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North Carolina State University
Office Hours: W 1:00-2:00
(or by appointment)

ECG 740 ECONOMIC DEVELOPMENT

Course Overview:

This is a Ph.D field course on economic development in Third World countries. We will cover the core microeconomic issues that have traditionally dominated the field of development economics, particularly as approached by agricultural economists – models of agricultural households; technology adoption and the distributional effects of technical change; land tenure and tenancy arrangements; the role of agrarian institutions in the development process; and poverty, inequality and economic growth in developing countries. Students are expected to have successfully completed the Ph.D sequences in microeconomics and econometrics.

The emphasis in the course will break down about evenly between theory and empirical evidence. There will be no required textbook. The readings will consist of a variety of journal articles and selected chapters from a few textbooks – notably, Kaushik Basu, Analytical Development Economics, MIT Press, 1997; Elisabeth Sadoulet and Alain de Janvry, Quantitative Development Policy Analysis, Baltimore, MD: The Johns Hopkins University Press, 1995; and Inderjit Singh, Lyn Squire and John Strauss (eds.), Agricultural Household Models, Baltimore, MD: The Johns Hopkins University Press, 1986. Some of the journal articles are found in a compendium edited by Pranab Bardhan and Christopher Udry (Readings in Development Microeconomics: Empirical Microeconomics, MIT Press, 2000), which is on the reserve shelves (along with the other textbooks noted above). All journal articles are on electronic reserve.

My goal is to run this course as a true seminar. This requires significant contributions by all participants. We will cover a fairly wide range of topics – inevitable, given the breadth of the field. For each topic, I will give a lecture or two reviewing key conceptual issues and surveying the relevant literature. I expect students to come to class having read assigned articles, and being prepared to discuss those articles. Each segment of the course will focus intensively on one or more “keystone” articles, along with other supporting papers. Over the course of the semester, each student will present two of these keystone articles to the class. In their presentations, students should summarize the assigned article, place it in the context of other related work on that subject, and be prepared to lead a discussion of the strengths and weaknesses of the article. For each of the keystone articles, all students will be required to write up reviews in the style of a journal article review.

A research paper is due on the last day of class. I will provide a list of possible topics during the first week of class. Students are free to choose a topic not on the list, and I’m happy to discuss potential topics during office hours or after class. I have a strong preference for students orienting their efforts around developing an analytical model of an interesting issue in development economics. I’m willing to discuss alternatives, such as empirical papers that test an existing model, or review papers that survey efforts to address a major issue in the development economics literature. However, in my experience the latter types of papers tend to be too light

on theoretical rigor, while the former too often degenerate into data-mining exercises. The final two or three sessions of the course will be devoted to student presentations of their research.

No exams will be given. Instead, grades in the class will be based on the article reviews, the research paper, and student participation in the classroom discussions. I expect all students to attend all classes. Please let me know if you will be absent.

Course Outline and Reading List:

Items marked with an asterisk denote papers which will be presented by a student (these are subject to revision based on class size and the whim of the instructor). Lecture notes from a master's level development course that I teach (ECG 540) are available on the following website: <<http://www.ag-econ.ncsu.edu/faculty/renkow/syllab2.htm>>.

The following abbreviations are used: B&U (Bardhan and Udry); HDE (Handbook of Development Economics); AJAE (American Journal of Agricultural Economics); EDCC (Economic Development and Cultural Change); AER (American Economic Review), JDE (Journal of Development Economics); and JDS (Journal of Development Studies).

I. AGRICULTURE

Johnston, Bruce and John Mellor. 1961. "The Role of Agriculture in Economic Development." AER 51: 566-593.

Krugman, Paul. 1995. "The Fall and Rise of Development Economics." Chapter 1 in Development, Geography and Economic Theory, Boston: MIT Press, pp. 1-30.

Agricultural Household Models

Singh, Squire, Strauss. Agricultural Household Models, Chapters 1-2.

Sadoulet and de Janvry, Quantitative Development Policy Analysis, Chapter 6.

deJanvry, Alain, Marcel Fafchamps, and Elisabeth Sadoulet. 1991. "Peasant Household Behavior with Missing Markets: Some Paradoxes Explained." The Economic Journal 101:1400-1417.

*Benjamin, Dwayne. 1992. "Household Composition, Labor Markets, and Labor Demand: Testing for Separability in Agricultural Household Models." Econometrica 60(2): 287-322.

Crop Production, Marketed Surplus and Risk

Fafchamps, M. "Cash Crop Production, Food Price Volatility, and Rural Market Integration in the Third World." AJAE, Vol. 74, No. 1 (1992), pp. 90-99.

Omamo, Steven Were. 1998. "Transport Costs and Smallholder Cropping Choices: An Application to Siaya District, Kenya." AJAE 80(1): 116-123.

Finkelshtain, Israel, and Chalfant, James A. "Marketed Surplus Under Risk: Do Peasants Agree with Sandmo?" AJAE, Vol. 73, No. 3 (1991), pp. 557-567.

Renkow, Mitch. 1990. "Household Inventories and Marketed Surplus in Semisubsistence Agriculture." AJAE 72: 664-675.

*Goetz, Stephan J. "A Selectivity Model of Household Food Marketing Behavior in Sub-Sahara Africa." AJAE, Vol. 74, No. 2 (May, 1992), pp. 444-452.

*Key, Nigel, Elisabeth Sadoulet, and Alain de Janvry. "Transactions Costs and Agricultural Household Supply Response." AJAE, Vol. 82, No. 2 (May 2000), pp. 245-259.

Renkow, Mitch, Dan Hallstrom, and Daniel Karanja. 2004. "Rural Infrastructure, Transactions Costs and Market Participation in Kenya." JDE 73(1): 349-367.

Sadoulet and de Janvry, Quantitative Development Policy Analysis, Chapter 5.

Technology Adoption and Diffusion

Feder, Gershon, Richard Just, and David Zilberman. 1985. "Adoption of Agricultural Innovations in Developing Countries: A Survey." EDCC 33: 255-298.

*Smale, Melinda, Richard Just, and Howard Leathers. 1994. "Land Allocation in HYV Adoption Models: An Investigation of Alternative Models." AJAE 76: 535-546.

*Bellon, M. and Taylor, J.E. "Folk' Soil Taxonomy and the Partial Adoption of New Seed Varieties," EDCC 41(4):763-786,
July 1993.

Renkow, M. and G. Traxler. 1994. "Grain-Fodder Tradeoffs and Varietal Adoption in Mixed Farming Systems." Unpublished working paper.

Adesina, A. and M. Zinnah. 1993. "Technology Characteristics, Farmers' Perceptions and Adoption Decisions: A Tobit Model Application in Sierra Leone". Agricultural Economics 9: 297-311.

Welfare Effects of Technological Change in Agriculture

Sadoulet and de Janvry, Quantitative Development Policy Analysis, Chapter 11.

Renkow, Mitch. 1994. "Technology, Production Environment, and Household Income: Assessing the Regional Impacts of Technological Change." Agricultural Economics 10(3): 219-232.

Renkow, Mitch. 1993. "Differential Technology Adoption and Income Distribution in Pakistan: Implications for Research Resource Allocation." AJAE 75(1): 33-43.

*Coxhead, Ian and Peter Warr. 1991. "Technical Change, Land Quality, and Income Distribution: A General Equilibrium Analysis." AJAE 73(2): 345-360.

II. AGRARIAN INSTITUTIONS AND POLICY

*Binswanger, H. and M. Rozensweig. 1986. "Behavioural and Material Determinants of Production Relations in Agriculture." JDS 22: 503-539.

Sharecropping

Basu, Chapter 12.

Otsuka, K., and Hayami, Y. 1988. "Theories of Share Tenancy: A Critical Survey." EDCC 37: 31-68.

*Shaban, Radwan Ali. 1987. "Testing between Competing Models of Sharecropping." B&U, Chapter 5.

Singh, Nirvikar. 1989. "Theories of Sharecropping," in Pranab Bardhan (ed.), The Economic Theory of Agrarian Institutions. New York: Oxford University Press, pp. 33-72.

Otsuka, K., H. Chuma, and Y. Hayami. 1992. "Land and Labor Contracts in Agrarian Economies: Theories and Facts". Journal of Economic Literature 30: 1965-2018.

Eswaran, Mukesh and Ashok Kotwal. 1985. "A Theory of Contractual Structure in Agriculture." AER 75: 352-367.

Consumption and income smoothing

Townsend, Robert M. 1995. "Consumption Insurance: An Evaluation of Risk-Bearing Systems in Low-Income Economies." Journal of Economic Perspectives 9(3): 83-102.

Morduch, Jonathan. 1995. "Income Smoothing and Consumption Smoothing." Journal of Economic Perspectives 9(3): 103-114.

Besley, Timothy. 1995. "Nonmarket Institutions for Credit and Risk Sharing in Low-Income Countries." Journal of Economic Perspectives 9(3): 115-127.

Udry, Christopher. 1995. "Risk and Saving in Northern Nigeria." AER 85(5): 1287-1300.

*Udry, Christopher. 1994. "Risk and Insurance in a Rural Credit Market: An Empirical Investigation in Northern Nigeria." Review of Economic Studies, 61(3): 495-526.

*Paxson, Christina. 1992. "Using Weather Variability to Estimate the Response of Savings to Transitory Income in Thailand." B&U, Chapter 7.

Townsend, Robert M. "Risk and Insurance in Village India." B&U, Chapter 9.

*Rosenzweig, Mark and Kenneth Wolpin. 1993. "Credit Market Constraints, Consumption Smoothing, and the Accumulation of Durable Production Assets in Low-Income Countries: Investments in Bullocks in India." B&U, Chapter 8.

Eswaran, Mukesh and Ashok Kotwal. 1989. "Credit as Insurance in Agrarian Economies." JDE 31: 37-53.

Village and inter-household institution

Basu, Chapters 13-14.

Besley, Timothy. 1995. "Property Rights and Investment Incentives: Theory and Evidence from Ghana." B&U, Chapter 12.

Coate, S., and Ravallion, M. 1993. "Reciprocity without Commitment: Characterization and Performance of Informal Insurance Arrangements." JDE 40: 1-24.

Fafchamps, M. 1992. "Solidarity Networks in Pre-Industrial Societies: Rational Peasants with a Moral Economy." EDCC 41: 147-174.

III. POVERTY, INEQUALITY AND ECONOMIC GROWTH

The Rural Nonfarm Economy

Renkow, Mitch. 2000. "Poverty, Productivity, and International Agricultural Research: A Review of the Evidence." Food Policy 25: 463-478.

Reardon, T., C. Delgado, and P. Matlon. 1992. Determinants and effects of income diversification amongst farm households in Burkino Faso. JDS 28 (2), 264-296.

Poverty Policy

Lipton, Michael and Martin Ravallion, "Poverty and Policy," HDE, Chapter 41, pp. 2551-2657.

Ravallion, Martin. 1996. "Issues in Measuring and Modelling Poverty." Economic Journal 106: 1328-43.

Bardhan, Pranab. 1996. "Efficiency, Equity and Poverty Alleviation: Policy Issues in Less Developed Countries." Economic Journal 106: 1344-1356.

Ravallion, M. and S. Chen. 1996. "What Can New Survey Data Tell Us about Recent Changes in Distribution and Poverty?" Policy and Research Working Paper No. 1146, The World Bank.

Greer, Joel, and Erik Thorbecke. 1986. "A Methodology for Measuring Food Poverty Applied to Kenya", JDE 24: 59-74.

Blackwood, D., and R. Lynch. 1994. "The Measurement of Inequality and Poverty: A Policy Maker's Guide to the Literature", World Development 22: 567-78

Ravallion, Martin, and Benu Bidani. 1994. "How Robust is a Poverty Profile?" The World Bank Economic Review 8: 75-102.

Lipton, Michael. 1997. "Poverty – Are There Holes in the Consensus?" World Development 25: 1003-1007.

Naylor, Rosamond and Walter Falcon. 1995. "Is the Locus of Poverty Changing?" Food Policy 20: 501-518.

Income Inequality and Economic Growth

Adelman, Irma and Sherman Robinson. . 1988. "Long-run Income Distribution and Growth." Chapter 19 in H. Chenery and T.N. Srinivasan (eds.), HDE, pp. 949-973.

Kuznets, Simon. 1955. "Economic Growth and Income Inequality." AER 45: 1-28.

*Ravallion, Martin and Gaurav Datt. 1996. "How Important to India's Poor Is the Sectoral Composition of Economic Growth." World Bank Economic Review 10: 1-25.

Anand, Sudhir, and Ravi Kanbur. 1993. "The Kuznets Process and the Inequality-Development Relationship." JDE 41(1): 19-43.