

WWS 562c
ECONOMIC ANALYSIS OF DEVELOPMENT
Spring 2008

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REQUIREMENTS:

The course will require completion of three problem sets, a policy memo, a midterm and final exam. The weight of each in the final grade is as follows:

Problem sets:	30 %
Midterm exam:	25 %
Policy memo:	15 %
Final exam:	30 %

The problem sets will contain questions that are similar to those that will be on the two exams. Problem sets must be turned in one week after they are distributed. Except in unusual circumstances (e.g. a health or family problem), late problem sets will not be accepted. The problem sets will be discussed in precepts.

The policy memo will focus on foreign aid. I will provide data for the analysis needed for the memo. *The memo will require you to do some econometric analysis at the level of WWS507c. If you are not able to do so, you should take 562b.* Readings for the memo are found in Section 6.

Prerequisites: WWS511c and WWS507c
This course is not open to undergraduates.

December 2007

COURSE OUTLINE:

1) Economic Growth and Economic Development (Feb. 4, 6, 11, 13, 18, 20)

- a) Growth Models
- b) Health and Growth
- c) Institutions and Growth

2) Poverty and Inequality (Feb 25)

- a) Measurement Issues

3) Investments in Education (Feb. 27, March 3, 5, 10)

- a) Education and Income Generation
- b) Education and Health Status
- c) Education Production

Midterm exam: March 12 (last day before spring break)

4) Orphans in Africa (March 24, 26)

- a) Schooling Outcomes
- b) Child Survival
- c) Risky Behaviors

5) Labor Markets in Developing Countries

- a) Farm Household Models (March 31)
- b) Efficiency Wages, Nutritional Wages and Nutrition (April 2)
- c) Intrahousehold Decisionmaking (April 7)

6) Foreign Aid (April 9, 14)

7) Investments in Health (April 16, 21, 23)

- a) Issues in health policy

8) Poverty Alleviation (April 28, April 30)

- a) Land reform
- b) Conditional and unconditional cash transfer programs

These dates are approximate. Some topics will take longer than the time allotted. As the semester unfolds, we will adjust the times, but they are provided here to give you a sense of the timing.

READINGS

Section 1. Economic Growth and Economic Development

A. GROWTH MODELS

Chapters 3 and 4 in *Development Economics*, Debraj Ray, Princeton University Press.

Mankiw, N. Gregory, David Romer, and David N. Weil. 1992. "A contribution to the empirics of economic growth." *Quarterly Journal of Economics* 107(2): 407-437.

Easterly, William. 1999. "Life During Growth." *Journal of Economic Growth* 4, 239-276.

B. HEALTH AND GROWTH

Acemoglu, Daron and Simon Johnson, 2005. "Disease and Development: The Effect of Life Expectancy on Economic Growth." mimeo.

C. INSTITUTIONS AND GROWTH

Acemoglu, Daron, Simon Johnson and James A. Robinson. 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution." *Quarterly Journal of Economics*, 1231-1294.

Glaeser, la Porta, Lopez-de-Silanes, and Shleifer. 2004. "Do Institutions Cause Growth?" *Journal of Economic Growth* 9, 271-303.

Section 2. Poverty and Inequality

A. MEASUREMENT

Deaton, Angus. 1997. A Welfare, poverty and distribution,@ Chapter 3 in *The Analysis of Household Surveys* Baltimore: Johns Hopkins University Press for the World Bank.

Atkinson, Anthony A. and Andrea Brandolini. 2001. "Promises and Pitfalls in the Use of 'Secondary' Data-Sets: Income Inequality in OECD Countries as a Case Study." *Journal of Economic Literature* 39(3), 771-99.

Section 3. Investments in Education

A. EDUCATION AND INCOME GENERATION

Psacharopoulos, George. 1994. "Returns to investment in education: a global update," *World Development*, 22, 1325-1343.

Duflo, E. 2001. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence From an Unusual Policy Experiment," *American Economic Review*, 91, 795-813.

B. EDUCATION AND HEALTH STATUS

Behrman, Jere R. and Barbara L. Wolfe. 1989. "Does more schooling make women better nourished and healthier? Adult sibling random and fixed effects estimates for Nicaragua," *Journal of Human Resources*, 24, 644-663.

C. EDUCATIONAL PRODUCTION

Angrist, Joshua D. and Victor Lavy, 1997. "Using Maimonides' rule to estimate the effect of class size on scholastic achievement," *Quarterly Journal of Economics*, 114(2), 533-575.

Case, Anne and Angus Deaton, 1999. "School inputs and educational outcomes in South Africa," *Quarterly Journal of Economics*, 114, 1047-84.

Lazear, Edward P., 2001. "Educational production," *Quarterly Journal of Economics* 116(3), 777-803.

Chaudhury, Nazmul, Jeffrey Hammer, et al. 2006. "Missing in Action: Teacher and Health Worker Absence in Developing Countries." *Journal of Economic Perspectives* 20(1), 91-116.

Hanushek, Eric. 1996. "Interpreting recent research on schooling in developing countries," *World Bank Research Observer*, 10, 227-46.

Section 4. Orphans in Africa

Case, Anne and Christina Paxson. 2007. "The Care and Future of Orphans in Africa." RPDS Working Paper. (This paper provides an overview of the work listed below.)

A. SCHOOLING OUTCOMES

Case, Anne and Cally Ardington. 2006. "The Impact of Parental Death on School Outcomes: Longitudinal Evidence from South Africa." *Demography* 43(3), 401- 420.

Case, Anne, Christina Paxson and Joseph Ableidinger. 2004. "Orphans in Africa: Parental Death, Poverty and School Enrollment." *Demography* 41(3), 483-508.

Ainsworth, Martha and Deon Filmer. 2006. "Inequalities in Children's Schooling: AIDS, Orphanhood, Poverty, and Gender." *World Development* 34(6), 1099-1128.

B. CHILD SURVIVAL

Bishai, David, El Daw Suliman, et al. 2003. "Does Biological Relatedness Affect Survival?" *Demographic Research* 8(9). www.demographic-research.org.

C. SEXUAL BEHAVIOR

Thurman, Tonya R., Lisanne Brown, et al. 2006. "Sexual Risk Behavior among South African Adolescents: Is Orphan Status a Factor?" *AIDS and Behavior* 10, 627-635.

Section 5. Labor Markets in Developing Countries

A. FARM HOUSEHOLD MODELS

Benjamin, Dwayne. 1992. "Household Composition Labor Markets and Labor Demand: Testing for Separation in Agricultural Household Models." *Econometrica*, 60(2), 287-322.

B. EFFICIENCY WAGES, NUTRITIONAL WAGES AND NUTRITION

Stiglitz, Joseph. 1976. "The Efficiency Wage Hypothesis, Surplus Labor, and the Distribution of Income in LDCs." *Oxford Economic Papers*, 28(2), 185-207.

Strauss, John. 1986. "Does Better Nutrition Raise Farm Productivity?" *Journal of Political Economy*, 94, 297-320.

Fogel, Robert W. 1994. "Economic Growth, Population Theory and Physiology: The Bearing of Long-Term Processes on the Making of Economic Policy." *American Economic Review*, 84(3), 369-95.

C. INTRAHOUSEHOLD DECISIONMAKING

Bertrand, Marianne, Douglas Miller and Sendhil Mullainathan. 2003. "Public Policy and Extended Families: Evidence from South Africa." *World Bank Economic Review* 17(1), 27-50.

Posel, Dorrit, J. Fairburn and Frances Lund. 2004. "Labour migration and households: a reconsideration of the effects of the social pension on labour supply in South Africa."

Ardington, Cally, Anne Case and Victoria Hosegood. 2007. "Labor Supply Responses to Large Social Transfers: Longitudinal Evidence from South Africa." NBER Working Paper 13442.

Section 6. Foreign Aid

*World Bank, "Assessing Aid: What Works, What Doesn't, and Why," 1998, Oxford University Press. Please read the "Overview" which is contained in this file. The rest of report (if you want to look at it) is online at: <http://www.worldbank.org/aid/aidtoc.htm>.

*Sachs, Jeffrey, "Can Extreme Poverty Be Eliminated?" *Scientific American*, September 2005, pp. 56-65.

Boone, Peter, "Politics and the Effectiveness of Foreign Aid," *European Economic Review*, 1996, 40: 289-329.

*Burnside, Craig and David Dollar, "Aid, Policies and Growth," *American Economic Review*, Sept. 2000, 90(4): 847-868.

Easterly, William, Ross Levine and David Roodman, "Aid, Policies and Growth: Comment," *American Economic Review*, June 2004, 94(3): 774-780.

Burnside, Craig and David Dollar, "Aid, Policies and Growth: Reply," *American Economic Review*, June 2004, 94(3): 781-784.

*Easterly, William, "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives*. Summer 2003, 17(3): 23-48.

Alesina, Alberto and Beatrice Weder, "Do Corrupt Governments Receive less Foreign Aid?" *American Economic Review*, Sept. 2002, 92(4): 1126-1137.

*Easterly, William, "The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid," *Policy Reform*, 2002, 54(4): 223-250.

*=Articles we will focus on for the foreign aid module

Section 7. Investments in Health

Case, Anne. 2001. "Does Money Protect Health Status? Evidence from South African Pensions." NBER Working Paper 8495.

Case, Anne. "Health, Income and Economic Development", in Pleskovic, B. and Stern, N. (eds.), *Annual World Bank Conference on Development Economics 2001/2002* (Washington D.C.: World Bank), 221-241.

Thomas, Duncan, Elizabeth Frankenberg et al. 2003. "Iron Deficiency and the Well-Being of Older Adults: Early Results From a Randomized Nutrition Intervention." Mimeo.

Das, Jishnu and Jeffrey Hammer. 2004. "Strained Mercy: The Quality of Medical Care in Delhi." World Bank Policy Research Working Paper 3228.

Bloom, Erik, Indu Bhushan, et al. 2006. "Contracting for Health: Evidence from Cambodia." Mimeo.

Section 8. Poverty Alleviation

LAND REFORM

Besley, Timothy and Robin Burgess. 2000. "Land Reform, Poverty Reduction and Growth: Evidence from India." *Quarterly Journal of Economics* 389-430.

Field, Erica. 2003. "Entitled to Work: Urban Property Rights and Labor Supply in Peru." Mimeo.

CONDITIONAL CASH PROGRAMS

Gertler, Paul J. and S. Boyce. 2001. "An Experiment in Incentive-Based Welfare: The Impact of PROGRESA on Health in Mexico." Mimeo.