



Seminar: Poor Economics
Georg-August University Göttingen
Department of Economics
Wintersemester 2014/15

TEACHING TEAM

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DETAILS

In this seminar we will study the book „Poor Economics – A Radical Rethinking of the Way to Fight Global Poverty“ by Abhijit V. Banerjee and Esther Duflo, which has been a highly influential and important book for people interested in development economics.

“Why would a man in Morocco who doesn’t have enough to eat buy a television?

Why is it so hard for children in poor areas to learn even when they attend school?

Why do the poorest people in the Indian state of Maharashtra spend 7 percent of their food budget on sugar?

Does having lots of children actually make you poorer?

Billions of government dollars, and thousands of charitable organizations and NGOs, are dedicated to helping the world’s poor. But much of the work they do is based on assumptions that are untested generalizations at best, flat out harmful misperceptions at worst. For more than fifteen years Abhijit V. Banerjee and Esther Duflo have worked with the poor in dozens of countries spanning five continents, trying to understand the specific problems that come with poverty and to find proven solutions. Through a careful analysis of a very rich body of evidence, including the hundreds of randomized control trials that Banerjee and Duflo have pioneered, they show why the poor, despite having the same desires and abilities as anyone else, end up with entirely different lives. ‘Poor Economics’ argues that so much of anti-poverty policy has failed over the years because of an inadequate understanding of poverty.” (www.pooreconomics.com)

SEMINAR TOPICS

Following, you find the list of seminar topics that will be distributed among participating students during the first meeting on October 29th 2014. Each topic falls into the content of one of the book's chapters. We expect all students to **read the entire book** before the presentation session. We have ordered a few copies of the book for the economics library.

All papers use randomized controlled trials (RCTs) as their methodology. RCTs are a specific study design to investigate the causal effect of different treatments on various outcomes of interest. RCTs are often seen as the 'gold-standard' in empirical investigations and nowadays are an important tool in development economics research. We will explain the ideas and functioning of RCTs in more detail in an introductory meeting.

Chapter1: Think Again, Again

Chapter 2: A Billion Hungry People?

Background Literature:

Ruel, M. T. & Alderman, H. (2013). Nutrition-sensitive Interventions and Programmes: How Can They Help to Accelerate Progress in Improving Maternal and Child Nutrition? *The Lancet*, 382(9891), 536-551.

1. Nutrition and Food Subsidies

Jensen, R.T. & Miller, N.H. (2011). Do Consumer Price Subsidies Really Improve Nutrition? *The Review of Economics and Statistics*, 93(4), 1205–122

Jensen, R.T. & Miller, N.H. (2008). Giffen Behavior and Subsistence Consumption. *American Economic Review*, 98(4), 1553-77.

2. School Feeding Programs

Kazianga H, De Walque D & Alderman, H. (2009). Educational and health impact of two school feeding schemes: evidence from a randomized trial in rural Burkina Faso. *World Bank Policy Research, Working Paper 4976*. Washington, DC: World Bank.

Neumann, C. G., Murphy, S. P., Gewa, C., Grillenberger, M., & Bwibo, N. O. (2007). Meat supplementation improves growth, cognitive, and behavioral outcomes in Kenyan children. *Journal of Nutrition*, 137 (4), 1119-1123.

Chapter 3: Low-Hanging Fruit for Better (Global) Health?

Background Literature:

Dupas, P. (2011). Health behavior in developing countries. *Annu. Rev. Econ.*, 3(1), 425-449.

1. User Fees: Bed Nets

Cohen J. & Dupas, P. (2010). Free Distribution or Cost-sharing? Evidence from a Randomized Malaria Prevention Experiment. *The Quarterly Journal of Economics*, 125 (1), 1-45.

Dupas, P. (2014). Short-Run Subsidies and Long-run Adoption of New Health Products: Evidence from a Field Experiment. *Econometrica*, 82(1), 197-228.

2. User Fees: Deworming and Water Disinfection

Ashraf, N., Berry, J., & Shapiro, J. (2010). Can Higher Prices Stimulate Product Use? Evidence from a Field Experiment in Zambia. *American Economic Review*, 100 (5).

Kremer, M., & Miguel, E. (2007). The Illusion of Sustainability. *Quarterly Journal of Economics*, 122 (3): 1007-1065.

3. Subsidies

Banerjee, A., Duflo, E., Glennerster, R. & Kothari, D. (2010). Improving Immunisation Coverage in Rural India: Clustered Randomised Controlled Evaluation of Immunisation Campaigns With and Without Incentives. *British Medical Journal*, 340.

Thornton, R. L. (2008). The Demand for, and Impact of, Learning HIV Status. *The American Economic Review*, 98(5), 1829.

Chapter 4: Top of the Class

Background Literature:

Glewwe, P., & Kremer, M. (2006). Schools, Teachers, and Education Outcomes in Developing Countries. *Handbook of the Economics of Education*, 2, 945-1017.

Kremer, M., & Holla, A. (2009). Improving Education in the Developing World: What Have We Learned from Randomized Evaluations? *Annual Review of Economics*, 1, 513.

1. Deworming

Miguel, E., & Kremer, M. (2004). Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities. *Econometrica*, 72(1), 159-217.

Baird, S., Hicks, J.H., Kremer, M. & Miguel, E. (2012). Worms at Work: The Long-run Impacts of Child Health Gains. *Working Paper*, Harvard University.

2. Teaching

Glewwe, P., Kremer, M., & Moulin, S. (2009). Many Children Left Behind? Textbooks and Test Scores in Kenya. *American Economic Journal: Applied Economics*, 1(1), 112-135.

Duflo, E., Dupas, P. & Kremer, M. (2011). Peer Effects, Teacher Incentives, and the Impact of Tracking: Evidence from a Randomized Evaluation. *American Economic Review*, 101(5), 1739-74.

3. Additional School Inputs

Banerjee, A., Cole, S., Duflo, E., & Linden, L. (2007). Remedying education: Evidence from two randomized experiments in India. *Quarterly Journal of Economics*, 122(3), 1235-1264.

Glewwe, P., Kremer, M., Moulin, S., & Zitzewitz, E. (2004). Retrospective vs. Prospective Analyses of School Inputs: the Case of Flip Charts in Kenya. *Journal of Development Economics*, 74(1), 251-268.

4. (Perceived) Returns to Education

Nguyen, T. (2008). Information, Role Models and Perceived Returns to Education Experimental evidence from Madagascar. Working Paper, MIT.

Jensen, R. (2010). The (Perceived) Returns to Education and the Demand for Schooling. *The Quarterly Journal of Economics*, 125(2), 515-548.

5. Conditional Cash Programs

Schultz, T.P. (2004). School Subsidies For the Poor: Evaluating the Mexican Progresa Poverty Program. *Journal of Development Economics*, 74, 199-250.

Baird, S., McIntosh, C., & Özler, B. (2011). Cash or condition? Evidence from a cash transfer experiment. *The Quarterly Journal of Economics*, 126, 1709-1753.

6. Education and Allocation between Siblings

Barrera-Orsorio, F., Bertrand, M., Linden, L. L., & Perez-Calle, F. (2008). Conditional Cash Transfers in Education Design Features, Peer and Sibling Effects Evidence from a Randomized Experiment in Colombia. *NBER Working Paper* 13890.

Akresh, R., Bagby, E., De Walque, D., & Kazianga, H. (2012). Child ability and household Human Capital Investment Decisions in Burkina Faso. *Economic Development and Cultural Change*, 61(1), 157-186.

Chapter 5: Pak Sudarno's Big Family

Background Literature:

Dupas, P. (2011). Health behavior in developing countries. *Annu. Rev. Econ.*, 3(1), 425-449.

Doss, C. (2013). Intrahousehold Bargaining and Resource Allocation in Developing Countries. *The World Bank Research Observer*, 28(1), 52-78.

1. HIV and Teenage Pregnancy

Duflo, E., Dupas, P., Kremer, M., & Sinei, S. (2006). Education and HIV/AIDS Prevention: Evidence from a Randomized Evaluation in Western Kenya. *World Bank Policy Research Working Paper* 4024.

Dupas, P. (2011). Do Teenagers Respond to HIV Risk Information? Evidence From a Field Experiment in Kenya. *American Economic Journal: Applied Economics*, 3(1): 1-36

2. Fertility Decision

Ashraf, N., Field, E., & Lee, J. (2014). Household Bargaining and Excess Fertility: An Experimental Study in Zambia. *American Economic Review*, 104(7): 2210-37.

La Ferrara, E., Chong, A., & Duryea S. (2012). Soap Operas and Fertility: Evidence from Brazil. *American Economic Journal: Applied Economics*, 4(4), 1-31.

3. Resource Allocation

Duflo, E., & Udry, C. (2004). Intrahousehold Resource Allocation in Cote d'Ivoire: Social Norms, Separate Accounts and Consumption Choices. *NBER Working Paper* 10498.

Kazianga, H., de Walque, D., & Alderman, H. (2014). School feeding programs, Intrahousehold allocation and the Nutrition of Siblings: Evidence from a Randomized Trial in Rural Burkina Faso. *Journal of Development Economics*, 106, 15-34.

Chapter 6: Barefoot Hedge-Fund Managers

Background Literature:

De Bock, O., & Gelade, W. (2012). The demand for microinsurance: A literature review. *ILO Microinsurance Innovation Facility Research Paper*, (26).

1. Insurance Take-up

Cole, S., Giné, X., Tobacman, J., Topalova, P., Townsend, R., & Vickery, J. (2013). Barriers to Household Risk Management: Evidence from India. *American Economic Journal: Applied Economics*, 5(1), 104-35.

Cole, S., Stein, D., & Tobacman, J. (2014). Dynamics of Demand for Index Insurance: Evidence from a Long-Run Field Experiment. *The American Economic Review*, 104(5), 284-290.

2. Insurance and (Risky) Investment

Karlan, D., Osei, R. D., Osei-Akoto, I., & Udry, C. (2012). Agricultural decisions after relaxing credit and risk constraints. *Quarterly Journal of Economics*, 129(2), 597-65.

Mobarak, A. M., & Rosenzweig, M. R. (2013). Informal Risk Sharing, Index Insurance, and Risk Taking in Developing Countries. *The American Economic Review*, 103(3), 375-380.

Chapter 7: The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor

Background Literature:

Bauchet, J., Marshall, C., Starita, L., Thomas, J. & Yalouris, A. (2011). Latest Findings from Randomized Evaluations of Microfinance. Access to Finance Forum *Reports by CGAP and Its Partners* No. 2

1. Microfinance and Social Capital

Feigenberg, B., Field, E., Pande, R., Rigol, N., & Sarkar, S. (2014). Do Group Dynamics Influence Social Capital Gains Among Microfinance Clients? Evidence from a Randomized Experiment in Urban India. *Journal of Policy Analysis and Management*, 33(4), 932-949.

Feigenberg, B., Field, E., & Pande, R. (2013). The Economic Returns to Social Interaction: Experimental Evidence from Microfinance. *The Review of Economic Studies*, forthcoming.

2. Miracle of Microfinance?

Banerjee, A. V., Duflo, E., Glennerster, R., & Kinnan, C. (2014). The Miracle of Microfinance? Evidence from a Randomized Evaluation. *American Economic Journal: Applied Economics*, forthcoming.

Karlan, D., & Zinman, J. (2011). Microcredit in Theory and Practice: Using Randomized Credit Scoring for Impact Evaluation. *Science*, 332(6035), 1278-1284.

3. Microfinance: Repayment

Field, E., & Pande, R. (2008). Repayment Frequency and Default in Microfinance: Evidence from India. *Journal of the European Economic Association*, 6(2-3), 501-509.

Field, E., Pande, R., Papp, J., & Rigol, N. (2013). Does the Classic Microfinance Model Discourage Entrepreneurship Among the Poor? Experimental Evidence from India. *American Economic Review*, 103(6), 2196-2226.

Chapter 8 & 9: Saving Brick by Brick & Reluctant Entrepreneurs

Background Literature:

Bauchet, J., Marshall, C., Starita, L., Thomas, J. & Yalouris, A. (2011). Latest Findings from Randomized Evaluations of Microfinance. Access to Finance Forum *Reports by CGAP and Its Partners* No. 2

1. Return to Capital: Microenterprises

De Mel, S., McKenzie, D., & Woodruff, C. (2008). Returns to Capital in Microenterprises: Evidence from a Field Experiment. *The Quarterly Journal of Economics*, 123(4), 1329-1372.

McKenzie, D., & Woodruff, C. (2008). Experimental Evidence on Returns to Capital and Access to Finance in Mexico. *The World Bank Economic Review*, 22(3), 457-482.

2. Microentrepreneurs and Training

Karlan, D., & Valdivia, M. (2011). Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions. *Review of Economics and Statistics*, 93(2), 510-527.

Drexler, A., Fischer, G., & Schoar, A. (2014). Keeping it Simple: Financial Literacy and Rules of Thumb. *American Economic Journal: Applied Economics*, 6(2), 1-31.

3. Gender and Entrepreneurship

De Mel, S., McKenzie, D., & Woodruff, C. (2009). Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns. *American Economic Journal: Applied Economics*, 1(3): 1-32.

Field, E., Jayachandran, S., & Pande, R. (2010). Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India. *American Economic Review*, 100(2): 125-29.

Chapter 10: Policies, Politics

Background Literature:

Pande, R. (2011). Can Informed Voters Enforce Better Governance? Experiments in Low-income Democracies. *Annu. Rev. Econ.*, 3(1), 215-237.

1. Corruption

Olken, B.A. (2007). Monitoring Corruption: Evidence from a Field Experiment in Indonesia. *Journal of Political Economy*, 115, 200-249.

Duflo, E., Greenstone, M., Pande, R., Ryan, N. (2013). Truth-telling by Third-party Auditors and the Response of Polluting Firms: Experimental Evidence from India. *The Quarterly Journal of Economics*, 128(4), 1499-1545.

2. Institutions

Banerjee, A. V. (2012). Can Institutions Be Reformed from Within? Evidence from a Randomized Experiment with the Rajasthan Police. *NBER Working Paper* 17912.

Casey, K., Glennerster, R. and Miguel, E. (2012). Reshaping Institutions: Evidence on Aid Impacts Using a Preanalysis Plan. *The Quarterly Journal of Economics*, 127(4), 1755-1812.

3. Women and Policy

Chattopadhyay, R., & Duflo, E. (2004). Women as Policy Makers: Evidence from a Randomized Policy Experiment in India. *Econometrica*, 72(5), 1409-1443.

Beaman, L., Chattopadhyay, R., Duflo, E., Pande, R., and Topalova, P. (2009). Powerful Women: Does Exposure Reduce Bias? *Quarterly Journal of Economics*, 124 (4), 1497-1540.

4. Information and Voting

Chong, A., De La O, A., Karlan, D., & Wantchekon, L. (2014). Does Corruption Information Inspire the Fight or Quash the Hope? A Field Experiment in Mexico on Voter Turnout, Choice and Party Identification. *Journal of Politics*, forthcoming.

Banerjee, A., Kumar, S., Pande, R., and F. Su (2011). Do Informed Voters Make Better Choices? Experimental Evidence from Urban India. Working Paper, Harvard University.

GRADING

1. Seminar Paper (50%)
2. Presentation & Class Participation (50%)

SEMINAR PAPER

The main part of the seminar paper should be dedicated to the description and discussion of the assigned papers. It is highly important to place the papers' content into the scientific literature and the broader framework of development economics. Here, the book "Poor Economics" as well as the background literature might help.

- In total the seminar paper should comprise 10 pages of text (references, tables and figures do not count

toward the 10 pages).

- It should be written in either English or German.
- If you include tables or illustrations, please include those in the appendix.
- Use font style “Times New Roman”, font size 12, 1.5 spacing, margins each 2.5cm.
- Do not provide an abstract, a table of contents or a list of illustrations/tables/abbreviations and minimize the use of footnotes.
- Provide a bibliography at the end of your paper. It is highly important to cite all ideas or information you obtained from others and do so in the course of the text and not in footnotes.

PRESENTATION

- You have up to 30 minutes to present your seminar paper.
- Present by using slides in ppt or pdf format. Presentation and discussion will be in English.
- The discussion will be about 10 minutes. If appropriate finish up your presentation with a question or a provocative statement to start the discussion.

CLASS PARTICIPATION

- We expect you to be present at all times and to participate in class discussions. If you are unable to attend some of the sessions please do not register for this seminar. You can send us topic preferences via email if you cannot attend the preliminary meeting.
- We expect you to read the book “Poor Economics” before the presentation session takes place.
- There are no stupid questions, and you should not be afraid of a negative evaluation. Though, it is important for a fruitful discussion that you have read the book and have your own thoughts about it.

DATES

- Preliminary Meeting and Topic Assignment: 29.10.2014, 15:00 in Oec 1.165
- Deadline for Registration: 05.11.2014
- Introduction to Scientific Writing and Randomized Control Trials: 06.11.2014, 14:30-18:00 & 07.11.2014, 09:00-12:30 in Oec 0.211
- Hand-in Seminar Paper: 06.01.2015 as pdf via email and 1x printed
- Hand-in Presentation Slides: 20.01.2015 via email pdf or ppt format
- Seminar: 22.01.2015, 14:00-20:00 & 23.01.2015, 10:00-18:00 in Oec 1.165