

Department of Political Science
Economic Development
Professor Mauro Sylos-Labini



Part I

1.1 General Information

- Full course title: Development Economics
- Type of course: Compulsory
- Level of course: Master programme
- Year of study: 1st
- Number of ECTS credits allocated: 6
- Name of lecturer(s) and office hours: Mauro Sylos-Labini,
Wednesday 16:30-18:30 mauro.syloslabini@unipi.it
Via Serafini 3, 3rd floor.

1.2 Course aims

Is massive and persistent poverty a contemporary policy priority? Does foreign aid help (or hinder) its eradication? How do people and families take decisions when living under two dollars per day? Are the poor always hungry? How do we make schools and hospitals work for the poor? Is microfinance invaluable or overrated?

At the end of the course, students shall have a proper notion of the key questions asked by researchers interested in poverty today, and (hopefully) they will be able to provide a few answers as well. Both questions and answers are viewed through an economic perspective, but also insights from psychology and other social sciences will be discussed. The student who successfully completes the course will be able to evaluate and assess policy interventions aimed at reducing extreme poverty. Moreover, she will understand the difference between correlation and causation and will be able to disentangle descriptive pieces of evidence from causal ones.

1.3 Learning outcomes

After the course, students will be able to: (i) use economic principles to assess pros and cons of policy interventions intended to fight extreme poverty; (ii) evaluate research designs of policy evaluation.

1.4 Course requirements

Students will be required to attend not less than 80% of classes and be prepared for class discussions. Reading of the assigned materials and active engagement in class discussions is compulsory.

1.5 Grading plan

Midterm exam 40%

Class presentation 20%

Final exam 40%

Part II

2.1 Course content

Topic 1 Poverty and (poverty-) traps

Topic 2 Randomized Controlled Trials for policy evaluation

Topic 3 Food and nutrition

Topic 4 Health

Topic 5 Education

Topic 6 Family

Topic 7 Risk

Topic 8 Credit

Topic 9 Saving

Topic 10 Entrepreneurship

Topic 11 Institutions

2.2 Course content and readings by topics¹

Topic 1 Poverty and poverty traps

Lecture 1

Syllabus presentation. “Think again” about the fight against extreme poverty. What is poverty and how can be measured; Differences between poverty and inequality.

Content of the lecture and questions to answer

Why does a “development economics” course focus on poverty?

What are the strengths and limitations of most common quantitative poverty indicators?

What is Purchasing Power Parity?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 1

Amartya Sen "Conceptualizing and Measuring Poverty", Ch. 2 (pp. 33-40) in David A. and Ravi Kanbur (ed.) *Poverty and Inequality*. Stanford: Stanford University Press, 2006.

¹ Lectures schedule is preliminary and last classes will be devoted to students’ presentations. More updated information about class material and topics covered is available on the e-learning platform [Moodle](#).

Further Readings

A. Deaton "[Measuring and understanding Behavior, Welfare and Poverty](#)", American Economic Review, 106(6), 2016.

Internet sources

Ending Poverty (UN):

<https://www.un.org/en/sections/issues-depth/poverty/>

Understanding Poverty (WB):

<https://www.worldbank.org/en/understanding-poverty>

Debates on global policy measures:

<https://economicsandpoverty.com/read/debates-on-global-poverty-measures/>

A new approach to global poverty: Measuring absolute and relative income

<https://voxdev.org/topic/methods-measurement/new-approach-global-poverty-measuring-absolute-and-relative-income>

Lecture 2

Definition of “capacity curve” and “poverty traps”. Applications to food and nutrition, education, savings.

Content of the lecture and questions to answer

What are the necessary conditions for the existence of a poverty trap?

Why nutrition, health, education and saving could cause a poverty trap?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 1

Further Readings

Angus Deaton "[Measuring and understanding Behavior, Welfare and Poverty](#)", American Economic Review, 106(6), 2016.

Kiminori Matsuyama, "[Poverty traps](#)", mimeo Northwestern University.

Topic 2 Randomized controlled trials

Lecture 3

Learning what (policy) works: The role of experiments; Difference between correlation and causation; How experiments help to identify causal effect. Two kind of randomness: Random assignment and random sampling. Statistical significance.

Content of the lecture and questions to answer

What is the selection problem? Why is important in program evaluation?

What is the difference between “random sampling” and “random assignment”?

How the notion of “potential outcome” help to define “causal effect”?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 1

Further Readings

Joshua D. Angrist and Jörn-Steffen Pischke, *Mastering ‘Metrics*, Princeton University Press, 2014, Introduction and Chapter 1.

Internet sources

[Jeffrey Sachs vindicated](#)

https://rodrik.typepad.com/dani_rodriks_weblog/2008/01/jeff-sachs-vind.html

[Sachs not vindicated](#)

<https://www.cgdev.org/blog/sachs-not-vindicated>

Lecture 4

How can we (confidently) say that results are due to a policy intervention: statistical significance.

Further Readings

Joshua D. Angrist and Jörn-Steffen Pischke, *Mastering 'Metrics*, Princeton University Press, 2014, Introduction and Chapter 1.

Topic 3 Food and nutrition

Lecture 5

A poverty trap based on food? Data on food consumption. Giffen goods and food subsidies. How to interpret regressions.

Questions to answer

What kind of descriptive evidence suggests that a "quantity" of food trap is unlikely? Why?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 2

Further Readings

Abhijit V. Banerjee, "Policies for a better-fed world", *Rev. World Econ.*, 152, 2016.

Internet sources

[The Indiana Jones of Economics P.1](#)

<http://freakonomics.com/2008/05/05/the-indiana-jones-of-economics-part-i/>

[The Indiana Jones of Economics P.2](#)

<http://freakonomics.com/2008/05/06/the-indiana-jones-of-economics-part-ii/>

[The Indiana Jones of Economics P.3](#)

<http://freakonomics.com/2008/05/07/the-indiana-jones-of-economics-part-iii/>

Lecture 6

The hidden trap: nutrients and pills are more important than food; The controversy on mass deworming. Introduction to cost-and-benefit and cost-efficacy analyses.

Questions to answer

Why mass deworming can be a better policy of selective deworming? What are the main policy lessons in the field of food and nutrition?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 2

Further Readings

Joshua D. Angrist and Jörn-Steffen Pischke, *Mastering 'Metrics*, Princeton University Press, 2014, Chapter 2.

Internet sources

[Mass deworming: \(Still\) a best buy for international development](#)

<https://voxeu.org/article/mass-deworming-development-s-best-buy>

Topic 4 Health

Lecture 7

The economic effect of Malaria: correlation or causation. The success of eradication policies. Difference-in-Difference strategy.

Questions to answer

Why malaria and economic progress can be (negatively) correlated?

What's the most important identification assumption of the Diff-in-Diffs strategy?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 3

Further Readings

Joshua D. Angrist and Jörn-Steffen Pischke, *Mastering 'Metrics*, Princeton University Press, 2014, Chapter 5.

Hoyt Bleakley, "Malaria Eradication in the Americas: A Retrospective Analysis of Childhood Exposure", *AEJ: Applied Economics*, 2(2), 2010.

Lecture 8

Demand and Supply in healthcare. Demand for preventative care: price sensitivity

Questions to answer

How could you explain the low demand prevention in health care? Why little incentives can cost less than no incentives?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 3

Internet sources

[The name of the disease](#)

<https://www.youtube.com/watch?v=rOenEuclS30>

Topic 5 Education

Lecture 9

Supply-Demand wars. Clear thinking about the impact of education on economic development. Top-Down education policies and their discontents.

Questions to answer

Why is education important for growth? Interpreting the descriptive evidence: seed or flower?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 4.

Further Readings

William Easterly, "Educated for what?" ch. 4 in *The elusive quest for growth*, The MIT Press, 2001.

Esther Duflo, "Schooling and labor market consequences of school construction in Indonesia", *American Economic Review*, 91(4), 2001.

Lecture 10

Education quantity and Education quality. How to make schools work for the poor. The curse of expectations.

Questions to answer

What's wrong about expectation in education? What are the most cost-effective interventions?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 4.

Further Readings

Joshua D. Angrist and Jörn-Steffen Pischke, *Mastering 'Metrics*, Princeton University Press, 2014, Chapter 3.

Abhijit Banerjee et al. "Remedying education: evidence from two randomized experiments in India", *Quarterly Journal of Economics*, 2007.

Topic 6 Family

Lecture 11

Demography and population: Malthus. From macro to micro: the quantity-quality trade-off.

Questions to answer

What are the main misconceptions about population and fertility in poor countries? What evidence suggests that Malthus's? What is wrong with large families?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 5.

Further Readings

Joshua D. Angrist and Jörn-Steffen Pischke, *Mastering 'Metrics*, Princeton University Press, 2014, Chapter 3.

Lecture 12

The fertility decision. Children as financial instruments within the family.

Questions to answer

Is it accurate to consider a family as a unitary decision maker? Is the answer to the previous question relevant for policy makers? What really drives fertility decision?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 5.

Internet sources

[Edutainment and Development: Can we use TV to fight poverty?](https://www.youtube.com/watch?v=0mCv5U5LRG4) by Eliana La Ferrara
<https://www.youtube.com/watch?v=0mCv5U5LRG4>

Lecture 13

Gender discrimination and the missing woman.

Questions to answer

What are the main drivers of gender discrimination? Is it all about culture?

Topic 7 Risk

Lecture 14

The hazards of being poor. The demand for insurance.

Questions to answer

Why do insurance markets are problematic? Is it a matter of demand or supply?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 6.

Topic 8 Credit

Lecture 15

The economics of lending to the poor: stylized facts and explanations. The simple technology of informal lending. Introduction to microcredit.

Questions to answer

Are credit market any better than insurance markets? Why?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 7.

Lecture 16

Microcredit: pros and cons. Testing the impact of microfinance: the SPANDANA evaluation.

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 7.

Internet sources

[Understanding the average effect of microcredit](https://voxddev.org/topic/methods-measurement/understanding-average-effect-microcredit)

<https://voxddev.org/topic/methods-measurement/understanding-average-effect-microcredit>

Topic 9 Saving

Lecture 17

To save or not to save. How the poor save. The psychology of saving.

Questions to answer

Why poor are often more subject to temptations than the rich?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 8.

Topic 10 Entrepreneurship

Lecture 18

Capitalists without capital. The businesses of the poor. Good jobs.

Questions to answer

Why a substantial share of poor people are entrepreneurs (even if they seem reluctant to do so)?
Why small business are less productive?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 9.

Topic 11 Institutions

Lecture 19

Political economy and economic development. Institutions and INSTITUTIONS.

Questions to answer

Why is so difficult to measure the impact of institution on economic development?

Compulsory readings

Abhijit V. Banerjee and Esther Duflo, *Poor Economics*, Public Affairs 2011, Chapter 10.

Further Readings

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

Internet sources

[Why nations fail](#)

<https://www.youtube.com/watch?v=2z5RAZlv2UQ>