

University of Illinois at Urbana-Champaign  
College of Liberal Arts & Sciences  
Department of Economics  
Spring 2019

**ECON 519: Development and Growth Policy**

**Monday and Wednesday 9:30 am – 10:50 am**  
**David Kinley Hall, Room 215B DKH**

**Instructor:** Prof. Adam Osman (Official Instructor) and Prof. Marieke Kleemans

**Office:** Osman: 109 David Kinley Hall; Kleemans: Room 101B David Kinley Hall,

**E-mail:** [aosman@illinois.edu](mailto:aosman@illinois.edu) and [kleemans@illinois.edu](mailto:kleemans@illinois.edu) Please include “Econ 519” at the start of the email subject to make sure we don’t overlook your email.

**Office Hours Prof. Osman:** Monday/Wednesday 4:00pm-5:00pm or by appointment

**Office Hours Prof. Kleemans:** By appointment, go to [www.mariekeklemans.com](http://www.mariekeklemans.com) - contact

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

**Course Description:**

This course examines economic development, analysis and growth policy in poor countries. The first half of the course will be taught by Prof. Kleemans and will cover poverty, inequality, population growth, fertility, urbanization, slum formation, rural-urban migration, international migration, refugees, development accounting, growth and structural transformation. The second half of the course will be taught by Adam Osman and will introduce evaluation, probability and statistics and cover the role of financial constraints, including credit, savings and insurance as well as the inter-relationships between economic development and health and education.

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

**Learning Resources:**

**Required texts (First Half):**

1. Todaro, Michael P. and Stephen Smith, ‘Economic Development,’ 2014, 12<sup>th</sup> edition, Pearson. Earlier versions of the book may be used but the student is responsible for ensuring that the material of the 12<sup>th</sup> edition is covered. Available at the bookstore and are also on reserve at the undergraduate library where the book can be borrowed for two hours.

‘TS’ Chapters 3.3, 5, 6 and 7

2. Academic papers available through the university library.

**Required texts (Second Half):**

Most of the material for the second half of 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. *Poor Economics* (PE), by Banerjee and Duflo
3. *More Than Good Intentions* (MTGI), by Karlan and Appel

**Student Assessment:**

<b>Assessment Activity</b>	<b>Activity Value</b>
3 Problem Sets	3 x 5 Points = 15
2 Academic Paper Summaries	2 x 5 Points = 10
Midterm Exam	20 Points
Data Replication	5 Points
Presentation	10 Points
Final Exam	30 Points
Class Participation	10 Points
Total	100 Points

**Assessment Activity Details:**

Problem Sets:

1. Poverty and Inequality measurement. Using Microsoft Excel, perform various calculations using a real country's data in order to describe the country's poverty and inequality profile. Calculate statistics such as poverty headcount ratios, Foster-Greer-Thorbecke poverty measures and Kuznets inequality ratio, and draw the country's Lorenz curve.
2. Population Growth and Economic Development. Using clear direction, download data on population growth and use this to calculate population pyramids and dependency ratios, and visualize a country's demographic transition. In addition to that, use online public data tools to visualize statistics on economic growth, development, demographics and migration.
3. Standard problem set walking through the basic econometrics and statistics techniques used in rigorous program evaluation.

Academic Paper Summary:

- Academic Paper Summary (2-3 Pages): A review of an academic paper that estimates the impact of a poverty alleviation program. The review should clearly explain the program being evaluated, the method of evaluation, the impacts that were found, and what an NGO that is considering doing something similar should learn from this paper. The paper must have been published in one of the following journals after the year 2010:
  - 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 2012) from the National Bureau of Economic Research

Data Replication:

- Use the dataset (saved in csv format) and codebook uploaded to compass to create a do file that accomplishes the following tasks:
  - 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. Variables: (1) Age, (2) Female, (3) Current Employment, (4) Current Income, (5) Illiterate, (6) University Graduate
  - c. Generate a table checking the statistical balance between the treatment group and control group for the variables included above.
  - d. Generate a table that reports the treatment effect (difference between treatment and control) on employment and monthly income.
  - e. Extra Credit: Control for the baseline value of the outcome variables as well as dummies for each cohort and cluster the standard errors at the cohort level.

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 is it 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. 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.
  - d. 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 on Compass 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 on the schedule.

*Exam Policy:*

The following materials are allowed for use during the midterm exam: basic (non-graphing) calculator. There are to be no books, papers other than the exam itself, 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](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](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](mailto: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](http://studentcode.illinois.edu/article1_part4_1-401.html)

Semester Schedule

**Econ 519: Economic Development: Analysis and Policy**  
**Spring 2019, Monday and Wednesday 9:30am, David Kinley Hall Room 215B**

Week	Day	Date	Lecture	Professor	Topics	Material	Assessment Due	Points
1	Mon	14-Jan	1	Osman & Kleemans	Introduction to Economic Development			
	Wed	16-Jan	2	Kleemans	Poverty and Inequality: Dimensions	TS Ch. 5		
2	Mon	21-Jan			No Class (Martin Luther King Jr Day)			
	Wed	23-Jan	3	Kleemans	Poverty and Inequality: Measurement and Trends	TS Ch. 5		
3	Mon	28-Jan	4	Kleemans	Population Growth and Economic Development	TS Ch. 6		
	Wed	30-Jan	5	Kleemans	Demographic Transition and Theory of Fertility	TS Ch. 6	Problem set 1	5
4	Mon	4-Feb	6	Kleemans	Computer practicum STATA			
	Wed	6-Feb	7	Kleemans	Urbanization and Slum Formation	TS Ch. 7		
5	Mon	11-Feb	8	Kleemans	Urban Dualism and Informal Labor Market	TS Ch. 7		
	Wed	13-Feb	9	Kleemans	Rural-Urban and International Migration	TS Ch. 3.3	Problem set 2	5
6	Mon	18-Feb	10	Kleemans	Computer practicum STATA			
	Wed	20-Feb	11	Kleemans	Macro and Development Accounting	Papers		
7	Mon	25-Feb	12	Kleemans	Growth and Structural Transformation	Papers	Academic Paper Summary 1	5
	Wed	27-Feb	13	Kleemans	Overflow Session and Exam Review			
8	Mon	4-Mar	14	Kleemans	Exam		Exam	25
	Wed	6-Mar	15	Osman	Introduction: Why Do We Act, Market Failures	AO Slides 1		
9	Mon	11-Mar	16	Osman	Causality & Evaluation	AO Slides 2		
	Wed	13-Mar	17	Osman	Identification Strategies in Social Sciences	AO Slides 2		
10	Mon	18-Mar			No Class (Spring Break)			
	Wed	20-Mar			No Class (Spring Break)			
11	Mon	25-Mar	18	Osman	Probability and Statistics	AO Slides 3		
	Wed	27-Mar	19	Osman	Probability and Statistics (2)	AO Slides 3		
12	Mon	29-Mar	20	Osman	Power and Standard Errors and Reading Tables	AO Slides 3	Problem set 3	5
	Wed	3-Apr	21	Osman	Savings	AO Slides 4		
13	Mon	5-Apr	22	Osman	Credit	AO Slides 5		
	Wed	10-Apr	23	Osman	Health, Labor Markets (Students Choose)	AO Slides 6	Academic Paper Summary 2	5
14	Mon	12-Apr	24	Osman	Agriculture, Behavioral (Students Choose)	AO Slides 7		
	Wed	17-Apr	25	Osman	Education, Trade (Students Choose)	AO Slides 8		
15	Mon	19-Apr	26	Osman	Presentations		Data Replication	5
	Wed	24-Apr	27	Osman	Presentations			
16	Mon	26-Apr	28	Osman	Presentations		Presentations	15
	Wed	1-May	29	Osman	Review & Career Discussion			
Finals Week							Final Exam	30

## Reading List

<u>TOPIC</u>	<u>READING</u>
Introduction: Why Do We Act; Market Failures	1. *MTGI, Chapter 1
	2. *PE, Chapter 1
	3. <a href="#">Easterly, William. "The Handouts that Feed Poverty." Los Angeles Times, April 30th 2006.</a>
	4. <a href="#">Sachs, Jeffrey D. "Foreign Aid Skeptics Thrive on Pessimism." Los Angeles Times, May 7th 2006.</a>
	5. <a href="#">Karlan, Dean. "Every Which Way We Can." IMF Finance &amp; Development, 2012.</a>
	6. <a href="#">Singer, Peter. "The Drowning Child and the Expanding Circle." April 1997.</a>
	7. <a href="#">Banerjee, Abhijit and Esther Duflo. 2007. "Economic Lives of the Poor." Journal of Economic Perspectives, 21(1): 141-167.</a>
	8. <a href="#">Besley, Timothy and Robin Burgess. 2003. "Halving Global Poverty." Journal of Economic Perspectives, 17(3): 3-22.</a>
	9. <a href="#">Anagol, Santosh, Alvin Etang and Dean Karlan Continued Existence of Cows Disproves Central Tenets of Capitalism? (2013), working paper.</a>
Causality & Evaluation	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	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	17. *MTGI, Chapter 3, To Buy
	18. <a href="#">Mullainathan, Sendhil. 2004. "Psychology and Development Economics." MIT and NBER.</a>
	19. <a href="#">Bertrand, Marianne, Sendhil Mullainathan, Eldar Shafir and Jonathan Zinman. 2009. "What's Advertising Content Worth?"</a>
Credit: Failure Mechanisms	20. <a href="#">*Karlan, Dean and Morduch, Jonathan. 2010. "Access to Finance." Handbook in Development Economics Volume, Chapter 71.</a>
Credit: Impact	21. <a href="#">*"The Role of Microfinance" op-ed post on Kristof's NYTimes blog: http://kristof.blogs.nytimes.com/2009/12/28/the-role-of-microfinance/</a>
	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. <a href="#">Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan. 2013. "The Miracle of Microfinance? Evidence from a Randomized Evaluation.</a>
	25. <a href="#">Karlan, Dean and Jonathan Zinman. 2011. "Microcredit in Theory and Practice: Using Randomized Credit Scoring for Impact</a>

	<p><a href="#">Evaluation." Science, 332(6035): 1278-1284.</a></p> <p>26. <a href="#">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.</a></p> <p>27. <a href="#">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.</a></p> <p>28. <a href="#">Karlan, Dean; Ryan Knight and Christopher Udry. 2012. "Hoping to Win, Expected to Lose: Theory and Lessons on Micro Enterprise Development."</a></p>
Credit: Design	<p>29. <a href="#">Gine, Xavier and Dean Karlan, "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups"</a></p> <p>30. <a href="#">Field, Erica, Rohini Pande, John Papp and Natalia Rigol. 2012. "Does the Classic Microfinance Model Discourage Entrepreneurship Among the Poor? Experimental Evidence from India."</a></p>
Savings: Impact	<p>31. *MTGI Chapter 7, To Save</p> <p>32. *<a href="#">Karlan, Dean. 2008. "The Impact of Savings." Financial Access Initiative, Framing Note No. 1.</a></p> <p>33. *<a href="#">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</a></p> <p>34. <a href="#">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.</a></p>
Savings: Behavioral Savings	<p>35. *PE Chapter 8, "Saving Brick by Brick"</p> <p>36. *<a href="#">Karlan, Dean. "Helping the Poor Save More." Stanford Social Innovation Review, Winter 2010.</a></p> <p>37. <a href="#">Brune, Lasse and Xavier Gine, Jessica Goldberg and Dean Yang. 2012. "Commitments to Save: A Field Experiment in Rural Malawi."</a></p> <p>38. <a href="#">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.</a></p> <p>39. <a href="#">Karlan, Dean and Leigh L. Linden. 2013. "Loose Knots: Strong versus Weak Commitments to Save for Education in Uganda"</a></p>
Entrepreneurship Training	<p>40. *PE, Chapter 9, Reluctant Entrepreneurs</p> <p>41. <a href="#">Karlan, Dean and Martin Valdivia. 2011. "Teaching Entrepreneurship." Review of Economics and Statistics, 93(2): 510-527.</a></p> <p>42. <a href="#">Beaman, Lori and Jeremy Magruder. 2013. "Minding Small</a></p>

	<p><a href="#">Change among Small Firms in Kenya</a>”, forthcoming <a href="#">Journal of Development Economics</a></p> <p>43. <a href="#">Drexler, Alejandro, Greg Fischer and Antoinette Schoar. 2012. “Keeping it Simple: Financial Literacy and Rules of Thumb”</a></p> <p>44. <a href="#">Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. 2012. “Does Management Matter: evidence from India” Quarterly Journal of Economics.</a></p> <p>45. <a href="#">Bruhn, Miriam, Dean Karlan and Antoinette Schoar, The Impact of Consulting Services on Small and Medium Enterprises: Evidence from a Randomized Trial in Mexico</a></p>
Agricultural Finance	<p>46. *PE, Chapter 6, Barefoot Hedge-Fund Manager</p> <p>47. <a href="#">Karlan, Dean and Isaac Osei, Robert Osei and Christopher Udry. 2012. “Agricultural Decisions after Relaxing Credit and Risk Constraints.”</a></p> <p>48. <a href="#">Giné, Xavier and Dean Yang. 2009. "Insurance, credit, and technology adoption: Field experimental evidence from Malawi." Journal of Development Economics, 89(1): 1-11.</a></p> <p>49. <a href="#">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.</a></p>
Agricultural Technology & Markets	<p>50. *MTGI Chapter 8, “To Farm”</p> <p>51. <a href="#">Conley, Timothy and Christopher Udry. 2008. “Learning about a New Technology: Pineapple in Ghana.” American Economic Review, Yale University.</a></p> <p>52. <a href="#">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</a></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. <a href="#">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.</a></p> <p>56. <a href="#">Kremer, Michael and Edward Miguel. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." Econometrica, 72(1): 159-217.</a></p> <p>57. <a href="#">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).</a></p> <p>58. <a href="#">Bjorkman, Martina and Jakob Svensson, “Power to the People: Evidence from a Randomized Field Experiment of Community-Based Monitoring in Uganda”, Quarterly Journal of Economics, 2009, 124:2.</a></p>
Education	<p>59. *MTGI, Chapter 9, To Learn</p> <p>60. *PE, Chapter 4, Top of the Class</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.](#)
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.](#)
63. [Kremer, Michael. 2003. "Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons." American Economic Review Papers and Proceedings, 93\(2\): 102-106.](#)
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.](#)
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65. [\\*Bandiera, Oriana et al. 2013. "Can Basic Entrepreneurship Transform the Economic Lives of the Poor?"](#)
66. [\\*Banerjee, Abhijit, Esther Duflo, Raghavendra Chattopadhyah and Jeremy Shapiro. 2011. "Targeting the Hard-Core Poor: An Impact Assessment."](#)
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Holistic Approaches:  
Graduation Model

Conclusion

67. \*RRE, Chapter 9 (particular 9.2, 9.3 & 9.4)
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