

Econ 591: Economics of Poverty Alleviation

Gaurav Chiplunkar

Spring 2018

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Instructor: Michael Boozer (michael.boozer@yale.edu)
Gaurav Chiplunkar (gaurav.chiplunkar@yale.edu)

Time: Friday, 1:00 pm to 4:00 pm

Location: A53, Watson Centre
60, Sachem Street

Office Hours: Tuesday 1:00 pm to 2:00 pm
27, Hillhouse Avenue

Course description

Econ 591 will provide a rigorous understanding of the *causes* behind poverty and examine the methods and challenges in alleviating poverty across diverse socio-economic contexts through the lens of economic research (theoretical and empirical) and policy.

There are various (potential) solutions to poverty alleviation and it is important to be able to evaluate their impact, costs, benefits etc. in different contexts. The first part of the course would therefore focus on building a toolkit of evaluation techniques. These would include instrumental variables, regression discontinuities, difference-in-differences and randomized controlled trials. This toolkit would then be used across different applications during the rest of the course.

The second part of the course will then turn to examining the causes and consequences of poverty. Poverty need not only be deprivation of income, but also capabilities and opportunities. We will therefore explore the frontier of research on the market failures, barriers and constraints faced by the “poor”. These would encompass diverse areas like inefficiencies in agricultural, labor and financial markets, barriers to access and adoption of technology, the impact of political institutions, social conflict and household dynamics across different cultures and social structures.

The course will be primarily taught by Gaurav Chiplunkar but some topics shall feature guest lectures by leading experts like Prof. Namrata Kala (MIT), Prof. Robert Shiller (Yale), Prof. Tavneet Suri (MIT), Jaya Wen (Yale) etc.

Course material

For the first part of the course, we shall refer to *Mostly Harmless Econometrics* by Angrist and Pischke and *Running Randomized Evaluations* by Glennerster and Takavarasha. Additional required readings will be uploaded every week and you are expected to read them for discussions before class. The readings will consist primarily of short news articles, academic journal articles and chapters from books.

Along with the required readings, I strongly recommend that you read some combination of *The New York Times*, *The Financial Times*, *The Wall Street Journal*, and *The Economist*. All contain excellent articles on many of the topics we will cover in class, and each is available in a web edition.

Pre-requisites for the course

This course is a *graduate level* course in applied microeconomics and is aimed at providing the rigor and tools to help understand the challenges faced in alleviating poverty, which has always been a large part of economic policy discourse. Therefore, the focus of the course would be largely empirical and policy relevant, though there will be some theoretical components where needed. Knowledge of basic econometrics and microeconomics is essential.

Course requirements and grading

Reading responses	20%
Problem set 1	20%
Problem set 2	30%
Student presentation	30%

Before every lecture, there will be one relevant reading that will be assigned. Students are expected to write a one page summary of the assigned reading before the lecture. This will count for 20% of the grade. Apart from that, there will be 2 problem sets that would be assigned during the course and would count for 50% of the grade. Finally, students would be required to form groups of three and choose a recent academic paper (published or working) in an area of mutual interest. The group would then be required to discuss and critically evaluate the paper and make a short presentation at the end of the course. This will count for 30% of the grade.

COURSE DATES

(Temporary Plan and Subject to Change)

#	<u>DATE</u>	<u>TOPICS</u>
1.	26 Jan	Introduction: Poverty and Inequality
2.	2 Feb	Evaluation methods I: Instrumental Variables
3.	9 Feb	Evaluation methods II: Regression Discontinuities
4.	16 Feb	Evaluation methods III: Difference-in-differences
5.	23 Feb	Evaluation methods IV: Randomized controlled trials
6.	2 March	Households I: Credit markets, microcredit and property rights
7.	9 March	Households II: Risk sharing, savings technologies and modern payment systems <i>Guest lecture by Prof. Tavneet Suri (MIT)</i>
<i>SPRING BREAK</i>		
8.	30 March	Firms and labor markets <i>Guest lecture by Prof. Namrata Kala (MIT)</i>
9.	6 April	Political economy and social conflict <i>Guest lecture by Jaya Wen (Yale)</i>
10.	13 April	Financial markets <i>Guest lecture by Prof. Robert Shiller (Yale)</i>
11.	20 April	Student presentations I
12.	27 April	Student presentations II
13.	4 May	Student presentations III <i>(Optional, in case required)</i>

COURSE DETAILS

Lectures will usually be a combination of both slides as well as the traditional blackboard. I will upload slides before lectures wherever applicable, but please remember to bring the required material you would need to take notes in class. The topics that would be covered are listed below:

Lecture 1: 26 January 2018

Introduction: Poverty and Inequality

- ** Banerjee, A., and Duflo, E. 2007. "The economic lives of the poor." *Journal of Economic Perspectives*, 21(1): 141-168.
- Deaton, A., 2005. "Measuring poverty in a growing world (or measuring growth in a poor world)." *The Review of Economics and Statistics*, 87(1), pp.1-19.
- Ravallion, M., 2001. "Growth, inequality and poverty: Looking beyond averages." *World development*, 29(11), pp.1803-1815.
- Ravallion, M., 2003. "The debate on globalization, poverty and inequality: Why measurement matters". *International Affairs*, 79(4), 739-753.
- World Bank 2016. "Monitoring global poverty report".
- The Economist, Sept. 2017. "Great strides have been made against disease and poverty".
<https://www.economist.com/news/international/21728905-report-gates-foundation-spells-out-biggest-risks-future-progress-great?zid=301&ah=e8eb01e57f7c9b43a3c86461>

Lectures 2-5: 2, 9, 16 and 23 February 2018

Evaluation Methods

Instrumental Variables

- ** Acemoglu, D., Johnson, S. and Robinson, J.A., 2001. "The colonial origins of comparative development: An empirical investigation". *American Economic Review*, 91(5), pp.1369-1401.
- Angrist, J.D. and Krueger, A.B., 1991. "Does compulsory school attendance affect schooling and earnings?." *The Quarterly Journal of Economics*, 106(4), pp.979-1014.
- Angrist, J.D. and Krueger, A.B., 2001. "Instrumental variables and the search for identification: From supply and demand to natural experiments." *The Journal of Economic Perspectives*, 15(4), pp.69-85.
- Angrist, J.D. and Pischke, J.S., 2008. Chapter 4. "Mostly harmless econometrics: An empiricist's companion". Princeton University Press.
- Miguel, E., Satyanath, S. and Sergenti, E., 2004. "Economic shocks and civil conflict: An instrumental variables approach." *Journal of Political Economy*, 112(4), pp.725-753.
- Sarsons, H., 2015. "Rainfall and conflict: A cautionary tale." *Journal of Development Economics*, 115, pp.62-72.

Regression Discontinuity

- Angrist, J.D. and Pischke, J.S., 2008. Chapter 6. “Mostly harmless econometrics: An empiricist’s companion”. Princeton University Press.
- Camacho, A. and Conover, E., 2011. ”Manipulation of social program eligibility.” *American Economic Journal: Economic Policy*, 3(2): 41-65.
- Dell, M. and Olken B., 2017. “The development effects of the extractive colonial economy: The Dutch cultivation system in Java”. NBER Working Paper No. 24009.
- Lee, David S., and Lemieux, T., 2010. ”Regression discontinuity designs in economics.” *Journal of Economic Literature*, 48(2): 281-355.
- ** Lucas, A.M. and Mbiti, I.M., 2014. “Effects of school quality on student achievement: Discontinuity evidence from Kenya”. *American Economic Journal: Applied Economics*, 6(3), pp.234-263.

Difference in Differences

- Angrist, J.D. and Pischke, J.S., 2008. Chapter 5. “Mostly harmless econometrics: An empiricist’s companion”. Princeton University Press.
- ** Duflo, E., 2001. ”Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment.” *American Economic Review*, 91(4): 795-813.
- Di Tella, R., and Schargrodsky, E. 2004. “Do police reduce crime? Estimates using the allocation of police forces after a terrorist attack”. *The American Economic Review*, 94(1), 115-133.
- Muralidharan, K. and Prakash, N., 2017. “Cycling to school: Increasing secondary school enrollment for girls in India”. *American Economic Journal: Applied Economics*, 9(3), pp.321-50.

Randomized Controlled Trials

- ** Banerjee, A., Kumar, S., Pande, R. and Su, F. 2011. “Do informed voters make better choices? Experimental evidence from urban India”. Unpublished manuscript.
- Banerjee, A. and Duflo, E., 2017. Handbook of Economic Field Experiments, Volume 1 and Volume 2.
- Banerjee, A., Duflo, E. and Kremer, M., 2016. “The influence of randomized controlled trials on development economics research and on development policy”. <https://economics.mit.edu/files/13847>.
- Banerjee, A., Banerji, R., Berry, J., Duflo, E., Kannan, H., Mukerji, S., Shotland, M. and Walton, M., 2017. “From proof of concept to scalable policies: Challenges and solutions, with an application”. *Journal of Economic Perspectives*, 31(4), pp.73-102.
- Deaton, A. and Cartwright, N., 2016. “The limitations of randomized controlled trials”. <https://voxeu.org/article/limitations-randomised-controlled-trials>
- Deaton, A. and Cartwright, N., 2017. “Understanding and misunderstanding randomized

controlled trials”. *Social Science & Medicine*.

- Hammer, Jeffery. 2017. “Randomized controlled trials for development? Three problems”. Brookings.
<https://www.brookings.edu/blog/future-development/2017/05/11/randomized-control-trials-for-development-three-problems/>
- The Economist. 2013. “Randomized control trials: Coming of age”.
<https://www.economist.com/blogs/freeexchange/2013/12/randomised-control-trials>

Class 6: 2nd March 2018

Credit markets, microcredit and property rights

- ** Banerjee, A., Duflo, E., Glennerster, R. and Kinnan, C., 2015. “The miracle of microfinance? Evidence from a randomized evaluation”. *American Economic Journal: Applied Economics*, 7(1), pp.22-53.
- Barnhardt, S., Field, E. and Pande, R., 2017. “Moving to opportunity or isolation? Network effects of a randomized housing lottery in urban India”. *American Economic Journal: Applied Economics*, 9(1), pp.1-32.
- Burgess, R. and Pande, R., 2005. “Do rural banks matter? Evidence from the Indian social banking experiment”. *American Economic Review*, 95(3), pp.780-795.
- Field, E., 2007. “Entitled to work: Urban property rights and labor supply in Peru”. *The Quarterly Journal of Economics*, 122(4), pp.1561-1602.
- Karlan, D. and Zinman, J., 2009. “Observing unobservables: Identifying information asymmetries with a consumer credit field experiment”. *Econometrica*, 77(6), pp.1993-2008.

Class 7: 9th March 2018

Risk sharing, savings technologies and modern payment systems

(Guest lecture by Tavneet Suri, MIT)

- ** Jack, W. and Suri, T., 2014. “Risk sharing and transactions costs: Evidence from Kenya’s mobile money revolution”. *American Economic Review*, 104(1), pp.183-223.
- Jack, W. and Suri, T., 2016. “The long-run poverty and gender impacts of mobile money”. *Science*, 354(6317), pp.1288-1292.
- Shiller, R. “What is Bitcoin really worth? Don’t even ask”. *New York Times*. December 2017. <https://www.nytimes.com/2017/12/15/business/bitcoin-investing.html>
- “The Great Chain of Being Sure About Things,” Economist Article, October 2015.
- “Bitcoin: Economics, Technology, and Governance,” Rainer Bhme, Nicolas Christin, Benjamin Edelman and Tyler Moore, *Journal of Economic Perspectives*, Spring 2015.

Class 8: 30th March 2018**Firms and labor markets**

(Guest lecture by Namrata Kala, MIT)

- Banerjee, A. V., and Duflo, E., 2014. “Do firms want to borrow more? Testing credit constraints using a directed lending program”. *Review of Economic Studies*, 81(2), 572-607.
- ** Bloom, N., and Van Reenen, J., 2010. “Why do management practices differ across firms and countries?”. *Journal of Economic Perspectives*. 24(1), 203-24.
- Bloom, N., et al., 2013. “Does management matter? Evidence from India”. *The Quarterly Journal of Economics*, Volume 128, Issue 1, 1 February 2013, Pages 151.
- Bloom, N. et al., 2018. “Do management interventions last? Evidence from India”. No. w24249. National Bureau of Economic Research.
- De Mel, S., McKenzie, D. and Woodruff, C., 2008. “Returns to capital in microenterprises: Evidence from a field experiment.” *The Quarterly Journal of Economics* 123.4: 1329-1372.
- Fletcher, E., Pande, R. and Moore, C.M.T., 2017. “Women and work in India: Descriptive evidence and a review of potential policies”. Working paper.
- Topalova, P. and Khandelwal, A., 2011. “Trade liberalization and firm productivity: The case of India.” *Review of Economics and Statistics* 93.3 pp 995-1009.

Class 9: 6th April 2018**Political economy and social conflict**

(Guest lecture by Jaya Wen, Yale)

- Acemoglu, D., Johnson, S., & Robinson, J. A. 2005. “Institutions as a fundamental cause of long-run growth”. *Handbook of Economic Growth*, 1, 385-472.
- Blattman, C. and Miguel, E., 2010. “Civil war”. *Journal of Economic Literature*, 48(1), pp.3-57.
- ** Dube, O. and Vargas, J.F., 2013. “Commodity price shocks and civil conflict: Evidence from Colombia”. *The Review of Economic Studies*, 80(4), pp.1384-1421.
- Engerman, Stanley L., and Sokoloff, K. 2005. “Institutional and Non-Institutional Explanations of Economic Differences”. *Handbook of New Institutional Economics*, edited by C Menard and M.M. Shirley, 63965. Amsterdam: Springer.
- Ray, D. and Esteban, J., 2017. “Conflict and Development”. *Annual Review of Economics*, 9, pp.263-293.