EIB E242 Microeconomics of Development

Course Description:

The goal of this course is to better understand the microeconomic foundations of development issues in poor countries, with a particular focus on sub-Saharan Africa. The course will first focus on microeconomic theory as a framework for analyzing households’ and policymakers’ behavior. We will then review the empirical methods that can be used to understand such behavior, to develop individual and institutional-level interventions, and to evaluate the impact of such interventions.

The course will first focus on the microeconomic foundations of household-level decision-making behavior in low-income countries. We will then discuss issues that constrain and support development: risks and shocks, labor and human capital, risk and vulnerability; social networks, learning and technology adoption; human capital (education and health), markets (including land, labor, credit and information); and institutions and conflict. For each topic, we will take a twofold approach: using the theory to analyze behavior and outcomes, and then using empirical tools to make (or evaluate) policy recommendations.

This course is complementary to EIB E241, but is different in two ways. First, it will rely primarily upon the examination of empirical research papers by academic economists, in an effort to understand more about the challenges and methods and value of good empirical research. Second, the course discusses the way in which an academic approach to development economics can be used to complement and improve practical field projects, and vice versa.

Pre-requisites: Intermediate microeconomics. Introductory econometrics is strongly recommended as a prerequisite or as a concurrent course.

Requirements: There will be weekly graded quizzes, a midterm, a final exam and a group project (including a policy paper and presentation). Class sessions will be a combination of lecture and discussion. Students are also expected to prepare for class by completing the required readings before each class and actively participating in class discussion. In addition, weekly (timed) quizzes will be posted each week the day before class and available for 24 hours. Lecture slide handouts will be posted on Blackboard the day of class. Classes are scheduled for 2 hours. Grades will be based upon the following:

Weekly quizzes (10% of grade)
Midterm exam (30% of grade)
Final exam (30% of grade):
Group assignment (policy brief and presentation) (30% of grade)

Readings:

There is no required text for this course. The lectures and discussion will be primarily based on journal articles in the reading list provided below. However, here are some texts that you may find useful to consult from time to time (the books will be available in the library):


Wooldridge is an excellent introduction to econometrics. Ray’s book is an advanced undergraduate or Master’s level text that contains intuitive treatments of some of the material covered in this course. Having access to an intermediate microeconomics textbook will also be useful as a reference.

For most classes, readings include theoretical and empirical papers. You should try to understand the empirical approach and results. Readings with a “*” are required; the rest are suggested.

**Course Outline:**

I. **Introduction: Why should we care about development?**


http://bostonreview.net/BR33.3/miguel.php. (This article is no longer available online and is only available in book format. Copies will be available in the library by Friday).


http://bostonreview.net/BR34.4/collier.php


II. **Using Microeconomic Theory in Development Economics: Poverty and Household Decision-Making**


III. **Using Econometric Tools in Development Economics: Impact Evaluation**


IV. Consequences of Shocks and Risks


V. Labor and Human Capital

5.1. Education
http://www.princeton.edu/~accase/papers.html


5.2. Health and Nutrition


http://www.bu.edu/today/node/10513

5.3. Labor Markets: Migration and Rural Off-farm Employment


VI. Agricultural Markets


*Fafchamps, Marcel and Ruth Vargas-Hill. “Selling at the farmgate or traveling to market.” American Journal of Agricultural Economics. v. 87. no. 3. 2005-08. p. 717-734


VII. Credit, Microfinance and Savings


VIII. Land Markets
*Ray, chapter 12 (Land).


IX. Learning and Technology Adoption


X. Governance and Institutions


