

EC428: Development and Growth

Syllabus

Professor Maitreesh Ghatak

London School of Economics, Autumn Term 2024

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1. Course Outline

In the first half of this term we will cover theoretical and empirical analysis of economic growth at the macro or aggregate level. In the second half we move from the macro to the micro level to study different markets and institutions at the micro-level.

In Topic 1, we motivate the course by looking at some conceptual issues concerning the notion of 'development' and then look at some stylized facts at the macro level as well as micro level, the latter being based on household surveys from a set of developing countries looking at the lives of the poor. In Topic 2, we cover some basic growth models and their quantitative or empirical implications. In Topic 3, we cover models where economic fundamentals are not sufficient for outcomes. We look at dynamic models that have multiple steady states – also known as models of poverty traps, that unlike neoclassical growth models, do not predict convergence and where initial conditions matter. In Topic 4, we discuss empirical evidence looking at the implications of the models we cover in Topics 2 and 3. In Topics 5 – 9, we take a micro or sectoral view and study credit markets, microfinance, property rights, and land markets. If time permits, we will cover the additional topic (Topic 10) of direct transfer policies for the poor.

While topics and lectures will hopefully have a rough correspondence (i.e., topic t will be covered at least partly in week t), it will not be exact. In particular, some topics will certainly spill over to week $t+1$.

2. Administrative Information

2.1 Course-Related Information

- Lecture schedule: Thursday 10AM – 12PM, CBG.2.05
- My email and office: m.ghatak@lse.ac.uk, Sir Arthur Lewis Building, 3rd Floor, Office 3.08A
- Office hours: Thursdays 3pm-4pm, slots are to be booked [here](#)
- Administrative Assistant: Sadia Ali (s.ali43@lse.ac.uk), Sir Arthur Lewis Building, 3rd Floor, SAL 3.06 E.

2.2 Readings

Lecture notes (slides) are required reading and will be posted on the Moodle course page. Please note that I have posted lecture slides from last year for your convenience and will post revised versions after the lecture. When lecture slides are updated I will mark them with * in Moodle to indicate that.

Papers marked with * will be covered in detail during lecture and are required reading. ***You do not have to read the entire paper marked with * – only the parts covered in the lecture slides are required reading.*** Students are expected to have gone through the starred readings carefully before the lecture, barring the first lecture. Non-starred readings will not be discussed but are reported here to guide further study on each of the topics. They are additional references that you might want to read if you are interested. I

I have put the class readings in the reading list for the sake of comprehensiveness, but these will be covered by the class teacher and may be subject to change.

I may update or revise the lecture notes after the lecture to correct typos, elaborate on a point, answer a question that came up during the lecture, or, in rare cases, to add some new material. The revised version is posted on the web typically within a day or two of the lectures and will be indicated by the date it was last revised to avoid confusion about versions.

2.3 Background Reading

The *Primer on Contract and Game Theory* that is posted on the Moodle course page is a necessary background reading for the theoretical material. I will assume you have read it during my lectures and will skip some of the technical details. I have also posted some introductory notes on empirical methods used in the course on Moodle course page.

For empirical methods used in this course, a very good background reading is: Joshua Angrist and Jörn-Steffen Pischke, 2009, *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press. 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/>

Here are two essays by me on the method of Randomized Control Trials (RCTs) in development economics in light of last year's Nobel Prize:

- Maitreesh Ghatak (2019), [What lies behind this year's economics Nobel](#), Ideas for India.
- Maitreesh Ghatak (2019), [Randomised control trials: Limits and broader application](#), VoxDev.

Here are some articles that discuss methodological aspects of research in development economics, including the pros and cons of using RCTs:

- Ghatak, Maitreesh and Dilip Mookherjee (2024): "[Misallocating Misallocation?](#)" Working Paper, commissioned by the *Annual Review of Economics*.
- 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
- Abhijit Vinayak Banerjee, 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.

- 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).
- 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
- Abhijit V. Banerjee and Esther Duflo (2009): The Experimental Approach to Development Economics, Annual Review of Economics, Vol. 1: 151-178.
- 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.
- 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.
- Michel Abramowicz and Ariane Szafarz (2019): [Ethics of Randomized Controlled Trials: Should Economists Care about Equipoise?](#) ULB Working Paper.
- 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
- Dani Rodrik (2008): [The New Development Economics: We Shall Experiment, But How Shall We Learn?](#)
- New Directions in Development Economics: Theory or Empirics? A Symposium in Economic and Political Weekly, with contributions from Abhijit V. Banerjee, Pranab Bardhan, Kaushik Basu, Ravi Kanbur (Editor) and Dilip Mookherjee, Economic and Political Weekly, Vol. 40, No. 40, Oct. 1-7, 2005 (available on JSTOR <https://www.jstor.org/journal/econpoliweek>)

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>

Here is a link to some of my tips on presenting Development papers:

<https://personal.lse.ac.uk/ghatak/TheoryDevt.pdf>

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 MIT Open Course Ware website on a course in Development Economics from 2009 which has lectures notes and other resources, like problem sets :

<https://ocw.mit.edu/courses/economics/14-74-foundations-of-development-policy-spring-2009/lecture-notes/>

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>

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>

Here I have added the links to some websites that post Research Assistant and Pre-Doc positions:

https://personal.lse.ac.uk/ghatak/RA_opportunities.htm

Do share if you find a good link to any of the categories of the online resources posted above

3. Reading List

Topic 1: Introduction & Some Stylized Facts

We discuss some concepts relating to development and how it relates to economic growth. 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 and income generation.

Required readings (marked by *):

* Lecture Slides

* Jones, Charles I., 2015: The Facts of Economic Growth, NBER Working Paper No. 21142.

* Abhijit Banerjee and Esther Duflo (2006) The Economic Lives of the Poor, April 2006, Journal of Economic Perspectives, Vo. 21(1), pp. 141-167. See this Working Paper [version](#) for tables.

* Acemoglu, Daron (2009): Chapter 1 in Introduction to Modern Economic Growth, Princeton University Press. You can download from the manuscript posted on IGC website [Introduction to Modern Economic Growth](#)

Further readings (not required):

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.

Ghatak, Maitreesh (2018): Measures of Development - Concepts, Causality, and Context, Forthcoming in Economics, Management and Sustainability - Essays in Honour of Anup Sinha, Eds. P. Ray, R. Sarkar, and A. Sen, Anindya, Springer: Singapore. All my published papers on Development/Growth can be accessed at this link: <http://personal.lse.ac.uk/ghatak/dev.html>

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.

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*

Acemoglu, Daron, Simon Johnson and James A. Robinson. 2001. The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, 91 (5): 1369-1401.

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.

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.

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

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

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

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.

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

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.

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

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

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.

Karabarbounis, Loukas (2024): "Perspectives on the Labor Share", *Journal of Economic Perspectives*, 38(2), 107-136, Spring 2024.

Topic 2: Economic Growth

In this topic we review the Solow and Neoclassical models, carry out some simple calibration exercises, and apply the framework on recent debates about inequality and growth in response to the work of Piketty.

Required readings (marked by *):

*Lecture Slides

*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. (All my published papers on Development/Growth, including this one, can be accessed at this link: <http://personal.lse.ac.uk/ghatak/dev.html>)

* Acemoglu, Daron (2007): Chapters 2 and 3 in [Introduction to Modern Economic Growth](#), Manuscript posted on IGC website

Further readings (not required):

Martínez, Lui (2022): "[How Much Should We Trust the Dictator's GDP Growth Estimates?](#)", Journal of Political Economy, 130 (10), pp 2731-2769.

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

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

Paul Johnson and Chris Papageorgiou (2018): [What Remains of Cross-Country Convergence?](#), *Journal of Economic Literature*, 58(1), 129–175

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.

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

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.

Islam, Nazrul (1995): Growth Empirics: A Panel Data Approach, The Quarterly Journal of Economics, Vol 110, No 4, 1127-1170.

Acemoglu, Daron and James A. Robinson (2014): The Rise and Decline of General Laws of Capitalism, NBER Working Paper No. 20766.

Krusell, Per, and Anthony A. Smith (2015): Is Piketty's Second Law of Capitalism Fundamental?, Journal of Political Economy, Vol. 123, No. 4, pp. 725-748

Caselli, Francesco (2004) : Accounting for Cross-Country Income Differences, NBER Working Paper No. 10828

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.

Spiro, Daniel (2021): "[An Open-Economy Ramsey-Cass-Koopmans Model in Reduced Form](#)", CESifo Working Paper No. 9293.

Topic 3: Poverty Traps – Theory

We examine some mechanisms of the vicious cycle of poverty. In the presence of transactions costs leading to financial market imperfections, an economy may fail to converge to the efficient steady state, and remain trapped in poverty. The initial wealth distribution may play a crucial role in governing the future trajectory of the economy.

Required readings (marked by *):

* Lecture Slides

* 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.

*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>)

Further readings (not required):

Banerjee, A. (2002), Section 4: [Contracting Constraints, Credit Markets and Economic Development](#), MIT Dept. of Economics Working Paper No. 02-17.

Banerjee, B. and E. Duflo (2004): [Growth Theory through the Lens of Development Economics](#) *The Handbook of Development Economics*. (Sections 1-3)

Azariadis, Costas (1996): [The Economics of Poverty Traps Part One: Complete Markets](#), *Journal of Economic Growth*, Vol. 1, No. 4, p. 449-486.

Topic 4: Poverty Traps – Evidence

We look at evidence on poverty traps from two large scale randomized asset transfer programmes

Required readings (marked by *):

* Lecture Slides

* 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.

* Clare Balboni, Oriana Bandiera, Robin Burgess, Maitreesh Ghatak and Anton Heil (2021) "[Why do people stay poor?](#)" Forthcoming, *Quarterly Journal of Economics*.

* 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.

Further readings (not required):

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

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

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.

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

Topic 5: Coordination Failure, Sorting, and Multiple Equilibria

We briefly discuss some mechanisms by which history can matter. In the presence of externalities and complementarities in actions of individuals, there can be multiple equilibria. Two identical economies can end up at very different levels of development depending on initial conditions.

Required readings (marked by *):

* Debraj Ray (1998): History, Expectations and Development, Chapter 5, Development Economics, Princeton University Press, 1998.

* Basu, Kaushik and Van, Pham Hoang (1998): The Economics of Child Labor. *American Economic Review*, June 1998, 88(3), pp. 412-27

Further reading (not required):

Bakhtiar, M. M., Guiteras, R. P., Levinsohn, J., & Mobarak, A. M. (2023). *Social and financial incentives for overcoming a collective action problem*. *Journal of Development Economics*, 162, 103072.

Guiteras, R., Levinsohn, J., & Mobarak, A. M. (2015). *Encouraging sanitation investment in the developing world: A cluster-randomized trial*. *Science*, 348(6237), 903–906.

Davide Cantoni, David Y Yang, Noam Yuchtman, and Y Jane Zhang (2019): [Protests as Strategic Games: Experimental Evidence from Hong Kong's Antiauthoritarian Movement](#), *The Quarterly Journal of Economics*, Volume 134, Issue 2, May 2019, Pages 1021–1077.

M. Kremer (1993): *The O-Ring Theory of Economic Development*, *Quarterly Journal of Economics*, August.

Murphy, K., A. Shleifer and R. Vishny (1989) : *Industrialization and the Big Push* *Journal of Political Economy*, pp. 1003-1026.

Sam Bowles, Glenn Loury, and Rajiv Sethi [Group Inequality](#) Working Paper, Columbia University.

Donald Davis and David Weinstein (2002): *Bones, Bombs, and Break Points: The Geography of Economic Activity*, *American Economic Review*, 92(5).

Nathan Nunn (2009): *The Importance of History for Economic Development*, *Annual Review of Economics*, Vol. 1, No. 1, September 2009, pp. 65-92.

Topic 6: Credit Markets in Developing Countries I: Theory and Evidence on Credit Market Imperfections

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.

Required readings (marked by *):

* Lecture Slides

* Karlan, D. and J. Zinman (2009): [Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment](#) , Econometrica, 77(6).

* Suresh de Mel, David McKenzie and Christopher Woodruff (2008): [Returns to Capital in Microenterprises: Evidence from a field experiment](#), Quarterly Journal of Economics, Vol 123, Issue 4.

* Raghuram Rajan and Luigi Zingales (1998): Financial Dependence and Growth, American Economic Review, 88(3).

* Abhijit Banerjee, Ester Duflo (2014) Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program Review of Economic Studies, 81.

Further readings (not required):

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>

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.

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

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.

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.

Paul Gertler, Brett Green, and Catherine Wolfram (2021): "[Digital Collateral](#)", NBER Working Paper No. 28724.

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.

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

Topic 7: Micro Finance

Microfinance has been a popular instrument of development policy. We look at theoretical models of how microfinance works as a mechanism, and empirical studies of its impact.

Required readings (marked by *):

* Lecture Slides

* Ghatak, Maitreesh and Timothy W. Guinnane: The Economics of Lending with Joint Liability: Theory and Practice *Journal of Development Economics*, Vol.60, No.1, October 1999. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

* 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.

* Abhijit Banerjee, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan (2015): The Miracle of Microfinance? Evidence from a Randomized Evaluation, *American Economic Journal: Applied Economics*, vol. 7, no. 1, pp. 22-53.

Further readings (not required):

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>.

Abhijit Banerjee, Dean Karlan, and Jonathan Zinman (2015): [Six Randomized Evaluations of Microcredit: Introduction and Further Steps](#), *American Economic Journal: Applied Economics*, vol. 7, no. 1, pp. 1-21.

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

Emily Breza and Cynthia Kinnan (2018): [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

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>)

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

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.

De Quidt, Jon, Thiemo Fetzer, and Maitreesh Ghatak (2017): 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 (2012b) : Group Lending Without Joint Liability, Forthcoming, Journal of Development Economics. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

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).

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.

Khazanov, Alexey, Omer Moav, Zvika Neeman and Hosny Zoabi (2018): "[The Microfinance Disappointment: An Explanation based on Risk Aversion](#)", CEPR Discussion Paper DP12659.

Topic 8: Land, Property Rights, & Agricultural Productivity - Theory

Property rights are at the heart of a market economy and some trace the problem of underdevelopment as a problem of imperfect property rights. In this topic we examine various mechanisms through which property rights affect economic efficiency.

Required readings (marked by *):

*Lecture Slides

* Besley, T. and M. Ghatak (2009) (Sections 1 and 2): Property Rights and Economic Development, in D. Rodrik and M. Rosenzweig (ed.s) Handbook of Development Economics V, North Holland, 2009. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

* Banerjee, A.V., P. Gertler and M. Ghatak (2002) : Empowerment and Efficiency - Tenancy Reform in West Bengal, Journal of Political Economy. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

Further readings (not required):

Ghatak, Maitreesh and Dilip Mookherjee (2024): "[Misallocation Implications of Security and Collateral Value of Land](#)". Working Paper.

Ghatak, Maitreesh and Dilip Mookherjee (2023a): "[Acquiring Land from Traditional Communities: Bottlenecks, Misallocation, and Second-Best Considerations](#)," *Oxford Open Economics*, 2023, 2, 1–5.

Ghatak, Maitreesh and Dilip Mookherjee (2023b): "[Revisiting the Eswaran-Kotwal Model of Tenancy](#)," Working Paper, Last Revised September 2023.

Besley, T., K. Burchardi, and M. Ghatak (2012): Incentives and the de Soto Effect, *Quarterly Journal of Economics* (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

Ghatak, Maitreesh (2021): "[Property Rights and Productivity of Resource Allocation in Developing Countries](#)". In Kaushik Basu, Maitreesh Ghatak, Kenneth Kletzer, Sudipto Mundle and Eric Verhoogen (ed.s) *Development, Distribution, and Markets - Essays in Honour of Pranab Bardhan*, Oxford University Press, 2021.

de Janvry, Alain, Kyle Emerick, Marco Gonzalez-Navarro and Elisabeth Sadoulet. (2015). Delinking Land Rights from Land Use: Certification and Migration in Mexico. American Economic Review, 105(10): 3125-49.

De Soto, Hernando, (2001), The Mystery of Capital, Finance and Development, IMF, available at: <http://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm>.

Field, Erica and Maximo Torero, (2006), [Do Property Titles Increase Credit Access Among the Urban Poor? Evidence from a Nationwide Titling Program](#), Mimeo. Harvard.

S. Galiani and E. Schargrodsky (2010): [Property Rights for the Poor: Effects of Land Titling](#), Journal of Public Economics.

Topic 9: Land, Property Rights, & Agricultural Productivity - Evidence

Agriculture occupies a central place in less developed economies. We study the effect of changes in property rights on productivity.

Required readings (marked by *):

* Lecture Slides

* Markus Goldstein, Kenneth Hounghbedji, Florence Kondylis, Michael O'Sullivan, and Harris Selod (2018): [Formalization without certification? Experimental evidence on property rights and investment](#), Journal of Development Economics, Volume 132, 2018, Pages 57-74.

*Banerjee, A.V., P. Gertler and M. Ghatak (2002) : Empowerment and Efficiency - Tenancy Reform in West Bengal, Journal of Political Economy. (Available at: <http://personal.lse.ac.uk/ghatak/pub.html>)

* Konrad Burchardi, Selim Gulesci, Benedetta Lerva, and Munshi Sulaiman (2018): [Moral Hazard: Experimental Evidence from Tenancy Contracts](#), The

Quarterly Journal of Economics, Volume 134, Issue 1, February 2019, Pages 281–347, <https://doi.org/10.1093/qje/qjy02>

Further readings (not required):

Le Rossignol, E., Lowes, S., & Montero, E. (2024). Fallow lengths and the structure of property rights (No. 32226). National Bureau of Economic Research. <https://doi.org/10.3386/w32226>

Kim, O., & Wang, Y. (2024). Land reform and development: Evidence from Taiwan. Unpublished manuscript. https://oliverwkim.com/papers/KimWang_Taiwan.pdf

Montero, Eduardo (2022): Cooperative Property Rights and Development: Evidence from Land Reform in El Salvador, *Journal of Political Economy*, 130(1), 48-93.

Bühler, Mathias (2022): On the Other Side of the Fence: Property Rights and Productivity in the United States, Forthcoming, *Journal of the European Economic Association*.

Acampora, Michelle, Lorenzo Casaburi & Jack Willis (2022): Land Rental Markets: Experimental Evidence from Kenya, Working Paper, University of Zurich.

Joram Mayshar, Omer Moav and Luigi Pascali (2022): Origin of the State: Land Productivity or Appropriability? *Journal of Political Economy*, 130(4), 1091 – 1144.

Huntington, Heather and Ajay Shenoy (2021): Does insecure land tenure deter investment? Evidence from a randomized controlled trial, *Journal of Development Economics*, Volume 150.

Foster, Andrew D. and Mark R. Rosenzweig (2022): Are There Too Many Farms in the World? Labor Market Transaction Costs, Machine Capacities, and Optimal Farm Size, *Journal of Political Economy*, 130(3), 636-680.

Besley, Timothy (1995): Property Rights and Investment Incentives: Theory and Evidence from Ghana, *Journal of Political Economy*, Vol. 103, No. 5 (Oct., 1995), pp. 903-937.

Maitreesh Ghatak (2020): “Property Rights and Productivity of Resource Allocation in Developing Countries”. Forthcoming in Kaushik Basu, Maitreesh Ghatak, Kenneth Kletzer, Sudipto Mundle and Eric Verhoogen (ed.s) *Development, Distribution, and Markets - Essays in Honour of Pranab Bardhan*, Oxford University Press.

Gollin, Douglas, David Lagakos, and Michael E. Waugh (2014): [Agricultural Productivity Differences across Countries](#) American Economic Review: Papers & Proceedings, 104(5): 165–170

Karlan, Dean, Dean Robert Osei, Isaac Osei-Akoto, and Christopher Udry (2014): [Agricultural Decisions after Relaxing Credit and Risk Constraints](#), The Quarterly Journal of Economics (2014), 597–652

Markus Goldstein, and Christopher Udry (2008): [The Profits of Power: Land Rights and Agricultural Investment in Ghana](#), Journal of Political Economy, 116 (2).

Tasso Adamopoulos, Diego Restuccia (2019): [Land Reform and Productivity: A Quantitative Analysis with Micro Data](#), NBER Working Paper No. 25780.

Donovan, Kevin (2018): [Agricultural Risk, Intermediate Inputs, and Cross-Country Productivity Differences](#), Working Paper, Yale University.

Wyatt Brooks and Kevin Donovan (2019): [Eliminating Uncertainty in Market Access: Evidence from New Bridges in Rural Nicaragua](#), Working Paper, Yale University.

Fernando M. Aragon Sanchez, Diego Restuccia, and Juan Pablo Rud (2019): [Are Small Farms Really more Productive than Large Farms?](#) NBER Working Paper No. 26331.

Simeon Djankov, Edward L. Glaeser, Valeria Perotti, and Andrei Shleifer (2020): [Measuring Property Rights Institutions](#), NBER Working Paper No. 27839, September 2020.

Eric C. Edwards, Martin Fiszbein, and Gary D. Libecap (2020): [Colonial Origins, Property Rights, and the Organization of Agricultural Production: the US Midwest and Argentine Pampas Compared](#), NBER Working Paper No. 27750, August 2020.

Gabriel Ulysse (2020): [Informality: Causes and Consequences for Development](#), Annual Review of Economics, 12:525–46.

Liam Wren-Lewis, Luis Becerra-Valbuena, and Kenneth Houngbedji (2020): [Formalizing land rights can reduce forest loss: Experimental evidence from Benin](#), *Science Advances*, Vol. 6, no. 26.

Marco Fabbri (2017): [Property Rights and Prosocial Behavior: Evidence from a Land Tenure Reform Implemented as Randomized Control-Trial](#) Working Paper.

Chari, Amalavoyal, Elaine M Liu, Shing-Yi Wang, and Yongxiang Wang (2021): [“Property Rights, Land Misallocation, and Agricultural Efficiency in China”](#), *The Review of Economic Studies*, 88(4), pp. 1831–1862.

Gollin, Douglas and Christopher Udry (2021): [“Heterogeneity, Measurement Error, and Misallocation: Evidence from African Agriculture”](#), *Journal of Political Economy* 129 (1) 1-80

Topic 10: Direct Transfer Policies

In this section we discuss the issues involved in designing transfer programmes directed at the poor in the context of a developing country. Some of the questions we will study are as follows: should these be conditional or unconditional cash transfers or in-kind transfers? How much should one worry about bureaucratic costs of targeting vs empowering the poor to decide what do they want to do with the transfers? We will also discuss issues on the supply side (namely, implementation through bureaucracy) of delivery of these programmes.

Required readings (marked by *):

* Lecture Slides

* Maitreesh Ghatak and François Maniquet (2019): [Universal Basic Income: Some Theoretical Aspects](#), *Annual Review of Economics*, 11:1, 895–928.

* Maitreesh Ghatak and Karthik Muralidharan (2020): [An Inclusive Growth Dividend: Reframing the Role of Income Transfers in India’s Anti-Poverty Strategy](#), Forthcoming, India Policy Forum, 2018/19, Volume 15 (ed.s) Shekhar Shah, Barry Bosworth, and Karthik Muralidharan. New Delhi: Sage Publications.

Further readings (not required):

Abhijit Banerjee, Rema Hanna, Benjamin A. Olken, and Diana Sverdlin-Lisker (2023): [Social Protection in the Developing World](#), Working Paper, MIT.

Agte, Patrick, Arielle Bernhardt, Erica M. Field, Rohini Pande & Natalia Rigol (2022): [Investing in the Next Generation: The Long-Run Impacts of a Liquidity Shock](#), NBER Working Paper No. 29816

Dennis Egger, Johannes Haushofer, Edward Miguel, Paul Niehaus, and Michael W. Walker (2019): [General Equilibrium Effects of Cash Transfers: Experimental Evidence from Kenya](#), NBER Working Paper No. 26600.

Banerjee, A., Niehaus, P., & Suri, T. 2019. [Universal basic income in a developing world](#). Annual Review of Economics, 11:1, 959-983

Maitreesh Ghatak and Xavier Jaravel (2020): “[Is Funding a Large Universal Basic Income Feasible? A Quantitative Analysis of UBI with Endogenous Labour Supply](#),” [LSE Public Policy Review](#), 2020.

Haushofer, J., & Shapiro, J. (2016). [The Short-Term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya](#). Quarterly Journal of Economics, 131(4), 1973–2042. PDF

Haushofer, J. & Shapiro, J. (2018b). [The Long-Term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya](#). Working Paper, Princeton University

Christopher Blattman, Nathan Fiala, and Sebastian Martinez (2014): [Generating Skilled Self-Employment in Developing Countries: Experimental Evidence from Uganda](#), The Quarterly Journal of Economics, Volume 129, Issue 2, May 2014, Pages 697–752.

Christopher Blattman, Nathan Fiala, and Sebastian Martinez (2019): [The long term impacts of grants on poverty: 9-year evidence from the Youth Opportunities Program in Uganda](#), Forthcoming, American Economic Review: Insights.

Adrien Bouguen, Yue Huang, Michael Kremer, and Edward Miguel (2019): [Using Randomized Controlled Trials to Estimate Long-Run Impacts in Development Economics](#), Annual Review of Economics, Vol. 11:523-561.

Hanna, R., & Olken, B. 2018. Universal Basic Income versus Targeted Transfers: Anti-Poverty Programs in Developing Countries. Journal of Economic Perspectives, 32(4), 201-226.

Maitreesh Ghatak (2015): [Theories of Poverty Traps and Anti-Poverty Policies](#), (Section - What Theory Can Tell About Policy), World Bank Economic Review, Papers and Proceedings of the ABCDE, Vol 29 (Supplement 1): S77-S105 , August 2015

Banerjee, Abhijit V., Rema Hanna, Gabriel E. Kreindler, and Benjamin A. Olken (2017) : [Debunking the Stereotype of the Lazy Welfare Recipient: Evidence from Cash Transfer Programs](#) The World Bank Research Observer, Volume 32, Issue 2, 1 August 2017, Pages 155–184.

Sarah Baird, Craig McIntosh and Berk Özler (2011): Cash or Condition? Evidence from a Cash Transfer Experiment, The Quarterly Journal of Economics, 2011.

Janet Currie and Firouz Gahvari (2008): Transfers in Cash and In-Kind: Theory Meets the Data, Journal of Economic Literature 2008, 46:2, 333–383

Rema Hanna and Dean Karlan (2016): [Designing Social Protection Programs: Using Theory and Experimentation to Understand how to Help Combat Poverty](#), Working Paper.

Rodrik D and S. Stantcheva (2021): [“A Policy Matrix for Inclusive Prosperity”](#). Economics for Inclusive Prosperity, Policy Brief No. 30.