

## Development Economics II - Micro Issues in Economic Development

Course Number	M.WIWI-VWL.0009.Mp
Course Type and Credits	Lecture with tutorial, 6 ECTS
Lecturer	Prof. Klasen, Prof. Wollni
Cycle	every summer term
Examination format	written exam (90 minutes) at the end of the term

**Course Description**

This lecture focuses on the analysis of markets and households in developing countries with the objective to understand the causes of poverty. This course on “development microeconomics” introduces some important analytical – both theoretical and empirical – tools needed for this purpose. It has, however, an empirical focus and provides rich empirical evidence on the behavior of households and individuals given the specific characteristics of markets and institutions in developing countries. The course also provides insights on policies to improve the situation of the poor and to address low income traps. After an introductory lecture on the definition and measurement of poverty and hunger, the next lecture introduces some key recurrent theoretical and empirical approaches. The course then examines some of the central mechanisms on specific markets that keep households in poverty: risk and the lack of insurance, credit market constraints, and some of the characteristics of land and labour markets in developing countries. Then, demographic aspects of economic development and poverty will be examined. Quite a number of mechanisms discussed in this course have an important gender dimension, which is the focus of the second last lecture. Finally, the course deals with selected issues of education and health policies in developing countries and examines how these policies can contribute to overcoming poverty.

<b>Course content</b>	<p><b>1. Poverty and hunger</b></p> <ul style="list-style-type: none"><li>-(Human) development</li><li>-Dimensions of poverty and MDGs</li><li>-Identifying the poor and poverty measures</li><li>-Problems of measuring poverty (also introducing vulnerability)</li><li>-Hunger as an extreme form of poverty (introducing malnutrition and undernourishment)</li></ul> <p><b>2. Basic theoretical concepts and empirical approaches</b></p> <ul style="list-style-type: none"><li>-Agricultural household models</li><li>-Poverty traps</li></ul>
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### Course content

#### **3. Risk and insurance**

- Types of risk
- Perfect/complete insurance as benchmark
- Test for Pareto-efficient insurance
- Self-insurance and its limits
- Ex-ante mitigation and diversification (versus ex-post coping)

#### **4. Credit markets and microfinance**

- The importance of credit markets
- Causes of credit market failure
- Informal credit markets
- Microfinance

#### **5. Land markets and agriculture**

- Share-cropping
- Land markets
- Large-scale land acquisitions

#### **6. (Urban) Labour markets**

- The Harris-Todaro model
- The urban informal sector and self-employment
- Micro enterprises

#### **7. The situation of women**

- Excess female mortality
- Models of intrahousehold resource allocation
- Discrimination in education

#### **8. Education, health and public service delivery**

- The demand and supply of public services
- Nudging and addressing demand constraints: Transfer programs, conditional cash transfers
- Health service utilization and health outcomes: Policies to reduce child mortality

### Reading List

Bardhan, P. and Udry, C. (1999) Development Microeconomics. Oxford: Oxford University Press.  
Deaton, A. (1997) The Analysis of Household Surveys. Washington D.C.: World Bank Publications.  
Ray, D. (1998) Development Economics. Princeton: Princeton University Press.

### Course prerequisites

Development Economics II does not build directly on Development Economics I. Therefore you can attend this lecture without previously having heard Development Economics I.