Syllabus for EC 850

Professor Laura Schechter

Fall 2010

1 Administrative Details

Course meets: 12C Berkey Hall, TTh 2:40-4:00
Office: 210E Marshall-Adams Hall
E-mail: las@msu.edu
Office Hours: M 4:00-5:00, F 10:00-11:00
Website: [http://www.msu.edu/~las/EC850/EC850.html](http://www.msu.edu/~las/EC850/EC850.html)

2 Course Description

We will begin by looking at issues in the measurement of poverty, inequality, and vulnerability. These concepts are, arguably, the basis of all development economics and so deserve proper attention.

After that we will move on to look at risk-coping mechanisms, both across people and across time. We will begin with risk sharing agreements across people, both with and then without commitment. After that we will look at savings and credit which are used to smooth risk across time.

We will continue on to social networks. We will study how networks are used to share risk, find jobs, and learn about new technologies. In terms of technology adoption, we will study both the more traditional literature on technology adoption and the newer literature which incorporates social networks.

Then there will be a detour related to impact analysis. This will come in handy in the final sections relating to education, health, institutions, and corruption.

3 Prerequisites

A graduate level microeconomic theory course and a graduate level econometrics course are prerequisites for this class. Taking this course without that may be difficult for you. If you are not a Ph.D. student enrolled in either Economics or Agricultural Economics you must obtain my consent to take the course for credit.
4 Course Requirements

The due dates for assignments and distribution of points for the semester are given below. Late assignments will not be accepted.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percent</th>
<th>Date</th>
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<tbody>
<tr>
<td>Homework assignment #1</td>
<td>12%</td>
<td>Sept 21</td>
</tr>
<tr>
<td>Research idea #1</td>
<td>2.5%</td>
<td>Sept 28</td>
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<tr>
<td>Homework assignment #2</td>
<td>12%</td>
<td>Oct 5</td>
</tr>
<tr>
<td>Research idea #2</td>
<td>2.5%</td>
<td>Oct 21</td>
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<tr>
<td>Homework assignment #3</td>
<td>12%</td>
<td>Oct 26</td>
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<tr>
<td>Research idea #3</td>
<td>2.5%</td>
<td>Nov 9</td>
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<tr>
<td>Homework assignment #4</td>
<td>12%</td>
<td>Nov 23</td>
</tr>
<tr>
<td>Research idea #4</td>
<td>2.5%</td>
<td>Dec 2</td>
</tr>
<tr>
<td>Referee report and presentation</td>
<td>12%</td>
<td>Assorted Dates</td>
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<tr>
<td>Final exam</td>
<td>30%</td>
<td>Dec 17, 10:00-12:00</td>
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4.1 Research Ideas

You will write a 1-2 page (maximum) statement on a research idea of your choice related to the themes that have been covered in class. It should include the following pieces: What is your specific question? What does theory say the answer should be? What data would you need to answer the question? What estimating equation would you use and what coefficients would you expect? What identification issues will you face and how would you deal with them? You don’t need to choose your question based on data that already exists. You can write about what you would do if you had the ideal data set.

4.2 Referee Report and Presentation

Each of you will have to write a 3-5 page referee report and give a 30 minute presentation on a different paper. Each of the papers fits into a different section of the syllabus. Please e-mail me your first, second, and third choice papers by Sunday September 5. These are job market papers of students who were on the job market this past year. There are two documents posted on this course’s website which explain how one should write a referee report (thanks to Alain de Janvry and Elisabeth Sadoulet). I will also send you real example(s) of referee reports by e-mail. A referee report should include approximately one paragraph of summary and then longer sections on larger concerns and more minor concerns.

The presentations should be approximately thirty minutes long and will be held on the last class day on which we are discussing the topic into which the paper fits. Around twenty minutes of the presentation should be spent explaining what the paper does. Five minutes should be spent discussing the main contributions and the main shortcomings of the paper. The last five minutes should be spent discussing questions which are left open for future researchers on related topics. (These numbers are all quite approximate. You may vary them as you feel comfortable.) After your presentation there will be another five minutes for discussion with everyone. You should hand in your referee report on the same day as
your presentation is scheduled. The papers from which you can choose, and the approximate dates that go along with them, are listed below:

- **≈ Sept 23** Durante, R. (2009), "Risk, Cooperation and the Economic Origins of Social Trust."
- **≈ Sept 30** Kinnan, C. (2009), "Distinguishing Barriers to Insurance in Thai Villages."
- **≈ Oct 12** Feler, L. (2009), "What Happens to Local Economies When State-Owned Banks are Privatized? Evidence from Brazil."
- **≈ Nov 2** Sautmann, A. (2009), "Partner Search and Demographics: The Marriage Squeeze in India."
- **≈ Nov 18** Badiani, R. (2009), "Factories and Farms: How does Economic Growth Impact Rural Incomes and Educational Investment?"
- **≈ Dec 7** Fenske, J. (2009), "Does Land Abundance Explain African Institutions?."

### 4.3 Homework Assignments

There will be four homework assignments throughout the semester combining data analysis and theory. You will need to use Stata or some similar statistical package. The computers in the department’s computer lab have Stata, and if you do not have an account for those computers please let me know and I will help you get one. There is a handout available on the class website giving you some introductory information on how to get started in Stata. If you have more questions after looking at that please feel free to contact me.

### 4.4 Final Exam

There will be a final exam at the end of this class. I will post a sample exam closer to the end of the semester.
5 Course Outline and Readings

If you click on the title of any of the papers below it should take you directly to the paper. You may only be able to access these papers when you are logging on from a campus computer due to copyright issues. When I wrote this syllabus all of the links worked. Please let me know if any of them seem to be acting funny throughout the semester.

Although lectures may draw from any or all of these readings, you will only be required to do one reading for each class period. There is an (R) in front of the required readings. You are really required to do the readings. The readings are all quite excellent, and discussing them in class is not a substitute for reading them yourself!

5.1 Measuring Poverty, Inequality, and Vulnerability (Sept 2, 7, 9, and 14)

5.1.1 Poverty


5.1.2 Inequality

5.1.3 Vulnerability


5.2 Risk Sharing and Informal Insurance (Sept 16, 21, 23, 28, and 30)

5.2.1 Overview


5.2.2 Full Insurance


5.2.3 Limited Commitment


5.2.4 Assorted Empirical Results


5.2.5 Assorted Experimental Results


5.3 Savings (Oct 5, 7, and 12)


5.4 Social Networks, Learning, and Technology Adoption (Oct 19, 21, 22, 26, and 28, and Nov 2)

Note: I will be out of town on Thursday Oct 14 and so class is rescheduled for Friday October 22 at a yet-to-be determined time and place. Sorry for the inconvenience.

5.4.1 Risk Sharing in Social Networks


5.4.2 Job Search and Labor Markets in Social Networks


5.4.3 Technology Adoption and Learning

5.4.4 Technology Adoption With Network Data


5.5 Impact Analysis (Nov 4 and 9)


5.6 Education and Health (Nov 11, 16, 18, and 23)

5.6.1 The Returns to Schooling


5.6.2 Non-Random Evaluation of Education


5.6.3 Random Evaluation Related to Education


5.6.4 Health


5.7 Institutions (Nov 30 and Dec 2)

5.7.1 Cross-Country Results


5.7.2 Results within a Country


5.8 Corruption (Dec 7 and 9)

5.8.1 Theory


5.8.2 Corruption and Firms


5.8.3 Other Corruption Experiments