



# B.E. International Program

## Faculty of Economics, Thammasat University



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### Course Syllabus

#### EE461 Development Microeconomics

Semester 2/2017 (January 8 – May 20, 2018)

- Number of credits:** 3 credits (3-0-6)
- Lecture Time:** Tuesdays and Thursdays, 12.30 – 14.00 hours
- Lecture Venue:** Room 303, 3<sup>rd</sup> floor, Faculty of Economics
- Instructor:** Dr. Chayanee Chawanote  
Office: Room 6, 4th Floor (computer lab building)  
Email: chayanee@econ.tu.ac.th  
Office hours: Tuesday & Thursday, 14.00-15.30  
(or by appointment)

#### Course Description:

This course covers theories and empirical studies related to economic development, issues regarding poverty and income distribution, the roles of market in the economic development process, agricultural sector and development, industrial sector and development, population, education, health and development, natural resources, environment and development, and political economy in relation to growth.

**Prerequisites:** EE311 (and should pass ST216 or EE325)

#### Course Objectives:

Since 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 discussion and questioning in class, as well as try to keep updating current studies in development economics.

## Recommended Textbooks and Readings:

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. [MR] Meier, Gerald M., and Rauch, James E. (2005). *Leading Issues in Economic Development*, 8<sup>th</sup> Edition, Oxford University Press.
3. Todaro, Michael P., and Smith, Stephen C. (2012). *Economic Development*, 11<sup>th</sup> Edition.
4. Deaton, Angus. (1997). *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*, The Johns Hopkins University Press. [You can download The World Bank published version here: <http://documents.worldbank.org/curated/en/1997/07/694690/analysis-household-surveys-microeconomic-approach-development-policy>]

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.

Duflo (2003) “Poor but rational?”

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

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.

Kremer, Michael, and Holla, Alaka (2009). “Improving Education in the Developing World: What Have We Learned from Randomized Evaluations?”, *The Annual Review of Economics* 2009 (1): 513-542.

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.

Lathapipat, Dilaka and Thitima Chucherd (2013) "Labor market functioning and Thailand's competitiveness" BOT Symposium 2013.

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.

## Teaching Plan:

Date	Topics
Week 1: Jan 9 & 11	<b>1. Economic Development: Overview &amp; Data Basic</b> * Ray Ch. 2 & Appendix 2 * World Bank database
Week 2-3: Jan 16 & 18 Feb 6 & 8  <i>*Jan 22 – Feb 3:            No classes for            Thailand's            University            Sports</i>	<b>2. Economic Inequality and Income Distribution</b> - Measurement of income inequality - The U hypothesis relating income inequality and economic development - Inequality, savings, income, and growth - Inequality, capital markets, and development (wealth distributions)  * Ray Ch 6; 7.2.2, 7.2.4, 7.2.8 * MR Ch. 8
Week 4-5: Feb 13 & 15 Feb 20 & 22	<b>3. Poverty</b> - Conceptual issues and poverty measures - The economic lives of the poor - Poor but rational - Poverty and scarcity: a behavioral approach - Applying Behavioral Economics in Development Microeconomics  * Ray Ch 8.2, 8.3 * Banerjee & Duflo (2007) * Duflo (2003) * Mullainathan & Eldar (2013)
Week 6-7: Feb 27 & one make-up for Mar 1 (Makha Bucha day)  Mar 6 & 8	<b>4.1 Human Capital: Education</b> - Economic impact of education - Interpreting recent research on schooling in developing countries - Empirical studies on education (+1 group discussion)  * MR IV.A.1-4 * Duflo (2001) * Psacharopoulos and Patrinos (2004) * Lathapipat (2015)
Week 7, 9: Mar 8 Mar 20 & 22	<b>4.2 Human Capital: Health</b> - Health: link with education - Impact of poor health on development - Interesting issues on health (+1 group discussion) * Todaro Ch. 8  <b>4.3 Human Capital: Population</b> - Economic approaches to population growth * MR IV.C.1 * Todaro Ch. 6

	<p><b>4.4 Human Capital: Gender and Development</b></p> <ul style="list-style-type: none"> <li>- Gender inequality at the start of the 21<sup>st</sup> century</li> <li>* MR IV.D.1</li> <li>* ADO 2015: Ch. 2</li> </ul>
*Week 8: Mar 13 & 15	<p><b>Midterm Exam</b> on Thursday, March 15: 12.30 – 14.00</p> <p>No class on March 13</p>
Week 10: Mar 27 & 29	<p><b>5. Agriculture</b></p> <ul style="list-style-type: none"> <li>- Overview of agriculture in a modern world</li> <li>- Rural-urban interaction</li> <li>- A World without agriculture</li> <li>- Markets in Agriculture</li> </ul> <p>* MR VII.A</p> <p>* Ray Ch10.2, 10.3, Ch.11</p> <p>* Timmer Ch.1-2</p>
Week 11-13: Apr 3 & 5 & 10	<p><b>6. Consumption Smoothing, Savings, Credit and Insurance</b></p> <ul style="list-style-type: none"> <li>- Consumption smoothing</li> <li>- Saving behavior and permanent income hypothesis</li> <li>- Rural credit markets</li> <li>- Formal credit and insurance rationing</li> <li>- Rural household's risk management</li> <li>- 3 group discussions</li> </ul> <p>* Deaton Ch. 6</p> <p>* Ray Ch 14.1-14.3</p> <p>* Karlan &amp; Ratan (2014)</p> <p>* J-PAL &amp; IPA (2015)</p>
* Apr 11 - 17: <i>Songkran week</i> <i>(no classes)</i>	
Apr 19 Apr 24 & 26	
Week 14: May 1 & 3	<p><b>7. Firm and Labor</b></p> <ul style="list-style-type: none"> <li>- Entrepreneur's characteristics in developing countries</li> <li>- Bottlenecks for entrepreneurship in developing countries</li> <li>- Reluctant entrepreneur (+1 group discussion)</li> </ul> <p>* Djankov et al. (2006)</p> <p>* Schoar (2009)</p>
Week 15: May 8 & 10	<p><b>8. Political Economy and Corruption</b></p> <ul style="list-style-type: none"> <li>- Rent seeking and government failure</li> <li>- Corruption and monitoring</li> </ul> <p>* Shleifer &amp; Vishny (1993)</p> <p>* Olken (2007)</p> <p>* MR IX.B p.502-509</p>
Week 16: May 15	<p><b>9. Natural Resources, Environment, and Development</b></p> <ul style="list-style-type: none"> <li>- Poverty and environment</li> <li>- Climate change and the poor</li> </ul>

	* Reardon & Vosti (1995) * Hallegatte et al. (2016)
Week 16: May 17	Project presentation
May 29	<b>Final Exam</b> 9:00-12:00

### Grading:

Participation & assignments (individual)	10%
Research project (group)	10%
Group discussions	10%
Midterm	30%
Final	40%

- Participation includes discussions in class and exchanging interesting topics/stories related to course topics from reading articles (e.g. from The Economist) or development blogs. You can find some interesting blogs:

- <http://blogs.worldbank.org/> (There are many blogs under the World Bank blogs)
- <http://blogs.adb.org/>
- <http://chrisblattman.com/>

- Students have to develop a research paper using any dataset on any topic that they are interested and hand in infographic-type presentation. The paper's contents include research motivation, review literature, data analyses and discussion on the research questions. The draft proposal (1-2 pages) needs to be submitted by **March 29, 2018**. Final paper will be due at the end of the semester.

- Group discussions will use the following readings:

Topics	Readings
4.1	<b>To Learn</b> (from More Than Good Intentions by Dean Karlan and Jacob Appel)
4.2	<b>Low-Hanging Fruit of Better (Global) Health</b> (from Poor Economics by Banerjee and Duflo)
6	<b>To Save</b> (from More Than Good Intentions by Dean Karlan and Jacob Appel)
6	<b>To Borrow</b> (from More Than Good Intentions by Dean Karlan and Jacob Appel)
6	<b>Barefoot Hedge-Fund Managers</b> (from Poor Economics by Banerjee and Duflo)
7	<b>Reluctant Entrepreneurs</b> (from Poor Economics by Banerjee and Duflo)

