

Economics 260: Theories of Economic Development

*University of California, Riverside
Winter 2016*

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Winter 2016 Office Hours:
Monday 10am-12pm
or by appointment

Course Description

The goal of this course is to expose students to a variety of issues and techniques that could be explored further in the writing of a dissertation. The course will focus on poverty. It combines theory, measurement and empirical papers that address issues of current importance in developing countries.

Course Requirements

The grade for the course will be calculated as a weighted average of the following components:

1. A 15-20 page final paper related to a topic on the syllabus. 50%
The paper will be due on the last day of class. It should include a 3-5 page research proposal that describes an original research question and proposes how it could be carried out.
2. A journal with 10 reaction pieces to readings on the syllabus 30%
These should have about one page of summary and one page of critical analysis for each reading. Presentation powerpoints can substitute for the summary. One RP will be due each week. Late submissions will be penalized.
3. Presentations and class participation 20%

Valuable References

- Banerjee, A., R. Benabou, and D. Mookherjee. *Understanding Poverty*. New York: Oxford University Press, 2006.
- Bardhan, P. and C. Udry. *Development Microeconomics*. New York: Oxford University Press, 1999.
- Deaton, Angus, *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*. Washington, D.C.: World Bank, 1997.
- Fields, Gary S., *Distribution and Development: A New Look at the Developing World*, New York: Russell Sage Foundation, 2001.
- Ravallion, Martin, *Poverty Comparisons*, Chur, Switzerland: Harwood Academic Publishers, 1994.

Brief Course Outline

1. Poverty: History, Concepts and Issues
2. Measures of Poverty and Vulnerability
3. Mobility: Concepts and Applications
4. Income, Assets, and the Intergenerational Transmission of Poverty
5. Multidimensional Poverty
6. Chronic poverty
7. Changes in Poverty over Time and Space
8. Conditional Cash Transfer Programs (CCTs)
9. Evaluation of Anti-Poverty Programs
10. Poverty, Institutions and Development
11. Presentation of student papers

Course Outline and Readings

1. History, Concepts and Issues

- Lipton, Michael, and Martin Ravallion, "Poverty and Policy," chapter 41 in *Handbook of Development Economics Vol. IIIB*, edited by Behrman, Jere, and T.N. Srinivasan. Amsterdam: Elsevier, 1995. Read Section 2, "The history of ideas about the poor."
- Sen, Amartya K., "Poor Relatively Speaking," *Oxford Economic Papers* 35(2): 153-69, July 1983.
- Sen, Amartya, "Poverty as Capability Deprivation," Chapter 4 in *Development as Freedom* (1999).
- Thorbecke, Erik, "The Evolution of the Development Doctrine, 1950-2005," in G. Mavrotos and A. Shorrocks (eds.), *Advancing Development*, Palgrave MacMillan, 2007.

2. Measures of Poverty and Vulnerability

Poverty

- Deaton, Angus, *The Analysis of Household Surveys: A Microeconomic Approach to Development Policy*. Washington, D.C.: World Bank, 1997. See Section 3.1.
- Fields, Gary S., *Distribution and Development: A New Look at the Developing World*, New York: Russell Sage Foundation, 2001. Read chapter 4.
- Foster, James, Joel Greer, and Erik Thorbecke, "A Class of Decomposable Poverty Measures," *Econometrica* 52(3): 761-66, May 1984.
- Foster, James, Joel Greer, and Erik Thorbecke, "The Foster-Greer-Thorbecke Poverty Measure: Twenty Five Years Later," *Journal of Economic Inequality*, 34pp., forthcoming, May 28, 2010.
- Ravallion, Martin, *Poverty Comparisons*, Chur, Switzerland: Harwood Academic Publishers, 1994.

Vulnerability

- Calvo, C. and S. Dercon, "Measuring Individual Vulnerability," Oxford University, WPS No. 229, 2005.
- Ligon, E. and L. Schechter, "Measuring Vulnerability," *Economic Journal* 113(486): 95-102, March 2003.

3. Mobility: Concepts and Applications

- Antman, Francisca, and David J. McKenzie. "Earnings Mobility and Measurement Error: A Pseudo-Panel Approach," *Economic Development and Cultural Change*, 56(1): 125-61, Oct. 2007.
- Bane, M.J. and D.T. Ellwood. "Slipping into and out of Poverty: The Dynamics of Spells." *The Journal of Human Resources*, Vol. 21, No. 1, Winter, 1986, pp. 1-23.
- Baulch, Bob and John Hoddinott, "Economic Mobility and Poverty Dynamics in Developing Countries," *Journal of Development Studies*, 36:6, 1-24, 2000.
- Cuesta, J., H. Ñopo, and G. Pizzolitto. "Using Pseudo-Panels to Measure Income Mobility in Latin America." *Review of Income and Wealth*, 57: 2, June 2011.

- Fields, Gary S. and E. Ok. "The measurement of income mobility: an introduction to the literature." In *Handbook on Income Inequality Measurement*, ed., J. Silber. Boston: Kluwer, 1999.
- Fields, Gary S., P.L. Cichello, S. Freije, M. Memendez, and D. Newhouse. "Household Income Dynamics: A Four-Country Story," *Journal of Development Studies*, 40(2): 30-54, Dec. 2003.
- Fields, Gary S., R. Duval-Hernandez, and S. Freije. "Intragenerational Income Mobility in Latin America," *Economia* 7(2): 101-43, Spring 2007.
- Jalan, J. and M. Ravallion, "Is Transient Poverty Different? Evidence for Rural China," *Journal of Development Studies*, 36(6): 82-99, 2000.
- Lanjouw, Peter, Jill Luoto, and David McKenzie. "Using Repeated Cross-Sections to Explore Movements in and out of Poverty," Policy Research Working Paper 5550, World Bank, January 2011.

4. Income, Assets, and the Intergenerational Transmission of Poverty

Assets vs. Income--1

- Carter, M., and C. Barrett, "The Economics of Poverty Traps and Persistent Poverty: An Asset-Based Approach," *Journal of Development Studies*, 42(2): 178–199, 2006.
- Lybbert, T.J., C.B. Barrett, S. Desta, and D.L. Coppock, "Stochastic Wealth Dynamics and Risk Management among a Poor Population," *Economic Journal*, 114(498): 750-777, Oct. 2004.
- Carter, M. and J. May, "One Kind of Freedom: Poverty Dynamics in Post-Apartheid South Africa," *World Development*, 29(12): 1987-2006, Dec. 2001.
- Barrett, C.B., P.P. Marenja, J. McPeak, B. Minten, F. Murithi, W. Oluoch-Kosura, F. Place, J.C. Randrianarisoa, J. Rasambainarivo, and J Wangila, "Welfare Dynamics in Rural Kenya and Madagascar," *Journal of Development Studies*, 42(2): 248-277, 2006.
- Adato, M., M. Carter, and J. May, "Exploring Poverty Traps and Social Exclusion in South Africa Using Qualitative and Quantitative Data," *Journal of Development Studies*, 42(2): 226-247, 2006.

Assets vs. Income--2

- See special issue in *Journal of Development Studies*: "Poverty Traps and Asset Dynamics," Vol. 49, No. 7, July 2013.
- Barrett, C., Carter, M., (2013). "The Economics of Poverty Traps and Persistent Poverty: Empirical and Policy Implications." *The Journal of Development Studies*, 49(7), 976-90.
- Kraay, A., and D. McKenzie, "Do Poverty Traps Exist? Assessing the Evidence." *Journal of Economic Perspectives* 28(3), 127-48, Summer 2014.
- Kwak, S., and S. Smith, (2013). "Regional Agricultural Endowments and Shifts of Poverty Trap Equilibria: Evidence from Ethiopian Panel Data." *The Journal of Development Studies*, 49(7), 955-75.
- McKay, A., and E. Perge, 2013. "How Strong is the Evidence for the Existence of Poverty Traps? A Multi-Country Assessment." *The Journal of Development Studies*, 49(7), 877-897.
- Michelson, Hope, Maria Muñiz and Kyle DeRosa, 2013. "Measuring Socio-economic Status in the Millennium Villages: The Role of Asset Index Choice," *Journal of Development Studies*, 49(7), 917-35.

- Naschold, F., 2012. “The Poor Stay Poor”: Household Asset Poverty Traps in Rural Semi-Arid India, *World Development*, 40(10), 2033-2043.
- Naschold, F., 2013.” Welfare Dynamics in Pakistan and Ethiopia – Does the Estimation Method Matter?” *The Journal of Development Studies*, 49(7), 936-954.
- Quisumbing, Agnes R. and Bob Baulch, 2013. “Assets and Poverty Traps in Rural Bangladesh,” *Journal of Development Studies*, 49(7), 898-916.
- Schindler, Kati and Lena Giesbert. “Assets, Shocks and Poverty Traps in Rural Mozambique.” Mimeo, April 2010

Intergenerational Transmission of Poverty

- Agüero, Jorge M., and Maithili Ramachandran, “The Intergenerational Effects of Increasing Parental Schooling: Evidence from Zimbabwe,” mimeo, April 2010.
- Bird, Kate, “How is Poverty Transmitted Intergenerationally and What Might be Done to Stop it in its Tracks,” paper presented at the Chronic Poverty Research Centre’s conference “Ten Years of ‘War Against Poverty’: What Have we Learned Since 2000 and What Should we do 2010-2020,” Manchester, UK, September 8-10, 2010.
- Behrman, Jere R., “Methodological Note: Using Micro Data to Understand Better the Intergenerational Transmission of Poverty in Low Income Developing Countries,” CPRC Working Paper No. 68, 2006.
- Behrman, Jere R., and M.R. Rosenzweig, “Does Increasing Women’s Schooling Raise the Schooling of the Next Generation? *American Economic Review* 92(1): 323-334, March 2002.
- Behrman, Jere R., A. Gaviria, M. Székely, N. Birdsall, and S. Galiani, “Intergenerational Mobility in Latin America,” *Economía*, 2(1):1-44, Fall, 2001.
- Black, Sandra E., P.J. Devereux, and K.G. Salvanes, “Why the Apple Doesn't Fall Far: Understanding Intergenerational Transmission of Human Capital,” *American Economic Review*, 95(1): 437-449, Mar., 2005.

5. Multi-Dimensional Poverty

- Alkire, S. and J.E. Foster. “Counting and Multidimensional Poverty Measurement.” *Journal of Public Economics*, 95, 2011, pp. 476-487.
- Alkire, S. J.E. Foster. “Understandings and Misunderstandings of Multidimensional Poverty Measurement.” OPHI Working Paper No. 43, May 2011.
- Anand, S., and A. Sen. *Concepts of Human Development and Poverty: A Multidimensional Perspective*. New York: UNDP, 1997.
- Atkinson, A., “Multidimensional Deprivation. Contrasting Social Welfare and Counting Approaches.” *Journal of Economic Inequality*, 1(1), 2003, 51-65
- Bourguignon, F., and S. Chakravarty. “The Measurement of Multidimensional Poverty.” *Journal of Economic Inequality*. 1(1), 2003, 25-49.
- Ferreira, F. H. G., and M. A. Lugo, “Multidimensional Poverty Analysis: Looking for a Middle Ground.” *The World Bank Research Observer*, 28 (2), 220-235, August, 2013.
- Kakwani, N. and J. Silber, “Multidimensional Poverty Analysis: Conceptual Issues, Empirical Illustrations and Policy Implications: Introduction.” Introduction to special issue of *World Development*, 36(3), 2008, 987-91. [Note: Please do not do a reaction piece to this article.]

- Kakwani, N. and J. Silber. *The Many Dimensions of Poverty*. New York: Palgrave MacMillan (for UNDP), 2007.
- Ravallion, M. "On Multidimensional Indices of Poverty." *Journal of Economic Inequality*, 9, 235-48, 2011.
- Thorbecke, E. "Multidimensional Poverty: Conceptual and Measurement Issues," in *The Many Dimensions of Poverty*, Kakwani, N. and J. Silber (eds.), New York: Palgrave MacMillan (for UNDP), 2007. (Conference version of paper, 2005).
- Social Indicators Research*, 112 (2), 2013. Special issue on multidimensional poverty.

6. Chronic Poverty

- Clark, D., and D. Hulme, "Poverty, Time and Vagueness: Integrating the Core Poverty and Chronic Poverty Frameworks." *Cambridge Journal of Economics*, 34, 347-66, 2010.
- Dercon, S., J. Hoddinott, and T. Woldehanna, "Growth and Chronic Poverty: Evidence from Rural Communities in Ethiopia." *The Journal of Development Studies* 48:2, 238-53, 2012.
- Foster, J. E., "A Class of Chronic Poverty Measures." Working Paper No. 07-W01, Department of Economics, Vanderbilt University, January, 2007.
- Green, M., and D. Hulme, "From Correlates and Characteristics to Causes: Thinking About Poverty from a Chronic Poverty Perspective." *World Development* 33(6): 867-79, 2005.
- Duclos, J.Y., A. Araar, and J. Giles, "Chronic and Transient Poverty: Measurement and Estimation, with Evidence from China." *Journal of Development Economics* 91, 266-77, 2010.

7. Changes in Poverty over Time and Space

Growth, Distribution, and the Sectoral Components of Growth

- Datt, G. and M. Ravallion, "Growth and Redistribution Components of Changes in Poverty Measures: A Decomposition with Applications to Brazil and India in the 1980s." *Journal of Development Economics* 38: 275-95, 1992.
- de Janvry, Alain, and Elisabeth Sadoulet, "Agricultural Growth and Poverty Reduction: Additional Evidence," *The World Bank Research Observer*, 25(1), February 2010.
- Ferreira, F., P. Leite, M. Ravallion, "Poverty Reduction without Economic Growth?: Explaining Brazil's Poverty Dynamics, 1985–2004." *Journal of Development Economics*, 93: 20-36, 2010.
- Ravallion, Martin, and Shaohua Chen, "China's (Uneven) Progress Against Poverty," *Journal of Development Economics*, 82:1-42, 2007.
- Ravallion, Martin, and Guarav Datt, "Why Has Economic Growth Been More Pro-Poor in Some States of India than Others," *Journal of Development Economics*, 68, 381-400, 2002.

Poverty Mapping

- Agostini, Claudio A., Philip H. Brown, and Andrei Roman, "Poverty and Inequality among Ethnic Groups in Chile," *World Development*, 38(7): 1036-46, July 2010.
- Elbers, C., Lanjouw, J. and Lanjouw, P., "Micro-Level Estimation of Poverty and Inequality." *Econometrica* 71(1): 355-364, 2003.

- Elbers, C., T. Fujii, P. Lanjouw, B. Özler, and W. Yin, “Poverty Alleviation Through Geographic Targeting: How Much Does Disaggregation Help?” *Journal of Development Economics*, 83: 198–213, 2007.
- Elbers, C., P. Lanjouw, P.G. Leite, “Brazil within Brazil: Testing the Poverty Map Methodology in Minas Gerais,” World Bank Policy Research Working Paper 4513, Feb. 2008.
- Tarozzi, Alessandro, and Angus Deaton, “Using Census and Survey Data to Estimate Poverty and Inequality for Small Areas,” *The Review of Economics and Statistics*, 91(4): 773–792, Nov. 2009.

8. Conditional Cash Transfer Programs (CCTs)

- Agüero, Jorge; Michael Carter and Ingrid Woolard. “The Impact of Unconditional Cash Transfers on Nutrition: The South African Child Support Grant.” Mimeo, 2009.
- Alatas, V., A. Banerjee, R. Hanna, B. Olken, and J. Tobias. “Targeting the Poor: Evidence from a Field Experiment in Indonesia.” *American Economic Review* 102:4 (Jun 2012): 1206-1240. (Working paper version, May 2010).
- Angelucci, Manuela, and Giacomo De Giorgi. “Indirect Effects of an Aid Program: How do Cash Transfers Affect Ineligibles’ Consumption?” *American Economic Review* 99:1, 486–508, 2009.
- Barrera-Osorio, Felipe, M. Bertrand, L.L. Linden, F. Perez-Calle, “Conditional Cash Transfers in Education: Design Features, Peer and Sibling Effects: Evidence from a Randomized Experiment in Colombia,” NBER Working Paper 13890, March 2008.
- Das, Jishnu, Quy-Toan Do, and Berk Özler, “Reassessing Conditional Cash Transfer Programs,” *World Bank Research Observer*, 20(1): 57-80, Spring 2005.
- de Janvry, Alain, F. Finan, and E. Sadoulet, R. Vakis. “Can Conditional Cash Transfer Programs Serve as Safety Nets in Keeping Children at School and From Working when Exposed to Shocks?” *Journal of Development Economics* 79: 349-73, 2006.
- de Janvry, Alain, and E. Sadoulet. “Making Conditional Cash Transfer Programs More Efficient: Designing for Maximum Effect of the Conditionality.” *The World Bank Economic Review* 20:1, 1-29, 2006.
- Del Carpio, Ximena V., and Karen Macours, “Leveling the Intra-household Playing Field: Compensation and Specialization in Child Labor Allocation,” mimeo June 2009.
- Ferreira, Francisco H. G., D. Filmer, and N. Schady, “Own and Sibling Effects of Conditional Cash Transfer Programs Theory and Evidence from Cambodia,” World Bank Policy Research Working Paper 5001, July 2009.
- Fiszbein, A., N. Schady. *Conditional Cash Transfers: Reducing Present and Future Poverty*. Washington, D.C.: World Bank, 2009.
- Heinrich, C. “Demand and Supply-Side Determinants of Conditional Cash Transfer Program Effectiveness.” *World Development* 35:1, 121-43, 2007.
- Rawlings, Laura B. and Gloria M. Rubio, “Evaluating the Impact of Conditional Cash Transfer Programs,” *World Bank Research Observer*, 20(1): 29-55, Spring 2005.

CCTs and Potential Synergies

- Hoddinott, John, “Social Safety Nets and Productivity Enhancing Investments in Agriculture.” International Food Policy Research Institute, mimeo, January 2008.

- Macours, K., P. Premand, R. Vakis, “Transfers, Diversification and Household Risk Strategies: Experimental Evidence with Lessons for Climate Change Adaptation.” World Bank Policy Research Working Papers 6053, April 2012.
- Todd, J., P. Winters and T. Hertz, “Conditional Cash Transfers and Agricultural Production: Lessons from the Oportunidades Experience in Mexico,” *Journal of Development Studies*, 46(1), January 2010.
- Sabates-Wheeler, R., S. Devereux, B. Guenther, “Building Synergies Between Social Protection and Smallholder Agricultural Policies.” Future Agriculture Consortium, Working Paper 006, January 2009.

9. Evaluation of Anti-Poverty Programs

- Barrett, Christopher, and Michael Carter, “The Power and Pitfalls of Experiments in Development Economics: Some Non-Random Reflections.” *Applied Economic Perspectives and Policy*, Vol. 32, No. 4, pp. 515-48, 2010.
- Duflo, Esther, R. Glennerster, and M. Kremer, “Using Randomization in Development Economics Research: A Toolkit.” Chapter 61 in *Handbook of Development Economics Vol. 4*, edited by T. P. Schultz, and J. Strauss. Amsterdam: Elsevier, 2008.
- Gertler, Paul, Sebastian Martinez, Patrick Premand, Laura B. Rawlings, and Christel M.J. Vermeersch, 2011. *Impact Evaluation in Practice*, The World Bank, <http://www.worldbank.org/ieinpractice>.
- Pritchett, Lant, and Justin Sandefur, “Context Matters for Size: Why External Validity Claims and Development Practice Don’t Mix,” Center for Global Development Working Paper 336, August 2013.
- Ravallion, Martin, “Evaluating Anti-Poverty Programs.” Chapter 59 in *Handbook of Development Economics Vol. 4*, edited by T. P. Schultz, and J. Strauss. Amsterdam: Elsevier, 2008.
- Todd, Petra E., “Evaluating Social Programs with Endogenous Program Placement and Selection of the Treated.” Chapter 60 in *Handbook of Development Economics Vol. 4*, edited by T. P. Schultz, and J. Strauss. Amsterdam: Elsevier, 2008.

10. Poverty, Institutions and Development

- Acemoglu, D., Johnson, S., Robinson, J. “The Colonial Origins of Comparative Development: An Empirical Investigation.” *The American Economic Review* 91(5), pp. 1369-1401, 2001.
- Acemoglu, D. Johnson, S., Robinson, J. “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution.” *The Quarterly Journal of Economics*, 117(4), pp. 1231-1294, 2005.
- Alsan, M. “The Effect of the TseTse fly on African Development.” *The American Economic Review* 105(1), pp. 382-410, 2014.
- Banerjee, A. & Iyer, L. “History, Institutions and Economic Performance: the Legacy of Colonial Land Tenure Systems in India.” *The American Economic Review* 95(4), pp. 1190-1213, 2005.
- Engerman, S. & Sokoloff, K. (2000) “History Lessons: Institutions, Factor Endowments, and Paths of Development in the New World.” *Journal of Economic Perspectives* 14(3), pp. 217-232, 2000.

- Dell, M. "The Persistent Effects of Peru's Mining *Mita*." *Econometrica* 78(6), pp 1863-1903, 2010.
- Michalopoulos, S. & Pappiaouanou, E. "National Institutions and Subnational Development in Africa." *Quarterly Journal of Economics* 129(1), 151-213, 2014.
- Nunn, N. & Puga, D. "Ruggedness: The Blessing of Bad Geography in Africa." *Review of Economics and Statistics* 94(1), pp. 20-36, 2012.
- Spolaore, E. & Wacziarg, R. "How Deep are the Roots of Economic Development?" *Journal of Economic Literature* 51(2), pp. 325-369, 2013.