

University of Illinois at Urbana-Champaign  
Department of Economics  
Fall 2017

**Econ 551: Topics in Development Economics**  
**Monday/Wednesday 12:30-1:50**  
**David Kinley Hall, Room 223**

Professor: **Richard Akresh**

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Office Hours: Monday/Wednesday 11:00-12:00, or by appointment

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**Course Description:** This course examines the current literature on the microeconomics of development in poor countries. We will examine research on education, cash transfers, health, child investments, household structure, intrahousehold bargaining, conflict, corruption, government service provision, and the role of social networks and institutions. We will also read several recent or current-year job market papers from microeconomic development students. The first few weeks of the course are focused on an applied econometrics overview where we examine econometric techniques that researchers use to identify causal relationships. The course will also focus on helping you conduct your own research project.

**Course Prerequisites:** first-year Ph.D. sequence in microeconomics and econometrics.

**Course Objectives:**

The first objective is to provide a critical overview of the current microeconomic development literature and central debates in economic development.

The second objective is to understand econometric and methodological issues that arise when doing microeconomic development research. In particular, we will focus on how hypotheses may be tested with data and how to identify causal relationships.

The third objective is to prepare students to conduct original research in applied micro and to help identify possible dissertation topics.

**Course Requirements:**

Read the required articles **before** class, attend all lectures, and participate in class discussion.

Present one assigned reading and lead class discussion on that reading. The discussion will summarize the paper, discuss the theoretical model and key assumptions, discuss the empirical identification strategy, present the results, and then discuss the most important weaknesses of the paper and provide suggestions for future research on that topic.

Write 2 referee reports for approved papers and complete the empirical problem sets.

Write an empirical research paper due **Wednesday December 20, 2017 at 5pm**. There will be no extensions to the final paper deadline. The paper can be a replication plus extension of an approved empirical paper in development economics or an empirical paper with original research. The paper must have sections describing the research question and why it is relevant, discussion of the related literature with an explanation of how this paper advances that literature, presentation of data, and discussion of empirical identification strategies and results. During my office hours throughout the semester, I expect to have multiple meetings with each student to discuss their paper.

Research brainstorming presentation: Each student will give a 15 minute presentation of 2 possible research ideas.

Research proposal: 2 pages discussing the topic you will be work on, the research question you will explore, what data you have tracked down so far, and your proposed empirical identification strategy. This is still somewhat preliminary and topics can be changed, but I want you to have spent considerable time by this date thinking about the project and searching for data.

Research project final presentation: Each student will give a 20 minute presentation of their research paper/proposal. We will discuss the details of the presentation later in the semester.

Students are strongly encouraged to attend the **Applied Micro seminar** on Mondays 3:30-5:00 and the **Applied Micro Research Lunch (AMRL)** on Tuesdays 12:30-1:30. Attending seminars is a good way to learn about current research topics, see working papers in progress, and learn how to give oral presentations and handle questions.

**Student Evaluation:**

The grade for the class will comprise: Research paper (25%), research brainstorming presentation (10%), research proposal (10%), research project presentation (10%), assigned reading presentation (10%), referee reports/problem sets (25%), and class discussion (10%).

All assignments are to be turned in at the beginning of the class in which they are due. Late assignments receive no credit.

**Recommended texts:**

Deaton, Angus. 1997. *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*. Johns Hopkins University Press.

The 5-volume *Handbook of Development Economics* is an excellent reference, with thorough overviews of many development economics topics.

Papers marked with a \* are required reading and will be used as a basis for classroom discussion; the other papers listed are background reading and will be referred to as time and interest permit.

**Emergency Response Recommendations:**

The university maintains guidelines for emergency responses. A list of recommendations when to evacuate and when to find shelter are available at:

[http://illinois.edu/cms/2251/general\\_emergency\\_response\\_recommendations\\_8\\_16\\_13\\_final.doc](http://illinois.edu/cms/2251/general_emergency_response_recommendations_8_16_13_final.doc)  
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Floor plans for specific buildings are available at:  
<http://police.illinois.edu/emergencyplanning/floorplans/>

**Statement on Accommodations:**

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak Street, Champaign, call 333-4603 (V/TTY), or email a message to [disability@uiuc.edu](mailto:disability@uiuc.edu).

**Academic Integrity:**

“The University has the responsibility for maintaining academic integrity so as to protect the quality of education and research on our campus and to protect those who depend upon our integrity.”

*Expectations of Students.* “It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions. Students have been given notice of this Part by virtue of its publication. Regardless of whether a student has actually read this Part, a student is charged with knowledge of it. Ignorance is not a defense.”

The University’s full academic integrity policy is available at:  
[http://studentcode.illinois.edu/article1\\_part4\\_1-401.html](http://studentcode.illinois.edu/article1_part4_1-401.html)

## COURSE OUTLINE

### I. Applied Econometrics Overview

#### A. Overview and Program Evaluation

\*Duflo, Esther. 2001. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review* 91(4), 795-813.

\*Angelucci, Manuela and Giacomo De Giorgi. 2009. "Indirect Effects of an Aid Program: How Do Cash Injections Affect Ineligibles' Consumption?" *American Economic Review*, 99(1), 486-508.

Duflo, Esther, Rachel Glennerster, and Michael Kremer. 2007. "Using Randomization in Development Economics Research: A Toolkit." *Handbook of Development Economics*, volume 4, Editors T. Paul Schultz and John Strauss. 3895-3962.

Angrist, Joshua and Alan Krueger. 1999. "Empirical Strategies in Labor Economics" in *Handbook of Labor Economics*, Vol. 3, Orley Ashenfelter and David Card, editors.

Meyer, Bruce D. 1995. "Natural and Quasi-Experiments in Economics," *Journal of Business and Economic Statistics*, 13(2), 151-161. Longer version is NBER Technical Working Paper 170.

Angrist, Joshua and Alan Krueger. 2001. "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," *Journal of Economic Perspectives*, 15(4), 69-85.

Freeman, David. 1991. "Statistical Models and Shoe Leather." *Sociological Methodology*, 21: 291-313.

Lee, David and Thomas Lemieux. 2009. "Regression Discontinuity Designs in Economics," NBER Working Paper 14723.

### II. Human Capital Investment

#### A. Cash Transfers

\*Akresh, Richard, Damien de Walque, and Harounan Kazianga. 2013. "Cash Transfers and Child Schooling: Evidence from a Randomized Evaluation of the Role of Conditionality." World Bank Policy Research Working Paper 6340.

\*Amarante, Veronica, Marco Manacorda, Edward Miguel, and Andrea Vigorito. 2016. "Do Cash Transfers Improve Birth Outcomes? Evidence from Matched Vital Statistics, Program, and Social Security Data." *American Economic Journal: Economic Policy*, 8(2): 1-43.

\*Blattman, Christopher, Nathan Fiala, and Sebastian Martinez. 2014. "Generating Skilled Self-Employment in Developing Countries: Experimental Evidence from Uganda." *Quarterly Journal of Economics*, 129(2): 697-752.

Barrera-Osorio, Felipe, Marianne Bertrand, Leigh Linden, and Francisco Perez. 2011. "Improving the Design of Conditional Transfer Programs: Evidence from a Randomized Education Experiment in Colombia." *American Economic Journal: Applied Economics*, 3(2): 167-195.

Baird, Sarah, Craig McIntosh, and Berk Ozler. 2011. "Cash or Condition? Evidence from a Randomized Cash Transfer Program." *Quarterly Journal of Economics*, 126(4): 1709-1753.

Benhassine, Najy, Florencia Devoto, Esther Duflo, Pascaline Dupas, and Victor Pouliquen. 2015. "Turning a Shove into a Nudge? A 'Labeled Cash Transfer' for Education." *American Economic Journal: Economic Policy*, 7(3): 86-125.

Aizer, Anna, Shari Eli, Joseph Ferrie, Adriana Lleras-Muney. 2016. "The Long-Run Impact of Cash Transfers to Poor Families." *American Economic Review*, 106(4): 935-971.

## **B. Education**

\*Jensen, Robert. 2010. "The (Perceived) Returns to Education and the Demand for Schooling," *Quarterly Journal of Economics*, 125(2): 515-548.

\*Behrman, Jere, Susan Parker, Petra Todd, and Kenneth Wolpin. 2015. "Aligning Learning Incentives of Students and Teachers: Results from a Social Experiment in Mexican High Schools." *Journal of Political Economy*, 123(2): 325-364

Yang, Dean and Sharon Maccini. 2009. "Under the Weather: Health, Schooling, and Economic Consequences of Early-Life Rainfall." *American Economic Review*, 99(3): 1006-1026.

Akresh, Richard. 2008. "School Enrollment Impacts of Non-traditional Household Structure." University of Illinois working Paper.

Angrist, Joshua and Victor Lavy. 1999. "Using Maimonides' Rule to Estimate the Effects of Class Size on Scholastic Achievement." *Quarterly Journal of Economics*, 114(2): 533-575.

Behrman, Jere, Andrew Foster, Mark Rosenzweig, and Prem Vashishtha. 1999. "Women's Schooling, Home Teaching, and Economic Growth." *Journal of Political Economy*, 107(4)

Kremer, Michael, Paul Glewwe, Sylvie Moulin, and Eric Zitzewitz. 2004. "Retrospective vs. Prospective Analyses of School Inputs: The Case of Flip Charts in Kenya", *Journal of Development Economics*, 74(1), 251-268.

## **C. Child Investments**

\*Shah, Manisha and Bryce Millett Steinberg. 2017. "Drought of Opportunities: Contemporaneous and Long Term Impacts of Rainfall Shocks on Human Capital." *Journal of Political Economy*, 125(2): 527-561.

\*Dizon-Ross, Rebecca. 2016. "Parents' Beliefs and Children's Education: Experimental Evidence from Malawi." Working paper.

Berry, Jim. 2015. "Child Control in Education Decisions: An Evaluation of Targeted Incentives to Learn in India." *Journal of Human Resources*, 50(4): 1051-1080.

Bharadwaj, Prashant, Juan Eberhard, and Christopher Neilson. 2018. "Health at Birth, Parental Investments, and Academic Outcomes." *Journal of Labor Economics*, 36(2).

Attanasio, Orazio, Sarah Cattan, Emla Fitzsimons, Costas Meghir, Marta Rubio-Codina. 2015. "Estimating the Production Function for Human Capital: Results from a Randomized Control Trial in Colombia." NBER Working Paper 20965.

#### **D. Health**

\*Maluccio, John, John Hoddinott, Jere Behrman, Reynaldo Martorell, Agnes Quisumbing, and Aryeh Stein. 2009. "The Impact of Improving Nutrition During Early Childhood on Education among Guatemalan Adults." *Economic Journal*, 119(537): 734-763.

\*Akresh, Richard, Leonardo Lucchetti, and Harsha Thirumurthy. 2012. "Wars and Child Health: Evidence from the Eritrean-Ethiopian Conflict." *Journal of Development Economics*, 99(2): 330-340.

Kremer, Michael and Edward Miguel. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." *Econometrica*, 72(1), 159-217.

Baird, Sarah, Joan Hamory Hicks, Michael Kremer, and Edward Miguel. Forthcoming. "Worms at Work: Long-run Impacts of a Child Health Investment." *Quarterly Journal of Economics*, forthcoming.

Cohen, Jessica and Pascaline Dupas. 2010. "Free Distribution or Cost Sharing? Evidence from a Randomized Malaria Prevention Experiment." *Quarterly Journal of Economics*, 125(1): 1-45.

Robinson, Jonathan and Ethan Yet. 2011. "Transactional Sex as a Response to Risk in Western Kenya." *American Economic Journal: Applied Economics*, 3(1): 35-64.

Bleakley, Hoyt. 2010. "Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure." *American Economic Journal: Applied Economics*, 2(2): 1-45.

Field, Erica, Omar Robles, and Maximo Torero. 2009. "Iodine Deficiency and Schooling Attainment in Tanzania." *American Economic Journal: Applied Economics*, 1(4): 140-169.

Thomas, Duncan, et al. 2005. "Iron Deficiency and the Well-Being of Older Adults: Early Results from a Randomized Nutrition Intervention." Manuscript, UCLA.

Strauss, John and Duncan Thomas. 1998. "Health, Nutrition and Economic Development", *Journal of Economic Literature* 36(2): 766-817

Thomas, Duncan and John Strauss. 1997. "Health and Wages: Evidence on Men and Women in Urban Brazil." *Journal of Econometrics*, 77, 159-185.

Bundervoet, Tom, Philip Verwimp, and Richard Akresh. 2009. "Health and Civil War in Rural Burundi." *Journal of Human Resources*, 44(2), 536-563.

Akresh, Richard, Philip Verwimp, and Tom Bundervoet. 2011. "Civil War, Crop Failure, and Child Stunting in Rwanda." *Economic Development and Cultural Change*, 59(4): 777-810.

### **E. Fetal Origins**

\*Almond, Douglas and Bhashkar Mazumder. 2011. "Health Capital and the Prenatal Environment: The Effect of Ramadan Observance during Pregnancy." *American Economic Journal: Applied Economics*, 3(4): 56-85.

\*Akresh, Richard, Emilie Bagby, Damien de Walque, and Harounan Kazianga. 2012. "Child Labor, Schooling, and Child Ability." University of Illinois working paper.

Adhvaryu, Achyuta and Anant Nyshadham. 2016. "Endowments at Birth and Parents' Investments in Children." *Economic Journal*, 126(593): 781-820.

Barham, Tania. 2012. "Enhancing Cognitive Functioning: Medium-Term Effects of a Health and Family Planning Program in Matlab." *American Economic Journal: Applied Economics*, 4(1): 245-273.

Bharadwaj, Prashant and Leah Lakdawala. 2013. "Discrimination Begins in the Womb: Evidence of Sex Selective Prenatal Investments." *Journal of Human Resources*.

Macours, Karen, Norbert Schady, and Renos Vakis. "Cash Transfers, Behavioral Changes, and Cognitive Development in Early Childhood: Evidence from a Randomized Experiment." *American Economic Journal: Applied Economics*, 4(2): 247-273.

### **F. Psychology of Poverty**

\*Haushofer, Johannes and Jeremy Shapiro. 2016. "The Short-Term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya." *Quarterly Journal of Economics*, 131(4): 1973-2042.

\*Schilbach, Frank. 2017. "Alcohol and Self-Control: A Field Experiment in India." Working paper.

Schofield, Heather. 2014. "The Economic Costs of Low Caloric Intake: Evidence from India." Working paper.

## **III. Conflict and Climate Change**

### **A. Impacts of conflict**

\*Akresh, Richard, Sonia Bhalotra, Marinella Leone, and Una Osili. 2017. "First and Second Generation Impacts of the Biafran War." NBER Working paper 23721.

Akresh, Richard and Damien de Walque. 2011. "Armed Conflict and Schooling: Evidence from the 1994 Rwandan Genocide." Working paper.

Blattman, Christopher and Jeannie Annan. 2010. "The Consequences of Child Soldiering." *Review of Economics and Statistics*, 92(4): 882-898.

Miguel, Edward and John Bellows. 2009. "War and Local Collective Action in Sierra Leone." *Journal of Public Economics*, 93(11-12): 1144-1157.

## **B. Causes of Conflict**

\*Angrist, Joshua and Adriana Kugler. 2008. "Rural Windfall or a New Resource Curse? Coca, Income, and Civil Conflict in Columbia." *Review of Economics and Statistics*, 90(2), 191-215.

\*Dube, Oeindrila and Juan Vargas. 2013. "Commodity Price Shocks and Civil Conflict: Evidence from Colombia." *Review of Economic Studies*, 80(4): 1384-1421.

\*Yanagizawa-Drott, David. 2014. "Propaganda and Conflict: Theory and Evidence from the Rwandan Genocide." *Quarterly Journal of Economics*, 129(4): 1947-1994.

Dell, Melissa, Benjamin Jones, and Benjamin Olken. 2012. "Temperature Shocks and Economic Growth: Evidence from the Last Half Century." *American Economic Journal: Macroeconomics*, 4(3): 66-95.

Miguel, Edward, Shanker Satyanath, and Ernest Sergenti. 2004. "Economic Shocks and Civil Conflict: An Instrumental Variables Approach." *Journal of Political Economy*, 112(4): 725-753.

Burke, Marshall, and Eoin McGuirk. 2017. "The Economic Origins of Conflict in Africa." NBER working paper 23056.

## **C. Climate Change**

\*Jia, Ruixue. 2014. "Weather Shocks, Sweet Potatoes and Peasant Revolts in Historical China," *Economic Journal*, 124(575): 92-118.

Dell, Melissa. 2012. "Path Dependence in Development: Evidence from the Mexican Revolution" Working paper.

Akresh, Richard. 2016. "Climate Change, Conflict, and Children." *Future of Children*, 26(1): 51-71.

Miguel, Edward. 2005. "Poverty and Witch Killing." *Review of Economic Studies*, 72(4): 1153-1172.

## **IV. Neoclassical Agricultural Household Model**

\*Udry, Christopher. 1996. "Gender, Agricultural Productivity and the Theory of the Household", *Journal of Political Economy*, 104(5): 1010-1046.

\*Akresh, Richard. 2008. "(In) Efficiency in Intrahousehold Allocations." University of Illinois working paper.

Pitt, Mark, Mark Rosenzweig and MD. Nazmul Hassan. 1990. "Productivity, Health and Inequality in the Intra-household Distribution of Food in Low-Income Countries", *American Economic Review* 80: 1139-56.

Benjamin, Dwayne. 1992. "Household Composition, Labor Markets and Labor Demand: Testing for Separation in Agricultural Household Models", *Econometrica* 60: 287-322.

Fafchamps, Marcel. 1993. "Sequential Labor Decisions under Uncertainty: An Estimable Household Model of West African Farmers." *Econometrica* 61, 1173-1198.

Bobonis, Gustavo. 2009. "Is the Allocation of Resources within the Household Efficient? New Evidence from a Randomized Experiment." *Journal of Political Economy*, 117(3), 453-503.

Thomas, Duncan. 1990. "Intra-Household Resource Allocation: An Inferential Approach", *Journal of Human Resources* 25(4): 635-664.

Nava Ashraf. 2009. "Spousal Control and Intra-Household Decision Making: An Experimental Study in the Philippines." *American Economic Review*, 99(4): 1245-1277.

Duflo, Esther. 2003. "Grandmothers and Granddaughters: Old Age Pension and Intra-household Allocation in South Africa." *World Bank Economic Review*, 17(1), 1-25.

Dercon, Stefan and Pramila Krishnan. 2000. "In Sickness and in Health: Risk Sharing within Households in Ethiopia", *Journal of Political Economy*, 108(4): 688-727.

Udry, Christopher. 2003. "Intrahousehold Resource Allocation in Côte d'Ivoire: Social Norms, Separate Accounts, and Consumption Choices." Yale University Economic Growth Center Discussion Paper No. 857.

## **V. Risk-sharing and Responses to Crises**

\*Frankenberg, Elizabeth, James P. Smith, and Duncan Thomas. 2003. "Economic Shocks, Wealth, and Welfare." *Journal of Human Resources*, 38(2): 280-321.

\*Akresh, Richard. 2009. "Flexibility of Household Structure: Child Fostering Decisions in Burkina Faso." *Journal of Human Resources*, 44(4), 976-997.

Kazianga, Harounan and Christopher Udry. 2006. "Consumption Smoothing? Livestock, Insurance, and Drought in Rural Burkina Faso." *Journal of Development Economics*, 79(2): 413-446.

Fafchamps, Marcel, Christopher Udry, and Katherine Czukas. 1998. "Drought and Saving in West Africa: Are Livestock a Buffer Stock?" *Journal of Development Economics*, 55(2): 273-305.

Rosenzweig, Mark and Oded Stark. 1989. "Consumption Smoothing, Migration, and Marriage: Evidence from Rural India." *Journal of Political Economy*, 97(4): 905-926.

## **VI. Institutions and History**

\*Nunn, Nathan. 2008. "The Long-Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics*, 123(1): 139-176.

Field, Erica. 2007. "Entitled to Work: Urban Property Rights and the Labor Supply in Peru," *Quarterly Journal of Economics*, 122(4): 1561-1602.

Sanchez de la Sierra, Raul. 2014. "On the Origin of States: Stationary Bandits and Taxation in Eastern Congo." Working paper.

Goldstein, Marcus and Chris Udry. 2008. "The Profits of Power: Land Rights and Agricultural Investment in Ghana." *Journal of Political Economy*, 116(6): 981-1022.

Dell, Melissa. 2010. "The Persistent Effects of Peru's Mining Mita." *Econometrica*, 78(6): 1863-1903.

Acemoglu, Daron, Simon Johnson, and James Robinson. 2001. "Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review*, 91(5): 1369-1401.

## **VII. Government Public Service Provision**

### **A. Service Provision**

\*Muralidharan, Karthik and Venkatesh Sundararaman. 2011. "Teacher Performance Pay: Experimental Evidence from India." *Journal of Political Economy*, 119(1): 39-77.

Bjorkman, Martina, and Jakob Svensson. 2009. "Power to the People: Evidence from a Randomized Field Experiment of Community-Based Monitoring in Uganda." *Quarterly Journal of Economics* 124 (2): 735-769.

### **B. Corruption**

\*Ferraz, Claudio and Frederico Finan. 2008. "Exposing Corrupt Politicians: The Effect of Brazil's Publicly Released Audits on Electoral Outcomes." *Quarterly Journal of Economics*, 123(2): 703-745.

Olken, Ben and Patrick Barron. 2009. "The Simple Economics of Extortion: Evidence from Trucking in Aceh." *Journal of Political Economy*, 117(3): 417-452.

## **VIII. Recent Microeconomic Development Job Market Papers**

\*Papers to be added in late November 2017