

Economics 425-3
Development Economics
Spring 2022
Tuesday and Thursdays 9-10:50am

Lori Beaman

This course is part of a three-part graduate sequence on development economics, focusing mainly on microeconomic topics. The goal of this sequence is introduce the central issues in development economics and to explore the application of microeconomic analysis to gain deeper insights into these questions. To satisfy the field requirement, you must take all three development classes. For students planning on writing a dissertation in development economics, you should also take Prof. Qian's course in Kellogg.

One of this course's main objectives is to build skills in reading and writing applied microeconomics papers. Accordingly, I have put less emphasis on giving a thorough overview of the literature (though you should have a thorough knowledge if you intend to specialize in development economics) and more emphasis on teaching a few papers in detail. The course is aimed primarily at economics PhD students who have satisfied all requirements for the first year. Prior knowledge of economic theory and econometrics at this level is a prerequisite.

Office Hours

Mondays 1-2:30pm, and by appointment.

Course Requirements (% of final grade):

A primary 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**. (10%)

Two referee reports (30%). The referee reports should be about 3 to 4 pages long, with a paragraph-long summary of the paper, your main comments, and then a list of smaller comments. Please use 11 point font or larger. There is a helpful *Journal of Economic Perspectives* article by Berk et al., [published](#) in 2017, with advice.

The first report is due April 14, and the second is due May 3, 2022.

In addition to the written reports, prepare a short discussion with 2-3 slides to present in class plus an idea of follow-up research question. I will randomly select a few students to present their discussion during start of the lecture the day the report is due.

1. Boudreau, L. (2021). "[Multinational enforcement of labor law: Experimental evidence from Bangladesh's apparel sector](#)", Mimeo, Columbia Business School.

- Ash, E., Asher, S., Bhowmick, A., Bhupatiraju, S., Chen, D., Devi, T., Goessmann, C., Novosad, P. and Siddiqi, B. (2021) "[In-group bias in the Indian judiciary: Evidence from 5 million criminal cases](#)" Mimeo, Dartmouth.

Research project (45%). The goal of this assignment is for you to identify a viable research project which can serve as your first 501 project the following Fall. You will need to describe the research question, motivate its importance, describe how you will answer the question. At a minimum, you will need to describe the identification strategy with specific estimating equations and the data that you will use. If extensive data cleaning is not needed, I will expect to see some preliminary analysis. If no preliminary results are ready, then I will need to see a detailed plan of for the subsequent analysis. There will be a number of opportunities to get feedback on the project during the quarter. Students will present their project during class May 31 or June 2, and the final write up is due June 10th.

Exercises (15%). There will be exercises to hone your writing and presentation skills to be prepared prior to class and then discussed during class. Some information on these exercises are provided below but more information will be announced in class.

Other Policies

You are *strongly* encouraged to attend the Development Lunch on Wednesdays at 12:30-1:30pm and the Development Seminar on Thursdays from 3:30-4:50pm.

[Academic Integrity](#)

Students in this course are required to comply with the policies found in the booklet, "Academic Integrity at Northwestern University: A Basic Guide". All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested for plagiarized content.

[Accessibility](#)

Northwestern University is committed to providing the most accessible learning environment as possible for students with disabilities. Should you anticipate or experience disability-related barriers in the academic setting, please contact AccessibleNU to move forward with the university's established accommodation process (e: accessiblenu@northwestern.edu; p: 847-467-5530). If you already have established accommodations with AccessibleNU, please let me know as soon as possible, preferably within the first two weeks of the term, so we can work together to implement your disability accommodations. Disability information, including academic accommodations, is confidential under the Family Educational Rights and Privacy Act.

[Sexual Misconduct and Reporting](#)

Northwestern University is committed to fostering an environment where students are safe and free from sexual misconduct. [Confidential resources](#) are available to those who have experienced sexual misconduct. Faculty, instructors, and TAs are not confidential resources and are required to report incidents of sexual misconduct, whether discussed in your assignments or in person, to the Office of Equity, which can provide information about resources and options. I encourage students who have experienced sexual misconduct to talk with someone to get support. For more information, including how to request interim protective measures and academic accommodations or file a complaint, see [the Get Help page](#).

[Discrimination and Sexual Harassment](#)

Northwestern University's Policies on Discrimination, Harassment, and Sexual Misconduct apply to all members of the University community, including students, staff, faculty, and third parties. Any student, staff, or faculty member, or third party, who believes that they have been discriminated against or harassed on the basis of their race, color, religion, national origin, sex, sexual orientation, gender identity, gender expression, pregnancy, parental status, marital status, age, disability, citizenship, veteran status, genetic information or any other classification protected by law, should contact the Office of Equity at (847) 467-6571. Additional information about the University's discrimination and harassment policies, including the campus resources available to assist individuals with discrimination or harassment concerns, is available online on the [Office of Equity website](#). Students, staff, and faculty who report harassment, discrimination, or sexual misconduct are also protected under the [University's Policy on Non-Retaliation](#).

[Support for Wellness and Mental Health](#)

Northwestern University is committed to supporting the wellness of our students. Student Affairs has multiple resources to support student wellness and mental health. If you are feeling distressed or overwhelmed, please reach out for help. Students can access confidential resources through the Counseling and Psychological Services (CAPS), Religious and Spiritual Life (RSL) and the Center for Awareness, Response and Education (CARE).

Reading List

No textbook is required, but I recommend the following as a short treatment of many of the empirical methods discussed in the course:

Angrist, J. D., and J.-S. Pischke (2008): *Mostly Harmless Econometrics: An Empiricist's Companion*. Princeton University Press, Princeton, NJ.

Deaton (1997): *The Analysis of Household Surveys*, is an excellent introduction of micro-development work based on household survey data and also very useful for its treatment of econometric topics.

Chaubey (2018): [The Little Book of Research Writing](#).

The reading list comprises mainly published papers and working papers. Readings marked with a star are required. Readings without a mark will be taught in lecture, but in less detail.

The schedule

No lecture on 3/31

1. Spatial misallocation (April 5)

*Gollin, D., Lagakos, D., & Waugh, M. E. (2014) "[The Agricultural Productivity Gap](#)," *Quarterly Journal of Economics*, 129(2), 939-993.

*Hicks, Kleemans, Li and Miguel (2020). "[Reevaluating Agricultural Productivity Gaps with Longitudinal Microdata](#)," Forthcoming, *Journal of European Economic Association*.

2. Migration (April 7 and 12)

*G. Bryan, S. Chowdhury, and A.M. Mobarak (2014) "[Under-investment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh](#)", *Econometrica*, 82(5), pp: 1671-1748.

*Bazzi, S., Gaduh, A., Rothenberg, A., and Wong, M. (2016) "[Skill Transferability, Migration, and Development: Evidence from Population Resettlement in Indonesia](#)," *American Economic Review*, 106(9): pp. 2658-2698.

Lagakos, D., Mobarak, A. M., & Waugh, M. E. (2021) "[The welfare effects of encouraging rural-urban migration](#)," Mimeo, BU.

Munshi, K. and M. Rosenzweig (2016) "[Networks and Misallocation: Insurance, Migration, and the Rural-Urban Wage Gap](#)," *American Economic Review*, 106(1): pp. 46-98.

Akram, A., Chowdhury, S. and A.M. Mobarak (2018) "[Effects of Emigration on Rural Labor Markets](#)," Mimeo, Yale University.

Bryan, G. & Morten, M (2019) "[The Aggregate Productivity Effects of Internal Migration: Evidence from Indonesia](#)," *Journal of Political Economy*, 127(5): pp. 2229–2268.

3. International migration (April 14)

*Abarcar, P. and C. Theoharides (2020). "[Medical worker migration and origin-country human capital: Evidence from us visa policy](#)," *The Review of Economics and Statistics*, pp.1-46.

*Yang, D. (2008). "[International Migration, Remittances and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks](#)," *The Economic Journal*, Volume 118, Issue 528, pp. 591–630.

*Gibson, J., McKenzie, D. and S. Stillman (2011). "[The impacts of international migration on remaining household members: omnibus results from a migration lottery program](#)," *Review of Economics and Statistics*, 93(4), pp.1297-1318.

Joseph, T., Nyarko, Y. and Wang, S.Y., (2018). "[Asymmetric information and remittances: evidence from matched administrative data](#)," *American Economic Journal: Applied Economics*, 10(2), pp.58-100.

Ashraf, N., D. Aycinena, C. Martinez and D. Yang (2015) "[Savings in Transnational Households: A Field Experiment Among Migrants from El Salvador](#)," *Review of Economics and Statistics*, 97(2): pp. 332-351.

4. Labor markets: GE Effects (April 19)

*Jayachandran, S. (2006) "[Selling labor low: Wage responses to productivity shocks in developing countries](#)," *Journal of Political Economy* 114.3, pp. 538-575.

*Imbert, C., & Papp, J. (2015) "[Labor market effects of social programs: Evidence from India's employment guarantee](#)," *American Economic Journal: Applied Economics*, 7(2), 233-263.

5. Labor markets: Referrals (April 21)

Munshi, K. and M. Rosenzweig (2006) "[Traditional Institutions Meet the Modern World: Caste, Gender and Schooling Choice in a Globalizing Economy](#)," *American Economic Review*, 96(4): pp.1225-1252.

*Munshi, K. (2003) "[Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market](#)," *Quarterly Journal of Economics*, 118(2): pp. 549-597.

Beaman, L. and J. Magruder (2012) "[Who gets the job referral? Evidence from a social networks experiment](#)," *American Economic Review*, 102(7): pp. 3574-3593.

*Karlan, D., Mobius, M., Rosenblat, T. and Szeidl, A., (2009) "[Trust and social collateral](#)," *The Quarterly Journal of Economics*, 124(3), pp. 1307-1361.

Heath, R. (2018) "[Why do Firms Hire Using Referrals? Evidence from Bangladeshi Garment Factories](#)," *Journal of Political Economy*. 126(4): 1691-1746.

Calvo-Armengol, A., & Jackson, M. O. (2004) "[The effects of social networks on employment and inequality](#)," *American Economic Review*, 94(3), 426-454.

6. Behavioral economics and the labor market (April 26)

*Kaur, S. (2019) "[Nominal Wage Rigidity in Village Labor Markets](#)," *American Economic Review*, 109(10): 3585-3616.

Breza, E., Kaur, S., & Shamdasani, Y. (2018). "[The morale effects of pay inequality](#)." *The Quarterly Journal of Economics*, 133(2), 611-663.

*S. Kaur, S. Mullainathan, S. Oh and F. Schilbach (2021) "[Do Financial Concerns Make Workers Less Productive?](#)" Mimeo, MIT.

Hussam, R.N., Kelley, E.M., Lane, G.V. and F.T. Zahra (2021). "[The psychosocial value of employment](#)," National Bureau of Economic Research, w28924.

Breza, E., S. Kaur and Y. Shamdasani "[Labor Rationing](#)", Mimeo, University of California-Berkeley.

After reading the Kaur et al. paper, prepare 3 slides that would serve as the introduction to the paper if you were presenting it as your own work.

7. Seasonality (April 28)

*Fink, G., K. Jack and F. Masiye (2020). "[Seasonal Credit Constraints and Agricultural Labor Supply: Evidence from Zambia](#)," *American Economic Review*, 110(11), 3351-3392.

*Burke, M., L. Falcao Berquist and E. Miguel (2019) "[Sell Low and Buy High: Arbitrage and Local Price Effects in Kenyan Markets](#)" *Quarterly Journal of Economics*, 134(2), 785-842.

8. Discrimination and group disparities (May 3 and 10)

Bertrand, M. and S. Mullainathan (2004) "[Are Emily and Greg More Employable Than Lakisha and Jamal: A Field Experiment on Labor Market Discrimination.](#)" *American Economic Review*, 94 (4): pp. 991-1013.

*Beaman, L., R. Chattopadhyay, E. Duflo, R. Pande and P. Topalova (2009) "[Powerful Women: Does Exposure Reduce Bias?](#)" *Quarterly Journal of Economics* 124(4): pp. 1497-1540.

*Rao, G. (2019) "[Familiarity Does Not Breed Contempt: Diversity, Discrimination and Generosity in Delhi Schools.](#)" *American Economic Review*, 109(3), 774-809.

Hanna, R. and L. Linden (2012) "[Discrimination in Grading,](#)" *American Economic Journal: Economic Policy*, 4(4): pp. 146-68.

Buser, T., M. Niederle, and H. Oosterbeek (2014) "[Gender, competitiveness and career choices,](#)" *Quarterly Journal of Economics*, 129(3): pp. 1409-1447.

May 5: Rookiefest

9. Targeting (May 12)

*Alatas, V., Banerjee, A., Hanna, R., Olken, B. A., & Tobias, J. (2012) "[Targeting the Poor: Evidence from a Field Experiment in Indonesia,](#)" *American Economic Review*, 102(4): pp. 1206-1240.

Alatas, V., Purnamasari, R., Wai-Poi, M., Banerjee, A., Olken, B. A., & Hanna, R. (2016) "[Self-Targeting: Evidence from a Field Experiment in Indonesia,](#)" *Journal of Political Economy*, 124(2): 371-427.

*Dupas, P., Hoffmann, V., Kremer, M., & Zwane, A. P. (2016) "[Targeting Health Subsidies through a Nonprice Mechanism: A Randomized Controlled Trial in Kenya,](#)" *Science*, 353(6302), 889-895.

10. Targeting within networks (May 17)

*Hussam, R., Rigol, N., & Roth, B. (2020) "[Targeting High Ability Entrepreneurs Using Community Information: Mechanism Design In The Field,](#)" Working paper, Harvard University.

*Banerjee, A., Chandrasekhar, A.G., Duflo, E. and Jackson, M.O., 2019. "[Using gossips to spread information: Theory and evidence from two randomized controlled trials](#)," *The Review of Economic Studies*, 86(6), pp.2453-2490.

Beaman, L., A. BenYishay, J. Magruder and M. Mobarak (2021) "Can network theory-based targeting increase technology adoption?" *American Economic Review*, 111(6), 1918-43.

Akbarpourad, Malladi, and Saberi (2020) "Just a few seeds more: value of network information for diffusion." Available at SSRN 3062830.

11. Taxes (May 19)

Khan, A., A. Khwaja and B. Olken (2016) "[Tax Farming Redux: Experimental Evidence on Performance Pay for Tax Collectors](#)," *Quarterly Journal of Economics*, 131(1): pp. 219-271.

*Pomeranz, D. (2015) "[No Taxation without Information: Deterrence and Self-enforcement in the Value Added Tax](#)," *American Economic Review*, 105(8): pp. 2539-2569.

*Basri, M.C., Felix, M., Hanna, R. and Olken, B.A. (2021) "[Tax Administration vs. Tax Rates: Evidence from Corporate Taxation in Indonesia](#)," Mimeo, MIT.

Kumler, T., E. Verhoogen and J. Frias (2020) "[Enlisting Employees in Improving Payroll-Tax Compliance: Evidence from Mexico](#)," Mimeo, Columbia.

Naritomi, J. (2019) "[Consumers as Tax Auditors](#)," *American Economic Review*, 109(9), pp. 3031-3072

12. Structural Transformation – Guest lecture by Prof. Jacopo Ponticelli (May 24)

Bustos, P., Caprettini, B. and Ponticelli, J., (2016) "[Agricultural productivity and structural transformation: Evidence from Brazil](#)," *American Economic Review*, 106(6), pp.1320-65.

Bustos, P., Garber, G. and Ponticelli, J. (2020) "[Capital accumulation and structural transformation](#)," *Quarterly Journal of Economics*, 135(2), pp.1037-1094.

*Bustos, P., Castro-Vincenzi, J.M., Monras, J. and Ponticelli, J. (2020) "[Structural transformation, industrial specialization, and endogenous growth](#)," Working paper, CEMFI.

13. Research Transparency – Guest lecture by Isabel Onate Falomir, GPRL (May 26)

May 31 and June 2: Student Presentations