

Course Outline

EE461 Development Microeconomics

Semester 2/2021 (January 10th – May 7th, 2022)

Number of Credit: 3 credits

Prerequisite: EE311

Course Description:

Concepts and measurements of poverty and inequality. The theories of justice for analyzing public policies related to these issues. Microeconomic theories related to household decisions and behaviors, as well as market failures in developing countries. Public policies on development issues such as health; education; population; workforce allocation of households in agriculture and non-agriculture sectors, as well as formal and informal sectors; migration; entrepreneurship of the households; households' financial and risk management tools; microfinance; innovations and other interesting issues related to poverty reduction, etc.

Course Objectives:

This course covers many topics in development microeconomics in theories and empirical studies. It requires some background knowledge in microeconomics, some concepts of macroeconomics, and econometrics. Besides textbooks, students will have to read articles from journals, present their research project, and review current issues and articles to develop their skills in analysis, presentation, and criticizing in development economics. Students are also encouraged to participate in discussing and questioning in class, as well as try to keep updating current studies in development economics.

Class Time and Logistic

Class day: Tuesday & Thursday

Class time: 12:30 – 14:00

Teaching Materials Platform: BE Moodle [enrollment key: 6568]

Meeting Platform: MS Team 2021-2-EE461 (046401) – link posted in BE Moodle for EE461

Instructor: Assistant Professor Dr. Chayanee Chawanote

Office Hours: Tuesday & Thursday 14.00 – 16.00 or by appointment

Email: chayanee@econ.tu.ac.th

Recommended Textbooks & Materials:

In this course, we use both textbooks and papers as our reading materials. The main textbooks are also available at Puey Ungphakorn Library.

1. Ray, Debraj. (1998). *Development Economics*, Princeton University Press.
2. Todaro, Michael P., and Smith, Stephen C. (2012). *Economic Development*, 11th Edition.
3. Taylor, J.E., & Lybbert, T.J., (2020). *Essentials of Development Economics*, 3rd Edition.

Suggested Readings:

Here is the list of papers/articles that we use as a reference in our topics covered in this course (in topic order):

Banerjee, Abhijit V. and Duflo, Esther. (2007) "The economic lives of the poor." *Journal of Economic Perspectives*, 21(1): 141–167.

Mullainathan, Sandhil and Shafir, Eldar. (2013) *Scarcity: Why Having Too Little Means So Much*, Times Books.

The World Bank. (2015) *World Development Report 2015: Mind, Society, and Behavior* [<http://www.worldbank.org/en/publication/wdr2015>] (*Chapter4: Poverty)

Duflo, Esther. (2001) "Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment." *The American Economic Review*, 91(4): 795–813.

Psacharopoulos, G. and Patrinos, Harry A. (2004) "Returns to investment in education: a further update." *Education Economics*, 12(2): 111–134.

Lathapipat, Dilaka (2015). "Wanted: A quality education for all", the World Bank report for Thailand.

Strauss, J. and D. Thomas (1998). "Health, nutrition and economic development." *Journal of Economic Literature* 36(2): 766–817.

ADB. Asian Development Outlook (2015) "Enabling women, energizing Asia"

Timmer, P. (2009) *A world without agriculture: the structural transformation in historical perspective*. The AEI Press, Washington, D.C.

Besley, T. J. (1995) "Savings, credit and insurance." *Handbook of Development Economics Volume 3A*. J. Behrman and T. Srinivasan. Amsterdam, Elsevier Science.

Karlan, Dean and A. L. Ratan (2014) "Saving by and for the poor: a research review and agenda" *Review of Income and Wealth* 60(1): 36–78.

Paxson, Christina H. (1992) "Using weather variability to estimate the response of savings to transitory income in Thailand", *The American Economic Review*, 82(1): 15–33.

Townsend, R. M. (1995) "Financial systems in Northern Thai villages." *Quarterly Journal of Economics* 110(4): 1011-1046.

Jonathan Morduch. (1999) "The microfinance promise." *Journal of Economic Literature*, 37(4): 1569–1614.

J-PAL and IPA Policy Bulletin. 2015. "Where Credit is Due." Cambridge, MA: Abdul Latif Jameel Poverty Action Lab and Innovations for Poverty Action.

Djankov, S., Qian, Y., Roland, G., and Zhuravskaya, E. (2006) "Who Are China's Entrepreneurs?," *The American Economic Review*, 96(2): 348-352.

Schoar, Antoinette. (2010) "The Divide between Subsistence and Transformational Entrepreneurship", NBER Innovation Policy and the Economy.

Shleifer, A. and Vishny, Robert W. (1993) "Corruption", *The Quarterly Journal of Economics*, 108(3): 599–617.

Olken, Benjamin A. (2007) "Monitoring corruption: Evidence from a field experiment in Indonesia", *Journal of Political Economy*, 115(2): 200–249.

Reardon, Thomas and Vosti, Stephen A. (1995) "Links Between Rural Poverty and the Environment in Developing Countries: Asset Categories and Investment Poverty", *World Development* 23(9): 1495-1506.

Hallegatte, S. et al. (2016) "Shock Waves: Managing the impacts of Climate Change on Poverty", International Bank for Reconstruction and Development, The World Bank.

** The reading list might be updated during the semester. Students should check on Moodle before the class each week. If there is additional reading, it will also be posted on Moodle. Students are responsible to review the topic ahead of the class for more effective learning.

** There will be my lecture notes updated before class on Moodle. Use my lecture notes as a class reference, and read required class materials.

Grading Criteria:

- Participations & assignments	10 %
- Discussions	10 %
- Research project	15 %
- Midterm	30 %
- Final	35 %

- **Discussions:** there will be a set of readings for each group to select as a discussion leader: summarize the reading to your friends in class, give your opinions or comments on the reading, and ask questions related to the reading. The leading group needs to submit a 2-3 pages review of the reading. Others need to also give opinions or comments, and answer your friends' questions.

- **Research project:** students have to develop a research paper (option 1) using any dataset on any topic that they are interested, or (option 2) creating any innovation to help the poor with better living. The paper's contents include research motivation, review literature, data analyses or problem analyses and discussion on the research questions. The draft proposal (1-2 pages) needs to be submitted by **March 31, 2022**. Infographic-type presentation will be at the end of the semester and a final paper will be due after the final exam.

Expected Learning Outcomes:

- Understanding concepts and theories in development economics and being able to discuss and provide critical thinking on related issues to the course contents
- Writing skills in summarizing comprehensive topics and explaining topics in development economics.
- Analyzing and using the data to support evidence and tell stories from the data, as well as being able to do a research project.

Tentative Class Schedule:

Date	Topics
Week 1: Jan 11 & 13	1. Economic Development: Overview & Data Basic - Measurement of economic well-being * Ray Ch. 2 & Appendix 2 * World Bank database
Week 2-3: Jan 18 & 20 Jan 25 & 27	2. Economic Inequality and Income Distribution - Measurement of income inequality - Inequality, savings, income, and growth - Inequality, capital markets, and development (wealth distributions) - Inequality and COVID-19 * Ray Ch 6; 7.2.2, 7.2.4, 7.2.8
Week 4-6: Feb 1 & 3 Feb 8 & 10 Feb 15 & 17	3. Poverty - Conceptual issues and poverty measures - The economic lives of the poor - Poverty and scarcity: a behavioral approach - Applying Behavioral Economics in Development Microeconomics - Randomized controlled trials (RCTs) in poverty programs - Impact evaluations of poverty reduction projects * Ray Ch 8.2, 8.3 * Banerjee & Duflo (2007) * Mullainathan & Shafir (2013)
Week 7: Feb 22 & 24	4. Human Development: Education - Economic impact of education - Interpreting recent research on schooling in developing countries - Empirical studies on education * Duflo (2001)

*Week 8: Mar 1 & 3	Midterm Exam on Thursday, March 3: 12.00 – 14.00 No class on March 1
Week 9: Mar 8 & 10	5. Health - Health as part of human capital and link with education - Impact of poor health on development - Interesting issues on health * Todaro Ch. 8
Week 10: Mar 15	6. Population & Gender - Economic approaches to population growth - Gender inequality * Todaro Ch. 6 * ADO 2015: Ch. 2
Week 10-11: Mar 17 Mar 22 & 24	7. Agriculture and Structural Transformation - Overview of agriculture in a modern world - Rural-urban interaction and migration - Formal vs. informal sectors - Farm and non-farm sectors * Ray Ch10.2, 10.3, Ch.11 * Timmer Ch.1-2
Week 12-14: Mar 29 & 31 Apr 5 & 7 Apr 19 & 21 <i>* Apr 11 - 17: Songkran week (no classes)</i>	8. Consumption Smoothing, Savings, Credit, and Insurance - Consumption smoothing - Saving behavior and permanent income hypothesis - Rural credit markets & market failures - Microfinance - Formal credit and insurance rationing - Rural household's risk management * Ray Ch 14.1-14.3 * Karlan & Ratan (2014) * J-PAL & IPA (2015)
Week 15: Apr 26 & 28	9. Entrepreneurship & Institutions - Entrepreneur's characteristics in developing countries - Bottlenecks for entrepreneurship in developing countries - Roles of institutions in supporting entrepreneurs * Djankov et al. (2006) * Schoar (2010)
Week 16: May 3	10. Environment and Development - Poverty and environment - Climate change and the poor
Week 16: May 5	Project presentation - info-graphic style of poster presentation
May 23	Final Exam 9:00-12:00

Important dates:

Add-drop period:	January 17 – 20, 2022
Midterm exam:	March 3, 2022: 12.00 – 14.00
Last day of withdrawal “W”:	April 25, 2022 by 22.30
Final exam:	May 23, 2022: 9.00-12.00
Final report submission:	May 31, 2022: 23.30