour before class (11:45am), so that I have a chance to read through your questions and use them as a basis for our class discussion. While your questions may be short and simple, they should demonstrate that you have a basic understanding of the paper.

**Grading:**
Your course grade will be based on the following components and weights:

- Final paper: 30%
- Take-home exam: 20%
- Referee report: 15%
- Presentation: 15%
- Questions on readings: 10%
- In-class participation: 10%
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<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Sub-topic</th>
<th>Readings</th>
<th>Assignments</th>
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<tr>
<td>Wed 8/23</td>
<td>Introduction to Development Research</td>
<td>None</td>
<td>None</td>
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<tr>
<td>Mon 8/28</td>
<td>1. Household survey methods and analyses</td>
<td>A. Household surveys</td>
<td>Deaton, 1997 (Ch. 1.1-1.3)</td>
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<td>B. Econometric issues</td>
<td>Deaton, 1997 (Ch. 2.4-2.6)</td>
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<td>Wed 8/30</td>
<td>2. Inequality and Poverty</td>
<td>A. Basic conceptual framework</td>
<td>Deaton, 1997 (Ch. 3.1)</td>
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<td>B. Inequality</td>
<td>Deaton and Paxson, 1994</td>
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<td>Mon 9/4</td>
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<td>Labor Day - no class!</td>
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<td>Wed 9/6</td>
<td>2. Inequality and Poverty</td>
<td>C. Poverty</td>
<td>Ligon &amp; Schechter, 2003</td>
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<td>Ravillion, 1996</td>
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<td>Mon 9/11</td>
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<td>A. Basic conceptual framework</td>
<td>Singh et al., 1986</td>
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<td>Taylor et al., 2003</td>
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<td>Arslan &amp; Taylor, 2009</td>
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<td>Mon 9/18</td>
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<td>C. Testing for separability</td>
<td>Benjamin, 1992</td>
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<td>Jacoby, 1993</td>
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<td>Wed 9/20</td>
<td>4. Technology Adoption</td>
<td>A. Basic conceptual framework</td>
<td>Foster &amp; Rosenzweig, 2010</td>
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<td>Feder et al., 1985</td>
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<td>Mon 9/25</td>
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<td>B. Learning and social networks</td>
<td>Conley and Udry, 2010</td>
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<td>Foster &amp; Rosenzweig, 1995</td>
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<td>Carter, 1988</td>
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<td>Boucher et al., 2008</td>
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<td>Mon 10/2</td>
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<td>Kochar, 1997</td>
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<td>Kaboski &amp; Townsend, 2011</td>
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<td>Wed 10/4</td>
<td>5. Access to capital</td>
<td>B. Econometrics of credit markets</td>
<td>de Mel et al., 2008</td>
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<td>Karlan and Zinman, 2009</td>
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<td>Mon 10/9</td>
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<td>C. Group Lending</td>
<td>Besley and Coate, 1995</td>
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<td>Ghatak, 1999</td>
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<td>Wed 10/11</td>
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<td>Mon 10/16</td>
<td>6. Coping with risk</td>
<td>A. Overview of risk</td>
<td>Fafchamps, 2003, Ch. I-II &amp; Ch. IV</td>
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<td>Wed 10/18</td>
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<td>B. Consumption Smoothing and Asset Smoothing</td>
<td><strong>Rosenzweig and Wolpin, 1993</strong> <strong>Paxson, 1992</strong></td>
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<td>Mon 10/23</td>
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<td>C. Poverty Traps</td>
<td>Carter and Barrett, 2006</td>
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<td>Wed 10/25</td>
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<td>D. Risk sharing and informal insurance</td>
<td>Arunachalam and Shenoy, 2017</td>
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<td>Mon 10/30</td>
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<td>Murdoch, 1995</td>
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<td>Wed 11/1</td>
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<td>Fafchamps and Lund, 2003</td>
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<td>Mon 11/6</td>
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<td>E. Index Insurance</td>
<td>Carter and Barrett, 2006</td>
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<td>Wed 11/8</td>
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<td>Miranda and Gonzalez-Vega, 2010</td>
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<td>Harrison &amp; List, 2004</td>
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<td>Wed 11/15</td>
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<td>B. Risk and time preferences</td>
<td>Harrison et al., 2010</td>
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<td>Tanaka et al., 2010</td>
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<td>Mon 11/20</td>
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<td>C. Social interaction and norms</td>
<td>Karlan, 2005</td>
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<td>Gine et al., 2010</td>
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<td>Wed 11/22</td>
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<td><strong>Thanksgiving Break - no class!</strong></td>
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<td>Mon 11/27</td>
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<td>Mullainathan, 2005</td>
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<td>A. Basic conceptual framework</td>
<td>Demeritt and Hoff, 2017</td>
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<td>Mon 12/4</td>
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<td>Hoff and Pandey, 2006</td>
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<td>C. Perceptions and expectations</td>
<td>Laajaj, 2017</td>
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<td>Carter et al., 2015</td>
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<td>Thu 12/14</td>
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<td>Final paper</td>
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Reading List (* indicate required readings):

1. Household survey methods and analyses


2. Inequality and Poverty

A. Basic conceptual framework


B. Inequality


C. Poverty


3. Agricultural Household Models

A. Basic conceptual framework


B. Missing Markets


C. Separability


4. Technology adoption

A. Basic conceptual framework


B. Learning and Social Networks


C. Heterogeneous returns and commitment problems


5. Access to capital

A. Basic conceptual framework


*Bester, H., 1985, Screening versus rationing in credit markets with imperfect information, American Economic Review 75, 850-855.


B. Econometrics of credit markets


C. Group lending


6. Coping with Risk
A. Basic conceptual framework


B. Consumption smoothing and asset smoothing


C. Poverty Traps


D. Risk sharing and informal insurance


E. Index insurance


7. Experimental Development Economics

A. Basic conceptual framework


B. Risk and time preferences


C. Social interaction and norms


8. Behavioral Development Economics
   A. Basic conceptual framework


   B. Aspirations and identity


C. Perceptions and expectations


**Academic Accommodations:**
Students with disabilities that have been certified by the Office for Disability Services will be appropriately accommodated, and should inform the instructor as soon as possible of their needs. The Office for Disability Services is located in 150 Pomerene Hall, 1760 Neil Avenue; telephone 292-3307, TDD 292-0901; [http://www.ods.ohio-state.edu](http://www.ods.ohio-state.edu)

**Academic Misconduct:**
Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. It is the responsibility of the Committee on Academic Misconduct to investigate or establish procedures for the investigation of all reported cases of student academic misconduct. The term “academic misconduct” includes all forms of student academic misconduct wherever committed; illustrated by, but not limited to, cases of plagiarism and dishonest practices in connection with examinations. Instructors shall report all instances of alleged academic misconduct to the committee (Faculty Rule 3335-5-487). For additional information, see [http://studentaffairs.osu.edu/info_for_students/csc.asp](http://studentaffairs.osu.edu/info_for_students/csc.asp).

Ignorance of the University’s Code of Student Conduct is never considered an “excuse” for academic misconduct; please review the Code of Student Conduct and, specifically, the sections dealing with academic misconduct. Other sources of information on academic misconduct (integrity) to which you can refer include:

- The Committee on Academic Misconduct web pages: [http://oaa.osu.edu/coam/home.html](http://oaa.osu.edu/coam/home.html)
- Ten Suggestions for Preserving Academic Integrity: [http://oaa.osu.edu/coam/ten-suggestions.html](http://oaa.osu.edu/coam/ten-suggestions.html)
- Eight Cardinal Rules of Academic Integrit [http://www.northwestern.edu/uacc/8cards.html](http://www.northwestern.edu/uacc/8cards.html)

**Taking Care of Yourself**
A recent American College Health Survey found stress, sleep problems, anxiety, depression, interpersonal concerns, death of a significant other, and alcohol use among the top ten health impediments to academic performance. Students experiencing personal problems or situational crises during the quarter are encouraged to contact the OSU Counseling and Consultation Services (614-292-5766) for assistance, support and advocacy. This service is free and confidential.