Syllabus
AAE 731
Fall 2016

Professor Jeremy Foltz

1. Administrative Details
   Course meets: Room B30 Taylor Hall, Tues/Thurs 9:30-10:45
   Office: 412 Taylor Hall
   Email: jeremy.foltz@wisc.edu
   Office Hours: Wednesday 10 – noon, or by appointment
   Class website: On Learn@UW

2. Learning Objectives
   This class is a PhD level “frontiers” class on development economics. We will
cover some of the major issues in development economics with a focus primarily
on micro-economic issues. The topics have been chosen to provide coverage of
some of the key models and methodologies in the field.

   In general for each topic we will start with texts that illuminate the basic theory
and then proceed to works that analyze the issue empirically. Students are
expected to have read the articles and be prepared to discuss them in class in
depth.

   In this course you can expect to learn
   A. How to formulate theoretical models to describe economic
      behavior of actors and markets in developing countries.
   B. How to develop and estimate empirical models that tests the
      propositions of those theoretical models.
   C. How to choose among empirical methodologies to study
      economic phenomena in developing countries.
   D. How to present economic work to an audience.

3. Prerequisites
   A PhD level microeconomic theory course and a PhD level econometrics course
are prerequisites for this class. Taking this course without that knowledge may be
difficult. If you are not a PhD student enrolled in Economics or AAE you must
obtain my consent to take the course for credit.

4. Course Requirements
   40% -- Final paper, Abstract due 5pm Saturday September 29
   15% -- In-class presentation of papers (2-3) in the semester
   10% -- A Research idea
   20% -- Two take-home mid-term/problem sets
   15% -- Take home final
4.1. Final Papers
Your final paper’s abstract is due September 29th and the full paper is due the last day of class December 15. I will allow you to take an incomplete on the paper if you hand in an abstract, outline and a full bibliography by the last day of classes. If you take an incomplete, you must hand in your paper by 5pm January 16, 2017. All papers handed in after that deadline will receive a failing grade.

For subject matter you have two choices:
1) Write a paper of your choice, which has to be a new research idea related to the topics covered in this course and approved by me in advance.
2) Write your class paper to respond to USAID’s MCC Open Data Challenge, which is designed to have graduate students work on analyzing their available data. Their website provides data and evaluations from 25+ different projects throughout the world. You can choose to do a theoretical paper or an empirical paper, so long as it responds to the USAID call.

The MCC request is for you to do the following:
Using data available on the MCC Evaluation Catalog, we are looking for up-to 7,000-word papers that provide analysis in any of the following categories:

- Analysis that supports or challenges assumptions made in ex-ante economic rate of return estimates (all ERRs are available on the MCC public website)
- Analysis that supports or challenges results of independent evaluations (all final evaluation reports are published on the MCC Evaluation Catalog)
- Deeper dive analysis that goes beyond analysis presented in independent evaluator reports
- Policy relevant analysis, particularly on topics related to MCC priorities, such as gender and poverty-related analysis.

As part of the process, you must register with their site and submit an abstract online by 4pm CST, October 17. Your MCC challenge paper is due to them by 4pm CST, February 15, 2017.

Example

Kazianga et al. conclude that “An important area for future research is to disentangle the effects of individual characteristics.” The data available provides some ways to do so. Alternatively the data set has information on issues such as child labor, teacher performance, and access to water that do not seem to have been analyzed. Further there is the potential need for a model of household decision making that could better inform our understanding of the results of this program and help us understand where and why it might work.
4.2. Research idea, Due October 27
You must put together a 2 page research idea that includes 1) a research question, 2) an outline of the theory relevant for the question, 3) a discussion of data and potential estimation of a model, 4) a discussion of potential difficulties.

4.3 Take-home mid-terms/problem sets due October 11 and November 22
This will be like a problem set, but to be done individually rather than in groups. There will be questions primarily related to estimating models with empirical data.

4.4 Take home final handed out Dec 15, Due December 22 at 5pm
The take home final will be primarily asking you to apply some of the theories you’ve learned to an economic problem. It will follow much of the form of a development prelim.

4.5. In class presentations
Each student will be expected to make 2-3 in class presentations on the readings in the class during the course of the semester. Presentations (15-20 minutes) of the readings should briefly present the model & method, note key assumptions, summarize the results and provide some context. You will be judged on your clarity of 1) understanding the work and 2) presentation.
Course Outline and Readings

1. Overview September 6


2. Household Models, September 8, 13, 15
   a. Cannonical Household model
* Bardhan and Udry *Development Microeconomics* Chapter 2

   b. Using HH models to search for missing markets September 15 (Student presentations)

3. Savings
   a. Savings behavior theory, September 20

b. **Nudging increased savings, September 22 (Student presentations)**


4. **Poverty Traps**

a. **Theory September 27**


Final Paper abstracts due September 29

b. **Empirics of poverty traps, September 29 (student presentations)**


5. **Methodological interlude October 4, 6**
   a. **Random Controlled Trials & critiques**
   Blundell & Dias-Alternative Approaches to Evaluation in Empirical Microeconomics-*Journal of Human Resources*-2009
   Duflo Glennerster & Kremer-Using randomization in development research-*Handbook of Dev Econ Ch 61*
   Deaton-Instruments Randomization & Learning about Development-*Journal of Economic Literature*-2010
   List Sadoff and Wagner-Rules of Thumb for Optimal Experimental Design-NBER-2010
   Keane-Structural v Atheoretic approaches to econometrics-*J of Econometrics*-2010
   Rust, J. Comments on Keane *J of Econometrics* 2010
   Blundell-Comments on Keane* J of Econometrics*-2010
   Sims, C. “But economics is not an experimental science” *Journal of Economic Perspectives*-2010

**PROBLEM SET #1 DUE OCTOBER 11 IN CLASS**

6. **Productivity Estimation**
   a. **Estimation of firm level production functions October 11**
      Theory
   *Olley, Steven and Ariel Pakes. The dynamics of productivity in the telecommunications equipment industry. *J. Econ.* 64:1263–97, 1996.
   Wooldridge-On Estimating Firm level production functions using proxy variables to control for unobservables-*Econ Letters*-2009
   R. W. Blundell and S. R. Bond. Initial conditions and moment restrictions in dynamic
b. Empirics October 13 (Student presentations)

c. Production Functions and Productivity in agricultural development October 18,

d. Production function empirics (Fertilizer): October 20 (Student presentations)
Sheahan Black & Jayne-Are Kenyan Farmers under utilizing fertilizer- *Food Policy*-2013

7. Firms and Entrepreneurship October 25
b. Empirical papers (student presentations) October 27


Atkin, Khandelwal & Osman-Exporting and Firm Performance Evidence from an RCT-NBER-2014


RESEARCH IDEA DUE OCTOBER 27

8. Technology Adoption and networks

a. Technology Adoption Theory  November 1

* Bardhan and Udry, Chapter 12


b. Technology Adoption / Risk & uncertainty  November 3 (Student presentations)


c. Technology Adoption / Learning & social networks November 8

d. Tech adoption learning and networks empirics November 10 (Student presentations)
Dupas Pascaline Short-Run Subsidies And Long-Run Adoption Of New Health Products: Evidence From A Field Experiment. Econometrica, Vol. 82, No. 1 (January, 2014), 197–228

9. Migration November 15/17
a. Migration Theory November 15
*Bardhan and Udry Chapter 5

b. Migration empirics November 17 (student presentations)
Bryan Chowdhury & Mobarak-Underinvestment in Technology when experimentation is risky Migration experiment in Bangladesh-NBER-2014
Hirvonen “Temperature Changes household consumption and internal migration in Tanzania” American J. of Agricultural Economics-2016-1230-49
Morten, M. 2013 “Temporary Migration and Endogenous Risk Sharing in Village India” Stanford working paper.

PROBLEM SET # 2 DUE NOVEMBER 22

10. Gender and Intra-household economics

a. Deconstructing Household Preferences, November 22


b. Testing gender inequality November 29


c. Empirical tests of gender December 1 (Student Presentations)


### 11. Corruption

**a. Corruption theory Dec 6**


Olken, B. & R. Pande- “Corruption in Developing Countries” *Annual Rev of Econ*-2011

**b. Corruption empirics December 8 (Student presentations)**


Van Rijckeghem & Weder “Bureaucratic Corruption and Rate of Temptation” *Journal of Development Economics*-2001

### 12. Agricultural Transformation

**a. Theory**

Adamopoulos, T., D Restuccia “The size distribution of farms and international productivity differences” *American Economic Review* 104 (6), 1667-1697


Lagakos, D, ME Waugh “Selection, agriculture, and cross-country productivity differences” *American Economic Review*, 2013

**b. Empirics**

McMillan, M & Harttgen-What is driving the African growth miracle-NBER-WP 20077-2014


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**Final Exam take home handed out in class December 15**

**Due December 22 at 5pm.**