

University of Illinois at Urbana-Champaign
College of Liberal Arts & Sciences
Department of Economics
Spring 2020

ECON 519: Development and Growth Policy
Monday and Wednesday 9:30 am – 10:50 am
David Kinley Hall, Room 317 DKH

Instructor: Prof. Adam Osman

Office: Osman: 109 David Kinley Hall

E-mail: aosman@illinois.edu Please include “Econ 519” at the start of the email subject to make sure I don’t overlook your email.

Office Hours Prof. Osman: Monday/Wednesday 12:30-2pm or by appointment

Anonymous Feedback: <http://bit.do/EconFeedback>

Course Description:

This class will study what works, what does not, and why, in the fight against poverty in developing countries. The course will have a strong methodological and analytical component, specifically focusing on articulating the why behind interventions and policies, and the how behind establishing evidence on the effectiveness of specific interventions and policies. The class will also discuss some fundamentals of behavioral economics, and learn how and when to apply such ideas to policy and program design. The course will focus on interventions and policies that apply to households, small firms, and farms, with particular but not exclusive focus on four sectors: microfinance, health, agriculture and education.

Course Format: Combined lecture and discussion every Monday and Wednesday 9:30 am – 10:50 am

Learning Resources:

Most of the material for the course can be found on the lecture slides that will be made available on compass. While the slides provide an outline of everything that is important, they are not exhaustive, and so it is important to come to class to hear the details regarding what the slides allude to.

All of the academic studies we will cover in class are referenced below and can be found at the corresponding links in the syllabus or, if the links are not working, through a simple search through google scholar.

Supplemental (not required) Texts:

1. *Running Randomized Evaluations: A Practical Guide* (RRE), by Glennerster and Takavarasha
2. *Good Economics for Hard Times* (GEHT), by Banerjee and Duflo
3. *Poor Economics* (PE), by Banerjee and Duflo
4. *More Than Good Intentions* (MTGI), by Karlan and Appel

Student Assessment:

Assessment Activity	Activity Value
Dream Policy Changes	3 Points
NGO Critique	5 Points
Problem Set	7 Points
4 Academic Paper Summaries	4x2=8 Points
2 Data Replication Exercises	2x6=12 Points
Midterm Exam	15 Points
Dream Policy Critique	5 Points
Presentation	10 Points
Final Exam	25 Points
Class Participation	10 Points
Total	100 Points

Assessment Activity Details:

Dream Policy Changes (2-3 Pages):

- Generate a short document that outlines one of your main policy interests in the economics of poverty alleviation and what you think could be done to improve societal outcomes related to that topic. In other words, what do you think the world is doing wrong when it comes to helping the poor and if you had the ability to change one policy what would you change and why? In particular, focus on either a specific government policy (e.g. Food Stamps, Subsidizing Student Loans, Closed Borders, etc) or a specific Non-Governmental Organization's activity (e.g. giving the poor cows, building schools in rural villages, etc.) and describe what you think is wrong with the way these things are currently being implemented and how you would fix it. (Note: This is a personal benchmarking assignment. Its aim is to get you to write down your current thoughts on poverty and what you would change given your current state of knowledge. There are no wrong answers.)

Problem Set:

- Standard problem set walking through the basic econometrics and statistics techniques used in rigorous program evaluation.

Academic Paper Summaries:

- Academic Paper Summary (2-3 Pages): A review of an academic paper that estimates the impact of a development program or policy. The review should clearly explain the program or policy being evaluated, the market failure that it is addressing, the method of evaluation and basic details about the data being used, the impacts that were found, and what an NGO or government that is considering doing something similar should learn from this paper and what limitations the study has.

The first two summaries should be from the list of eligible papers below. The second two summaries can be any paper we don't cover in class but the paper must have been published in one of the following journals after the year 2015:

- American Economic Review
- Quarterly Journal of Economics
- Journal of Political Economy
- Econometrica
- Review of Economic Studies

- Review of Economics and Statistics
- American Economic Journal: Applied Economics or AEJ: Economic Policy
- Journal of the European Economic Association
- Economic Journal
- Journal of Development Economics
- Economic Development and Cultural Change
- World Bank Economic Review
- Recent Working Paper (at least 2015) from the National Bureau of Economic Research

Eligible Papers:

- Behavioral Savings: Karlan, Dean, et al. "Getting to the top of mind: How reminders increase saving." *Management Science* 62.12 (2016): 3393-3411.
- Credit: Augsburg, Britta, et al. "The impacts of microcredit: Evidence from Bosnia and Herzegovina." *American Economic Journal: Applied Economics* 7.1 (2015): 183-203.
- Health – Worms: Miguel, Edward, and Michael Kremer. "Worms: identifying impacts on education and health in the presence of treatment externalities." *Econometrica* 72.1 (2004): 159-217.
- Health – Bednets: Cohen, Jessica, and Pascaline Dupas. "Free distribution or cost-sharing? Evidence from a randomized malaria prevention experiment." *The Quarterly Journal of Economics* (2010): 1-45.
- International Trade: Atkin, David, Amit K. Khandelwal, and Adam Osman. "Exporting and firm performance: Evidence from a randomized experiment." *The Quarterly Journal of Economics* 132.2 (2017): 551-615.
- Labor Markets: Crépon, Bruno, et al. "Do labor market policies have displacement effects? Evidence from a clustered randomized experiment." *The Quarterly Journal of Economics* 128.2 (2013): 531-580.
- Entrepreneurship: McKenzie & Puero "Growing Markets through Business Training for Female Entrepreneurs: A market-level randomized experiment in Kenya" Working Paper 2018 (<https://drive.google.com/file/d/1ZVecwJIUSNQ02KmUr3SMdYurFnSwxUu7/view>)
- Education: De Ree, Joppe, et al. "Double for nothing? The Effect of Unconditional Teachers' Salary Increases on Performance." *The Quarterly Journal of Economics* (2015).

Data Replications:

- Use the dataset (saved in csv format) uploaded to compass to create a do file that accomplishes the following tasks. You can create the tables in excel or use appropriate commands in your do files (e.g. in stata you can use `estout` or `outreg2`):
 - a. Import the data into the data processing software (Stata or R)
 - b. Generate a table of summary statistics for the following variables including the mean, standard deviation and number of observations for each variable at baseline. Variables: (1) Age, (2) Female, (3) Current Employment, (4) Current Income, (5) Preparatory Education or less (this includes those with preparatory, primary, literacy certificate and illiterate levels of education), (6) University Graduate and above
 - c. Generate a table checking the statistical balance between the treatment group and control group for the variables included above in the baseline round. The table should include balance tests for each variable by itself as well as a test of all variables as a group.
 - d. Generate a table that reports the treatment effect (difference between treatment and control) on employment and monthly income in the follow up round.
 - e. Control for the baseline value of the two outcome variables listed in part “d” as well as dummies for each cohort and cluster the standard errors at the cohort level.
- Print out your tables in a clean looking way, and then staple them together with your do file and your name and submit in physical copy in class

Dream Policy Change Critique (4-6 Pages):

Return to your original “Dream Policy Change” assignment from the beginning of the semester. Review what you wrote and begin by re-writing the policy problem in the language of market failures that you learned as part of this class (1-2 page). Describe the different market failures that could have led to the problem you described and which market failures the policy you proposed addressed. If you still believe that your proposed policy change is the best way to improve societal outcomes in the realm of your original topic, describe how you would design an evaluation to test the effectiveness of the policy change you described (2-4 pages). If, on the other hand, you no longer believe that the policy change you described would be the best thing to do, describe what has changed in your understanding of this topic (1-3 pages) and what you would now suggest to do to improve policy around your original topic and why (1-2 pages), as well as how you would evaluate the new policy or program you are suggesting (1-2 pages).

Presentation:

Choose any NGO or social enterprise (but not the same one that you used for your assignments above) and focus on one intervention that they implement:

- a. Describe quickly the history and activities of the NGO. What do they do and why it is interesting?
- b. Choose one particular thing they are doing. Describe their theory of change behind that intervention. Why are they doing it? Summarize the theory of change of the NGO’s or social enterprise’s activity. Make sure to speak specifically about what the market failure is (if any) that the NGO purports to address.
- c. Describe what the entity currently claims about the impact of this program and what are the drawbacks of their evaluation method.
- d. Evaluation proposal: Design an evaluation of the NGO or social enterprise’s activity that you want to evaluate, how would you construct the counterfactual? How can you design the evaluation to include as much learning you can about why the program works (if it does) not merely whether it works.
- e. Response to concerns: Be prepared to respond to concerns the “NGO management” (in this case the professor and fellow students) might have about your evaluation.

Assessment Policies

Assignment Policy:

All assignments are to be turned in in physical copy or on Compass (depending on professor instructions) by the deadline noted in the schedule. Late assignments receive no credit. The assignment portion of your grade will be the average of all your assignment scores weighted by the points as indicated in the syllabus above.

Exam Policy:

No materials are allowed during exams. There are to be no books, papers other than the exam itself, calculators or cell-phones or other items that connect to the internet. Students found to be using unapproved items are in violation of the Academic Integrity policy of the University and will be subject to disciplinary action.

The University’s final exam policy is available at:

http://studentcode.illinois.edu/article3_part2_3-201.html

Emergency Response Recommendations:

The university maintains guidelines for emergency responses. A list of recommendations when to evacuate and when to find shelter are available at:

http://illinois.edu/cms/2251/general_emergency_response_recommendations_8_16_13_final.docx

Floor plans for specific buildings are available at: <http://police.illinois.edu/emergencyplanning/floorplans/>

Statement on Accommodations:

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak Street, Champaign, call 333-4603 (V/TTY), or email a message to disability@uiuc.edu.

Academic Integrity:

“The University has the responsibility for maintaining academic integrity so as to protect the quality of education and research on our campus and to protect those who depend upon our integrity.

Expectations of Students. It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions. Students have been given notice of this Part by virtue of its publication. Regardless of whether a student has actually read this Part, a student is charged with knowledge of it. Ignorance is not a defense.”

The University’s full academic integrity policy is available at:

http://studentcode.illinois.edu/article1_part4_1-401.html

Semester Schedule

Econ 519: Development and Growth Policy Spring 2019, Monday and Wednesday 9:30am, 317 DKH

Week	Day	Date	Lecture #	Lecture Title	Slide Deck	Assignment Due
1	Wed	22-Jan	1	Introduction	1	
	Mon	27-Jan	2	Market Failures	1	
2	Wed	29-Jan	3	Causality & Evaluation	2	
	Mon	3-Feb	4	Identification Strategies in Social Sciences	2	Dream Policy Changes
3	Wed	5-Feb	5	Experimental Designs	3	
	Mon	10-Feb	6	Outcomes and Threats, Theory of Change	4	
4	Wed	12-Feb	7	Probability and Statistics	5	
	Mon	17-Feb	8	Power and Standard Errors	5	NGO Critique
5	Wed	19-Feb	9	Tables, Regressions and Interaction Effects	5	
	Mon	24-Feb	10	Savings: Market Failures	6	
6	Wed	26-Feb	11	Savings: Impact	6	Problem Set
	Mon	2-Mar	12	Behavioral Economics	7	
7	Wed	4-Mar	13	Midterm review and Q&A		
	Mon	9-Mar	14	MIDTERM EXAM		
8	Wed	11-Mar	15	Behavioral Savings	8	Academic Paper Summaries Begin
	Mon	16-Mar	-	No Class (Spring Break)		
9	Wed	18-Mar	-	No Class (Spring Break)		
	Mon	23-Mar	16	Credit: Market Failures	9	
10	Wed	25-Mar	17	Credit: Impacts	10	Data Replication 1
	Mon	30-Mar	18	Health – worms	11	
11	Wed	1-Apr	19	Health – bednets	12	
	Mon	6-Apr	20	International Trade	13	
12	Wed	8-Apr	21	Labor Markets - Training	14	
	Mon	13-Apr	22	Labor Markets - Matching	15	
13	Wed	15-Apr	23	Entrepreneurship	16	
	Mon	20-Apr	24	Education	17	Dream Policy Critique
14	Wed	22-Apr	25	Agriculture	18	Academic Paper Summaries Complete
	Mon	27-Apr	26	Presentations		
15	Wed	29-Apr	27	Presentations		
	Mon	4-May	28	Holistic Approaches: Graduation Model	19	Data Replication 2
16	Wed	6-May	29	Conclusion and Review for Final		
	Finals Week			FINAL EXAM		

Reading List

<u>TOPIC</u>	<u>READING</u>
Introduction: Why Do We Act; Market Failures	<ol style="list-style-type: none"> 1. *MTGI, Chapter 1 2. *PE, Chapter 1 3. Easterly, William. "The Handouts that Feed Poverty." Los Angeles Times, April 30th 2006. 4. Sachs, Jeffrey D. "Foreign Aid Skeptics Thrive on Pessimism." Los Angeles Times, May 7th 2006. 5. Karlan, Dean. "Every Which Way We Can." IMF Finance & Development, 2012. 6. Singer, Peter. "The Drowning Child and the Expanding Circle." April 1997. 7. Banerjee, Abhijit and Esther Duflo. 2007. "Economic Lives of the Poor." Journal of Economic Perspectives, 21(1): 141-167. 8. Besley, Timothy and Robin Burgess. 2003. "Halving Global Poverty." Journal of Economic Perspectives, 17(3): 3-22. 9. Anagol, Santosh, Alvin Etang and Dean Karlan Continued Existence of Cows Disproves Central Tenets of Capitalism? (2013), working paper.
Causality & Evaluation	<ol style="list-style-type: none"> 10. *MTGI, Chapter 2, To Work Against Poverty 11. *RRE, Chapter 2, Why Randomize 12. *RRE, Chapter 4, Randomizing
Theory of Change, Outcomes and Threats	<ol style="list-style-type: none"> 13. *RRE, Chapter 3, Asking the Right Question 14. *Goldilocks chapter 15. *RRE, Chapter 5 (in particular 5.1 and 5.3) 16. *RRE, Chapter 7
Behavioral Economics	<ol style="list-style-type: none"> 17. *MTGI, Chapter 3, To Buy 18. Mullainathan, Sendhil. 2004. "Psychology and Development Economics." MIT and NBER. 19. Bertrand, Marianne, Sendhil Mullainathan, Eldar Shafir and Jonathan Zinman. 2009. "What's Advertising Content Worth?"
Credit: Failure Mechanisms	<ol style="list-style-type: none"> 20. *Karlan, Dean and Morduch, Jonathan. 2010. "Access to Finance." Handbook in Development Economics Volume, Chapter 71.
Credit: Impact	<ol style="list-style-type: none"> 21. *“The Role of Microfinance” op-ed post on Kristof’s NYTimes blog: http://kristof.blogs.nytimes.com/2009/12/28/the-role-of-microfinance/ 22. *MTGI, Chapter 4 To Borrow 23. *PE, Chapter 7, The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor 24. Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan. 2013. "The Miracle of Microfinance? Evidence from a Randomized Evaluation.

	<p>25. Karlan, Dean and Jonathan Zinman. 2011. "Microcredit in Theory and Practice: Using Randomized Credit Scoring for Impact Evaluation." Science, 332(6035): 1278-1284.</p> <p>26. Karlan, Dean and Jonathan Zinman. 2008 "Expanding Credit Access: Using Randomized Supply Decisions To Estimate the Impacts." Review of Financial Studies, 23(1): 433-464.</p> <p>27. de Mel, Suresh, David McKenzie and Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." Quarterly Journal of Economics, 123(4): 1329-1372.</p> <p>28. Karlan, Dean; Ryan Knight and Christopher Udry. 2012. "Hoping to Win, Expected to Lose: Theory and Lessons on Micro Enterprise Development."</p>
Credit: Design	<p>29. Gine, Xavier and Dean Karlan, "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups"</p> <p>30. Field, Erica, Rohini Pande, John Papp and Natalia Rigol. 2012. "Does the Classic Microfinance Model Discourage Entrepreneurship Among the Poor? Experimental Evidence from India."</p>
Savings: Impact	<p>31. *MTGI Chapter 7, To Save</p> <p>32. *Karlan, Dean. 2008. "The Impact of Savings." Financial Access Initiative, Framing Note No. 1.</p> <p>33. *Karlan, Dean, Aishwarya Ratan and Jonathan Zinman. 2013. "Savings by and for the poor: A research review and agenda", forthcoming Review of Income and Wealth</p> <p>34. Dupas, Pascaline and Jonathan Robinson "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya." American Economic Journal: Applied Economics, 5(1): 163-192.</p>
Savings: Behavioral Savings	<p>35. *PE Chapter 8, "Saving Brick by Brick"</p> <p>36. *Karlan, Dean. "Helping the Poor Save More." Stanford Social Innovation Review, Winter 2010.</p> <p>37. Brune, Lasse and Xavier Gine, Jessica Goldberg and Dean Yang. 2012. "Commitments to Save: A Field Experiment in Rural Malawi."</p> <p>38. Karlan, Dean, Nava Ashraf and Wesley Yin. 2006. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines." Quarterly Journal of Economics, 121(2): 635-672.</p> <p>39. Karlan, Dean and Leigh L. Linden. 2013. "Loose Knots: Strong versus Weak Commitments to Save for Education in Uganda"</p>
Entrepreneurship Training	<p>40. *PE, Chapter 9, Reluctant Entrepreneurs</p>

	<p>41. Karlan, Dean and Martin Valdivia. 2011. "Teaching Entrepreneurship." Review of Economics and Statistics, 93(2): 510-527.</p> <p>42. Beaman, Lori and Jeremy Magruder. 2013. "Minding Small Change among Small Firms in Kenya", forthcoming Journal of Development Economics</p> <p>43. Drexler, Alejandro, Greg Fischer and Antoinette Schoar. 2012. "Keeping it Simple: Financial Literacy and Rules of Thumb"</p> <p>44. Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. 2012. "Does Management Matter: evidence from India" Quarterly Journal of Economics.</p> <p>45. Bruhn, Miriam, Dean Karlan and Antoinette Schoar, The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico</p>
Agricultural Finance	<p>46. *PE, Chapter 6, Barefoot Hedge-Fund Manager</p> <p>47. Karlan, Dean and Isaac Osei, Robert Osei and Christopher Udry. 2012. "Agricultural Decisions after Relaxing Credit and Risk Constraints."</p> <p>48. Giné, Xavier and Dean Yang. 2009. "Insurance, credit, and technology adoption: Field experimental evidence from Malawi." Journal of Development Economics, 89(1): 1-11.</p> <p>49. Duflo, Esther, Michael Kremer, and Jonathan Robinson. 2011. "Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya." American Economic Review, 101: 2350-2390.</p>
Agricultural Technology & Markets	<p>50. *MTGI Chapter 8, "To Farm"</p> <p>51. *Conley, Timothy and Christopher Udry. 2008. "Learning about a New Technology: Pineapple in Ghana." American Economic Review, Yale University.</p> <p>52. Ashraf, Nava, Xavier Gine and Dean Karlan. 2009. Finding Missing Markets (and a disturbing epilogue): Evidence from an Export Crop Adoption and Marketing Intervention in Kenya, American Journal of Agricultural Economics</p>
Health	<p>53. *PE Chapter 3 "Low-Hanging Fruit for Better (Global) Health?"</p> <p>54. *MTGI Chapter 10, "To Stay Health"</p> <p>55. *Cohen, Jessica and Pascaline Dupas. 2010. "Free Distribution or Cost-Sharing? Evidence from a randomized malaria prevention experiment." Quarterly Journal of Economics, 125(1): 1-45.</p> <p>56. *Kremer, Michael and Edward Miguel. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." Econometrica, 72(1): 159-217.</p> <p>57. Gine, Xavier, Dean Karlan and Jonathan Zinman. 2010. "Put Your Money Where Your Butt Is: A Commitment Savings Account for Smoking Cessation." American Economic Journal: Applied Economics, 2(4).</p> <p>58. Bjorkman, Martina and Jakob Svensson. "Power to the People: Evidence from a Randomized Field Experiment of Community-</p>

[Based Monitoring in Uganda”, Quarterly Journal of Economics, 2009, 124:2.](#)

Education	<p>59. *MTGI, Chapter 9, To Learn</p> <p>60. *PE, Chapter 4, Top of the Class</p> <p>61. *Duflo, Esther. 2001. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." American Economic Review, 91(4): 795-813.</p> <p>62. *Banerjee, Abhijit V., Shawn Cole, Esther Duflo, Leigh Linden. 2007. "Remedying Education: Evidence from Two Randomized Experiments in India." Quarterly Journal of Economics, 122(3): 1235-1264.</p> <p>63. Kremer, Michael. 2003. "Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons." American Economic Review Papers and Proceedings, 93(2): 102-106.</p> <p>64. Kremer, Michael, Paul Glewwe, and Sylvie Moulin. 2009. " Many Children Left Behind? Textbooks and Test Scores in Kenya." American Economic Journal: Applied Economics, 1(1): 112-135.</p>
Holistic Approaches: Graduation Model	<p>65. *Bandiera, Oriana et al. 2013. "Can Basic Entrepreneurship Transform the Economic Lives of the Poor?"</p> <p>66. *Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyah and Jeremy Shapiro. 2011. "Targeting the Hard-Core Poor: An Impact Assessment."</p>
Conclusion	<p>67. *RRE, Chapter 9 (particular 9.2, 9.3 & 9.4)</p>