

Prof. Julie Schaffner
Fall 2009

**Micro Development Economics:
Poverty Reduction Policy Analysis for Developing Countries**

Description. This course teaches a systematic approach to economic policy analysis and applies it in the study of efforts to reduce poverty and promote development in poor countries. We examine policies ranging from short-run cash and food transfer programs; to infrastructure, agricultural technology and micro finance projects; to policies shaping long-run investments in education and health. Emphasis is on the rigorous use of economic reasoning, the identification and use of critical empirical evidence, and the effective communication of policy analytic results.

Class sessions. Regular class sessions will involve a combination of lecture and discussion. Students are expected to *prepare* for each class session and will be given clear instructions (posted on Blackboard or announced during the previous class session) about how to do this. Students will be given short *quizzes* on the day's readings at the beginning of most class sessions.

Study groups. Students are expected to participate in study groups of 4 to 6 people, which meet at least weekly to digest and discuss course material, and to complete some course assignments. Study group experience will be best if students in the group are diverse in interests and experience, but similar in their goals regarding what they want to get out of this course, and not highly constrained when it comes to scheduling group meetings. I leave group formation and the scheduling of meetings up to you, but am happy to provide assistance. Please let me know if there is anything I can do to facilitate good study group experiences.

Problem Sets. Working together in study groups, students will complete between 5 and 7 problem sets over the semester. One copy should be submitted by each study group. Please make sure to indicate the names of all study group members at the top of the problem set (preferably in alphabetical order). For dates on which these problems are due, please see the tentative course calendar document distributed with this syllabus. I encourage you to submit problems via email, but submitting in hardcopy is also fine.

Policy Analysis Projects. Working in teams of 3 or 4, students will undertake policy analysis projects, in which they will (1) identify and describe in detail a specific policy or policy reform, (2) identify a meaningful and important policy analytic question related to this policy that merits careful study, (3) employ the systematic approach expounded in this course to identify all the empirical issues that must be addressed in a complete study of the question posed, (4) research these issues, (5) synthesize all the information uncovered by the research, and (6) write up the results in an effective manner. While the final output of the project is a 25- to 30-page policy paper on a precisely defined and carefully researched analytical question, this project is much more than just a paper. The project will be carried out in a structured way, with six stages and many opportunities for

feedback and interaction. A complete set of documents describing the stages of this assignment may be found in the course web pages. Tentative deadlines for completion of these stages may be found in the course calendar document, which will be distributed on the first day of class and is posted in the course web pages.

Relationship between study group and policy analysis team. No particular relationship between your study group and your policy analysis project team is required. It is fine for all members of your project team to participate in the same study group, and it is also fine for them to participate in different study groups. I strongly urge you, however, to participate in a study group that is *larger* than your project team. You will benefit greatly from a diversity of perspectives, skills and interests in your study group.

Blackboard Resources. All required course materials may be found in the Blackboard web pages for this course. We will also use Blackboard for organizing some collaborative activities. Your enrollment in the Blackboard site should be automatic after you register for the course. Please *make sure that the email address associated with your Blackboard account is the email address you regularly check.* If you need to change the email address on record with Blackboard, follow these steps:

- A. Log into Blackboard ;
- B. Go to any course site ;
- C. Click on Tools / Personal Information / Edit Personal Information.

Exams and Grading. Course requirements include mid-term and final examinations, as well as class participation, frequent short problem sets, and the policy analysis project. Problem sets and class participation (including required reading quizzes and editing of classmates' drafts of policy analysis assignments) together will count 10 percent toward the final grade. The mid-term will count an additional 25 percent, the final 30 percent, and the policy paper 35 percent. The tentative plan for the midterm is to distribute one midterm question on Monday, November 2, to allow you plenty of time to think about it, but then to have you write the exam during class on Tuesday, November 3. The final will be self-scheduled.

Pre-Requisites. Introductory economics is a strict pre-requisite for this course.

Accommodation for disability. In accordance with federal and state law, Tufts University provides for reasonable accommodation to students with documented disabilities. If you believe you have a disability requiring an accommodation, please contact Nora Moser McMillan, Registrar and Manager of Student Academic Programs, Goddard 212, (617) 627-2405.

Course Outline

References to readings such as “Schaffner, Chapter 1” refer to draft chapters from the following textbook (which may be found in the Blackboard pages):

Schaffner, J.A. (forthcoming), *Development Economics: Theory, Empirical Research and Policy Analysis*, Wiley-Blackwell Publishing.

In addition to the foundational readings listed here, I will be assigning **case study materials** as we go along.

Please consult Blackboard for specifics on how to prepare for each class session.

I. Introduction

Careful read: Schaffner, Chapter 1, “Contemporary Development Efforts and the Role of Economic Analysis”

Skim now (you will read carefully later): Schaffner, Chapter 15, “Rigorous and Practical Policy Analysis”

If you'd like more details on global poverty levels and trends:

Chen, S. and M. Ravallion, 2004, “How Have the World’s Poorest Fared Since the Early 1980’s,” *World Bank Research Observer* 19, p. 141-169.

Chen, S. and M. Ravallion, 2008, “The Developing World is Poorer than We Thought, But No Less Successful in the Fight Against Poverty” World Bank Policy Research Working Paper No. 4703.

II. Development Objectives and Measures of Success

Careful read: Schaffner, Chapter 2, “Well-being”

Quick skim: Schaffner, Chapter 3, “Economic Growth: Introduction”

Careful read: Schaffner, Chapter 5, “Poverty, Inequality and Vulnerability”

If you'd like some more description of the lives of the poor and “middle class” in developing countries:

Banerjee, A. and E. Duflo, 2007, “The Economic Lives of the Poor,” *Journal of Economic Perspectives* 21(1), p. 141-167.

Banerjee, A. and E. Duflo, 2008, “What is Middle Class about the Middle Classes around the World?” *Journal of Economic Perspectives* 22(2), p. 3-28.

Rutherford, S., 2002, "Money Talks: Conversations with Poor Households in Bangladesh about Managing Money," Finance and Development Research Programme Working Paper No. 45, Institute for Development Policy and Management, University of Manchester.

III. Microeconomic Analysis of Individual and Household Decisions

Careful read through page 25: Schaffner, Chapter 6, "Consumption, Time Allocation and Production Basics" (on consumption and time allocation)

Careful read of introductory paragraphs and then pages 21 to the end: Schaffner, Chapter 7, "Households" (on non-unitary household models)

IV. Policy Analysis: Targeted Cash and Food Transfer Programs

Careful read: Schaffner, Chapter 15, "Rigorous and Practical Policy Analysis"

Careful read: Schaffner, Chapter 23, "Targeted Transfer Programs"

Careful read: Morduch, J., "Between the State and the Market: Can Informal Insurance Patch the Safety Net?," *The World Bank Research Observer* 14(2), August 1999, p.187-207.

Careful read (to be done in conjunction with a problem set): Schaffner, Chapter 24, "Workfare"

V. Microeconomic Analysis of Markets for Goods and Services

Quick read from page 25 to the end: Schaffner, Chapter 6, "Consumption, Time Allocation and Production Basics" (on production decisions)

Careful read through page 21: Schaffner, Chapter 7, "Households" (on unitary household models)

Careful read: Schaffner, Chapter 8, "Domestic Markets for Goods and Services"

If you would like exposure to related information that we don't have time for in class:

Schaffner, Chapter 9, "Labor Markets"

VI. Policy Analysis: Agricultural Pricing Policies

Careful read: Schaffner, Chapter 16, "Agricultural Pricing Policies"

VII. Microeconomic Analysis of Investment and Financial Markets

Careful read: Schaffner, Chapter 10, “Investment and Financial Markets”

VIII. Policy Analysis: Infrastructure Policies and Programs

Careful read: Schaffner, Chapter 18, “Infrastructure”

IX. Policy Analysis: Education Policies

Careful read: Schaffner, Chapter 19, “Education”

X. Policy Analysis: Agricultural Research and Extension Efforts

Careful read: Schaffner, Chapter 17, “Research and Extension”

XI. Policy Analysis: Banking and Microfinance Interventions

Careful read: Schaffner, Chapter 21, “Banking and Microfinance”

XII. Policy Analysis: Public Health, Health Care and Health Insurance

Careful read: Schaffner, Chapter 19, “Public Health, Health Care and Health Insurance”

Tentative Calendar of Topics and Assignments

Date	Topic	Assignments Due
Tuesday, 9/8	Shopping Day	
Thursday, 9/10	I	
Monday, 9/14		Post to “Introductions” Forum on BB (see instructions on BB)
Tuesday, 9/15	II	
Thursday, 9/17	II	Problem Set 1 (on Targeted Transfers)
Tuesday, 9/22	III	
Thursday, 9/24	III	
Friday, 9/25		Policy Analysis Project Assignment 1 (Report on study group discussion of topic ideas)
Tuesday, 9/29	IV	
Thursday, 10/1	IV	Problem Set 2
Monday, 10/5 and Tuesday, 10/6		Policy Analysis Project Assignment 2 (Meetings to discuss Prospectus and Preliminary Bibliography)
Tuesday, 10/6	IV	
Thursday, 10/8	IV	
Tuesday, 10/13	V	Problem Set 3
Thursday, 10/15	V	
Monday, 10/19		Post first draft of Intro and Policy Description and indicate intention to review another team’s intro and policy description
Tuesday, 10/20	VI	
Thursday, 10/22	VI	Post feedback on other team’s intro and policy description
Monday, 10/26		Policy Analysis Project Assignment 3 (First and Second Draft of Intro and Policy Description)
Tuesday, 10/27	VII	
Thursday, 10/29	VII	Problem Set 4
Monday, 11/2	Midterm Prep	I will probably distribute one of the midterm exam questions the day before, so that you have time to think about it before writing the exam.
Tuesday, 11/3	Midterm	
Thursday, 11/5	VIII	
Monday, 11/9 through Thursday, 11/12		Policy Analysis Project Assignment 4 (Meeting with me to discuss outline)

Tuesday, 11/10	VIII	
Thursday, 11/12	IX	Problem 5?
Friday, 11/13	New York Trip	
Tuesday, 11/17	IX	
Thursday, 11/19	X	
Friday, 11/20		Post first full (good, not rough) draft and indicate intention to review another group's first full draft
Monday, 11/23		Post comments on another team's first full draft
Tuesday, 11/24	X	
Wednesday, 11/25 through Monday, 11/30		Policy Analysis Project Assignment 5 First and Second Drafts of Full Paper (Note that you get to choose whether to submit your first full draft before, during or right after Thanksgiving break.)
Thursday, 11/26	Thanksgiving, No Class	
Tuesday, 12/1	XI	
Thursday, 12/3	XI	Problem Set 6?
Tuesday, 12/8	XII	
Thursday, 12/10	XII	
Friday, 12/11		Policy Analysis Assignment 6 Final Paper and Project Summary Document
Self-scheduled during exam period	Final Exam	