Foundations of Development Economics  
AAE 642  
Professor Jennifer Alix-Garcia  
Spring 2017

1 Preliminaries

Course schedule: MW 9:30-10:45  
Office: 417 Taylor Hall  
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Office Hours: by appointment  
Course Materials: readings available on Canvas

2 Course description

This course provides an overview of development economics. The topics covered include economic growth, trade, measurement of poverty and inequality, human capital (impacts of and policies to encourage accumulation), agricultural household models, technology adoption, migration, credit, savings, insurance, infrastructure, and the environment. We will cover both basic theory and empirical applications.

Prerequisites: AAE 635 and 636 or equivalent.

3 Learning objectives

Students should leave this course with the following set of knowledge:

- An overview of development economic theory, including basic closed and open economy macroeconomic models as well as,
the microeconomic relationships underlying them, including individual
and household choice to invest in human capital, agricultural house-
hold models, models of credit and insurance markets in developing
countries, and a basic understanding of technology adoption decisions.

• The ability to calculate measures of poverty and inequality using house-
hold data.

• An overview of the empirical approaches used to analyze problems
in development, including the use of observational data, both cross-
sectional and panel, natural experiments, and intentional experiments.

• An understanding of the sources of market failures that cause house-
holds to become or remain poor and

• policies that have been effective in addressing these issues.

4 Course requirements

4.1 Participation

This is a graduate course. You are expected to come prepared to discuss
and analyze the readings.

4.2 Homework assignments

Homework assignments will combine theory and data analysis. You will
need to use Stata or some similar statistical package. The computers in the
department’s computer lab have Stata, and if you do not have an account
for those computers please let me know and I will help you get one. Thanks
to Laura Schechter, there is a handout available on the class website giving
you some introductory information on how to get started in Stata. If you
have more questions after looking at that please feel free to contact me.
One advantage of using Stata is that I should be able to respond to your
programming-related questions; this may not be true with other packages.

4.3 Research proposal

Part of the requirements of this class is to submit and present a short re-
search proposal. The research proposal should be 8-10, double-spaced. It
should briefly (3-4 pages) survey an existing literature in development eco-
nomics, and then describe a planned research project. You do not need
to carry out the project, but you should present a clear research question, describe why the question is interesting, propose a framework for understanding the question, and, if your project is empirical in nature, describe how you would estimate the effect of interest, including a description of what kind of data you might need. You will present your proposal to the class during a 10 minute presentation at the end of the semester. All students must meet with me outside of class to discuss their topic. A rough draft of the proposal will be due approximately halfway through the semester (March 15). This can be in outline form if you wish, and should contain at least 10 possible sources for your study. This sources should come from the following sources, or journals of similar rank: *American Economic Review, Journal of Political Economy, Quarterly Journal of Economics*, any journals in the *American Economic Journal* family, *American Journal of Agricultural Economics, Journal of Development Economics, Environment and Development Economics, Journal of the Association of Environmental and Resource Economists, Journal of Environmental Economics and Management, Journal of Human Resources, Review of Economics and Statistics, the Economic Journal, Journal of the European Economic Association, World Bank Economic Review and Environment and Resource Economics.*

### 4.4 Grading

Assignment due dates and point distributions are given below. If you choose not to turn in an assignment on time, you will lose 20% of the total points that you earn on the assignment for each day that it is late.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Points</th>
<th>Due date</th>
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<tbody>
<tr>
<td>Homework 1</td>
<td>15</td>
<td>Feb 8</td>
</tr>
<tr>
<td>Homework 2</td>
<td>15</td>
<td>Mar 1</td>
</tr>
<tr>
<td>Homework 3</td>
<td>15</td>
<td>Apr 3</td>
</tr>
<tr>
<td>Homework 4</td>
<td>15</td>
<td>Apr 19</td>
</tr>
<tr>
<td>Final exam</td>
<td>20</td>
<td>May 10 (time TBA)</td>
</tr>
<tr>
<td>Research proposal</td>
<td>20</td>
<td>end of exam period</td>
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</tbody>
</table>

Grades will be awarded according to the following scale:
5 Class schedule and readings

This schedule is subject to change at any point within the semester.

1. Growth in a closed economy [NOTE THAT THERE IS NO CLASS JAN 23]
   • [Jan 25] Romer Ch. 1

2. Global interdependence and growth

3. History and institutions

HW 1 due Feb 8
4. Poverty – microstyle measurement


5. Economic inequality – links to development and measurement


6. Human capital: nutrition


**HW 2 due Mar 1**

7. Human capital: education


8. Policies to increase human capital and RCTs


9. Labor: household models

• [Mar 13, 15] Bardhan and Udry, chapter 2


• Optional text: Singh, Squire and Strauss World Bank Handbook

**Rough draft proposal due March 15**

10. Land

• [Mar 27] Bardhan and Udry, ch. 6


**HW 3 due Apr 3**

11. Migration

• [Apr 3] Bardhan and Udry, chapter 5


12. Technology adoption

• [Apr 10] Bardhan and Udry, chapter 12
13. Rural financial markets


HW 4 due April 24

14. Environment


15. **[Apr 26, May 1,3]** Review and proposal presentations

Final Exam, May 10