The goal of this course is to explore the application of microeconomic analysis to issues of development in poor countries. The focus of this course is the study of household behavior and the analysis of rural institutions. The course will cover the neoclassical agricultural household model and criticisms of that model, the structure of rural factor markets (concentrating on the effects of risk and information problems), general equilibrium analyses of village economies, household savings and investment (especially in education), issues of health and nutrition, technological innovation and project evaluation. T.N. Srinivasan’s companion course (Economics 730) covered more general growth and general equilibrium models of development.

This course presumes knowledge of development economics at an undergraduate level. Students should have knowledge of the structural characteristics of developing countries, and be familiar with the traditional models of development economics (basic growth theory and dual economy models). In addition, I will assume that you have taken the first-year graduate sequences in microeconomics and econometrics.

**Course Requirements:**

1. The first goal of this course is a critical reading of the current literature on the empirical microeconomics of development. I expect you to do all of the required reading and to participate in class discussion. After the first week, one student will prepare a short written discussion of each featured paper for distribution to the class before the class meeting at which that paper will be discussed. This discussion will not summarize the paper. Instead, it will discuss the most important weaknesses of the paper and provide suggestions for future research that could advance knowledge on the topic of the paper. The discussion papers will be emailed to class members by 5:00 on the day before the class meets.

2. The second goal of the course is to prepare for research in development economics. Therefore, the second requirement is a research paper. This requirement can be met in one of two ways: (1) replication of the empirical results of an approved paper in development economics; or (2) an applied (theoretical, empirical, or both) paper with original research.

We are luck enough this semester to have Yaw Nyarko in residence. He will provide an additional pair of lectures on models of learning and innovation in section IV of the course.
Several of the required papers have been gathered together in Bardhan and Udry, *Readings in Development Economics*, so I have ordered it for your convenience. I have also ordered Deaton, *The Analysis of Household Surveys: A Microeconometric Approach to Development Policy*. It’s an extremely useful reference, and we’ll use a couple of the chapters. The books have been ordered through the Yale Bookstore. Finally, we’ll use a few chapters of Bardhan and Udry, *Development Microeconomics*, so it might be useful to have.

Further Background References:

Debraj Ray, *Development Economics*. We will not use it for the course, but it is the best undergraduate text in development economics. He provides excellent non-technical explanations of many of the issues we will study.


1. The Neoclassical Agricultural Household Model

A. The Standard Model

"BU, Chapters 1 & 2.


**B. Models of Distribution within the Household**

'Deaton, Chapter 4.2


**C. A Critique from Anthropology**


D. A Critique from Economics: The Household is an Inappropriate Unit of Analysis.


Dercon, Stephan and Pramila Krishnan. 2000. “In Sickness and in Health: Risk Sharing within Households in Ethiopia.” JPE.


Haddad, Lawrence, John Hoddinott and Harold Alderman, eds. Manuscript. *Intrahousehold Resource Allocation in Developing Countries: Methods, Models and Policy*.


2. **The Structure of Rural Labor and Land Markets.**

*BU, chapters 3, 4, 5.

A. Education and Wages/Income

*Behrman, Jere, Andrew Foster, Mark Rosenzweig, and Prem Vashishtha. 1999. “Women’s Schooling, Home Teaching and Economic Growth.” JPE.


**B. Nutrition**

"BU, Chapter 10.


"Deaton, chapter 4.1


**C. Information**


III. Saving, Credit and Risk


BU, chapters 7 & 8

Deaton, chapter 6.

A. Risk, Saving and Credit Constraints


B. Insurance:


C. Credit Markets, Imperfect Information and Rationing


D. Seasonality


IV. Agrarian Technology

*BU, Chapter 12


V. Program Evaluation

http://emlab.berkeley.edu/users/emiguel/miguel_worms.pdf
Karlan, Dean. 2001. “Social Capital and Group Banking.”

Khwaja, Asim. 2000. “Can Good Projects Succeed in Bad Communities?”
http://www.economics.harvard.edu/~akhwaja/papers/BaltMarch01.pdf

An Example


Related theory:


VI. Social Norms and Organization


