

2164 Strategies to Fight Poverty

2nd Half of 2nd Semester

Academic Year 2011/2012

Pre-experience Masters Programs

Instructor: Pedro C. Vicente _____

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Office Hours: Tuesdays, 11am-12pm _____

Short Biography: Pedro holds a Licenciatura in Economics from Catolica-Lisbon, an M.Sc. in Economics from the LSE, and M.A. and Ph.D. degrees in Economics from the University of Chicago. Pedro is a research associate of the Centre for the Study of African Economies of the University of Oxford, and is affiliated with BREAD. His research focuses on the political economy of development with a special interest in Africa. He designed and conducted field experiments in Mozambique, Nigeria, and Sao Tome and Principe. He is currently working on community-driven development in Angola and mobile banking in Mozambique. _____

Webpage: moodle

Lectures: Mondays (5-6.30pm, Room 217) and Tuesdays (5-6.30pm, Lecture Theatre A223)

Teaching Assistant: Rodrigo Araujo _____

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COURSE AIMS

Describe the purpose of the course using broad, general terms.

This course will give students an overview of current thought and specific research on ways to fight poverty in both developed and developing countries. There will be a strong empirical and practical focus.

COURSE CONTENT

List the main topics covered in the course:

The focus of the course will be on the range of policies to fight poverty around the world. We will cover interventions to improve health and education, conditional and unconditional cash transfer programs, an overview of social security designs, microcredit products, and migration. We will also cover the recent literature on private contributions and we will mention foreign aid. For all

these topics the course will always try to offer examples from both developing and developed countries. There will be a strong emphasis on experimental settings (natural, field, and controlled designs).

LEARNING OBJECTIVES

On completion of this course a student should be able to:

A. Knowledge and Understanding:

- Understand causality and interpret empirical results in the anti-poverty context.
- Know the range of evaluation methods for anti-poverty interventions.
- Be able to think creatively about anti-poverty interventions and measurement of outcomes.

B. Subject-Specific Skills:

- Confidently discuss the literature on anti-poverty programs.

C. General Skills:

- Critically evaluate economic research.

TEACHING AND LEARNING METHODS

Describe the teaching and learning methods that enable students to achieve the above-mentioned Learning Objectives of the course:

There are two classes of 1 hour and 20 minutes per week, based partly on slides and blackboard notes. For each topic, a general overview of the empirical issues will be given, and some examples taken from recent research will be studied in greater detail. The participation of students is strongly encouraged to foster discussion. Individual written work will encourage students to gain research skills.

ASSESSMENT

Individual written work cannot count for less than 50% of the final grade. The final written exam cannot count for more than 70% of the final grade. Please indicate if Final exam in your Course will be mandatory.

Presentation of a research paper (25% of the grade): To be done in groups of 2 for the duration of approximately 25 minutes. Each group will prepare slides that will then be posted on the class website. The presentation should: (i) provide motivation to the research question and highlight the main results, (ii) produce a clear and organized presentation of theory and evidence (if applicable), (iii) be critical of the results, (iv) provide appropriate responses to questions from the class.

Writing a proposal for a research design (25% of the grade): To be done individually. Each student will prepare a 5-page research proposal. It should include: (i) research question, (ii) motivation relating to literature, including theory (if applicable), (iii) empirical method used (e.g. field experiment, lab experiment, natural experiment, regression discontinuity design, instrumental variables), (iv) details of measurement namely main outcome variables. Importance of research question, appropriate choice of method and feasibility of the project will be important criteria in assessing the research proposal.

Participation in class (10% of the grade): All students are required to read the papers in advance, and to comment on the presentations and topics during the class.

Final exam (40% of the grade, with minimum grade of 9 required to pass the course).

BIBLIOGRAPHY

I General readings

Collier, Paul (2007), *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford University Press;
Easterly, William (2006), *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, Penguin Press;
Abhijit Banerjee, Dilip Mookherjee and Roland Benabou (eds.) *Understanding Poverty*, New York: Oxford University Press, March 2006
Sachs, Jeffrey D. (2005), *The End of Poverty: Economic Possibilities for Our Time*, Penguin Press;

II Strategies to Fight Poverty

1. Health and Education

Banerjee, Abhijit V., Angus Deaton, and Esther Duflo (2004), *Wealth, Health, and Health Services in Rural Rajasthan*, *American Economic Review Papers and Proceedings*, 94(2), pp. 326-330;
Duflo, Esther (2000), *Child Health and Household Resources: Evidence from the South African Old-Age Pension Program*, *American Economic Review: Papers and Proceedings*, 90(2), pp. 393-398;
Kremer, Michael and Edward Miguel (2004), *Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities*, *Econometrica*, 72(1), pp. 159-217;
Duflo, Esther (2001), *Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment*, *American Economic Review*, 91(4), pp. 795-813;
Banerjee, Abhijit V., Shawn Cole, Esther Duflo, and Leigh Linden (2006), *Remedying Education: Evidence from Two Randomized Experiments in India*, *Quarterly Journal of Economics*, 122(3), pp. 1235-1264;
Duflo, Esther, Rema Hanna and Stephen Ryan (2007), *Monitoring Works: Getting Teachers to Come to School*, Working Paper, MIT;

2. Cash Transfers

Angelucci, Manuela, and Giacomo De Giorgi (2008), *Indirect Effects of an Aid Program: How do Cash Transfers Affect Ineligibles' Consumption*, *American Economic Review*, forthcoming;
Gertler, Paul (2004), *Do Conditional Cash Transfers Improve Child Health? Evidence from Progresa's Control Randomized Experiment*, *American Economic Review*, 94(2), pp. 336-341;
Schultz, T. Paul (2004), *School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program*, *Journal of Development Economics*, 74(1), pp. 199-250;
Barrera-Osorio, Felipe, Marianne Bertrand, Leigh L. Linden, and Francisco Perez-Calle (2007), *Conditional Cash Transfers in Education: Design Features, Peer and Sibling Effects: Evidence from a Randomized Experiment in Colombia*, Working Paper, University of Chicago;
Opportunity NYC: various reports on the New York Conditional Cash Transfer Program at:
<http://www.nyc.gov/html/ceo/html/reports/report.shtml>
<http://opportunitynyc.org/>

3. Microfinance and Savings

Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan (2010), The Miracle of Microfinance? Evidence from a Randomized Evaluation, Working Paper, MIT;

Burgess, Robin and Rohini Pande (2005), Can Rural Banks Reduce Poverty? Evidence from the Indian Social Banking Experiment, *American Economic Review*, 95(3), pp. 780-795;

Giné, Xavier, and Dean S. Karlan Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups, Working paper, Yale University;

Morduch, Jonathan (1999), The Microfinance Promise, *Journal of Economic Literature*, 37(4), pp. 1569-1614;

Pitt, Mark and Shahidur Khandker (1998), The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?, *Journal of Political Economy*, 106(5), pp. 958-996;

Rai, Ashok and Tomas Sjöström (2004), Is Grameen Lending Efficient? Repayment Incentives and Insurance in Village Economies, *Review of Economic Studies* 71(1), pp. 217-34;

Ashraf, Nava, Dean Karlan, and Wesley Yin (2006), Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines, *Quarterly Journal of Economics*, 121(2), pp. 635-672;

4. Migration

Ashraf, Nava, Diego Aycinena, and Claudia Martinez A., and Dean Yang (2011), Remittances and the Problem of Control: A Field Experiment Among Migrants from El Salvador, Working Paper, University of Michigan;

Batista, Catia, Aitor Lacuesta, and Pedro Vicente (2012), Testing the Brain Gain Hypothesis: Micro Evidence from Cape Verde, *Journal of Development Economics*, 97(1), pp. 32-45;

Beine, Michel, Frederic Docquier, Hillel Rapoport (2008), Brain drain and human capital formation in developing countries: winners and losers, *Economic Journal*, 118, pp. 631-652;

Gibson, John, David McKenzie, and Steven Stillman (2011), Selectivity and the Estimated Impact of Emigration on Incomes and Poverty in Sending Areas: Evidence from the Samoan Quota Migration Lottery, *Economic Development and Cultural Change*, forthcoming;

Mckenzie, David, Caroline Theoharides, and Dean Yang (2011), Distortions in the International Migrant Labor Market: Evidence from Filipino Migration and Wage Responses to Destination Country Economic Shocks, Working Paper, University of Michigan;

Yang, Dean (2008), International Migration, Remittances, and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks, *Economic Journal*, 118, pp. 591-630;

5. Giving

Alesina, Alberto and David Dollar (2000), Who Gives Foreign Aid to Whom and Why?, *Journal of Economic Growth*, 5(1), pp. 33-63;

Burnside, Craig and David Dollar (2000), Aid, Policies, and Growth, *American Economic Review*, 90(4), pp. 847-868;

Easterly, William, Ross Levine, and David Roodman (2004), Aid, Policies, and Growth: Comment, *American Economic Review*, 94(3), pp. 774-780;

Karlan, Dean, and John List (2007), Does Price Matter in Charitable Giving? Evidence from a Large-Scale Natural Field Experiment, *American Economic Review*, 97(5), pp. 1774-1793;

Landry, Craig, Andreas Lange, John A. List, Michael K. Price, and Nicholas G. Rupp (2010), Is a Donor in Hand Better than Two in the Bush? Evidence from a Natural Field Experiment, *American Economic Review*, forthcoming.

RESOURCES

A course webpage will be used to disseminate information about the course and the slides used in class.