Universidad de los Andes
Facultad de Economía

MICROECONOMIA DE LA POBREZA Y LA DESIGUALDAD
ECON 4520
MICHAEL R. CARTER – ANDRÉS MOYA
mrcarter@primal.ucdavis.edu
amoya@ucdavis.edu
ESCUELA DE VERANO 2011

Fechas: 5 al 19 de julio (Incluye sábado 9 de julio)
Horario: 2:00 a 4:50 p.m.

Course Description
The idea that economic performance might be sensitive to the distribution of endowments (i.e., to asset inequality) has deep roots in the theory of agrarian economy. Writing in the early 20th century, the Russian economist A.V. Chayanov argued that farm households with distinct endowments of productive resources would use those resources in different proportions, with different factor productivities. This course will first examine modern variants of the Chayanovian argument that important household decisions in the sphere of production are inseparable from household wealth endowments.

While the standard Chayanovian theory suggests that small scale, family labor farms, will enjoy a competitive advantage over larger scale production units, unequal access to capital may overturn this result. The course will therefore explore theory and empirical evidence concerning the operation of the market for capital. Given evidence that this market may be intrinsically imperfect for low wealth rural households, the course will then explore the extent to which non-anonymous social relations (kinship and friendship ties) can substitute for imperfect and incomplete markets, examining the relatively new (and still somewhat ill-formed) literatures on social capital, social norms and social identity.

Assembling these pieces, the course will next explore the implications of incomplete markets (and limited social ties) for behavioral differentiation in the spheres of production and asset accumulation. Particular attention will be given to the impact of risk on the accumulation of assets, and the possibility that in the presence of risk, initial endowment inequality may reproduce, or deepen itself, over time.

Finally, the course will consider the effectiveness of cash and transfer programs designed to alter poverty dynamics. Students will also learn by doing an experimental economic exercise designed to measure risk aversion and other behavioral parameters that may further influence poverty and income distribution dynamics.

Course Topics
1. Introduction: The Microeconomics of Growth, Poverty & Inequality

2. The Chayanovian Household Model and Beyond

3. Price and Non-price Rationing in Credit Markets

4. Beyond the Anonymous Market: The Economics of Norms and Social Capital

5. Risk, Savings and Poverty Traps

6. Policy Options to Alter Poverty Dynamics: Productive Safety Nets, Cash Transfers, and Cargo Nets

Course Requirements

Students are expected to carefully read the required papers (see list below) prior to lectures and will be encouraged to discuss their questions and comments during lectures. Two written assignments will be required. The first will be a short household modeling exercise due at the beginning of the second lecture. In addition, students will be given data from a South African household living standards survey and will be asked to econometrically analyze social capital and its impact on livelihoods using both ordinary least squares and panel data methods. An extra computer lab session will be scheduled as needed. Each student will need to prepare an approximately 5-page paper based on his or her econometric analysis. The paper is due at the end of the course.

Required Readings

Lecture 2

Carter, M.R. and Y. Yao (2002). "Local versus Global Separability in Agricultural Household Models: The Factor Price Equalization Effect of Land Transfer Rights in China," *Am J of Agri Econs* 84(3):702-715.

Lecture 3

Carter, Michael 1988. Equilibrium Credit Rationing of Small Farm Agriculture. *Journal of Development Economics.*

Lecture 4

Boucher, S., M.R. Carter and C. Guirkinger (2008). "Risk Rationing and Wealth Effects in Credit Markets," *Am J of Ag Econ*. 90(2):409-23.

Lecture 5

Kochar, A. (1998). "An Empirical Investigation of Rationing Constraints in Rural Markets in India," *J of Dev Econ* 53(2): 339-372.

de Mel, Susresh, D. McKenzie and C. Woodruff (2008). "Returns to capital in microfinance: Evidence from field experiments," *Quarterly J of Econs* 123(4): 1329-1372.

Lecture 6

Karlan, D. (2005). "Social Connections and Group Banking," *Economic Journal* 117(February):F52-F84.

Lecture 7

Maluccio, J., J. May and L. Haddad (2000). "Social Capital and Household Welfare in South Africa," *Journal of Development Studies* 36(6): 54-81.

Carter, Michael and Marco Castillo (2011). "An Experimental Approach to Social Capital in South Africa," *Economic Development and Cultural Change*.

Lecture 8

Eswaran, M., and A. Kotwal, (1986). "Access to Capital and Agrarian Production Organization," *Econ Journ* 96:482-498.

Lecture 9

Deaton, A. (1991). "Savings and Liquidity Constraints," *Econometrica* 59(5):1221-1248.

Fafchamps, Marcel, Chris Udry and Katherine Czukas (1998). "Drought and saving in West Africa: are livestock a buffer stock?" *Journal of Development Economics* 55:273-305.

Lecture 10

Carter, M.R. and T. Lybbert (2010). "Who Smoothes What? Asset Smoothing versus Consumption Smoothing in Burkina Faso," unpublished paper.

Barrett, C. M.R. Carter, and M. Ikegami (2008). "Poverty Traps and Social Protection," social protection working paper, World Bank.

Lecture 11

Moya, Andres (2010). Poverty Traps and Displacement in Colombia.

Lecture 12

Behrman, J., P. Sengupta and P. Todd (2005). 'Progressing through PROGRESA: An Impact Assessment of a School Subsidy Experiment in Rural Mexico," *Econ Dev and Cult Change*.

Keswell, M. and M.R. Carter (2011). "Poverty and Land Redistribution in South Africa: Evidence from a Natural Experiment," unpublished paper.

Schedule "Microeconomics of Poverty and Inequality," Universidad de los Andes, 5-19 July 2011

Tuesday, 5 July	Wednesday, 6	Thursday,7	Friday, 8	Saturday,9
Lecture 1: Introduction to course ***Problem Set Distributed***	Lecture 2: Endogenous Non-separability ***Problem Set Due***	Lecture 3: Non-price Rationing in Credit Markets (theory-1)	Lecture 4: Non-price Rationing in Credit Markets (theory-2)	Lecture 5: Non-price Rationing in Credit Markets (empirics)
Monday, 11 August	**Tuesday, 12**	**Wednesday, 13**	**Thursday, 14**	**Friday, 15**
Lecture 6: Micro-credit and Group Lending	Lecture 7: Empirical Social Capital Analysis ***Econometric Exercise Distributed***	Lecture 8: Multiple Market Failure Models	Lecture 9: Risk, Savings & Asset Accumulation-1 (Consumption Smoothing)	Lecture 10: Risk, Savings & Asset Accumulation -2 (Asset Smoothing)
Monday, 18 August	**Tuesday, 19**			
Lecture 11: Games and Economic Development: What can we learn about Poverty Dynamics?	Lecture 12: Policy Options to Alter Poverty Dynamics (Cash & Asset Transfers) ***Econometric Exercise Due***			

Nota:
La nota final se aproxima de la siguiente manera: desde .25 y .75 para arriba se aproxima al siguiente *número superior y de .24 y .74 para abajo se aproxima al siguiente número inferior. Ejemplo; 3.25 pasa a 3.5* y 3.24 pasa a 3.0.

Fecha de Retiro:
El estudiante podrá retirar el curso, sin devolución, hasta un día hábil antes de la fecha de entrega del documento final.