DEVELOPMENT ECONOMICS – JEM 0123

Version: September 1st, 2025

Basic information

Lecturer: Prof. Michal Bauer, Ph.D. DSc.

Location: Lectures - Tuesday 9:30-10:50 in the room 206.

Office hours: Michal Bauer: By appointment via email bauerm@fsv.cuni.cz, office number: 402.

The course covers several major topics in development economics. It focuses on concepts that are important for understanding causes of under-development and poverty. After introducing the idea of poverty traps, particular attention is devoted to the role of education, health, institutions, civil conflicts, access to finance, and psychological effects of poverty on decision-making.

Modern development economics has become very empirically-oriented. Reflecting this, a large part of the course will be based on discussion of how the existing empirical evidence tests some of the key questions. The evidence will be based mainly on field experiments, but we will also cover several papers that use other empirical methods. Students will be expected to regularly read original research papers.

Eligibility: This is an MA-level course. Knowledge of BA-level intermediate microeconomics and macroeconomics is expected.
BA-level students can enroll if they passed Microeconomics II and Macroeconomics II courses at IES (or their equivalent elsewhere) and if there is a free course capacity.

Resources: For each topic, I have prepared recommended readings – research articles and book chapters. You can download them via the intranet (Moodles). Papers marked with + will be covered in class and I will expect students to become familiar with them. A very good textbook that I will sometimes refer to (but will not follow closely) is Ray Debraj (1998): Development economics. Princeton University Press. (available in the library).

In general, it is crucial that you use Moodles (https://dl1.cuni.cz/course/view.php?id=855). I will post on Moodle important dates, lecture slides, links to referenced papers, and reading assignments. The password so that you enroll for this course at Moodles is "eldc".

Requirements

1. **Final exam.** Format of the final exam will be the following. The exam will be closed-book, pen and paper. You will be allowed to ask clarification questions. There will be three types of questions: (i) specific questions about understanding of the main ideas/concepts covered during the lectures, (ii) exercises similar to those that we cover during the lecture and (iii) given that I will expect familiarity with all papers that we discuss in class and are marked with "+" in syllabus, there can be questions asking about their main research question, data, main findings and implications. Examples of exam questions are provided in a separate document on Moodle.

2. **Reading research papers.** Reading original research papers is an important part of this course. In order to get a sense of what the leading questions are and how the leading scholars structure their arguments, nothing (including my lectures) can substitute for reading original papers. Therefore, prior

each lecture students are expected to read at least one original paper (or book chapter) marked with "+" from the readings list for each topic that will be covered during the corresponding week.

Furthermore, to motivate careful reading and engagement, students are supposed to write a coherent summary of set of papers. Each summary should be about two pages long. There are six topics (education, health, psychology of poverty, institutions, conflict, credit) and for each of these topics students should pick one paper marked with + (out of three or four) from the reading list. You can skip one of the topics. Thus, the total number of summaries that you submit should be five.

Summaries have to be submitted via the Moodles course website (sending them via email will not count). They are due at midnight of the day before the corresponding topic is covered during the class (I will not allocate points if it is submitted later). The use of AI (except language editing) is not allowed.

This activity will affect grades as follows:

1. For each submitted summary, students will receive 5 points that will enter their final grade. This will be based on a simple count.
2. In addition, in marginal cases in which overall points for course performance (see grading) will fall closely below a threshold that would allow me to give a better grade (specifically, for those students who will be less than two percentage points below a threshold), I will randomly select one summary and allocate additional three percentage points as a bonus to those students whose summary will be of exceptionally high quality and will show a critical engagement with the studied research paper.

This is a short guide that should help you in reading through economic papers and structure your thinking (but you do not need to cover all those aspect in your summary – especially points 5-10 would be valued when considering a bonus):

1. What question is the article trying to answer? (research question)
2. Why is the question interesting? (motivation)
3. How does the article answer the question? (method)
4. What are the main results? (findings)
5. What are the potential problems with the interpretation of the results the authors admit? (limitations)
6. If any, what potential policy conclusions can you draw from the findings? (policy)
7. What did you like or dislike in the article? (own opinion)
8. Can you find some limitations that are not discussed in the paper? (weaknesses)
9. Can you think of any extensions? (extensions)

Grading

Your final grade will be determined as follows:

Main components.

- Paper summaries: 25% (5% for each submitted summary)
- Final exam: 75% (exam dates: TBA)

Bonus. For marginal cases in terms of specific grades (see above), I will randomly select and evaluate one paper summary. I will allocate 3 percentage points as bonus points if the summary is of exceptionally high quality.

Grading:

- A: 90.1-100
- B: 80.1-90
- C: 70.1-80
- D: 60.1-70
- E: 50.1-60

- F: 0-50

Outline of the course

(Timing of different lectures and exam terms can be found on the course website on Moodle)

Topic 1: Introduction

- Why to study economic development?
- Course: approach, structure and requirements
- Economic lives of the poor: stylized facts

Literature

- Ray Debraj (1998): Development Economics, ch.1-2, pp. 2-42.
- Banerjee, A. and E. Duflo (2006): Economic lives of the poor. Journal of Economic Perspectives
- Banerjee A. and E. Duflo (2008): What is middle class about the middle classes around the world? Journal of Economic Perspectives

Topic 2: Poverty traps

- Solow model, conditional and unconditional convergence
- Poverty traps: savings trap, capital threshold, population-based/demographic trap, [and other possible vicious circles]
- Policy implications of poverty trap models
- Different approaches to foreign aid

Literature

- +Ray Debraj (1998): Development Economics, ch.3, pp. 47-90.
- +Sachs, Jeffrey, et al. (2004): Ending Africa' s Poverty Trap, Brookings Papers on Economic Activity, Issue 1, 2004 pp. 117-130. [only parts 117-130]
- Rodrik, Dani. *Unconditional convergence*. No. w17546. National Bureau of Economic Research, 2011.
- +Banerjee and Duflo (2011). Poor economics. chapter 1 - Think again, again
- +Easterly, William (2006) " Planners vs. Searchers in Foreign Aid " Asian Development Review, Vol. 23, No. 2, 1-35, 2006,
- De Mel, McKenzey, Woodruff (2008): Returns to capital in microenterprises: evidence from a field experiment. Quarterly Journal of Economics

Topic 3: Education

- Benefits of greater education
- Barriers of increasing education
- Why are field experiments a powerful tool to figure out what policy interventions work?
- Evaluations of different types of interventions: supply side and demand side

Literature

- Ray, D. 1998: Development Economics. ch. 4, pp. 100-107. Library folder.
- E. Duflo, M. Kremer and R. Glennerster (2006): Using Randomization in Development Economics Research: A Toolkit. In Schultz and Strauss (2008): Handbook of Development Economics, volume 4.

- E. Duflo: Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment
- Glewwe, P., Ilias, N., & Kremer, M. (2010). Teacher incentives. American Economic Journal: Applied Economics, 2(3), 205–227.
- +Jensen, R. (2010). The (perceived) returns to education and the demand for schooling. The Quarterly Journal of Economics, 125(2), 515-548.
- +Barrera-Osorio, F., Bertrand, M., Linden, L. L., & Perez-Calle, F. (2011). Improving the Design of Conditional Transfer Programs : Evidence from a Randomized Education Experiment in Colombia. American Economic Journal: Applied Economics, 3(2), 167–195.
- +Duflo, Esther, and Rema Hanna. "Monitoring works: Getting teachers to come to school." (2005).
- +Glewwe, Paul, Michael Kremer, and Sylvie Moulin. "Many children left behind? Textbooks and test scores in Kenya." *American economic journal: Applied economics* 1.1 (2009): 112-135.

Topic 4: Health: Nutrition and pricing of health products

- Nutrition-based poverty trap
- Pricing of health products

Literature

- Ray, D. 1998: Development Economics. ch. 8-9, pp. 249-338. Library folder.
- Jensen and Miller (2008): Giffen behavior and subsistance consumption. American economic review.
- Miguel, E. and M. Kremer. 2004. „Worms : Identifying Impacts on Education and Health in the Presence of Treatment Externalities“. Econometrica 72: 159-217.
- +Baird, Sarah, Joan Hamory Hicks, Michael Kremer, and Edward Miguel. 2016. "Worms at Work: Long-Run Impacts of a Child Health Investment." Quarterly Journal of Economics 131 (4): 1637–80.
- Field, Robles and Torero: The cognitive link between geography and development: Iodine deficiency and schooling attainment in Tanzania, working paper
- Kremer, M., & Holla, A. (2009). Improving Education in the Developing World : What Have We Learned from Randomized Evaluations ? Annual Review of Economics, 1, 513–42.
- +Cohen, J., and P. Dupas. 2010. "Free Distribution or Cost-Sharing? Evidence from a Randomized Malaria Prevention Experiment." Quarterly Journal of Economics 125:1–45.
- +Dupas, Pascaline. 2014. "Short-Run Subsidies and Long-Run Adoption of New Health Products: Evidence from a Field Experiment." Econometrica 82 (1): 197–228.
- Ashraf, N., Berry, J., & Shapiro, J. M. (2010). Can Higher Prices Stimulate Product Use? Evidence from a Field Experiment in Zambia. American Economic Review, 100, 2383-2413.

Topic 5: Complementarities and persistence

- Interdependence, complementarities and multiple equilibria
- Applications: technology adoption, social norms, paying taxes

Literature

- Ray, D. 1998: Development Economics. ch. 5, pp. 131-159.
- Bursztyn, Leonardo, Alessandra L. González, and David Yanagizawa-Drott. 2020. "Misperceived Social Norms: Women Working Outside the Home in Saudi Arabia." American Economic Review 110 (10): 2997–3029.

Topic 6: Psychology of poverty and economic decision-making

- Behavioral poverty trap
- Does poverty affect cognitive function?
- Does thinking about poverty affects time preference?
- Does thinking about poverty affect productivity?

Literature

- +A. Mani, S. Mullainathan, E. Shafir, J. Zhao, Poverty impedes cognitive function. *Science* 341(6149), 976-980 (2013).
- Haushofer, J., & Shapiro, J. (2013). Household Response to Income Changes: Evidence from an Unconditional Cash Transfer Program in Kenya. Quarterly Journal of Economics
- Haushofer, J., & Fehr, E. (2014). On the psychology of poverty. *Science (New York, N.Y.)*, *344*(6186), 862–7. doi:10.1126/science.1232491
- +Bartos, V., Bauer, M., Chytilova, J. and Levely, I. (2018): Psychological effects of poverty on time preference. Economic Journal.
- +Kaur, Supreet, Sendhil Mullainathan, Frank Schilbach, and Suanna Oh. 2019. "Does Financial Strain Lower Worker Productivity?" Mimeo.

Topic 7: Institutions

- Effects of institutions on development
- Institutional constraints and power of political leaders
- Institutions and economic activity

Literature

- +Acemoglu, Johnson and Robinson (2001): Colonial origins of comparative development. American Economic Review. December.
- +Engerman and Keneth Sokoloff (2000): History lessons: Institutions, factor endowments, and paths of development in the new world. Journal of Economic Perspectives, vol. 14, n. 3. Institutional constraints and political leaders
- +Ottinger, Sebastian, and Nico Voigtländer. "History's Masters The Effect of European Monarchs on State Performance." *Econometrica* 93.1 (2025): 95-128.
- Jones, B.F. and Olken, B.A., 2005. Do leaders matter? National leadership and growth since World War II. *The Quarterly Journal of Economics*, *120*(3), pp.835-864. Illustrations of two potential mechanisms how institutions affect economic activity
- Mehlum, Moene, Torvik (2006): Parasites. In: Bowles, Durlauf and Hoff (2006): Poverty traps. Princeton University Press. p. 79-94.
- DeSoto, Hernando (2000): The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else. Basic Books. Ch1, 3. Library folder

Topic 8: Economics of conflict

- Impacts of conflict
- Economic determinants of conflict

Literature

- Blattman, Christopher, and Edward Miguel. "Civil war." *Journal of Economic literature* 48.1 (2010): 3-57.

- [+]Miguel, E., Satyanath, S. and E. Sergenti (2004), "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," Journal of Political Economy 112, 725-753.
- Searsons, H. (2015), "Rainfall and conflict: A cautionary tale" Journal of Development Economics 115, 62-72.
- [+]Dube, O. and Juan Vargas (2013), "Commodity Price Shocks and Civil Conflict: Evidence from Colombia," Review of Economic Studies, 80(4): 1384-1421
- [+]Alfonsi, L., Bauer, M., Chytilova, J. and Miguel, E. (2025): Hitting the rock bottom: Economics of cheating. Working paper

Topic 9: Access to credit (if time allows)

- Why is it difficult to provide credit to the poor? Adverse selection, moral hazard, credit rationing
- Microcredit innovation, its key characteristics, links to theory
- Does greater access to microcredit help the poor in practice?

Literature

- Armendariz DeAghion and Morduch (2005): Economics of microfinance. MIT, ch. 1-2, pp. 1-52. Library folder.
- [+]Banerjee, Duflo, Glennerster and Kinnan (2009): The miracle of microfinance? Evidence from a randomized evaluation. AEJ: Applied
- [+]Karlan and Zinman (2011): Microcredit in Theory and Practice: Using Randomized Credit Scoring for Impact Evaluation. Science.
- [+]Karlan, D. and X. Gine (2006): Group Versus Individual Liability: A Field Experiment in the Philippines.