

**MICRO-ECONOMICS OF DEVELOPMENT: WHICH
INTERVENTIONS DO ADDRESS RURAL POVERTY
IN LATIN AMERICA?
ECON 4532**

Professors:

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ESCUELA DE VERANO 2014

Fechas: 3 de junio al 13 de junio

Horario: 07:00 a 10:00 am

Salón: W-404

OBJETIVE

The objective of the course is to learn how micro-economic analysis can contribute to the understanding of the causes of rural poverty and under-development by focusing on different types of market failures that may constrain rural households in their agricultural and nonagricultural activities, and in their longer-term economic mobility. It will focus on both the theoretical arguments, and the recent empirical literature on these topics, with special attention to studies in Latin America and to measurement issues. The course aims at developing skills to become a critical reader of this literature, in part by drawing on concepts learned in econometrics. It will discuss the implications for both general policy and possible lessons for specific interventions.

Prerequisite: Econometrics II (or Econometrics I-Nivelación) and Micro-Economics III.

Requirements: All students will be expected to have read and studied the empirical papers and come to class prepared to actively participate in class discussions of the papers and to critically discuss strengths and weaknesses of each paper. In order to do so, they should also familiarize themselves with the theoretical background readings for each class. Students will be asked to prepare 2 paper presentations in groups (1 each week). The final assignment will be a referee report for a paper not discussed in class. Grades will partly be based on class participation, and presentations and partly on the final assignment.

SYLLABUS

Course outline and readings by week

Each class we will focus on a topic or a group of related topics, and focus on particular interventions related to them.

Class 1

Monday, June 3rd: Introduction

Understanding causes of rural poverty through understanding market imperfections – inseparability, assets, and understanding differences in asset endowments

Empirical papers

- Bobonis, G. and P. Morrow (2013) "Labor Coercion and the Accumulation of Human Capital." Mimeo. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2285632
- Leon, G (2012) "Civil Conflict and Human Capital Accumulation: Long Term Consequences of Political Violence in Perú." *Journal of Human Resources*, Vol. 47(4): 991-1023. Fall 2012.
- Vogl, T (2014) "Height, skills, and labor market outcomes in Mexico". *Journal of Development Economics* 107 (2014) 84–96, March 2014.

Intrahousehold and Gender dynamics

Empirical papers

- Agüero, Jorge M. 2013. "Causal Estimates of the Intangible Costs of Violence against Women in Latin America and the Caribbean", IDB Working Paper 414.
- Braido, L., P. Olinto, and H. Perrone (2012). "Gender Bias in Intrahousehold Allocation: Evidence from an Unintentional Experiment". *The Review of Economics and Statistics*, 94(2), pages 552-565, May.

Further reading on Theory

- Bardhan, Pranab and Chris Udry, 1999, *Development Microeconomics*, OUP. Ch. 7
- deJanvry, Alain, and Elisabeth Sadoulet. 2006. "Progress in the Modeling of Rural Households' Behavior under Market Failures." In Alain de Janvry and Ravi Kanbur, (eds.), *Poverty, Inequality and Development: Essays in Honor of Erik Thorbecke*. New York: Springer.
- Beegle K, J. Strauss (1996) "Intrahousehold Allocations: A Review of Theories, Empirical Evidence and Policy Issues". Food Security International Development Working Papers. No 65.

Additional references

- Deere, Carmen Diana, and Cheryl R. Doss. 2006. "Gender and the Distribution of Wealth in Developing Countries." New York, N.Y.: UN WIDER Research Paper 2006/115

- Castillo, M (2014) "Negative childhood experiences and risk aversion: evidence from children exposed to domestic violence". Unpublished manuscript.
- Bobonis, 2009, "Is the Allocation of Resources within the Household Efficient? New Evidence from a Randomized Experiment." *Journal of Political Economy*, 117(3) (2009), 453-503.
 - See also: Bobonis, G, R. Castro, M. Gonzales-Brenes. (2013) "Public Transfers and Domestic Violence: The Roles of Private Information and Spousal Control". *American Economic Journal: Economic Policy*, 5(1) (2013), 179-205.
 - Angelucci, M. (2008) "Love on the Rocks: Domestic Violence and Alcohol Abuse in Rural Mexico". *The B.E. Journal of Economic Analysis & Policy* (Contributions), Article 43.
- Del Carpio X. and K. Macours, (2010) "Leveling the intra-household playing field", *Research in Labor Economics*.31: 259-296.

Class 2 : Wednesday, June 4th

Land markets, property rights, formalization

Empirical papers

- Andrade, G., M. Bruhn and D. McKenzie (2012). "A Helping Hand or the Long Arm of the Law? Experimental evidence on what governments can do to formalize firms". Unpublished manuscript.
- Carter, Michael R. and Pedro Olinto. (2003). "Getting Institutions Right for Whom? Credit Constraints and the Impact of Property Rights on the Quantity and Composition of Investment," *American Journal of Agricultural Economics* 85(1):173-186.
- de Janvry, A., K.Emeric, M.Gonzalez- Navarro, and E. Sadoulet (2013). "Certified to Migrate: Property Rights and Migration in Rural Mexico", University of California Berkeley, mimeo.
- Macours, K., A .deJanvry, and E. Sadoulet (2010). "Insecurity of Property Rights and Social Matching in the Tenancy Market", *European Economic Review* 54: 880-899.

Further reading on Theory

- Ray, D (1998). **Development Economics**, Princeton University Press; Ch.12
- Bardhan, Pranab and Chris Udry, 1999, *Development Microeconomics*, OUP. Ch. 6

Additional references

- Castañeda Dower, Paul &Pfutze, Tobias, 2013. "Specificity of control: The case of Mexico's ejido reform," *Journal of Economic Behavior & Organization*,vol. 91(C), pages 13-33

- deJanvry, A., M. Gonzalez- Navarro and E. Sadoulet (2012) "Are Land Reforms Granting Complete Property Rights Politically Risky? Electoral Outcomes of Mexico's Certification Program", *Journal of Development Economics*, 2013.
- Galiani, Sebastian & Scharfgrösky, Ernesto, 2010. "Property rights for the poor: Effects of land titling," *Journal of Public Economics*, Elsevier, vol. 94(9-10), pages 700-729
- Field, E and A. Field, "Globalization, Crop Choice and Property Rights in Rural Peru 1994-2004", August 2006. WIDER Research Paper No. 2007/72
 - Field, Erica, 2007. "Entitled to Work: Urban Tenure Security and Labor Supply in Peru." *Quarterly Journal of Economics*, 4(122): 1561-1602.
 - Mitchell, Timothy, 2005. "The Work of Economics: How a discipline makes its world", *European Journal of Sociology* 6 (2): 297-320.

Class 3- Thursday, June 5th: Credit markets, Savings and Targeting

Empirical Papers

- Ambler, K., D. Aycinena, D. Yang (2014) "Subsidizing Remittances for Education: A Field Experiment Among Migrants from El Salvador". University of Michigan, mimeo.
 - See also: Ashraf, A, D. Aycinena, C. Martínez, and D. Yang (2013). "Savings in Transnational Households: A Field Experiment among Migrants from El Salvador". Mimeo.
- Angelucci, M., D. Karlan, and J. Zinman (2013) "Microcredit Impacts: Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco". University of Michigan, mimeo.
- deJanvry, A., C. McIntosh, E. Sadoulet (2010) "The Supply- and Demand-Side Impacts of Credit Market Information". *Journal of Development Economics* 93(2).
- Karlan, D. and B. Thuysbaert (2012) "Targeting ultra-poor households in Honduras and Peru." Mimeo.

Further reading on Theory

- Ray, D (1998). **Development Economics**, Princeton University Press; Ch.14
- Bardhan, Pranab and Chris Udry, 1999, *Development Microeconomics*, OUP. Ch. 7&11

Additional references

- McConnell, Margaret, Dean Karlan, Sendhil Mullainathan and Jonathan Zinman Getting to the Top of Mind: How Reminders Increase Saving (March 2012), mimeo, Yale.
- Karlan, Dean. Social Connections and Group Banking (February 2007) *Economic Journal*, 117, pp. F52-F84.

- Macours, K, P. Premand, R. Vakis “Demand versus Returns: Pro-poor targeting of business grants and vocational skills training”, *World Bank Policy Research Working Paper*, 6389.

Class 4- Friday, June 6th (Group presentations)

Rural households in a context of multiple market imperfections: CCTs & productive investments

Empirical Papers

- Alix-Garcia, J., McIntosh, C., Sims, K., and Welch, J (2013) “The ecological footprint of poverty alleviation: Evidence from Mexico’s Oportunidades program”. *Review of Economics and Statistics*, 95(2).
- Angelucci, M, G. De Giorgi, I. Rasul (2012). “Resource pooling within family networks: Insurance and investment”. Mimeo, Michigan University.
- Gertler, P., S. Martinez, and M. Rubio-Codina (2012) “Investing Cash Transfers to Raise Long Term Living Standards”, *American Economic Journal: Applied Economics* 2012, 4(1): 164–192.
- Macours, K, P. Premand, R. Vakis (2012) “Transfers, Diversification and Household Risk Strategies: Experimental evidence with lessons for climate change adaptation.” *Policy Research Working Paper* 6053.

Further reading on Theory

- Ray, D (1998). **Development Economics**, Princeton University Press; Ch.11,15
- Bardhan, Pranab and Chris Udry, 1999, *Development Microeconomics*, OUP. Ch 8&9

Additional references

- Arias, Maria Alejandra, Ana Maria Ibañez, Andrés Zambrano, 2014. “Agricultural Production Amid Conflict: The Effects of Shocks, Uncertainty, and Governance of Non-State Armed Actors”

Class 5 - Saturday, June 7th (Group presentations)

Nutrition, Health, Early Childhood interventions

Empirical papers

- Bharadwaj, P, K.VellesenLøken, C. Neilson (2013) “Early Life Health Interventions and Academic Achievement.” *American Economic Review*, 103(5), pages 1862-91.
- Fernald LCH, Gertler PJ, Neufeld LM. “10-year effect of Oportunidades, Mexico’s conditional cash transfer programme, on child growth, cognition, language, and behaviour: a longitudinal follow-up study.” *Lancet* 2009; 374: 1997-2005
 - Comment by: Attanasio, Orazio, Costas Meghir, and Norbert Schady, “Mexico’s conditional cash transfer programme” *The Lancet* 2010; 375, 980.

- Authors' reply: Fernald LCH, Gertler PJ, Neufeld LM. "Mexico's conditional cash transfer programme" —The Lancet 2010; 375, 981.
- Gertler, Paul, James Heckman, Rodrigo Pinto, Arianna Zanolini, Christel Vermeersch, Susan Walker, Susan M. Chang, Sally Grantham-McGregor, 2013, "Labor Market Returns to Early Childhood Stimulation: a 20-year Followup to an Experimental Intervention in Jamaica", NBER 19185.
- Maluccio, J. & John Hoddinott & Jere R. Behrman & Reynaldo Martorell & Agnes R. Quisumbing & Aryeh D. Stein, 2009. "The Impact of Improving Nutrition During Early Childhood on Education among Guatemalan Adults," *Economic Journal*, Royal Economic Society, vol. 119(537), pages 734-763

Further reading on Theory

- Ray, D (1998). **Development Economics**, Princeton University Press; Ch.8
- Bardhan, Pranab and Chris Udry, 1999, *Development Microeconomics*, OUP. Ch 10

Additional references

- Miller, G (2005). "Contraception as Development? New Evidence from Family Planning in Colombia" NBER Working Paper 11704.
- Barham, T., K. Macours and J. Maluccio, 2013. "Boys' Cognitive Skill Formation and Physical Growth: Long-term Experimental Evidence on Critical Ages for Early Childhood Interventions", *American Economic Review Papers and Proceedings*, 2013, 103(3): 467–471."
- Macours, K., N. Schady and R. Vakis. 2012. "Cash Transfers, Behavioral Changes, and Cognitive Development in Early Childhood: Evidence from a Randomized Experiment", *American Economic Journal: Applied Economics*, 2012, 4(2): 247–273.
- Bernal, R. and Fernández, C. Subsidized child care and child development in Colombia: Effects of Hogares Comunitarios de Bienestar as a function of timing and length of exposure (2012) *Social Sciences & Medicine*.
- Camacho, Adriana and Emily Conover. 2013 "Effects of Subsidized Health Insurance on Newborn Health in a Developing Country" *Economic Development and Cultural Change*, Forthcoming.
- Maria Fernanda Rosales, 2013. Impact of Early-Life Shocks on Human Capital Formation: Evidence from El Niño Floods in Ecuador, mimeo, University of Chicago.

Class 6 – Monday, June 9th (Group presentations)

Education, Skills and Rural Labor Markets

Empirical papers

- Behrman, Jere, Susan Parker, and Petra Todd. 2009. "Medium Term Impacts of the Oportunidades Conditional Cash Transfer Program on Rural Youth in Mexico", in Stephan Klasen and Felicitas Nowak-Lehmann, Eds., *Poverty, Inequality and Policy in Latin America*, Cambridge, MA: MIT Press.

- Barham, T., K. Macours, and J. Maluccio (2013) "More schooling and more learning? Effects of a 3-Year Conditional Cash Transfer Program in Nicaragua after 10 years". *IDB Working Paper Series No. IDB-WP 432*.
- Calderon, G, J. Cuhna, and G. De Giorgi (2013) "Business literacy and Development: A randomized control trial in rural Mexico". mimeo, UPF.
- Cabezas, V, J. Cuesta, F. Gallego (2011). "Effects of Short-Term Tutoring on Cognitive and Non-Cognitive Skills: Evidence from a Randomized Evaluation in Chile", Mimeo.

Further reading on Theory

- Ray, D (1998). **Development Economics**, Princeton University Press; Ch.13
- Bardhan, Pranab and Chris Udry, 1999, *Development Microeconomics*, OUP. Ch 6

Class 7: Tuesday, June 10th **Conditionalities or not**

Empirical papers

- Cunha, J. (2014). "Testing Paternalism: Cash versus In-Kind Transfers". *American Economic Journal: Applied Economics* 2014, 6(2): 195–230
 - See also: Cunha, J, G. De Giorgi, and S. Jayachandran, (2013). "The Price Effects of Cash Versus In-Kind Transfers", *mimeo*, Northwestern University.
- Hibrodo, M., J. Hoddinot, A. Peterman, A. Margolies, and V. Moreira (2013). "Cash, food, or vouchers? Evidence from a randomized experiment in northern Ecuador." *Journal of Development Economics*, 107 (2014) 144–156.
- Attanasio, O., V. Oppedisano, M. Vera-Hernandez (2014) "Should Cash Transfers Be Conditional? Conditionality, Preventive Care, and Health Outcomes". *American Economic Journal: Applied Economics*, forthcoming.
- Norbert Schady & Maria Caridad Araujo, 2008. "Cash Transfers, Conditions, and School Enrollment in Ecuador," *Economia: Journal of the Latin American and Caribbean Economic Association*, vol. 8, no. 2, pp. 43.

Further reading on Theory

- Baird, S., F. Ferreira, B. Ozler, M. Woolcock. (2013) "Relative Effectiveness of Conditional and Unconditional Cash Transfers for Schooling Outcomes in Developing Countries: A Systematic Review". *Journal of Development Effectiveness*.
- Camacho, Adriana, and Emily Conover. 2011. "Manipulation of Social Program Eligibility." *American Economic Journal: Economic Policy*, 3(2): 41-65.
- Barrera-Orsorio, Felipe & Marianne Bertrand & Leigh L. Linden & Francisco Perez-Calle, 2011. "Improving the Design of Conditional Transfer Programs: Evidence from a Randomized Education Experiment in Colombia," *American Economic Journal: Applied Economics*, American Economic Association, vol. 3(2), pages 167-95, April.

Class 8 – Wednesday, June 11th

Decentralization and Public goods

Empirical papers

- Galiani, S, P. Gertler and E.Schargrodsky (2005) “Water for Life: The Impact of the Privatization of Water Services on Child Mortality”. *Journal of Political Economy*, Vol 113, No. 1 (February 2005), pp. 83-120.
- Araujo, C., F. Ferreira, P.Lanjouw and B. Ozler, (2008) “Local inequality and project choice in a social investment fund”, *Journal of Public Economics*. 92: 1022-1046.
- Jack, K, and M. Recalde(2013) “Leadership and the voluntary provision of public goods: Field evidence from Bolivia”. Mimeo, Tufts University.
- Lipscomb, M, M.Mobarak, Tania Barham (2013) “Development Effects of Electrification: Evidence from the Topographic Placement of Hydropower Plants in Brazil”, *American Economic Journal: Applied Economics*, 2013, 5(2): 200–231.

Further readings:

- Litschig S, and K. Morrison (2013) “The Impact of Intergovernmental Transfers on Education Outcomes”. Unpublished manuscript.
- deJanvry, A, F. Finan, E. Sadoulet (2011). “Local Electoral Incentives and Decentralized Program Performance” *Review of Economics and Statistics*, 94(3): 672-685.

Class 9 – Thursday, June 12th (Group presentations)

Mobility

- Sebastian Galiani, 2010. “Social Mobility: What is it and why does it matter?”, CEDLAS, Working Papers 0101, CEDLAS, Universidad Nacional de La Plata.
- Behrman, J.R., A. Gaviria, and M. Székely (2001). “Intergenerational Mobility in Latin America”, Research Department Publications 4267, Inter-American Development Bank, Research Department.
- Cogneau, D. and J. Gignoux (2005). “Earnings inequalities and educational mobility in Brazil over two decades”. Ibero-America Institute for Economic Research (IAI), Discussion Papers 121.

Further reading on Theory

- Fields, G. (2005) “The Many Facets of Economic Mobility”, Cornell University.
- Ferreira, F, J. Messina, J. Rigolini, L.F. Lopez-Calva, M.A. Lugo, R. Vakis (2013). *Economic Mobility and the Rise of the in Latin American Middle Class*. World Bank Latin American and Caribbean Studies. Ch. 1 and 2.

Class 10- Friday, June 13th (Group presentations)

Preferences and aspirations

Empirical papers

- Chuang, Y. and Schechter, L. (2011). "Stability of Social, Risk, and Time Preferences Over Multiple Years," mimeo, University of Wisconsin-Madison.
- La Ferrara, E., A. Chong, and Duryea A. (2012) "Soap Operas and Fertility: Evidence from Brazil." *American Economic Journal: Applied Economics* 2012, 4(4): 1–31.
- Macours, K and R,Vakis (2014). "Changing Households' Investment Behavior through Social Interactions with Local Leaders: Evidence from a randomized transfer program", *Economic Journal*.
- Laajaj, R, 2013, "Closing the Eyes on a Gloomy Future: Psychological Causes and Economic Consequences". Unpublished manuscript.

Suggested additional empirical papers:

- Carter, M. and A. Moya (2014?). "Forced Displacement and the Formation of Hopelessness and Pessimistic Expectations in Colombia". Unpublished Manuscript.
- Bernard, T, S. Dercon, K. Orkin, and A. SeyoumTaffesse (2014) "The Future in Mind: Aspirations and Forward-Looking Behaviour in Rural Ethiopia". Unpublished manuscript.
- Beaman, L., E. Duflo, Pande. R, Topalova. P (2012). "Female Leadership Raises Aspirations and Educational Attainment for Girls: A Policy Experiment in India." *Science*, www.sciencemag.org, n. 1212382.

Suggested additional reading on theoretical framework:

- Dalton, P., S. Ghosal, and A.Mani (2010) Poverty and Aspirations Failure: A Theoretical Framework". Unpublished Manuscript.
- Bannerjee A. and S. Mullainathan, 2010, "The Shape of Temptation: Implications for the Economic Lives of the Poor." NBER, Working Paper 15973.
<http://www.nber.org/papers/w15973>

EVALUACIÓN:

Los estudiantes deberán leer y estudiar cuidadosamente los artículos empíricos asignados para cada clase. Se espera que lleguen preparados para participar de manera activa en una discusión grupal sobre las fortalezas y debilidades de cada artículo. Para esto también deberán familiarizarse con las lecturas teóricas de cada tema. Los estudiantes deberán presentar en grupo 2 artículos (uno cada semana). La evaluación final será un "referee report" (reporte critico) de un artículo asignado que no se haya discutido en clase. La nota final se computará teniendo en cuenta la participación en clase, las presentaciones y el reporte final.

CALIFICACIÓN:

Numérica de acuerdo con la escala de la Universidad de los Andes (ver Reglamento General de Estudiantes de Maestría RGEM). El profesor podrá evaluar el desempeño de los estudiantes en el curso aplicando una sola prueba que corresponda al 100% de la calificación del curso.

<http://secretariageneral.uniandes.edu.co/index.php/es/normatividad-institucional/20-normatividad-institucional/74-reglamento-general-de-estudiantes-de-maestria>

FECHA DE RETIRO:

El estudiante podrá retirar el curso, sin devolución, hasta un día hábil antes de la fecha del examen final estipulado por el Profesor. La Universidad no devolverá el dinero cancelado por concepto de matrículas de estos cursos de la Escuela de Verano.