

University of Wisconsin-Madison
AAE/ECON 474: Economic Problems of Developing Areas

INSTRUCTOR: Priya Mukherjee

Fall 2025

Course Website

All course materials will be posted on Canvas. Link: <https://canvas.wisc.edu/courses/461120>

Meet Times

Lectures

M W 4:00-5:15 PM, 2120 GRAINGER HALL

Credits: 3

The course consists of lectures, homework assignments, and exams. The course will meet twice a week, and lecture content will be posted before class. I expect that you will read any assigned materials before each class (these will be shared the week before) and be prepared to discuss questions related to the readings. The course "Timeline" indicates when topics are covered and assignments are due.

Based on the UW-Madison Credit Hour Policy, the class is organized based on an expected time investment of 45 hours of work per credit hour. One credit is the learning that takes place in at least 45 hours of learning activities, which include time in lectures or class meetings, in person, exams, presentations, reading, writing, studying, preparation for any of these activities, and any other learning activities.

Instructor and Teaching Assistant Contact Details and Office Hours

Taylor Hall 417, priya.mukherjee@wisc.edu

Office Hours: Tuesdays Noon to 1:30 pm in 417 Taylor Hall, and by appointment. Extra office hours will be announced on Canvas.

TA Contact Details and Office Hours

Pedro Magana Saenz

212 Taylor Hall, maganasaenz@wisc.edu

Office Hours: Mondays 1:00-2:00 pm, and Wednesdays 2:00 - 3:00 pm in 212 Taylor Hall

Course Description

This course will cover topics in development economics, focusing on the microeconomics of poverty alleviation. We will cover a range of issues that attract both research and policy attention in the field, from both a theoretical and applied perspective. The goal of this course is to both understand the microeconomic issues surrounding poverty alleviation and the tools researchers use to study these issues. Thus, we will pay careful attention to the methods and approaches used in the articles that we study.

Learning Outcomes

- Obtain a clear overview of the most important topics in the study of economic development.
- Learn how to read and critically evaluate research being conducted in the area of economic development around the world.
- Become familiar with the tools (from economic theory and basic econometrics) in an applied setting to better understand the topics in economic development
- Develop the skills to critically analyze economic problems in developing areas and think creatively about approaches to tackle these.
- Use economic models and empirical methods to evaluate development policy
- Collaborate with others in the analysis of economic behaviors, policies, and program outcomes

Prerequisite

The prerequisite for this course is one of the following introductory economics courses: Econ 101, Econ 111 or AAE 215. Economic models and econometric tools are frequently used to provide a coherent explanation for some issues, but you do not have to have taken an econometrics course to be successful in this course (I will provide a "Primer" that will get you up to speed on empirical methods.). If you have questions, please come see me.

Assignments and Grading Policy

There will be **two exams and six assignments**. The assignments will consist of problems based on topics covered in class. Each assignment will likely take some time to finish, so I would encourage you to start working on it early. It can help to work in small groups on the assignments and discuss materials taught in class. You should, however, submit your own assignment individually. Solutions will be provided after the deadline, and no late submissions will be accepted. If you anticipate needing extra time, you should discuss your circumstances with me, and may have access to the problem set early so that you can submit it before the deadline.

Submission Dates: All assignments are due in class (always on Wednesdays) and must be submitted by the due date. Submission deadlines for each of the six assignments are: **September 17, October 1, October 15, November 5, November 19, December 3.**

Note that these are deadlines, and you are free to submit your work early. Late submissions will not be accepted as solutions are posted on Canvas after the submission date.

Exam Dates: The exams will be held on **October 22, and December 10, in class**. The second exam is *not cumulative* (except for the empirical methods "Primer" taught at the start of the semester), and these are the only two exams for this class – so *there is no exam during the "exam period" after the end of classes*.

I will assign letter grades based on total score at the end of the course. I plan to use the following cutoffs:

92% : A

88% : AB

82% : B

78% : BC

70% : C

60% : D

<60%: F

**Written materials being submitted must be typed.

Optional: you can try using the free online version of Latex on: www.overleaf.com.

Grading Policy Details

Grades in this course will be based on the following:

1. The **top 5 grades out of six assignments (40%)**. This means that if you submit all six problem sets, your lowest one gets dropped. Assignments will be due as outlined above. No late work

will be accepted.

2. **1 midterm exam (25%),** to be held in class on **October 22.**
3. **Final Exam (25%),** to be held in class on **December 10.** (not cumulative, except for the empirical methods "Primer" taught at the start of the semester).
4. **End-of-term Project (10%).** This consists of a short (5 pages or less) program evaluation project, due on or before **Dec 12.** You can submit this in groups of 2 (or 3) students. I will discuss the logistics for forming groups, meeting me with your project ideas and other details for this project in late September.

Note:

- If you have a conflict with either of the exams or any of the due dates, **please let me know during the first two weeks of classes,** and we will make alternate plans.
- There is no extra credit in this class.

Re-Grades

If you feel that your work has been graded incorrectly, you must submit it to the professor, along with a brief, written explanation of the issue. You must do this within 2 weeks of the assignment or exam being returned (not the date you pick it up) for it to be regraded. The entire exam will be regraded, and as a result, it is possible for your grade to go down as well as up.

Canvas

The Canvas site contains the most recent electronic version of this syllabus. Assignments, exams, and exam solutions, and any handouts will also be posted there. Announcements will also be made via Canvas. However, note that since instructions and smaller announcements are also made in lectures, it is your responsibility to make sure you are up to date on what is discussed in lecture.

Slides/Handouts

All topics we cover in class will have accompanying slides. These slides will be posted on Canvas at the start of the week (on Monday).

Readings / Outline

There is no "required" textbook for this class. I will cover chapters from the textbook "Development Economics" by Debraj Ray, from "The Economics of Microfinance", by Beatriz Armendariz and

Jonathan Morduch, and from "Poor Economics" by Banerjee and Duflo, but it is not necessary to buy these books. I will provide any necessary readings and any other materials on Canvas.

We will also cover a number of journal articles. Many of these have technical material beyond the scope of this course, so when you are asked to read these, your focus should be on understanding:

- the research questions,
- the approach taken by the authors in answering those questions, and
- the main findings of the research. You do not need to understand the empirical methods that we have not covered in lecture, but you should be able to read and understand the main findings. My lecture slides, and the "Primer" handout that I will cover at the start of the semester, will be helpful for this.

Course Outline

There are a number of readings listed under each topic, but you should mainly focus on the papers that I cover in my lecture slides and that are discussed in the assignments. Any readings that are required to be completed before lecture will be announced at least a week in advance. Lecture slides for the week will be posted by Monday each week.

1. Introduction / Measuring Poverty

Angus Deaton. Measuring poverty. Princeton Research Program in Development Working Paper, 2004. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=564001

Abhijit V. Banerjee and Esther Duflo. The economic lives of the poor. *Journal of Economic Perspectives*, 21(1):141–167, 2007b.

Sections 8.1-8.3 in the Ray textbook

Angus Deaton and Valerie Kozel. Data and dogma: The great Indian poverty debate. *World Bank Research Observer*, 20:177–199, 2005.

Human Development Report 2021-22: Human Development Indicators, United Nations Development Programme, 2022.

<https://hdr.undp.org/content/human-development-report-2021-22>

MacKay, Douglas, 2023. The Ethics of Public Policy Experiments: Lessons from Clinical Research Ethics, *The Oxford Handbook of Research Ethics*

Edward Asiedu, Dean Karlan, Monica Lambon-Quayefio, and Christopher Udry, 2021. A call for structured ethics appendices in social science papers, *Proceedings of the National Academy of Sciences*, July 12, 2021. 118 (29) e2024570118

2. Empirical methods: A Primer

See lecture handout

3. Health and Nutrition

Abhijit Banerjee, Angus Deaton, and Esther Duflo. Wealth, health, and health services in rural Rajasthan. *The American Economic Review*, 94(2):326–330, May 2004.

4. Health and Nutrition—continued (Markets for health products)

Chap 3 in Banerjee and Duflo, *Poor Economics*

Navia Ashraf, James Berry, and Jesse Shapiro. Can higher prices stimulate product use? evidence from a field experiment in Zambia. *American Economic Review*, 100(5): 2283–2413, 2010.

Jessica Cohen and Pascaline Dupas. Free distribution or cost-sharing? evidence from a randomized malaria prevention experiment. *Quarterly Journal of Economics*, 125(1): 1–45, 2010.

5. Education

Introduction

Anne Case. The primacy of education. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mukherjee, editors, *Understanding Poverty*, chapter 18. Oxford University Press, 2006. <https://accase.scholar.princeton.edu/publications/primary-education>

Psacharopoulos, George; Patrinos, Harry Anthony. 2018. Returns to Investment in Education: A Decennial Review of the Global Literature. Policy Research Working Paper; No. 8402. © World Bank, Washington, DC.

Esther Duflo. Schooling and labor market consequences of school construction in Indonesia: Evidence from an unusual policy experiment. *The American Economic Review*, 91(4):795–813, Sep. 2001.

ASER Centre. Annual Status of Education Report. Pratham Resource Center: Mumbai, 2022. <https://asercentre.org>

The (Perceived) Returns to Education and the Demand for Schooling Robert Jensen The Quarterly Journal of Economics, Volume 125, Issue 2, 1 May 2010, Pages 515–548

Interventions to improve education

Abhijit V. Banerjee, Shawn Cole, Esther Duflo, and Leigh Linden. Remedy education: Evidence from two randomized experiments in India. *Quarterly Journal of Economics*, 122(3):1235–1264, 2007.

Mbiti, Isaac, Karthik Muralidharan, Mauricio Romero, Youdi Schipper, Constantine Manda, and Rakesh Rajani. (2019). “Inputs, Incentives, and Complementarities in Education: Experimental Evidence from Tanzania”, unpublished working paper.

Muralidharan, Karthik, Abhijeet Singh, and Alejandro Ganimian. (2019). “Disrupting Education? Experimental Evidence on Technology-Aided Instruction in India”, *American Economic Review*. Vol. 109, NO. 4, April 2019 (pp. 1426-60)

T. Paul Schultz. School subsidies for the poor: Evaluating the Mexican Progresa poverty program. *Journal of Development Economics*, 74(1):199–250, 2004

6. Child Labor

Christopher Udry. Child labor. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mukherjee, editors, *Understanding Poverty*, chapter 16. Oxford University Press, 2006.

Eric V. Edmonds and Nina Pavcnik. Child labor in the global economy. *The Journal of Economic Perspectives*, 19(1):199–220, Winter 2005.

Kaushik Basu. Policy dilemmas for controlling child labor. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mukherjee, editors, *Understanding Poverty*, chapter 17. Oxford University Press, 2006.

7. Land

Abhijit V. Banerjee, Paul J. Gertler, and Maitreesh Ghatak. Empowerment and efficiency: Tenancy reform in West Bengal. *The Journal of Political Economy*, 110(2):239–280, Apr. 2002.

Joseph E. Stiglitz. Incentives and risk sharing in sharecropping. *The Review of Economic Studies*, 41(2):219–255, Apr. 1974.

8. Gender and Family

Intrahousehold Allocation

Shelly Lundberg, Robert Pollak, and Terence Wales. Do husbands and wives pool their resources? evidence from the United Kingdom child benefit. *Journal of Human Resources*, 32(3):463–480, 1997.

Esther Duflo. Grandmothers and granddaughters: Old-age pensions and intrahousehold allocation in South Africa. *World Bank Economic Review*, 17(1):1–25, 2003.

Missing Women

Rossella Calvi. 2020. Why Are Older Women Missing in India? The Age Profile of Bargaining Power and Poverty, *Journal of Political Economy*, Vol 128, No. 7.

Amartya Sen. More than 100 million women are missing. *The New York Review of Books*, 37(20), 1990. URL <http://www.nybooks.com/articles/3408>

Nancy Qian. Missing women and the price of tea in China: The effect of sex-specific earnings on sex imbalance. *Quarterly Journal of Economics*, 123(3):1251–1285, 2008. doi: 10.1162/qjec.2008.123.3.1251.

Vijayendra Rao. The rising price of husbands: A hedonic analysis of dowry increases in rural India. *The Journal of Political Economy*, 101(4):666–677, 1993.

Elaina Rose. Consumption smoothing and excess female mortality in rural India. *The Review of Economics and Statistics*, 81(1):41–49, 1999.

9. Risk, Savings and Insurance

Christina H. Paxson. Using weather variability to estimate the response of savings to transitory income in Thailand. *The American Economic Review*, 82(1):15–33, 1992.

Nava Ashraf, Dean Karlan, and Wesley Yin. Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines. *Quarterly Journal of Economics*, 121(2):635–672, 2006. URL <http://people.hbs.edu/nashraf/cjec20061212.pdf>

Jonathan Morduch. Microinsurance: The next revolution? In Abhijit V. Banerjee, Roland Benabou, and Dilip Mukherjee, editors, *Understanding Poverty*, chapter 22. Oxford University Press, 2006. URL <http://dri.as.nyu.edu/docs/IO/12607/DRIWP12.pdf>

10. Credit, Credit Constraints and Microcredit

Chap. 7 in Banerjee and Duflo, *Poor Economics*

Robert Townsend. Credit, intermediation, and poverty reduction. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mukherjee, editors, *Understanding Poverty*, chapter 23. Oxford University Press, 2006.

Abhijit Banerjee, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan, 2015. The miracle of microfinance? evidence from a randomized evaluation. *American Economic Journal: Applied Economics*, Vol. 7, No. 1, January 2015 (pp. 22-53).

11. Political Economy and Governance

Andrei Shleifer and Robert W. Vishny. Corruption. *The Quarterly Journal of Economics*, 108(3):599–617, 1993.

Paolo Mauro. Corruption and growth. *The Quarterly Journal of Economics*, 110(3):681–712, 1995.

Ferraz, C. and Finan, F., 2008. Exposing Corrupt Politicians: The Effect of Brazil’s Publicly Released Audits on Electoral Outcomes. *Quarterly Journal of Economics* 123(2), 703-745.

University-wide policies

How Course Hours are Met by the Course: In accordance with the UW-Madison Credit Hour Policy (b), it is expected that students in this course will engage in at least 180 hours of learning activities (45 hours per credit). For this course, that includes 2.5 hours per week in lecture, 60 hours total on assignments (10 hours on each assignment), and several per week reading and studying the lecture notes, textbooks or other outside materials in preparation for class participation.

Regular and Substantive Student-Instructor Interaction: This course provides two 75-minute live instructor-led face-to-face lectures per week throughout the semester. The instructor will provide students with qualitative feedback on assignments. Additionally, the instructor will facilitate

group discussions periodically and lead in-class practice problems as part of the lecture period. All of this is in addition to face-to-face interaction with the teaching assistant.

Academic Integrity: By virtue of enrollment, each student agrees to uphold the high academic standards of the University of Wisconsin-Madison; academic misconduct is behavior that negatively impacts the integrity of the institution. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these previously listed acts are examples of misconduct which may result in disciplinary action. Examples of disciplinary action include, but is not limited to, failure on the assignment/course, written reprimand, disciplinary probation, suspension, or expulsion.

Diversity Inclusion: Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals. The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background - people who as students, faculty, and staff serve Wisconsin and the world

Accommodations for Students with Disabilities: The University of Wisconsin- Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform me of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. I will work either directly with you or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA.

Course Schedule

Please refer to the "Timeline" document for the tentative schedule.