Development microeconomics

ECTS : 3

Description du contenu de l'enseignement :

Beyond the obvious differences in standards of living, what distinguishes developing countries (DCs) from developed countries is the functioning of markets, which are more frequently failing in DCs. Taking this into account is of primary importance to understand the behavior of households in developing countries and to design policies able to successfully fight against poverty. The course studies these issues by addressing a number of topics in which they are relevant, both theoretically and empirically: agricultural production and rural households; credit and insurance markets; migration. Beyond the functioning of economic markets, economic outcomes are affected by non-economic factors such as participation in communal life, social and cultural norms, and identity (a person's sense of self). The course will present how these non-economic determinants that could be named 'social engineering' can influence household and individual behaviors. On this topic, theoretical models and applied research to fertility and gender discrimination will be discussed.

After attending the classes, the students will have a solid understanding of the main market failures in developing countries and non-economic factors that shape households' behaviours. A careful reading of academic papers on these subjects will give them the most up-to-date research on these issues, and the appropriate tools to understand their policy implications.

The following topics will be discussed:

1 The Economics of Farm Households

2 Risk and Insurance

3 Credit and Microfinance

4 Information, Social Learning and Technology Adoption

5 Urban-Rural Inequalities and Migration

6 Poverty, Fertility and Human Capital

7 Social preferences and Culture

8 Mental Models, Aspirations, and Identity

Compétence à acquérir :

After attending the classes, the students will have a solid understanding of the main market failures in developing countries and non-economic factors that shape households' behaviors. A careful reading of academic papers on these subjects will give them the most up-to-date research on these issues, and the appropriate tools to understand the policy implications.

Mode de contrôle des connaissances :

The final mark will be based on a presentation of a research article (this will count for 40% of the final mark) and on a written exam (60% of the final mark). Active student participation in class will count as a 10% bonus increase on the final grade.

Bibliographie, lectures recommandées :

Course readings

1. The Economics of Farm Household

To be read:

Janvry, A. D., Fafchamps, M., & Sadoulet, E. (1991). Peasant household behaviour with missing markets: some paradoxes explained. The economic journal, 101(409), 1400-1417 (**)

Feder, G., & Noronha, R. (1987). Land rights systems and agricultural development in sub-Saharan Africa. The World Bank Research Observer, 2(2), 143-169.

2. Risk and Insurance

To be read:

Dercon, S. (2008). Fate and fear: Risk and its consequences in Africa. Journal of African Economies, 17(suppl_2), ii97-ii127 (**)

3. Credit and Microfinance

To be read:

De Mel, S., McKenzie, D., & Woodruff, C. (2008). Returns to capital in microenterprises: evidence from a field experiment. The quarterly journal of Economics, 123(4), 1329-1372.

Karlan, D., & Zinman, J. (2009). Observing unobservables: Identifying information asymmetries with a consumer credit field experiment. Econometrica, 77(6), 1993-2008 (**)

4. Information, learning and agricultural technology adoption

To be read:

Magruder, J.R. (2018). An assessment of experimental evidence on agricultural technology adoption in developing countries. Annual Review of Resource Economics, 10, pp.299-316.

5. Urban-Rural inequalities and Mobility

To be read:

Lagakos, D. (2020). Urban-rural gaps in the developing world: Does internal migration offer opportunities?. Journal of Economic perspectives, 34(3), 174-192. (**)

Rosenzweig, M. R., & Stark, O. (1989). Consumption smoothing, migration, and marriage: Evidence from rural India. Journal of political Economy, 97(4), 905-926.

6. Poverty, Fertility and Human Capital

To be read:

Duflo, E., & Banerjee, A. (2011). Chap 5 Pak Sudarno's Big Family, Poor economics (Vol. 619). New York: PublicAffairs.

7. Social preferences and Culture

To be read:

Alesina, A., Giuliano, P., & Nunn, N. (2011). Fertility and the Plough. American Economic Review, 101(3), 499-503.

Munshi, K., & Myaux, J. (2006). Social norms and the fertility transition. Journal of Development Economics, 80(1), 1-38.

8. Mental Models, Identity and Aspirations

To be read:

World Development Report 2015: Mind, Society, and Behavior, Chapter 3 Thinking with mental models