1 Administrative Details

Course meets: B30 Taylor Hall, MW 11:00-12:15
Office: 334 Taylor Hall
E-mail: lschechter@wisc.edu
Office Hours: By appointment
Website: https://canvas.wisc.edu/courses/192015
Instructional mode: Face-to-face
Credits: 3

2 Course Description

This class is one of two graduate level ‘frontier’ courses on development economics. We will cover multiple topics within development economics. The general order for many of these topics will be to look at the economic theory related to the topic, some empirical studies related to the topic, an experimental study related to the topic, and a network paper related to the topic.

For the first half of the class we will study risk-coping mechanisms, both across people and across time. We will begin with risk sharing agreements across people, both with and then without commitment. After that we will look at credit which is used to smooth risk across time. We will also look at issues of self-control over time. The second half of the class will cover other important topics in development including markets, health, governance, and belief updating.

3 Learning Objectives

In this course you can expect to learn:

1 This class meets for two 75-minute class periods each week over the spring semester and carries the expectation that students will work on course learning activities (reading, writing, problem sets, studying, etc) for about 3 hours out of classroom for every class period. This syllabus includes more information about meeting times and expectations for student work.
• how to construct models of credit and insurance markets in developing countries.
• how to measure empirical impacts of credit and insurance on welfare.
• ways which have been used to measure corruption and governance and their impact on economic development.
• how social networks affect the three above-mentioned bullet points.
• how to correctly use and evaluate econometric techniques and concepts including: fixed effects, attenuation bias, and instrumental variables.
• how to write a referee report which could be sent to a journal.
• how to think critically about empirical research in development economics.

4 Prerequisites

A PhD level microeconomic theory course and a PhD level econometrics course are prerequisites for this class. If you are not a Ph.D. student enrolled in either Economics or AAE you must obtain my consent to take the course.

5 Course Requirements

The due dates for assignments and distribution of points for the semester are given below. All assignments are due in class at the beginning of class.

<table>
<thead>
<tr>
<th>Assignment Type</th>
<th>Percentage</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research idea #1</td>
<td>2.5%</td>
<td>Feb 10</td>
</tr>
<tr>
<td>Homework assignment #1</td>
<td>12.5%</td>
<td>Feb 17</td>
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<tr>
<td>Homework assignment #2</td>
<td>12.5%</td>
<td>Mar 4</td>
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<tr>
<td>Research idea #2</td>
<td>2.5%</td>
<td>Mar 11</td>
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<tr>
<td>Homework assignment #3</td>
<td>12.5%</td>
<td>Apr 1</td>
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<tr>
<td>Research idea #3</td>
<td>2.5%</td>
<td>Apr 8</td>
</tr>
<tr>
<td>Homework assignment #4</td>
<td>12.5%</td>
<td>Apr 22</td>
</tr>
<tr>
<td>Research idea #4</td>
<td>2.5%</td>
<td>Apr 29</td>
</tr>
<tr>
<td>Referee report and presentation</td>
<td>12%</td>
<td>Assorted Dates</td>
</tr>
<tr>
<td>Final exam</td>
<td>28%</td>
<td>May 6, 10:00-12:00</td>
</tr>
</tbody>
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5.1 Research Ideas

You will write a 1-2 page (maximum) write-up of a research question of your choice related to the themes that have been covered in class. It should include the following pieces: What is your specific question? What does theory say the answer should be? What data would you need to answer the question? What estimating equation would you use and what coefficients would you expect? What identification issues will you face and how would you deal with
them? (You do need to do more than identifying an endogeneity problem and stating that
you will find an instrument. If your strategy involves IV, specify what instrument are you
thinking of using.)

Please don’t cite previous literature. This assignment requires no literature review or
searching on the internet. Just sit down and think about a research question and write
about it. You can always check if somebody else already did it later on. Please don’t
spend time giving the background of the situation either. Focus on developing your research
question. Also, you don’t need to choose your question based on data that already exists.
You can write about what you would do if you had the ideal feasible data set. (You must
write about a data set that would be feasible to collect with time and money.)

5.2 Referee Report and Presentation

Each of you will be assigned one paper about which to both write a 3-5 page referee report
and give a 30 minute presentation. Each of the papers fits into a different section of the
syllabus and each student will be assigned a different paper. Please e-mail me your first,
second, and third choice papers by Saturday January 25. They are all job market papers of
students on the job market this year.

A referee report should include approximately one or two paragraphs of summary and
then longer sections on larger concerns and more minor concerns. I have found that most
students spend too much space on the summary, and not enough space on the critique. Make
sure to have approximately two to four pages of detailed critiques. You should number your
critiques. There are some documents posted on this course’s website which explain how one
should write a referee report (one is thanks to Alain de Janvry and Elisabeth Sadoulet, and
one is thanks to Emilia Tjernström). I also post real examples of referee reports I have
received.

The presentations should be approximately thirty minutes long and will be held on the
day of class on which we are discussing the topic into which the paper fits. Around twenty
minutes of the presentation should be spent explaining what the paper does. Five minutes
should be spent discussing the main contributions and the main shortcomings of the paper.
The last five minutes should be spent discussing questions which are left open for future
researchers on related topics. While these numbers are approximate, you must make sure
to cover these last two points. Often students summarize the paper and forget to add in
a critical analysis of shortcomings of the research and remaining research questions. After
your presentation there will be another five minutes for discussion with everyone.

All students are expected to read the introduction of the job market paper before class
the day it is presented. The presenter should hand in his or her referee report before class
on the same day as the presentation is scheduled. The papers from which you can choose,
and the dates that go along with them, are listed below:


5.3 Homework Assignments

There will be four homework assignments throughout the semester combining data analysis and theory. You will need to use Stata or some similar statistical package for some of them. 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. 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.

5.4 Final Exam

There will be a final exam at the end of this class. Because there was no exam time scheduled for this class I have chosen Wednesday May 6 from 10-12 AM. If this time will not work for you please let me know before the end of February.

6 Children in the Classroom

UW Madison does not have a formal policy on children in the classroom so I adapted one from a Yale Business School class taught by Florian Ederer and Kevin Williams.

1. All babies (bottle-feeding, nursing, ...) are welcome in class as often as is necessary.

2. For older children, I understand that unforeseen disruptions in childcare often place parents in the position of having to miss class to stay home. You are welcome to bring
your child to class in order to cover gaps in care. This is not meant to be a long-term solution.

3. I ask that all students work together to create a welcoming environment that is respectful of all forms of diversity, including diversity in parenting status.

4. In all cases when your children come to class, please sit close to a door. This will allow you to step outside in case your child needs special attention.

5. I maintain the same standards and expectations for all students. However, please contact me if you are having difficulty with school-parenting balance.

7 Course Outline and Readings

If you click on the title of any of the papers below, it should take you directly to the paper. For information on how to get access when you are off campus, see this website: [https://www.library.wisc.edu/help/off-campus-access/](https://www.library.wisc.edu/help/off-campus-access/). When I wrote this syllabus all of the links worked. Please let me know if any of them seem to be acting funny throughout the semester.

Although lectures may draw from any or all of these readings, you will only be required to do one reading for each class period. There is an (R) in front of the required readings. You are required to do these readings. The readings are all quite excellent, and discussing them in class is not a substitute for reading them yourself!

7.1 Insurance (Jan 22, 27, 29, Feb 3, and Feb 5)

7.1.1 Overview


7.1.2 Full Insurance


7.1.3 Limited Commitment


7.1.4 Network Papers


7.2 Catch-up Day (Feb 10)

7.3 Credit (Feb 12 and 17)

7.3.1 Credit


7.3.2 Experimental Results


7.3.3 Network Papers


7.4 Catch-up Day (Feb 19)

7.5 Self Control (Feb 24, 26, and March 2)

7.5.1 Theory


7.5.2 Experimental Results


7.6 Catch-up Day (Mar 4)

7.7 Detour on Fixed Effects (Mar 9)


7.8 Catch-up Day (Mar 11)

7.9 Markets (March 23 and 25)


7.10 Catch-up Day (Mar 30)

7.11 Human Capital (Apr 1 and 6)

7.11.1 Experimental Results


7.12 Catch-up Day (Apr 8)

7.13 Governance (April 13 and 15)


7.14 Catch-up Day (Apr 20)

7.15 Belief Updating (Apr 22, 27, and 29)


