

Ec549 DEVELOPMENT and GROWTH
Course Outline and Reading List
Michaelmas Term, 2024-25

Weeks 1-4: Prof Maitreesh Ghatak

Course Related Information

Lecture times: Monday 10AM-12PM SAL.G.15 and Tuesday 3-4PM SAL.G.17

Administrative Assistant: Sadia Ali (s.ali43@lse.ac.uk)

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Office hours: Monday 12.15pm-1.15pm

Please sign up here for an appointment:

<https://docs.google.com/spreadsheets/d/1NmdBhBGNXaPPwNWI7bKlfB0MFpEL1fkhO7dOICW7pRM/edit#gid=1801145405>

I have also started this year on a trial basis a live document where I will comment on some questions and comments that come up during lecture with further references and thoughts. You are welcome to comment on this document (please add your full name and email).

<https://docs.google.com/document/d/14yZiZ7p9LuEw2qElmB470iXhjbu4ZIM5o2q-gDrJbWM/edit?usp=sharing>

Evaluation

There is no final examination for this course. There will be one take-home problem-set for my part in the Autumn Term. Problem set questions may include solving a theoretical exercise, discussing and suggesting empirical identification strategies for specific papers, or writing a referee report on a recent unpublished working paper. I will give out the problem set by the end of week 3 and it will be due in two weeks. It should be emailed to me by midnight of the due date.

Readings

Lecture notes (slides) will be posted on Moodle. Please note that I have posted lecture slides from last year for your convenience and will post revised versions *after* the lecture.

Papers or sections of papers marked with * will be covered during lecture. Students are expected to have at least browsed the starred readings before the lecture. Non-starred readings will not be discussed in detail (or at all) but are listed to guide further study on each of the topics.

We may not be able to cover all the starred readings depending on the pace at which we can progress. My emphasis would be to cover readings in depth rather than trying to cover too many papers.

Background Reading

For the empirical methods used in this course, a very good basic background reading is the textbook by Joshua D. Angrist & Jörn-Steffen Pischke called *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press, 2009. Another good book that focuses on applications (including Stata and R programmes) is Scott Cunningham's *Causal Inference: The Mixtape*, Yale University Press, 2021 which is available online for free here - <https://mixtape.scunning.com/>

I have posted some introductory notes on empirical and theoretical tools used in the course on Moodle.

Here are two essays by me on the method of randomized control trials in development economics in light of the Nobel Prize given in 2019 to Abhijit Banerjee, Esther Duflo, and Michael Kremer for their experimental approach to alleviating global poverty:

<https://www.ideasforindia.in/topics/miscellany/what-lies-behind-this-years-economics-nobel.html>

<https://voxdev.org/topic/methods-measurement/randomised-control-trials-limits-and-broader-application>

Here are some articles that discuss methodological aspects of research in development economics (and in some cases, more broadly public policy), including the pros and cons of using RCTs (*in chronological order*):

- Buera, Francisco J., Joseph P. Kaboski, and Robert M. Townsend (2023): “[From Micro to Macro Development](#)”, *Journal of Economic Literature*, 61(2), pp. 471-503.
- Kremer, Michael, Gautam Rao, and Frank Schilbach (2019): [Behavioral development economics](#), *Handbook of Behavioral Economics: Applications and Foundations 1*, Volume 2, 2019, Pages 345-458, Elsevier.
- Banerjee, Abhijit Vinayak. 2020. [Field Experiments and the Practice of Economics](#). *American Economic Review*, 110 (7): 1937-51.
- Angus Deaton (2020): [Randomization in the Tropics Revisited: a Theme and Eleven Variations](#), NBER Working Paper No. 27600, July 2020.
- Michel Abramowicz and Ariane Szafarz (2019): [Ethics of Randomized Controlled Trials: Should Economists Care about Equipoise?](#) ULB Working Paper.

- <https://bostonreview.net/forum/economics-after-neoliberalism/ethan-bueno-de-mesquita-perils-quantification>
- Angus Deaton and Nancy Cartwright (2018): [Understanding and Misunderstanding Randomized Controlled Trials](#), *Social Science & Medicine*, Volume 210, August 2018, Pages 2-21. (This is a special issue of the journal that is on the topic of Randomized Controlled Trials and Evidence-based Policy: A Multidisciplinary Dialogue, with several other useful articles).
- Susan Athey and Guido W. Imbens (2017): The Econometrics of Randomized Experiments, *Handbook of Economic Field Experiments*, Chapter 3, Volume 1, 2017, Pages 73-140
- Paul J. Gertler, Sebastian Martinez, Patrick Premand, Laura B. Rawlings, and Christel M. J. Vermeersch (2016): [Impact Evaluation in Practice](#), Second Edition, World Bank.
- Jonathan Morduch (2019): [The disruptive power of RCTs](#), Working Paper, New York University.
- Angus Deaton (2010): Instruments, Randomization, and Learning about Development *Journal of Economic Literature* 48: 424–455
- Angrist, Joshua D., and Jörn-Steffen Pischke. 2010. The Credibility Revolution in Empirical Economics: How Better Research Design Is Taking the Con out of Econometrics. *Journal of Economic Perspectives*, 24 (2): 3-30.
- Abhijit V. Banerjee and Esther Duflo (2009): The Experimental Approach to Development Economics, *Annual Review of Economics*, Vol. 1: 151-178.
- Dani Rodrik (2008): [The New Development Economics: We Shall Experiment, But How Shall We Learn?](#)
- Ravi Kanbur (2005): New Directions in Development Economics: Theory or Empirics? A Symposium in *Economic and Political Weekly*, edited by Ravi Kanbur with contributions from Abhijit V. Banerjee, Pranab Bardhan, Kaushik Basu, Ravi Kanbur and Dilip Mookherjee, *Economic and Political Weekly*, Vol. 40, No. 40, Oct. 1-7, 2005 (available on JSTOR <https://www.jstor.org/journal/econpoliweek>)
- Ethan Bueno de Mesquita (2013): ["The Aims of Public Policy Address: The Perils of Quantification"](#), Working Paper, later [published](#) in *Boston Review* in 2019.

Here is a link to some of my tips on presenting Development papers: <https://personal.lse.ac.uk/ghatak/TheoryDevt.pdf>

This is a good guide about writing articles from two researchers from the medical sciences but quite relevant for social scientists: Andrew M. Ibrahim and Justin B. Dimick (2018): Writing for Impact: How to Prepare a Journal Article, *Medical and Scientific Publishing - Author, Editor, and Reviewer Perspectives*, Chapter 9, Pages 81-92, Academic Press.
<https://www.sciencedirect.com/science/article/pii/B9780128099698000097>

Links to various useful internet resources on writing papers, accessing and analysing data, preparing for presentation: http://personal.lse.ac.uk/ghatak/Guides_for_Economists.htm

Broader perspectives on the state of the field can be found in:

- Debraj Ray (2008): [Development Economics](#), in *The New Palgrave Dictionary of Economics*, edited by Lawrence Blume and Steven Durlauf.

- Dani Rodrik (2014): [The Past, Present, and Future of Economic Growth](#), *Challenge*, 57:3, 5-39

See also the symposium on The Agenda for Development Economics - Journal of Economic Perspectives Volume 24, Number 3, Summer 2010: Articles by Deaton, Acemoglu, Ray, Rodrik, and Rosenzweig.

Here are some blogs that carry good informal pieces on development topics:

<http://voxdev.org/>
<https://blogs.worldbank.org/impactevaluations/>
<http://www.ideasforindia.in/>

This is a website that has some lecture notes on Development Economics (focusing mainly on theory) by Debraj Ray, Dilip Mookherjee, Andrew Newman, Ethan Ligon and myself.

<https://teaching.devecon.org>

This is a website with a very good set of lecture slides on macro-development:
<https://steg.cepr.org/courses/steg-virtual-course-key-concepts-macro-development>

Sources of working papers:

https://cepr.org/publications/programme_area/area?proarea=DE
<http://ibread.org/bread/papers>
<https://www.nber.org/papersbyprog/DEV.html>
<http://thred.devecon.org/>

For review articles, the following journals are the standard references in Economics, with the last two being on Development issues:

<https://www.annualreviews.org/loi/economics>
<https://www.aeaweb.org/journals/jel>
<https://www.aeaweb.org/journals/jep>
<https://academic.oup.com/wber>
<https://academic.oup.com/wbro>

Topic 1: Introduction – Concepts of Development and Some Stylized Facts

We discuss some concepts relating to development. We then look at some stylized facts, both at the aggregate (country) level as well as from household surveys that tell us how the poor live, with special focus on their consumption, income generation, as well as their access to markets and public services.

Required Readings

- * Jones, Charles I., 2016: [The Facts of Economic Growth](#), *Handbook of Macroeconomics*, 2016, Vol. 2A, pp. 3-69.
- * Banerjee, Abhijit V. and Esther Duflo (2006) [The Economic Lives of the Poor](#), April 2006, *Journal of Economic Perspectives*, Vol. 21(1), pp. 141-167
- * Acemoglu, Daron (2009): Chapter 1 in *Introduction to Modern Economic Growth*, Princeton University Press.

Additional Readings

- Karabarbounis, Loukas (2024): “Perspectives on the Labor Share”, *Journal of Economic Perspectives*, 38(2), 107-136, Spring 2024.
- Auten, Gerald, & Splinter, David. (2024). Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends. *Journal of Political Economy*, 132(7), 2179-2227.
- Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman (2024): Income Inequality in the United States: A Comment, <https://gabriel-zucman.eu/files/PSZ2024.pdf>.
- Gomez, Matthieu (2023): “Decomposing the Growth of Top Wealth Shares.” *Econometrica*, 91 (4): 983–1026.
- Fan, Tianyu, Michael Peters, and Fabrizio Zilibotti. 2023. “Growing Like India—The Unequal Effects of Service-Led Growth.” *Econometrica*, 91 (4): 1457–1494
- Alesina, Alberto F., Seror, Marlon, Yang, David Y., You, Yang, & Zeng, Weihong. (2020). Persistence despite revolutions. National Bureau of Economic Research Working Paper Series, No. 27053.
- Braun, Sebastian Till, & Stuhler, Jan. (2018). The transmission of inequality across multiple generations: testing recent theories with evidence from Germany. *The Economic Journal*, 128(609), 576–611.
- Derenoncourt, Ellora, Chi Hyun Kim, Moritz Kuhn, and Moritz Schularick (2022): Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860-2020, CEPR Discussion Paper No. DP17328.

Britto, Diogo GC, Pinotti, Paolo, & Sampaio, Breno. (2022). The effect of job loss and unemployment insurance on crime in Brazil. *Econometrica*, 90(4), 1393–1423.

Chowdhury, Shyamal, Sutter, Matthias, & Zimmermann, Klaus F. (2022). Economic preferences within families: Large-scale experimental evidence from Bangladesh. *Journal of Political Economy*, 130(9), 2367-2410.

Ray, Debraj, and Garance Genicot. 2023. “Measuring Upward Mobility.” *American Economic Review*, 113 (11): 3044–89.

Genicot, Garance, Debraj Ray, and Carolina Concha-Arriagada. 2024. “Upward Mobility in Developing Countries.” NBER Working Paper 32391.

Jones, Charles I. 2022. “The End of Economic Growth? Unintended Consequences of a Declining Population.” *American Economic Review*, 112 (11): 3490–3528.

Collins, William J., & Wanamaker, Marianne H. (2022). African American intergenerational economic mobility since 1880. *American Economic Journal: Applied Economics*, 14(1), 84–117.

Weide, Roy van der, Christoph Lakner, Daniel Gerszon Mahler, Ambar Narayan, and Rakesh Gupta (2023): “Intergenerational mobility around the world: A new database”, *Journal of Development Economics*, Volume 166, to be published in 2024.

Martínez, Lui (2022): “How Much Should We Trust the Dictator’s GDP Growth Estimates?”, *Journal of Political Economy*, 130 (10), pp 2731-2769.

Kremer, Michael, Jack Willis & Yang You (2021): [Converging to Convergence](#), NBER Working Paper 29484.

Ravallion, Martin (2022): “Growth Elasticities of Poverty Reduction,” NBER Working Paper No. 30401, August.

Berman, Yonatan (2022): [The Long-Run Evolution of Absolute Intergenerational Mobility](#). *American Economic Journal: Applied Economics*, 14 (3): 61-83.

Ghatak, Maitreesh, Ramya Raghavan, and Linchuan Xu (2022): [Trends in Economic Inequality in India](#), *The India Forum*, September 19, 2022. (click [here](#) for pdf version).

Ghatak, Maitreesh (2018): [Measures of Development—Concepts, Causality, and Context](#), in P.

Ray, R. Sarkar, and A. Sen (ed.s) *Economics, Management and Sustainability - Essays in Honour of Anup Sinha*, Singapore: Springer, 2018.

Angrist, Noam, Pinelopi Koujianou Goldberg, and Dean Jolliffe (2021): [Why Is Growth in Developing Countries So Hard to Measure?](#), *Journal of Economic Perspectives*, 35 (3), Summer 2021, pp 215–242.

Sen, Amartya (1988): The Concept of Development, Chapter 1, *Handbook of Development Economics*, Volume L Edited by H. Chenery and T.N. Srinivasan, Elsevier Science Publishers B.V., 1988.

Easterly, W. and R. Levine (2001): It's Not Factor Accumulation: Stylized Facts and Growth Models, *World Bank Economic Review*, Vol 15, No. 2, 177-219.

Jones, Charles I., and Paul M. Romer. 2010. The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital. *American Economic Journal: Macroeconomics*, 2(1): 224-45.

Corak, Miles (2013): [Income Inequality, Equality of Opportunity, and Intergenerational Mobility](#). *Journal of Economic Perspectives*, 27 (3): 79-102.

Raj Chetty et al (2017): [The fading American dream: Trends in absolute income mobility since 1940](#), *SCIENCE* 28 APR 2017 : 398-406.

Ghatak, Maitreesh (2021): [India's Inequality Problem](#), *The India Forum*, July 2, 2021.

World Bank (2018): [Fair Progress? : Economic Mobility Across Generations Around the World](#).

Dylan Matthews (2018): [The global top 1 percent earned twice as much as the bottom 50 percent in recent years](#), Vox.com.

Richard V. Reeves and Eleanor Krause (2018): [Raj Chetty in 14 charts: Big findings on opportunity and mobility we should all know](#), Brookings Social Mobility Memos, January 11, 2018.

Piketty, T. and E. Saez (2014): Inequality in the long run, *Science*, Special Section on the Science of Inequality, 23 May 2014, Vol 344, Issue 6186.

Galor, Oded (2005): From Stagnation to Growth: Unified Growth Theory, Chapter 5, *Handbook of Economic Growth*, Volume 1A. Edited by Philippe Aghion and Steven N. Durlauf, North Holland: Elsevier.

Lee, Ronald (2003): The Demographic Transition: Three Centuries of Fundamental Change, *Journal of Economic Perspectives*—Volume 17, Number 4—Fall 2003—Pages 167–190

Herrendorf, Berthold, Richard Rogerson, and Akos Valentinyi (2014): Growth and Structural Transformation, *Handbook of Economic Growth*, Chapter 6, Volume 2, Edited by Philippe Aghion and Steven N. Durlauf, Pages 1-1070.

Ravallion, Martin (2020): [On the Origins of the Idea of Ending Poverty](#), NBER Working Paper No. 27808, September 2020.

Jácome, Elisa, Ilyana Kuziemko, and Suresh Naidu (2021): “[Mobility for All: Representative Intergenerational Mobility Estimates over the 20th Century](#)”, NBER Working Paper No. 29289.

Ghatak, Maitreesh and Rishabh Kumar (2023): “[The simmering debate over poverty rate](#), *Mint*, May 4, 2023

Ghatak, Maitreesh (2022): [Estimation of poverty in India](#), Introduction to an e-Symposium for *Ideas for India*, October 10, 2022

Ghatak, Maitreesh and Rishabh Kumar (2024): [Determining how many Indians are poor today](#), *Ideas for India*, May 29, 2024.

Ghatak, Maitreesh and Rishabh Kumar (2024): [Poverty in India Over the Last Decade: Data, Debates, and Doubts](#), *The India Forum*, April 10, 2024.

Topic 2: Growth and Poverty Traps – Theory

In this topic we first review the Solow and Neoclassical models, then examine mechanisms that can lead to poverty traps, distinguishing between those that are caused by external factors (such as market imperfections or bad policies) and those that arise from choices made under extreme scarcity.

Required Readings

*Maitreesh Ghatak (2015): [Theories of Poverty Traps and Anti-Poverty Policies](#), *World Bank Economic Review*, Papers and Proceedings of the ABCDE, Vol 29 (Supplement 1): S77-S105.

*Clare Balboni, Oriana Bandiera, Robin Burgess, Maitreesh Ghatak and Anton Heil (2021) [Why do people stay poor?](#) *Quarterly Journal of Economics*, Volume 137, Issue 2, Pages 785–844, May 2022.

*Maitreesh Ghatak and Nien-Huei Jiang (2002): A Simple Model of Inequality, Occupational Choice and Development. *Journal of Development Economics*, Vol. 69, No. 1, October. (Available: <http://personal.lse.ac.uk/ghatak/pub.html>)

*Maitreesh Ghatak and Andrew F. Newman (2024): “Inequality Traps”, Work in Progress (slides to be made available).

Additional Readings

Oriana Bandiera, Robin Burgess, Narayan Das, Selim Gulesci, Imran Rasul and Munshi Sulaiman (2016): [Labor Markets and Poverty in Village Economies](#), *Quarterly Journal of Economics*, Volume 132, Issue 2, May 2017, Pages 811–870.

Abhijit Banerjee, Emily Breza, Esther Duflo, and Cynthia Kinnan (2019): [Can Microfinance Unlock a Poverty Trap for some Entrepreneurs?](#), Working paper, MIT.

Banerjee, Abhijit, Esther Duflo, and Garima Sharma (2020): [Long-term Effects of the Targeting the Ultra Poor Program](#), *American Economic Review: Insights*, 3 (4): 471-86.

Kaboski, Joseph P., Molly Lipscomb, Virgiliu Midrigan & Carolyn Pelnik (2022): [How Important are Investment Indivisibilities for Development? Experimental Evidence from Uganda](#), NBER Working Paper No. 29773.

Maitreesh Ghatak and Andrew F. Newman (2023): “Inequality Traps in Convex Economies”, Working Paper, London School of Economics and Boston University.

Barron, Daniel, Yingni Guo, and Bryony Reich (2023): “Wealth Dynamics in Communities”, *Review of Economic Studies* (2023) 90, 1642–1668

Acemoglu, Daron (2009): Chapter 2 in *Introduction to Modern Economic Growth*, Princeton University Press.

Kondylis, Florence and John Ashton Loeser (2021): [Intervention Size and Persistence](#), World Bank Policy Research Working Paper 9769.

Haushofer, J. (2019): [Is there a Psychological Poverty Trap?](#) Working Paper. Princeton University.

Bryan S. Graham and Jonathan R. W. Temple (2006): Rich nations, poor nations: how much can multiple equilibria explain? *Journal Economic Growth*, 11:5–41.

Aart Kraay and David McKenzie (2014): Do Poverty Traps Exist? Assessing the Evidence, *Journal of Economic Perspectives*, 28(3), Summer 2014, pp. 127-48.

- Banerjee, A. (2002), Section 4: [Contracting Constraints, Credit Markets and Economic Development](#), *MIT Dept. of Economics Working Paper No. 02-17*.
- Spiro, Daniel (2021): [An Open-Economy Ramsey-Cass-Koopmans Model in Reduced Form](#), CESifo Working Paper No. 9293.
- Jones, L. and R. Manuelli (2005), Sections 2.1, 2.2, and 2.3: Neoclassical Models of Endogenous Growth: The Effects of Fiscal Policy, Innovation and Fluctuations, Volume 1A, *Handbook of Economic Growth*, Edited by Philippe Aghion and Steven N. Durlauf.
- Islam, Nazrul (1995): Growth Empirics: A Panel Data Approach, *The Quarterly Journal of Economics*, Vol 110, No 4, 1127-1170.
- Chatterjee, Satyajit (1994) : Transitional Dynamics and the Distribution of Wealth in a Neoclassical Growth Model, *Journal of Public Economics*, 54, 1994, 97-119.
- Caselli, Francesco (2004) : Accounting for Cross-Country Income Differences, NBER Working Paper No. 10828
- Paul Johnson and Chris Papageorgiou (2018): [What Remains of Cross-Country Convergence?](#), Forthcoming, *Journal of Economic Literature*.
- Acemoglu, Daron, Simon Johnson, and James A. Robinson (2005), Sections 2,3, and 4: Institutions as a Fundamental Cause of Long-Run Growth, Chapter 6, in D. Rodrik and M. Rosenzweig (ed.s) *Handbook of Development Economics V*, North Holland, 2009.
- Azariadis, Costas (1996): [The Economics of Poverty Traps Part One: Complete Markets](#), *Journal of Economic Growth*, Vol. 1, No. 4, p. 449-486.
- Banerjee, B. and E. Duflo (2004): [Growth Theory through the Lens of Development Economics](#) December 2004, forthcoming in *Handbook of Development Economics*. (Sections 1-3)

Topic 3: Credit Markets in Developing Countries and Microfinance

Financial markets play a crucial role in economic development by allowing those who have talents and skills but not money, to undertake investments by using the surplus savings of others. If this market is subject to frictions, then worthwhile projects may not be undertaken for lack of money, thereby depressing national income below its potential. We study theoretical models of frictions in financial markets, and empirical evidence on their importance. We also study mechanisms that allow microfinance programmes overcome the informational and transactional constraints that impede the efficient operation of credit markets, focusing on joint liability, repayment frequency, group-lending without joint liability, and the increasing importance of for-profit lenders. We review some empirical evidence on its impact on the poor.

Required Readings

- * Parikshit Ghosh, Dilip Mookherjee and Debraj Ray: [Credit Rationing in Developing Countries: An Overview of the Theory](#), by, Chapter 11 in *Readings in the Theory of Economic Development*, edited by D. Mookherjee and D. Ray, London: Blackwell, 2000, pages 383--301.
- * Banerjee, A. (2002), Sections 2, 3: [Contracting Constraints, Credit Markets and Economic Development](#), *MIT Dept. of Economics Working Paper No. 02-17*.
- *Suresh de Mel, David Mckenzie and Christopher Woodruff (2008): [Returns to Capital in Microenterprises: Evidence from a field experiment](#), *Quarterly Journal of Economics*.
- *Karlan, D. and J. Zinman (2009): [Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment](#) , *Econometrica*, Volume 77, Issue 6, p 1993–2008.
- *Ghatak, Maitreesh and Timothy W. Guinnane (1999): The Economics of Lending with Joint Liability: Theory and Practice *Journal of Development Economics*, Vol.60, No.1. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>).
- * Besley, T. K. Burchardi, M. Ghatak, and L. Xu (2024): [Empowerment or Financialization? The Gains from Financial Inclusion](#) Working Paper.
- *Karlan, Dean, Abhijit Banerjee, Jonathan Zinman (2015): Six Randomized Evaluations of Microcredit: Introduction and Further Steps, *American Economic Journal: Applied Economics*.
- * Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan (2015): The Miracle of Microfinance? Evidence from a Randomized Evaluation, *American Economic Journal: Applied Economics*, 7(1), pp. 22-53.
- * Banerjee, Abhijit, Emily Breza, Esther Duflo, and Cynthia Kinnan (2019): “[Can Microfinance Unlock a Poverty Trap for Some Entrepreneurs](#)”, NBER Working Paper 26346.
- * Breza, Emily and Cynthia Kinnan (2021): [Measuring the Equilibrium Impacts of Credit: Evidence from the Indian Microfinance Crisis](#), *The Quarterly Journal of Economics*, Volume 136, Issue 3, August 2021, Pages 1447–1497.

Additional Readings

- Bari, F., Malik, K., Meki, M., & Quinn, S. (2024). Asset-based microfinance for microenterprises: Evidence from Pakistan. *American Economic Review*, 114(2), 534-574.
<https://doi.org/10.1257/aer.20210169>

Cai, J., & Szeidl, A. (2024). Indirect effects of access to finance. *American Economic Review*, 114(8), 2308-2351. <https://doi.org/10.1>

Gertler, P., Green, B., & Wolfram, C. (2024). Digital collateral. *Quarterly Journal of Economics*, 139(4), 1713-1766. <https://doi.org/10.1093/qje/qjad003>

Herkenhoff, K., Phillips, G., & Cohen-Cole, E. (2024). How credit constraints impact job finding rates, sorting, and aggregate output. *Review of Economic Studies*, 91(5), 2832–2877. <https://doi.org/10.1093/restud/rdad104>

Van Doornik, B., Gomes, A., Schoenherr, D., & Skrastins, J. (2024). Financial access and labor market outcomes: Evidence from credit lotteries. *American Economic Review*, 114(6), 1855–1881. <https://doi.org/10.1257/aer.20230585>

Jack, W., Kremer, M., De Laat, J., & Suri, T. (2023). Credit access, selection, and incentives in a market for asset-collateralized loans: Evidence from Kenya. *Review of Economic Studies*, 0, 1–33. <https://doi.org/10.1093/restud/rdad026>

Carney, Kevin , Michael Kremer, Xinyue Lin & Gautam Rao (2022): [The Endowment Effect and Collateralized Loans](#), NBER Working Paper 30073.

Bandiera, Oriana, Robin Burgess, Erika Deserranno, Ricardo Morel, Imran Rasul, Munshi Sulaiman & Jack Thiemel (2022): [Microfinance and Diversification](#), *Economica*, Volume 89, Issue S1, Supplement: Centenary Issue: 1921 – 2021.

Besley, T., K. Burchardi, and M. Ghatak (2021): [The Role of Finance in the Process of Development: Improving Access versus Reducing Frictions](#), Working Paper. (Available at: <http://personal.lse.ac.uk/ghatak/wp.html>)

Abhijit Banerjee, Esther Duflo (2008) [Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program](#) Mimeo, MIT

Marshall Burke, Lauren Falcao Bergquist, and Edward Miguel (2019): [Sell Low and Buy High: Arbitrage and Local Price Effects in Kenyan Markets](#), *The Quarterly Journal of Economics*, Volume 134, Issue 2, May 2019, Pages 785–842.

Marianne Bertrand, Dean Karlan, Sendhil Mullainathan, Eldar Shafir, Jonathan Zinman (2005) What's Psychology Worth? A Field Experiment in the Consumer Credit Market NBER Working Paper 11892.

Robin Burgess and Rohini Pande (2005): Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment, *American Economic Review*, 95(3).

Abhijit Banerjee, Esther Duflo and Kaivan Munshi (2003): [The \(mis\)-allocation of capital](#) *Journal of the European Economic Association*, Papers and Proceedings.

Pascaline Dupas and Jonathan Robinson (2013): [Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya](#), *American Economic Journal: Applied Economics*, 5(1): 163–192

Brune, Lasse, Eric Chyn, and Jason Kerwin (2021): [Pay Me Later: Savings Constraints and the Demand for Deferred Payments](#), *American Economic Review*, 111 (7), pp. 2179-2212.

Fink, Günther, B. Kelsey Jack, and Felix Masiye (2020): [Seasonal Liquidity, Rural Labor Markets, and Agricultural Production](#), *American Economic Review*, 110(11): 3351–3392.

De Quidt, Jon, Thiemo Fetzer, and Maitreesh Ghatak (2017) : Group Lending Without Joint Liability, *Journal of Development Economics*. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

De Quidt, Jon, Thiemo Fetzer, and Maitreesh Ghatak (2017b): [Market Structure and Borrower Welfare in Microfinance](#), Working Paper. (Available at: <http://personal.lse.ac.uk/ghatak/wp.html>)

De Quidt, Jon, Thiemo Fetzer, and Maitreesh Ghatak (2017c): Commercialization and the Decline of Joint Liability Microcredit, Working Paper. Last revised: February, 2016. (Available at: <http://personal.lse.ac.uk/ghatak/wp.html>)

Buera, Francesco, Joseph Kaboski, and Yongseok Shin (2017) : [The Macroeconomics of Microfinance](#). Working Paper, Notre Dame University.

Morduch, Jonathan (1998): [Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh](#), Working Paper, NYU.

Meager, Rachael (2016): [Aggregating Distributional Treatment Effects: A Bayesian Hierarchical Analysis of the Microcredit Literature](#), Working Paper.

Hussam, Reshmaan, Natalia Rigol, and Benjamin Roth (2017): [Targeting High Ability Entrepreneurs Using Community Information: Mechanism Design In The Field](#), Working Paper.

Banerjee, A. V. (2012, September). Microcredit Under the Microscope: What Have We Learned in the Past Two Decades, and What Do We Need to Know? *Annual Review of Economics* 5 (1).

Xavier Giné and Dean Karlan (2014) Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups (March 2014), *Journal of Development Economics* 107, pp. 65-83.

Erica Field, Rohini Pande, John Papp and Natalia Rigol (2013): Does the Classic Microfinance Model Discourage Entrepreneurship among the Poor? Experimental Evidence from India, *American Economic Review*, October 2013, 103(6): 2196-2226.

Erica Field, Rohini Pande and Benjamin Feigenberg (2013): The Economic Returns to Social Interaction: Experimental Evidence from Microfinance, *Review of Economic Studies*, October 2013, 80(4): 1459-1483.

Ghatak, Maitreesh and Greg Fischer (2016): Repayment Frequency and Lending Contracts with Present-Biased Borrowers, Working Paper. (Available at: <http://personal.lse.ac.uk/ghatak/wp.html>)

Jing Cai, Muhammad Meki, Simon Quinn, Erica Field, Cynthia Kinnan, Jonathan Morduch, Jonathan de Quidt, and Farah Said (2021): [Microfinance](#), *VoxDevLit*, 3(1), May 2021

Topic 4: From Partial to General Equilibrium

We saw in our theoretical analysis of poverty and inequality traps how credit markets and labour markets interact through occupational choice. In the empirical literature, there has been an increasing focus on general equilibrium effects of RCTs. In this last topic, we will discuss a few empirical papers that try to look at GE effects of RCTs and try to connect it to the theoretical framework.

Required Readings

* Breza, Emily and Cynthia Kinnan (2021): [Measuring the Equilibrium Impacts of Credit: Evidence from the Indian Microfinance Crisis](#), *The Quarterly Journal of Economics*, Volume 136, Issue 3, August 2021, Pages 1447–1497.

* Muralidharan, K., Niehaus, P., & Sukhtankar, S. (2023). General equilibrium effects of (improving) public employment programs: Experimental evidence from India. *Econometrica*, 91(4), 1261-1295.

* Egger, D., Haushofer, J., Miguel, E., Niehaus, P., & Walker, M. (2022). General equilibrium effects of cash transfers: Experimental evidence from Kenya. *Econometrica*, 90(6), 2603-2643.

Additional Readings

Suggestions welcome!