

International Economics Development Economics

Academic year 2019-2020

Advanced Development Microeconomics: Incentives and Learning

EI087 - 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 second half of the course will focus on: (i) informality and history as an identification strategy, (ii) poverty traps and foreign aid, (iii) moral hazard and sharecropping, (iv) learning.

> 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.

4 Informality; history as an identification strategy

4.1 Teaching: 01-04

- Rauch, J. E. (1991). Modelling the informal sector formally. *Journal of Development Economics*, 35(1):33–47.
- Sellars, E. A. and Alix-Garcia, J. (2018). Labor scarcity, land tenure, and historical legacy: Evidence from Mexico. *Journal of Development Economics*, 135:504–516.

4.2 Discussion/presentations: 08-04

- Ulyssea, G. (2018). Firms, informality, and development: Theory and evidence from Brazil. *American Economic Review*, 108(8):2015–2047. [4,3]
- Calvi, R. and Mantovanelli, F. G. (2018). Long-term effects of access to health care: Medical missions in colonial India. *Journal of Development Economics*, 135:285–303

5 Poverty traps and aid

5.1 Teaching: 22-04

- Dasgupta, P. and Ray, D. (1986). Inequality as a determinant of malnutrition and unemployment: Theory. *Economic Journal*, 96(384):1011–1034.
- McKenzie, D. J. and Woodruff, C. (2006). Do entry costs provide an empirical basis for poverty traps? Evidence from Mexican microenterprises. *Economic Development and Cultural Change*, 55(1):3–42.
- Kraay, A. and McKenzie, D. (2014). Do poverty traps exist? Assessing the evidence. *Journal of Economic Perspectives*, 28(3):127–148.
- Dreher, A. and Lohmann, S. (2015). Aid and growth at the regional level. *Oxford Review of Economic Policy*, 31(3-4):420–446.
- Briggs, R. C. (2018). Poor targeting: A gridded spatial analysis of the degree to which aid reaches the poor in Africa. *World Development*, 103:133–148.

5.2 Discussion/presentations: 29-04

- Arunachalam, R. and Shenoy, A. (2017). Poverty traps, convergence, and the dynamics of household income. *Journal of Development Economics*, 126:215–230. [8,4]
- Chauvet, L. and Ehrhart, H. (2018). Aid and growth: evidence from firm-level data. *Journal of Development Economics*, 135:461–477. [7,3]

6 Moral hazard and sharecropping

6.1 Teaching: 06-05

- Shaban, R. A. (1987). Testing between competing models of sharecropping. *Journal of Political Economy*, 95(5):893–920.
- Foster, A. D. and Rosenzweig, M. R. (1994). A test for moral hazard in the labor market — Contractual arrangements, effort, and health. *Review of Economics and Statistics*, 76(2):213–227.
- Akerberg, D. A. and Botticini, M. (2002). Endogenous matching and the empirical determinants of contract form. *Journal of Political Economy*, 110(3):564–591.

6.2 Discussion/presentations: 13-05

- Arcand, J.-L., Ai, C., and Ethier, F. (2007). Moral hazard and marshallian inefficiency: Evidence from Tunisia. *Journal of Development Economics*, 83(2):411–445. [5,1]
- Jacoby, H. G. and Mansuri, G. (2009). Incentives, supervision, and sharecropper productivity. *Journal of Development Economics*, 88(2):232–241. [6,2]

7 Learning

7.1 Teaching: 20-05

- Jovanovic, B. and Nyarko, Y. (1994). The bayesian foundations of learning by doing. NBER Working Paper No. 4739.
- Foster, A. D. and Rosenzweig, M. R. (1995). Learning by doing and learning from others: Human capital and technical change in agriculture. *Journal of Political Economy*, 103(6):1176–1209.
- Conley, T. G. and Udry, C. (2010). Learning about a new technology: Pineapple in Ghana. *American Economic Review*, 100(1):35–69.

8 Presentations of preliminary term papers / replication exercises: 27-05

[12 minutes each]