



**BACHELOR OF
ECONOMICS**

THAMMASAT UNIVERSITY

Course Outline

EE461 DEVELOPMENT MICROECONOMICS

Semester 2/2023

Class Time and Logistic

| | |
|-------------------------------------|-------------------------------|
| Class day: | Tuesday |
| Class time: | 9.00 – 12.00 |
| Venue: | Room 101 |
| Teaching Materials Platform: | MS Team 2023-2 EE461 (046401) |

Instructor: Assistant Professor Dr. Chayanee Chawanote

Office Hours: Tuesday 14.00 – 16.00 or by appointment

Email: chayanee@econ.tu.ac.th

Number of credits: 3 credits (3-0-6)

Prerequisites: EE311 (suggested to pass ST216 or EE325)

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.

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. 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.
4. CORE Econ <https://www.core-econ.org/>
5. Deaton, Angus. (1997). *The Analysis of Household Surveys: A Microeconometric Approach to Development Policy*, The Johns Hopkins University Press. [You can download The World Bank published version here: <http://hdl.handle.net/10986/30394>]

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

Abdullah, A.J., Doucouliagos, H., & Manning, E. (2015). "Is there a Kuznets's process in Southeast Asia?", *The Singapore Economic Review*, 60(2).

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* <https://www.worldbank.org/en/publication/wdr2015> (*Chapter4: Poverty)

The World Bank. (2022) *Poverty and Shared Prosperity*. <https://www.worldbank.org/en/publication/poverty-and-shared-prosperity>

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.

The World Bank. (2018) *Learning to Realize Education's Promise*, WDR 2018 <https://www.worldbank.org/en/publication/wdr2018>

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.

** The reading list might be updated during the semester. Students should check on MS Team before the class each week. If there is additional reading, it will also be posted on MS Team. 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 MS Team. Use my lecture notes as a class reference, and read required class materials.

Tentative Teaching Plan:

| Date | Topics |
|--------------------------|---|
| Week 1: Jan 9 | 1. Economic Development: Overview & Data Basic - What Development Economics is all about? - Measurement of economic well-being * Taylor & Lybbert Ch.1 * Ray Ch. 2 & Appendix 2 * World Bank database & HDI report |
| Week 2-3: Jan 16 & 23 | 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 * CORE-Econ: Doing Economics & Ch.19 https://core-econ.org/the-economy/v1/book/text/19.html |

| | |
|--|--|
| <p>Week 4-6: Jan 30 Feb 6 & 13</p> | <p>3. Poverty</p> <ul style="list-style-type: none"> - 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 <p>* Ray Ch 8.2, 8.3 * Taylor & Lybbert Ch.2 * Banerjee & Duflo (2007) * Mullainathan & Shafir (2013)</p> |
| <p>Week 7: Feb 20</p> | <p>4. Human Development: Education</p> <ul style="list-style-type: none"> - Economic impact of education - Interpreting recent research on schooling in developing countries - Empirical studies on education <p>* Psacharopoulos & Patrinos (2004) * Duflo (2001)</p> |
| <p>* Week 8:</p> | <p>Midterm Exam on Tuesday, Feb 27: 09.00 – 11.00</p> |
| <p>Week 9: Mar 5</p> | <p>5. Health</p> <ul style="list-style-type: none"> - Health as part of human capital and link with education - Impact of poor health on development - Interesting issues on health <p>* Todaro & Smith Ch. 8</p> |
| <p>Week 10: Mar 12</p> | <p>6. Population, Gender & Intra-household</p> <ul style="list-style-type: none"> - Economic approaches to population growth - Gender inequality & Intra-household decisions <p>* Todaro & Smith Ch. 6 * ADO 2015: Ch. 2</p> |
| <p>Week 10-11: Mar 12 & 19</p> | <p>7. Agriculture and Structural Transformation</p> <ul style="list-style-type: none"> - Overview of agriculture in a modern world - Rural-urban interaction and migration - Formal vs. informal sectors - Farm vs. non-farm sectors <p>* Ray Ch10.2, 10.3, Ch.11 * Timmer Ch.1-2</p> |
| <p>Week 12-14: Mar 26 Apr 2 & 9</p> <p>* Apr 11 - 17: <i>Songkran week</i></p> | <p>8. Consumption Smoothing, Savings, Credit, and Insurance</p> <ul style="list-style-type: none"> - Consumption smoothing - Saving behavior and permanent income hypothesis - Rural credit markets & market failures - Microfinance & Fin Tech for financial inclusion - Rural household's risk management |

| | |
|--------------------|---|
| | <ul style="list-style-type: none"> - Roles of insurance * Ray Ch 14.1-14.3 * Karlan & Ratan (2014) * J-PAL & IPA (2015) * CORE Econ: https://core-econ.org/the-economy/microeconomics/09-lenders-borrowers-01-chambar-moneylenders.html |
| Week 15: Apr 23 | <p>9. Entrepreneurship & Institutions</p> <ul style="list-style-type: none"> - Entrepreneur's characteristics in developing countries - Bottlenecks for entrepreneurship in developing countries - Roles of institutions in supporting entrepreneurs <ul style="list-style-type: none"> * Djankov et al. (2006) * Schoar (2010) |
| Week 16: Apr 30 | Project presentation |
| May 9, Thursday | Final Exam 9:00-12:00 |

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.

Grading Criteria:

| | |
|--------------------------------|------|
| - Participations & assignments | 10 % |
| - Discussions (Project study) | 10 % |
| - Term project | 15 % |
| - Midterm | 30 % |
| - Final | 35 % |

- **Discussions:** there will be a set of RCT papers for each group to select as a discussion leader: summarize the reading to your friends submitted in a clip format (+PPT presentation). Others need to also watch your friends' presentations & discuss lesson learned from these projects. Submit the clip by **March 25**, then work on lesson learned from clips and submit your work by **April 1**

- **Term project:** students have to develop an innovation project to help the poor with better living. The paper's contents include research motivation, review literature, data analyses or problem analyses and discussions. The draft proposal (1-2 pages) needs to be submitted by **April 9**. Infographic-type presentation will be at the end of the semester and a final paper will be due after the final exam.

Important dates:

| | |
|----------------------------|----------------------------------|
| Add-drop period: | January 8 – 21, 2024 by 22.30 |
| Midterm exam: | February 27, 2024: 09.00 – 11.00 |
| Last day of reg-system "W" | March 17, 2024 by 22.30 |
| Last day of special "W" | April 22, 2024 (BE Office) |
| Final exam: | May 9, 2024: 9.00-12.00 |
| Final report submission: | May 27, 2024: 23.30 |
