

**University of Pennsylvania
The Wharton School**

BEPP 233: CONSUMERS, FIRMS AND MARKETS IN DEVELOPING COUNTRIES

Class location: CPC Auditorium
Instructor: Robert Jensen
Office: SH-DH 1405
Office hours: Mondays, 1:30PM – 3:00PM

Class time: M/W 10:30-11:50
Email: robertje@wharton.upenn.edu
Phone: (215) 898-8920

Teaching Assistant: Hongyu (Karen) Zhang; hongyuzh@wharton.upenn.edu

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.

Prerequisites. Students are expected to be familiar with basic economics (e.g., basic consumer and producer theory) and econometrics (e.g., hypothesis testing, regression analysis). We will only make use of basic calculus. If you are unsure whether you meet these requirements, please contact the instructor.

Reading Materials: The lectures provide the primary course content, and the instructor will provide handouts for most classes. Attending class is the most important responsibility. There will be supplemental material drawn from a range of sources, all of which are available online; there is no reading packet. The book by Angus Deaton, The Analysis of Household Surveys: A Microeconomic Approach to Development Policy covers some of the material we cover in class, though at times can be a bit technical. The book is available for free at <http://go.worldbank.org/UWQRT802H0>.

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. The weighting of these assignments in the final grade will be as follows:

| | | |
|-----------------------------|-----|-----------------------|
| First Exam (Sessions 1-13) | 25% | In class, March 1 |
| 1 st Problem Set | 3% | Due Feb. 1, in class |
| 2 nd Problem Set | 3% | Due Feb. 22, in class |
| 3 rd Problem Set | 4% | Due April 5, in class |
| Team Presentations | 30% | April 12, 17, 19, 24 |
| Second Exam (Sessions 1-26) | 30% | In class, April 26 |
| Class Participation | 5% | (ongoing) |

Exams: Both exams will be closed book; no books, notes, “cheat sheets” or calculators. The first exam will cover Sessions 1-12 and the second will cover the entire semester, including student presentations, but with more of a focus on lectures 14-26.

**Please check the exam dates right away for any potential conflicts. We will not be able to accommodate requests to take the exam early or late based on travel plans, exams for other classes on the same day or any other reason. It is your responsibility to make sure you will be present in class on the exam day.

Students will be given a period of one week from the date exams are returned to request a regrade. The BEPP Department maintains a photocopy of all exams. All requests must be made in writing to the instructor stating the reason they believe they should receive a regrade. Note that the entire exam will be reviewed during a regrade, not only the questions requested, and a regrade may be higher or lower than the original grade.

Team Presentations

Overview: Students will self-organize into teams of X (to be determined by size of class). Presentations will focus on either a core concept or an application of that concept.

Hand in: Teams must hand in a one page summary (bullet points are fine) as well as complete slides in class on the day of the presentation. The slides must also be submitted by email.

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

Grades: The grade will be based 50% on student evaluations and 50% on the professor's evaluation. Students will be provided with a score sheet in advance of the presentation that will provide information on how presentations will be assessed.

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

Problem sets: The problem sets will involve a substantial amount of data analysis. Students will download and prepare data sets and analyze data. All analysis will be performed in Stata, which students are expected to learn. The teaching assistant will run Stata instruction sessions in the beginning of the semester. No credit will be given for late problem sets.

Class Participation: The classroom learning experience is greatly enhanced when students are engaged and provide their own perspective, comments and ideas towards the classroom discussion. Students will receive a grade from 0 to 5 for classroom participation, determined by regularity of attendance, contributions to classroom discussion and comments and feedback provided during student presentations. Quality matters more than quantity. This grade is determined by the professor and cannot be appealed.

Code of Academic Integrity: All students 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

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.

Session 1. Consumers in Developing Countries, Poverty Measurement I

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins U. Press, p. 22-40, 241-260.
- 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. Poverty Measurement II

- Ravallion, Martin (1992). "Poverty Comparisons: A Guide to Concepts and Methods," [LSMS Working Paper #88](#), The World Bank, Washington, D.C., p. 25-34.

Session 3. 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.
- Ravallion, Martin (1998). "Poverty Lines in Theory and Practice," [LSMS Working Paper #133](#), The World Bank, Washington, D.C.

Session 4. Poverty Measurement IV

Class notes.

Session 5. Poverty Measurement V

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins U. Press, p. 9-18, 40-61.

Session 6. Inequality I

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins University Press, p. 134-140, 157-164.
- 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 7. 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 8. 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.
- 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 9. The Market for Insurance I

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins University Press, p. 72-383.

Session 10. The Market for Insurance II

- 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.
- Rosenzweig, Mark R. (1988b). "Risk, Implicit Contracts and the Family in Rural Areas of Low-Income Countries," *Economic Journal*, 98, p. 1148-1170.

Session 11. Savings Behavior and the Demand for Financial Products

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins University Press, p. 335-369.
- 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.
- 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. 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 14. FIRST EXAM covering content from Sessions 1-13

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

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), Johns Hopkins University Press, p. 223-241.
- 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.
- 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. Nutrition & Health

- Deaton, Angus (1997). [The Analysis of Household Surveys](#), p. 204-222.
- 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.
- Strauss, John (1986). "Does Better Nutrition Raise Farm Productivity?" *Journal of Political Economy*, pp. 297-320.
- 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](#).
- 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. Famine

- 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.

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

- 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.

Session 21. Productivity, Human Capital and the Labor Force II

- 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 22. Program Targeting

- 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.
- 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.
- 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.
- 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 1-26