

University of Pennsylvania
The Wharton School

BEPP 233
Spring 2016

CONSUMERS, FIRMS AND MARKETS IN DEVELOPING COUNTRIES

Classroom: SHDH 1201

Time: M/W 10:30 – 12:00

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Office hours: Mondays, 1:30PM – 3:00PM

Teaching Assistant: TBA

Description: Nearly four-fifths of the world's population lives in low income or developing countries. Though currently far behind the U.S., the 15 fastest growing economies/markets in the world are all developing countries. And developing countries already account for 6 of the world's 15 largest economies. This course will examine economic life, including consumers, firms and markets, in low income countries. We will apply both economic theory and empirical analysis for analyzing the roles of both business and government in consumption, production and market equilibria.

Reading Materials: The lectures provide the primary course content, and the instructor will provide detailed handouts for most classes. There will be supplemental, optional readings, drawn from a range of sources, all of which are available online; there is no textbook or reading packet for this course.

Grades and Assignments: There will be three problem sets, two in-class exams and a team presentation. The schedule below provides the dates for assignments and exams in **RED**. No credit will be given for late problem sets. The weighting of these assignments in the final grade will be as follows:

First Exam (Sessions 1-12)	30%	In class, March 2
1 st Problem Set	5%	Due Feb. 4
2 nd Problem Set	5%	Due March 18
3 rd Problem Set	5%	Due April 1
Team Presentations	25%	April 15, 20, 22, 27
Second Exam (Sessions 14-23)	30%	In class, April 29

Exams: Both exams will be closed book. The first exam will focus on the economic concepts and applications from Sessions 1-13 and the second will focus on the entire semester, though more of a focus on the material after the midterm.

Students will be given a period of one week from the date the exam is returned to request a regrade. The BEPP Department maintains a photocopy of all exams. All requests must be made in writing to Professor Jensen stating the reason they believe they should receive a regrade no later than the close of business on the day which is one week after the exam is made available. Note that the entire exam will be reviewed during a regrade, not only the questions/answers requested, and a regrade may be higher or lower than the original grade.

Team Presentations

Overview: Students will self-organize into teams of 2-3. Presentations will focus on either a core concept or an application of that concept.

Hand in: Team participants must hand in a one page summary (bullet points are fine) as well as complete PowerPoint slides in class *on the day of the presentation*, and the slides must also be submitted by email. Please number the slides in your slide deck.

Topics, Dates, and Sign-up Logistics: Team group assignments are handled through Canvas. Presentation sign up will occur just after the midterm, and will be announced in class and electronically.

Grades: The professor will grade each team project, using as a guide the feedback of your fellow students, as well as instructor judgment about the relevance of student use of economic concepts and comparison to relevant cases.

Each team project will receive one group grade. All students in the team will receive this same grade for their team assignment. Students who fail to participate fully in team presentations will lose credit on their class participation grade.

Code of Academic Integrity: All students enrolled in courses in the Business Economics and Public Policy Department are expected to comply with the University of Pennsylvania's Code of Academic Integrity. We encourage all students to read the Code so that they are well aware of all situations that would be considered a violation.

It is the policy of the Department of Business Economics and Public Policy to immediately fail any student who is to be in violation of the Code. Cheating, in any manner, on a graded assignment or exam will result in failing both the assignment/exam and the course. In addition to the sanctions imposed by the Department of Business Economics and Public Policy, the Office of Student Conduct may impose additional sanctions.

Please review the Code of Academic Integrity on the below link as well as example of violations and possible sanctions: http://www.upenn.edu/provost/PennBook/academic_integrity_code_of

Support Functions: BEPP support staff (bpub@wharton.upenn.edu) will keep a wait-list, if needed. Please include 'BEPP 203 Wait List' as the subject of any e-mail regarding this. Beth Moskat (emoskat@wharton.upenn.edu) will provide classroom support.

Non-Wharton Students: To access Canvas, non-Wharton students must first apply for a Wharton Computing account. This can be done online at <http://accounts.wharton.upenn.edu> for students that are already officially registered for the class. If there is any difficulty with doing this online, go to WCIT (F-35 JMHH), and apply there.

Tutoring Support: Students experiencing difficulty in this course should seek assistance from the Penn Tutoring Resource Center. Refer to the Wharton Undergraduate homepage for the schedule of walk-in tutoring hours. Private tutors from the Tutoring Center can be obtained (without cost) through the recommendation of a professor or professional advisor in the Undergraduate Division. Students who wish to inquire more about tutoring, study skills, learning disabilities, test-taking strategies, time management, or reading/writing coaching should call 215-573-9235 for more information.

I. CONSUMPTION AND POVERTY

Session 1. Consumers in Developing Countries, Poverty Measurement I

- Banerjee, Abhijit V., and Esther Duflo. 2007. "The Economic Lives of the Poor." *Journal of Economic Perspectives*, 21(1), p. 141–168.
- Ravallion, Martin (1992). "Poverty Comparisons: A Guide to Concepts and Methods," [LSMS Working Paper #88](#), The World Bank, Washington, D.C., p. 1-24.
- Deaton, Angus and Margaret Grosh (2000). "Consumption," in Margaret Grosh and Paul Glewwe, [Designing Household Survey Questionnaires for Developing Countries: Lessons from 15 Years of the Living Standards Measurement Study](#). Volume 1. The World Bank, p. 91-134. Also, browse Vol. 3, chapters 5, 9, 11, 18, 19.

Session 2. Consumers in Developing Countries, Poverty Measurement II

- Ravallion, Martin (1998). "Poverty Lines in Theory and Practice," [LSMS Working Paper #133](#), The World Bank, Washington, D.C.

Session 3. Consumers in Developing Countries, Poverty Measurement III

- Ravallion, Martin (1992). "Poverty Comparisons: A Guide to Concepts and Methods," [LSMS Working Paper #88](#), The World Bank, Washington, D.C., p. 34-48.

Session 4. Consumers in Developing Countries, Poverty Measurement IV

Class notes.

Session 5. Working with Income and Consumption Surveys

Class notes.

Session 6. Sampling and Surveys

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins University Press, p. 7-61.
- PROBLEM SET #1 DUE, IN CLASS**

Session 7. Inequality I

- Alesina, Alberto and Dani Rodrik. "Distributive Politics and Economic Growth," *Quarterly Journal of Economics*, 109(2), p. 465-490.
- Barro, Robert J. (2000). "Inequality and Growth in a Panel of Countries," *Journal of Economic Growth*, 5(1), p. 5-32.
- Forbes, Kristin (2000). "A Reassessment of the Relationship Between Inequality and Growth," *American Economic Review*, 90(4), p. 869-887.

Session 8. Inequality II

- Deaton, Angus (2003). "Health, Inequality and Economic Development," *Journal of Economic Literature*, 41(1), p. 113-158.
- Sapolsky, Robert M. (2005). "The Influence of Social Hierarchy on Primate Health," *Science* 29, Vol. 308 no. 5722 pp. 648-652 DOI: 10.1126/science.1106477

Session 9. Risk, Volatility and Consumption Smoothing

- Morduch, Jonathan (1994). "Poverty and Vulnerability," *American Economic Review*, 84(2), p. 221-225.
- Almond, Douglas, and Janet Currie (2011). "Killing Me Softly: The Fetal Origins Hypothesis." *Journal of Economic Perspectives*, 25(3), p. 153-72.
- Rosenzweig, Mark R. (1988b). "Risk, Implicit Contracts and the Family in Rural Areas of Low-Income Countries," *Economic Journal*, 98, p. 1148-1170.
- Miguel, Edward (2005). "Poverty and Witch Killing," *Review of Economic Studies*, 72(4), p. 1153-1172.
- Miguel, Edward, Shanker Satyanath and Ernest Sergenti (2004). "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy*, 112(4), p. 725-753.

Session 10. The Market for Insurance

- Cochrane, John H. (1991). "A Simple Test of Consumption Insurance," *Journal of Political Economy*, 99(5), p. 893-920.
- Mace, Barbara J. (1991). "Full Insurance in the Presence of Aggregate Uncertainty," *Journal of Political Economy*, 99(5), p. 928-56.
- Mobarak, Ahmed Mushfiq and M. Rosenzweig (2013). "Selling Formal Insurance to the Informally Insured," mimeo, Yale University.
- Mobarak, Ahmed Mushfiq and M. Rosenzweig (2013). "Informal Risk Sharing, Index Insurance, and Risk-Taking in Developing Countries," *American Economic Review*, 103(3), p. 375-380.
- Morduch, Jonathan (1999). "Between the State and the Market: Can Informal Insurance Patch the Safety Net?" *World Bank Research Observer*, 14 (2), p 187-207.
- Townsend, Robert M. (1994). "Risk and Insurance in Village India," *Econometrica*, 62(3), p. 539-91.

PROBLEM SET #2 DUE, IN CLASS

Session 11. Savings Behavior and the Demand for Financial Products

- 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), p. 635-672.
- Paxson, Christina H. (1992). "Using Weather Variability to Estimate the Response of Savings to Transitory Income in Thailand," *American Economic Review*, 82(1), p. 15-33.
- Rosenzweig, Mark R. and Kenneth I. Wolpin (1993). "Credit Market Constraints, Consumption Smoothing and the Accumulation of Durable Assets in Low-Income Countries: Investment in Bullocks in India," *Journal of Political Economy*, 101(2). p 223-244.
- Fafchamps, Marcel, Christopher Udry and Katherine Czukas (1998). "Drought and Saving in West Africa: Are Livestock a Buffer Stock?" *Journal of Development Economics*, 55, p. 273-305.

Session 12. Credit Markets and Microfinance I

- Jonathan Morduch, "The Microfinance Promise," *Journal of Economic Literature*. Vol. 37 (4). p 1569-1614. December 1999.
- Cull, Robert, Asli Demirguc-Kunt and Jonathan Morduch (2009). "Microfinance Meets the Market," *Journal of Economic Perspectives*, 23(1), p. 167-192.
- Morduch, Jonathan (2000). "The Microfinance Schism," *World Development* 28 (4).

Session 13. FIRST EXAM covering content from Sessions 1-12

Session 14. Credit Markets and Microfinance II

- Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan (2011). "The Miracle of Microfinance? Evidence from a Randomized Evaluation," mimeo MIT.
- Crepon, Bruno, Florencia Devoto, Esther Duflo and William Pariente (2011). "Impact of Microcredit in Rural Areas of Morocco: Evidence from a Randomized Evaluation," mimeo MIT.

Session 15. Understanding the Household as an Economic Decision-Making Unit I

- Alderman, Harold, Pierre-Andre Chiappori and Lawrence Haddad (1995). "Unitary vs. Collective Models of the Household: Is it Time to Shift the Burden of Proof?" *World Bank Research Observer*, 10(1), p. 1-19.
- Hayashi, Fumio (1995). "Is the Japanese Family Altruistically Linked? A Test Based on Engle Curves," *Journal of Political Economy*, 103(3), p. 661-674.
- Mobarak, Mushfiq and Grant Miller (2012). "Intra-household Externalities and Low Demand for a New Technology: Experimental Evidence on Improved Cookstoves," mimeo, Yale University.
- Thomas, Duncan (1990). "Intrahousehold Resource Allocation: An Inferential Approach." *Journal of Human Resources*, 25(4), p. 635-664.
- Thomas, Duncan (1994). "Like Father, Like Son; Like Mother, Like Daughter: Parental Resources and Child Height," *Journal of Human Resources*, 29(4), p. 950-88.

Session 16. Understanding the Household as an Economic Decision-Making Unit II: Gender, Production and Consumption

- Dasgupta, Monica (1987). "Selective Discrimination Against Female Children in Rural Punjab, India," *Population and Development Review*, 13, p. 77-100.
- Sen, Amartya (1990). "More than 100 Million Women are Missing," *New York Review of Books*, December 20.
- - (1992). "Missing Women," *British Medical Journal*, 304, 587-588.
- Coale, Ansley (1991). "Excess Female Mortality and the Balance of the Sexes in the Population: An Estimate of the Number of "Missing Females," *Population and Development Review*, 17(3), p. 517-523.
- Das Gupta, Monica (2005). "Explaining Asia's Missing Women: A New Look at the Data," *Population and Development Review*.
- Deaton, Angus (1989). "Looking for Boy-Girl Discrimination in Household Expenditure Data," *World Bank Economic Review*, p. 1-15.
- Jensen, Robert T. and Emily Oster (2009). "The Power of TV: Cable Television and Women's Status in India," *Quarterly Journal of Economics*, 124(3), p. 1057-1094.

- Jensen, Robert (2001). "Fertility Preferences and Female Disadvantage: Equal Treatment, Unequal Outcomes?" mimeo, John. F. Kennedy School of Government, Harvard University.
- Udry, Christopher (1996). "Gender, Agricultural Production, and the Theory of the Household," *Journal of Political Economy*, 104(5), p. 1010-1046.

Session 17. Productivity, Human Capital and the Labor Force I

- Schultz, T. Paul. (1985). "Changing World Prices, Women's Wages and the Fertility Transition: Sweden, 1860-1910." *Journal of Political Economy*, 93(6), p. 1126-1154.
- Pritchett, Lant (1994). "Desired Fertility and the Impact of Population Policies," *Population and Development Review*, 20(1), p. 1-42.
- Jensen, Robert (2012). "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India," *Quarterly Journal of Economics*, 127(2), p. 753-792.

Session 18. Famine and Nutrition

- Amartya Sen (1981). Poverty and Famines: An Essay on Entitlement and Deprivation. Oxford: Oxford University Press.
- (1981). "Ingredients of Famine Analysis: Availability and Entitlements." *Quarterly Journal of Economics*, 96 (3), pp. 433-464.
- (1991). Development as Freedom. Anchor Press.
- Besley, Timothy; Burgess, Robin (2002). "The Political Economy of Government Responsiveness: Theory and Evidence from India," *Quarterly Journal of Economics* 117(4), p. 1415-1451.
- Deaton, Angus and Jean Drèze (2009). "Food and Nutrition in India: Facts and Interpretations," *Economic and Political Weekly*, 44(7), p. 42-65.
- Schofield, Heather (2014). "The Economic Costs of Low Caloric Intake: Evidence from India," mimeo, Harvard University, Cambridge, MA. (Job Market Paper)
- Strauss, John (1986). "Does Better Nutrition Raise Farm Productivity?" *Journal of Political Economy*, pp. 297-320.
- Deaton, Angus (1997). The Analysis of Household Surveys, p. 204-222.
- Behrman, Jere R and Anil B. Deolalikar (1987). "Will Developing Country Nutrition Improve with Income? A Case Study for Rural South India," *Journal of Political Economy*, 95(3), p. 492-507.
- Thomas, Duncan and John Strauss (1998). "Health, Nutrition and Economic Development," Journal of Economic Literature.
- Subramanian, Shankar and Angus Deaton (1996). "The Demand for Food and Calories," *Journal of Political Economy*, 104(1), p. 133-62.
- Jensen, Robert T. and Nolan Miller (2011). "Do Consumer Price Subsidies Really Improve Nutrition?" *Review of Economics and Statistics*.
- Jensen, Robert T. and Nolan Miller (2008). "Giffen Behavior and Subsistence Consumption," *American Economic Review*, 98(4), p. 1553 – 1577.

Session 19. Productivity, Human Capital and the Labor Force II

- Duflo, Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." *American Economic Review*, 91(4), p. 795–813.
- Jensen, Robert (2010). "The (Perceived) Returns to Education and the Demand for Schooling," *Quarterly Journal of Economics*, 125(2), p. 515-548.

- Jensen, Robert (2012). "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India," *Quarterly Journal of Economics*, 127(2), p. 753-792.
- Schultz, T. Paul (2004). "School subsidies for the poor: evaluating the Mexican Progresa poverty program," *Journal of Development Economics*, 74(1), p.199-250.

Session 20. Human Capital, Productivity and the Labor Force III

PROBLEM SET #3 DUE, IN CLASS

Session 21. Program Targeting I

- Besley, Timothy and Ravi Kanbur (1993). "The Principles of Targeting," in Michael Lipton and Jacques van der Gaag, eds., *Including the Poor*, The World Bank, Chapter 3, p. 67-82.

Session 22. Program Targeting II

- Grosh, Margaret (1994). *Administering Targeted Social Programs in Latin America*, World Bank, Washington, D.C., p. 7-26.
- Coady, David, Margaret E. Grosh and John Hoddinott. *Targeting of Transfers in Developing Countries*, p. 5-17.
- Barro, Robert J. (1974). "Are Government Bonds Net Wealth?" *Journal of Political Economy* 82, p. 1095-1117.
- Eissa, Nada and Jeffrey B. Liebman (1995). "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics*, 111(2), p. 605-637.
- Moffitt, Robert (1987). "Incentive Effects of the U.S. Welfare System: A Review", *Journal of Economic Literature*, 30(1), p. 27-33.
- Jensen, Robert T. (2003). "Do Private Transfers 'Displace' the Benefits of Public Transfers? Evidence from South Africa" *Journal of Public Economics*, 88, p. 89 – 112.
- Cox, Donald and Emmanuel Jimenez (1990). "Social Security and Private Transfers in Developing Countries: The Case of Peru," *World Bank Economic Review*, 6(1), p. 155-169.
- Sahn, David E. and Harold Alderman (1996). "The Effect of Food Subsidies on Labor Supply in Sri Lanka," *Economic Development and Cultural Change*, p. 125-145.

Session 23. Student Presentations I

Readings to be determined by presenting teams

Session 24. Student Presentations II

Readings to be determined by presenting teams

Session 25. Student Presentations III

Readings to be determined by presenting teams

Session 26. Student Presentations IV

Readings to be determined by presenting teams

Session 27. SECOND EXAM covering content from Sessions 14-22