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. The companion course (Economics 731) covers 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. This course is focused on reading and understanding 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. In addition, there will be a series of problems sets.

2. Each student will present one or two of the assigned readings, and lead class discussion on that reading.

3. Finally, a research paper is required. 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 will use several chapters of Bardhan and Udry, Development Microeconomics (referred to in the syllabus as BU), so I have ordered it as a text. 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 are ordered through the Yale Bookstore.
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 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. Information


III. Saving, Credit and Risk

A. Risk, Saving and Credit Constraints


B. Insurance:


C. Credit Markets, Imperfect Information and Rationing
D. Seasonality


IV. Health and Nutrition

*BU, Chapter 10.


*Deaton, chapter 4.1

A. Income Elasticity of Demand for Calories/Health


B. Health/Nutrition and Productivity:


V. Agrarian Technology

*BU, Chapter 12


VI. Program Evaluation: An Example


Related theory:


VII. Organization

