

International Economics Development Economics

Academic year 2019-2020

Advanced Development Microeconomics: Risk and Efficiency

EI086 - Printemps - 3 ECTS

Wednesday 10h15 - 12h00

Course Description

The focus of the course will be on how to go from rigorous micro theory to the appropriate empirical test, as illustrated by a selection of classic papers in the field, as well as several more recent papers that are worth looking at. A solid knowledge of micro theory at the level of Varian (1992) (or our own Micro I and Micro II), and microeconometrics at the level of Wooldridge (2002), will allow you to survive. This first half of the course will focus on: (i) testing Pareto optimality, (ii) risk and consumption, (iii) risk, labor markets and human capital.

> PROFESSOR

[Jean-Louis Arcand](#)

[Office hours](#)

> ASSISTANT

[Office hours](#)

Syllabus

Weeks will roughly alternate between “teaching” weeks and “presentation/discussion” weeks. In a teaching week, I will teach a given strand of the literature and dissect a few important papers. In the following week, students will present papers (50 minute presentation for each paper) that will often follow up on the papers or the literature presented in the previous week (and I will dissect your presentation...): you will hopefully glean some insights for your own research.

50% of your grade will be determined by your presentations and overall class participation. The remaining 50% will be determined by either a term paper that you will write on a (development economics) topic of your choice, or a replication exercise (also of your choice). I would like to have your feedback on what you intend to do by week 6 of the semester.

You are each expected to read ALL of the papers on the syllabus and to bring them with you (in electronic or paper format) to class: if you do not, this is not going to work.

1 Efficiency

1.1 Teaching: 19-02

- Jacoby, H. (1993). Shadow wages and peasant family labour supply: An econometric application to the Peruvian sierra. *Review of Economic Studies*, 60(4):903–921.
- Udry, C. (1996). Gender, agricultural production, and the theory of the household. *Journal of Political Economy*, 104(5):1010–1046.
- Goldstein, M. and Udry, C. (2008). The profits of power: Land rights and agricultural investment in Ghana. *Journal of Political Economy*, 116(6):981–1022.

1.2 Discussion/presentations: 26-02

- Foster, A. and Rosenzweig, M. (2017). Are there too many farms in the world? Labor-market transaction costs, machine capacities and optimal farm size. NBER Working Paper No. 23909. [5,1]
- Gollin, D. and Udry, C. (2019). Heterogeneity, measurement error and misallocation: Evidence from African agriculture. NBER Working Paper No. 25440. [6,7]

2 Risk and consumption

2.1 Teaching: 04-03

- Townsend, R. (1994). Risk and insurance in village India. *Econometrica*, 62(3):539–591.
- Ligon, E. (1998). Risk sharing and information in village economies. *The Review of Economic Studies*, 65(4):847–864.
- Udry, C. (1994). Risk and insurance in a rural credit market: An empirical investigation in northern Nigeria. *The Review of Economic Studies*, 61(3):495–526.
- Fafchamps, M., Udry, C., and Czukas, K. (1998). Drought and saving in West Africa: Are livestock a buffer stock? *Journal of Development Economics*, 55(2):273–305.

2.2 Discussion/presentations: 11-03

- Schulhofer-Wohl, S. (2011). Heterogeneity and tests of risk sharing. *Journal of Political Economy*, 119(5):925–958. [2,4]
- Riley, E. (2018). Mobile money and risk sharing against village shocks. *Journal of Development Economics*, 135:43–58. [8,3]

3 Risk, human capital and labor markets

3.1 Teaching: 18-03

- Jacoby, H. G. and Skoufias, E. (1997). Risk, financial markets, and human capital in a developing country. *The Review of Economic Studies*, 64(3):311.
- Cunha, F., Heckman, J. J., and Schennach, S. (2010). Estimating the technology of cognitive and noncognitive skill formation. *Econometrica*, 78(3):883–931.
- Jayachandran, S. (2006). Selling labor low: Wage responses to productivity shocks in developing countries. *Journal of Political Economy*, 114(3):538–575.
- Rosenzweig, M. and Udry, C. (2014). Rainfall forecasts, weather and wages over the agricultural production cycle. NBER Working Paper No. 19808.
- Mobarak, A. M. and Rosenzweig, M. (2014). Risk, insurance and wages in general equilibrium. NBER Working Paper No. 19811.

3.2 Discussion/presentations: 25-03

- Foster, A. D. and Gehrke, E. (2017). Consumption risk and human capital accumulation in India. NBER Working Paper No. 24041. [1,2]
- Emerick, K. (2018). Agricultural productivity and the sectoral reallocation of labor in rural India. *Journal of Development Economics*, 135:488–503. [7,8]