

Economics of Developing Countries

AEM 4315 / ECON 3550

Spring 2023

Meeting time: Tu/Th 2:45-4:00pm

Location: Warren 151

Credits: 3

Website: Canvas

Instructor: Sergio Puerto

Email: sap257@cornell.edu

Office hours: Wednesday 10:00am -12:00pm, Warren Hall 475A

TA: Kate Carter-Cram, tp347@cornell.edu

Course Overview

The goal of this course is to expand students' understanding of the economics of developing countries. We will address questions like: How do we analyze the challenges facing small-scale farming households. How do decisions by those households influence migration, labor markets, and the growth of industry? Why don't formal financial markets work well in most developing countries, and do informal institutions fill the gap? What factors prevent households and individuals from escaping the cycle of poverty? How do we evaluate policies and programs in order to understand what works for development?

The approach in this course will be primarily microeconomic. Emphasis will be on theory, real world examples, and reading and interpreting research papers.

After taking this course, students should be able to:

1. Explain and apply core tools for causal inference in applied economic research, especially randomized evaluations, and difference-in-difference.
2. Interpret and evaluate empirical research on the economic and social impacts of specific policies and programs.

3. Apply the tools of economic analysis to problems of household-decision making, financial markets, and labor markets in developing countries.
4. Formulate succinct, informed arguments on a variety of contemporary policy issues facing developing countries.

Prerequisites

Essential prior coursework includes intermediate microeconomics, introductory statistics, and introductory econometrics. I will assume that students have basic knowledge of multivariate calculus, specifically obtaining and understanding first and second derivatives. Familiarity with multiple regression analysis is expected.

- Prerequisites for registration in AEM 4315: ECON 1110; AEM 2100; AEM 2600; AEM 4110; or equivalents. Additional coursework in microeconomic theory (ECON 3030) and relevant econometric methods (PAM 3100, ECON 3120, AEM 3390) will help students get the most out of the material.
- Prerequisites for registration in ECON 3550: ECON 1110; ECON 3030; ECON 3110 or 3130; ECON 3120 or 3140; or equivalents. Additional coursework in microeconomic theory (ECON 3030) and relevant econometric methods (PAM 3100, ECON 3120, AEM 3390) will help students get the most out of the material.

Reading Materials

There is no required textbook for this course. Assigned readings will be posted to Canvas.

Grading and Assignments

Student performance in this course will be determined as follows (with one exception – see the end of this section):

Problem sets (5 x 6%)	30%
Long quizzes (3 x 12%)	36% (or 55%)
Final exam	34% (or 15%)

The 5 **problem sets** will be posted to Canvas and due 1-1.5 weeks later (due dates in calendar below). The learning objective of the problem sets is to apply the concepts from the lectures and readings to a new issue or topic. Important:

- Each will be worth 5% of your final grade.

- These assignments require discussion among peers. Thus, group work is required: students will submit the assignment in groups of 3-5, in self-selected groups. Only one person from the group will submit the response document, with the names and Net-IDs of group members clearly visible on the first page. We will provide more details about group assignments during class.
- All assignments must be submitted on Canvas by 11:59 pm on the due date. Late submissions lose 10 percentage points each day after the due date. Late work is not accepted after four days.

There will be 3 **long quizzes**, one for each of the first three course modules. These will be closed book quizzes that focus on the material covered in a single module (they are not cumulative). The learning objective of the long quizzes is to review theoretical models, estimation methods, and discussions from the readings and lectures.

The **final exam** will be a cumulative, closed book exam, during finals week. The final exam will include a specific question covering the material in the last module. You should expect pre-reads for the final exam, such as research papers or policy documents that relate to the recently covered material. Final exam will be conducted in person on a time/day set by the university.

Important:

- The above should be treated as guidelines. Because this is a somewhat new course and in case of any pandemic-related disruption, I'll reserve the right to make changes to all aspects of the course assessments, except the date of the final exam.
- I will not permit extensions or make-ups, except in the case of medical emergencies or serious conflicts that we discuss in advance. Travel for job interviews or non-Cornell activities does not qualify for extensions or make-up work. Requests for clarification or regrades can be submitted via email no sooner than 24 hours and no later than 7 days after grades are posted.
- At the end of term, but before the final, students can decide whether they would prefer a 36-34 or a 55-15 split between the long quizzes and the final exam. This allows students who stay on top of the reading and attend class to bank more points and reduce the importance of the final exam.

Academic Integrity

Cornell and the Dyson School expect students to adhere to the highest standards of academic integrity and honesty. A student found to be cheating on a problem set, quiz or exam will receive a zero for that grade. A second offense will lead to a zero for the course. Cheating

includes ANY form of artificial intelligence assistance that is not properly disclosed and referenced.

Students agree that by taking this course, all required material may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such material. Use of the Turnitin.com service is subject to the Usage Policy posted on the Turnitin.com site.

Enrollment, Attendance, Absences

Check the University Calendar for the policy on incompletes and withdrawals. We will adhere to the university dates and policies.

If you have a serious conflict on the day of a long quiz or the final, you must contact me at least two weeks in advance to request a reschedule. I will only make exceptions for serious health-related issues, or other pressing and non-negotiable travel. Students will not be excused to attend any pre-scheduled personal events. Travel for immigration-related issues will be considered. If you miss an examination because of a last-minute emergency, please let me know by email as soon as you can do so safely and comfortably. Always prioritize urgent health and safety over class-related issues.

Communication

I want you to succeed in this course so I will be as available as possible to answer your questions and support your progress. Here are a few communication guidelines:

- i. I will use Canvas Announcements to send messages to the class. Be sure to configure your settings in Canvas so that you receive Announcements in your email as soon as they are posted. If I post something on Canvas, I will assume you read it.
- ii. The best ways to contact me are by email, in office hours, or before/after class.
- iii. If you email me, I will get back to you within 48 hours. Except emails sent on Friday, which might not be answered until Monday.
- iv. Email etiquette is an important aspect of your professional communication but is rarely discussed directly. Here are some guidelines that I suggest using for my course and for all your other course-related communication at Cornell:
 - a. If you are emailing me for the first time about a particular issue, you should open with a polite greeting and a signature with your name. The greeting does not have to be formal, but a greeting is required for the first email in a thread. If we exchange multiple emails quickly in a thread, feel free to email like normal people do (without a formal greeting each time).

- b. If you have a question about course policies or the schedule, check the Canvas announcements and the syllabus carefully before emailing me or the TA. It is frustrating for instructors when students email us with questions that we have already answered on Canvas or the syllabus.
- c. If you are upset about something in the class (a grade, your group members, etc.), take a break to calm down before sending any emails. If the email can wait, sleep on it and send it tomorrow. This does not apply if you are reaching out for help about a personal issue, mental health crisis, or other emergency.
- v. If you have communication preferences, such as a preferred name or gender pronoun, please let me know in person or by email as soon as possible

Inclusion and Belonging at the JCB

At the SC Johnson College of Business, through our courses, student organizations, and School- and College-wide events and activities, we are presented with many opportunities to explore new and challenging issues. Some of these issues are familiar to us and some of them are not. We hope that through honest, open, and sincere dialogue and meaningful interaction with others we will introduce, extend, increase, and/or change our understanding of different people and their perspectives. Our conversations and interactions may not always be easy and may lead to discomfort for you or others around you.

We will sometimes make mistakes in our communication with one another, in both speaking and listening; we will sometimes need to exercise patience, or courage, or imagination, and many other qualities in combination to ensure we respect each other's differences and similarities, both inside and outside of the classroom. We will always need to maintain respect for others' experiences and viewpoints and strive to deepen our understanding of diverse perspectives – regardless of our backgrounds, experiences, or positions.

Just as you are obligated to respect others' perspectives, you deserve that same respect in return. You all belong here and if any incident occurs that challenges our commitment to maintaining a supportive and inclusive environment, please let your course instructor or a member of the School or College administration know of your concerns so appropriate actions can be taken to ensure a diverse and inclusive environment.

Course calendar

All content and dates are subject to change. I will aim to give two weeks' notice of any changes. All readings listed below are required.

<i>Date</i>	<i>Activity</i>	<i>Assignment</i>
Module 1: Development economics and methods		
<i>Jan 24</i>	Introduction (no reading)	
<i>Jan 26</i>	“Impact Evaluation Methods in Public Economics” by Dina Pomeranz, Public Finance Review 45(1): 10-22 (2017).	
<i>Jan 31</i>	“Impact Evaluation Methods in Public Economics” by Dina Pomeranz, Public Finance Review 45(1): 22-43 (2017)	
<i>Feb 2</i>	Causal inference Review (no reading)	
<i>Feb 7</i>	Esther Duflo’s TED talk “Social Experiments to Fight Poverty” https://www.ted.com/talks/esther_duflo_social_experiments_to_fight_poverty?language=en	
<i>Feb 9</i>	“Shall the Randomistas Continue to Rule?” by Martin Ravallion, 2020, published in "Randomized Control Trials in the Field of Development: A Critical Perspective", edited by Florent Bédécarrats, Isabelle Guérin, and François Roubaud.	Problem Set 1: Feb 10, 11:59pm
<i>Feb 14</i>	Optimization Review (no reading)	
Module 2: Poverty traps and Anti-poverty programs		
<i>Feb 16</i>	Kraay and McKenzie (2014) “Do Poverty Traps Exist?” Journal of Economic Perspectives.	
<i>Feb 21</i>	Balboni et al. (2022) “Why Do People Stay Poor?” Quarterly Journal of Economics.	
<i>Feb 23</i>	Jayachandran et al. (2017). Cash for carbon: A randomized trial of payments for ecosystem services to reduce deforestation. Science	Problem Set 2: Feb 24, 11:59pm
<i>Feb 28</i>	No class - February Break	

March 2 Examination **Long quiz 1 during class**

Module 3: Credit Markets and financial constraints

March 7 Selection from *Analytical Development Economics* by Kaushik Basu

March 9 Chapter 1 of *Portfolios of the Poor* by Collins et al.

March 14 “Pretending to be poor: Borrowing to escape forced solidarity in Cameroon” by Baland et al., *Economic Development and Cultural Change* 2011

March 16 “Six randomized evaluations of microcredit: Introduction and further steps” by Banerjee et al., *American Economic Journal: Applied Economics* 2015 **Problem Set 3: March 17, 11:59pm**

March 21 Optional Class (no reading)

March 23 Examination **Long quiz 2 during class**

Module 4: Agricultural Markets and Household models

March 28 Chapter 2, part 1, *Development Microeconomics* by P. Bardhan and C. Udry

March 30 Dillon et al (2019). Asymmetric non-separation and rural labor markets, *Journal of Development Economics*

April 1-9 No class - Spring Break

April 11 Foods and Fads: The Welfare Impacts of Rising Quinoa Prices in Peru” by Bellemare, Fajardo-Gonzalez, and Gitter, *World Development* 2018

April 13 Qian, Nancy. "Missing women and the price of tea in China: The effect of sex-specific earnings on sex imbalance." *The Quarterly Journal of Economics* 123.3 (2008): 1251-1285. **Problem Set 4: April 14, 11:59pm**

April 18 Optional Class (no reading)

April 20 **Examination**

**Long quiz 3
during class**

Module 4: Labor Markets and migration

April 25 Chapter 7 in Analytical Development Economics by Kaushik Basu

April 27 Chapter 4 in Transforming Traditional Agriculture by T.W. Schultz

May 2 Beegle et al. (2011) “Migration and Economic Mobility in Tanzania: Evidence from a Tracking Survey” Review of Economics and Statistics 93(3): 1010-1033.

May 4 Abebe et al. (2021) “Anonymity or Distance? Job Search and Labour Market Exclusion in a Growing African City” forthcoming Review of Economic Studies.

**Problem Set 5:
May 8,
11:59pm**

May 9 **Final discussion:**
Planet Money Episode 702: Nigeria, You Win!
<https://www.npr.org/sections/money/2016/05/20/478883658/episode-702-nigeria-you-win>
