Course Description

How should countries and international institutions work to alleviate poverty? Why do certain countries and segments of society remain trapped in poverty? This is a course on the economics of poverty and the process of economic development. We will begin with an overview of macroeconomic growth models to motivate the key microeconomic issues in development. The course will focus on empirical papers and policy evaluation and will survey a wide variety of topics including health, education, household economics, gender inequality, corruption, credit, risk, microfinance, and the psychology of poverty. The course readings and discussions will be centered around the current economic literature on these topics. There will be a focus on using the information gained from the readings to think about optimal policies to encourage development.

The focus of the course is on rigorous analysis of issues in development economics. We take a threefold approach to each topic: we examine, in turn, theory, evidence, and policy. Yet the goal of the course is not simply to have you learn facts and theories about poor countries—instead, the goal is that you learn, hands-on, how economists approach problems of development. As such, the bulk of the course will be devoted to in-depth analysis of economic models and empirical methods.

Course Requirements

Prerequisites

The official prerequisites for this course are ECON 90002/40001 (advanced microeconomics) and either ECOM40006/90013 (econometric techniques) or admission into BH-COM or BH-ARTS (Economics). This course requires a degree of comfort with working through formal arguments (mathematical, logical, and graphical). Formally, you should be able to deal with simple algebraic and graphical proofs. Further background in calculus, statistics, econometrics, and game theory is helpful. You should be comfortable with empirical techniques as we will be working with data. Please see me if you are unsure about your preparation.
Grading

Your grade for the course will be determined as follows:

- **30%: Assignments.** There will be 2 assignments expanding upon material covered in lectures. You will be given one problem set and one oral assignment (both worth 15% each).
  
  - The problem set (due before class on August 29th) will be analytical in nature, and so you will be expected to do data analysis (in STATA or R), solve mathematical/graphical exercises, and discuss policy implications. You are encouraged to work with your classmates but are required to turn in individual answers. You must credit people with whom you have discussed problems. Late problem sets will not be accepted.
  
  - For the oral assignment, you will be asked to present one paper in lecture most likely with one other student (basically present a critical review of an article). We will schedule presentations for the end of the semester.

- **70%: Final exam.** The exam is cumulative and will contain mathematical exercises as well as short essay questions that test your ability to apply concepts to policy issues. Material for the exams will be derived from homework assignments, lecture, and readings.

- Active class participation is strongly recommended.

Reading List

The main textbooks for this course will be


However, we will rely mostly on articles. See the schedule below for the reading list. There are many articles for this class. You are not expected to read every single article in detail, but you are expected to understand the methods used by the authors to reach their conclusions. Readings that are starred will be discussed in detail in class, and should be read more carefully. Unpublished articles are generally accessible online without restriction. For published articles (the majority of the readings), you will need to access the articles through the library website.

Some recommended reference texts for additional reading (no need to purchase, you can check them out from the library if you are interested):


You may be interested in reading Banerjee and Duflo (2011); Easterly (2001); Acemoglu and Robinson (2012); Kamkwamba and Mealer (2009).

Articles on Methods


How to Succeed in This Subject

The first step is perhaps obvious: you must attend lecture to do well in this subject. Moreover, you must come to lecture prepared (having read the starred papers). The lecture will be a lot more interesting to you that way, but you will also get a deeper understanding of the material. While I stick fairly closely to the textbook/readings in designing problem sets and exams, some fraction of the required material will be presented in class alone. The second step is to not only keep up with the readings, but to take excellent notes and think carefully about the issues. The third step is to take the problem sets and end-of-chapter exercises in the textbook seriously. Working on these questions, in addition to the graded material, will help you develop the insights, intuitions, and skills necessary to succeed in the subject. Finally, one of the best strategies for you as a student is to constantly ask questions. By reading the papers beforehand, you can come to class prepared and bring those questions to class with you.

The best way to do well on problem sets is to spend time on them. Carefully review your lecture notes and the textbook. Make all attempts to come to office hours—if the scheduled times don’t work, email me and I’ll try to set new ones. Work with your classmates—study groups can be invaluable in economics subjects—but be sure that you are turning in your own work. Here is a general strategy for preparing for exams (in order of importance):

1. Review your lecture notes and make sure you have mastered the key concepts highlighted in class.
2. Review previous problem sets. Create exercises for yourself, modeled on the problem set questions, and practice solving them in a timely fashion.
3. Review the required readings. Do relevant end-of-chapter exercises in the textbook.
4. Review suggested readings. (I will not test you on the content of suggested readings unless I have also lectured on the issue in class.)

Email and Office Hours

Please use the class website or your peers to resolve quick questions such as “ahh! all my email got erased! what’s the reading for this week again?” If you still can’t find the answer, then email me. For larger, more conceptual issues, such as “I don’t understand the main point about cross country regressions at all,” email is not a good way to reach me. I urge you instead to come to office hours. For you, office hours can be very useful to hash out specific questions; to clarify concepts that remain a bit hazy; and to discuss ideas for extending the material in class to what is going on in the world.
Schedule of Topics and Readings

This schedule is approximate. We may decide to replace or reschedule topics as the class proceeds. Any updates will be announced in class as well as on the subject website. The required readings are listed under each lecture title. Starred papers will be discussed in detail during class, and you should aim to read these before the class. If you are particularly interested in a topic, additional references are provided.

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0.1 Introduction and the Big Picture

1. Ray (2011), Chapter 2
2. Banerjee and Duflo (2007)

0.2 Economic Growth and Poverty Traps

1. Ray (2011), Chapter 3
2. Lucas (1990)

- Other references
  - Mankiw et al. (1992); Banerjee and Duflo (2005); Levine and Renelt (1992); Sala-i Martin (1997)

0.3 Geography, Institutions and Development

1. **Acemoglu et al. (2001)**
2. Gallup et al. (1998)
   - Other references
     - Acemoglu et al. (2002); Sachs (2003); McArthur and Sachs (2001)

0.4 Inequality and Poverty
1. Ray (2011), Chapter 6; Chapter 7 pp 197-216; Chapter 8
2. **Besley and Burgess (2003)
3. Deaton (2005)

0.5 Econometrics Review Part 1
1. Ray (2011), Appendix 2: Statistical Methods

0.6 Econometrics Review Part 2

0.7 Education: Benefits
1. **Duflo (2001)
   - Other references
     - Griliches (1997, 1977); Psacharopoulos (1985)

0.8 Education: Barriers
1. **Duflo et al. (2012)
   - Other references
     - Jensen (2012, 2010)

0.9 Health and Nutrition: Demand for Health and Calories
2. **Subramanian and Deaton (1996)
   - Other references
     - Banerjee et al. (2004)
0.10 Health and Nutrition: Productivity Effects of Health

1. Ray (2011), Chapter 8, in particular sections 8.3 and 8.4
3. **Thomas et al. (2006)
   - Other references
     - Bleakley (2007, 2010b,a)

0.11 Health and Nutrition: AIDS in Africa

1. **Canning (2006)
2. **Habyarimana et al. (2010)
   - Other references
     - Oster (2012); Thornton (2008); Young (2005); Fortson (2011); Baranov et al. (2012); Baranov and Kohler (2014)

0.12 Health and Nutrition: Productivity Effects of Health

1. **Bleakley (2007)
2. **Bleakley (2010a)

0.13 Gender Inequality, Bargaining within Families

1. **Duflo (2003)
2. **Qian (2008) – Covered in TA session
   - Other references
     - Sen (1992); Dreze and Sen (1995); Oster (2005); Oster et al. (2010); Jensen and Oster (2009); Thomas (1990)

0.14 Credit

1. Ray (2011), Chapter 14
2. **Karlan and Zinman (2009)
   - Other references
     - Aleem (1990); Karlan and Zinman (2008)

0.15 Savings

1. **Ashraf et al. (2006)
2. **Paxson (1992)
   - Other references
     - Chapter 24, “Poor but Rational?” by Esther Duflo, in Understanding Poverty (Banerjee et al., 2006)
     - Chapter 25, “Better Choices to Reduce Poverty” by Sendhil Mullainathan, in Understanding Poverty (Banerjee et al., 2006)
0.16 Insurance
1. Ray (2011), Chapter 15
2. **Udry (1990)
   • Other references

0.17 Migration
1. Ray (2011), Chapter 10
2. **McKenzie et al. (2010)

0.18 Corruption
1. **Olken (2007)
2. **Bertrand et al. (2007)
   • Other references
     – Mauro (1995); Shleifer and Vishny (1993)

0.19 Technology
1. **Jensen (2007)
2. Conley and Udry (2010)
   • Other references
     – Foster and Rosenzweig (1995); Duflo et al. (2009)

0.20 Property Rights
1. Ray (2011), Chapter 12
2. **Banerjee et al. (2002)
   • Other references
     – Field (2005); Besley and Burgess (2000)

0.21 Psychology of Poverty
1. **Mullainathan (2005)
2. **Haushofer and Fehr (2014)
   • Other references
     – Bertrand et al. (2005); Banerjee and Mullainathan (2010)
References


