ECON 473/673: Development Microeconomics

Spring 2027

Course logistics

Professor: Remy Beauregard
Professor email: rbeauregard@usfca.edu
Credit: 2 units · Lecture
Lectures: Thursday · 12:45-2:30 PM · LM 241B
Term: January 25 to May 20, 2027
Office hours: Thursday · 2:45-4:45 PM · McLaren 108

Virtual meetings outside of scheduled office hours can be arranged through my office hours sign-up calendar.

Course description

Study of microeconomic behavior in developing countries, especially focusing on development traps, causes and consequences of poverty, economics of corruption, credit and labor issues, and women in development. Offered every Spring.

This course is an introduction to microeconomic theory for development, designed for first-year master's students and advanced undergraduates. We build and solve the classic models economists use to understand how households and firms in low-income countries produce, consume, invest, and protect themselves against risk when markets are missing or imperfect, and we read empirical research that tests each model's predictions. We begin with the farm household and the markets for land and labor, asking why contracts such as sharecropping exist and how insecure property rights shape investment. We then turn to capital and firms: credit markets under asymmetric information, the returns to capital and management in small firms, smoothing consumption in the face of risk, and the difficulty of saving. Finally, we study investment decisions inside households and communities, including technology adoption, bargaining within the household, schooling, and migration.

We will explore:

- Why do farm households make production choices that look inefficient, and when can we treat them as profit-maximizing firms?
- How do contracts and property rights shape the incentives to work and to invest?
- Why are credit and insurance so costly for the poor, and how do households cope when they are unavailable?
- Why do apparently profitable investments in technology, schooling, and migration go unmade?

A given week pairs a model we develop together in lecture with a published paper that we discuss together as a class. For students who have taken ECON 672, several weeks return to themes from that course, including credit, risk, saving, and the household, and work through the underlying models in depth. Students should read these materials thoroughly and come to class prepared to discuss the week's topic. Additional recommended materials are provided each week for further reading, but are not expected to be discussed in class.

Course learning outcomes

By the end of this course, students will be able to:

- Apply and solve the classic models of development microeconomics, including the agricultural household model, sharecropping and tenancy, efficiency wages, credit under asymmetric information, consumption smoothing, and the collective household.
- Derive the testable predictions of each model, and explain how missing or imperfect markets for land, labor, credit, and insurance change the behavior of households and firms.
- Analyze investment decisions in physical capital, management, technology, human capital, and migration, and explain why profitable investments may go unmade.
- Explain how empirical research tests these models, including tests of separation and efficiency and field experiments, and evaluate the strength of that evidence.
- Read, interpret, and evaluate published research in development microeconomics, identifying its research question, model, research design, findings, and limitations.
- Discuss published research critically in class, conveying its question, design, findings, and limitations clearly to peers.

Assignments

The assignments in this course are designed to support you in working toward the learning outcomes above.

Class participation

Attend weekly class sessions and participate in class discussions and in-class modeling exercises.

Weekly reading responses

Submit a response to the week's required article on Canvas by the beginning of class each Thursday at 12:45pm. Each response answers five questions about the paper: (1) What is the research question? (2) How do the authors answer it? (3) What do they find? (4) Are you convinced by the design and results? (5) How does the paper connect to our lecture model and other readings? For more details, see the Weekly Reading Response Guidelines page on Canvas. Each week's article is linked in the response assignment on Canvas, and we discuss the paper together as a class. Late submissions less than 24 hours after the deadline are accepted for half credit; late submissions more than 24 hours after the deadline are not eligible for credit.

Exams

We will have two closed-book exams in this class. Each is 100 minutes and completed on paper, and combines multiple choice and open-response questions built around the models from lecture and the assigned papers. You will not need to memorize or re-derive the models from scratch: each exam provides the setup of any model it uses, and the questions ask you to apply the model, work through its predictions, and interpret what it implies. Exam 1 takes place during our regular class time, at the midpoint of the semester. Exam 2 takes place during our final exam period scheduled by the registrar; I will update this time and location later in the semester. Exams cannot be missed without explicit permission from the professor granted *at least one week* before the exam date (or as soon as possible in emergencies). There are no makeup exams for unexcused absences.

Exam	Coverage	Date	Format
Exam 1	Weeks 1-6	Thursday, March 11, in class	Closed book, on paper
Exam 2	Weeks 9-16	Final exam period, scheduled by the registrar	Closed book, on paper

Grading

Your overall grade in this course is calculated as a weighted sum of the assignments below. No other assignments are eligible for credit in this course.

Assignment category	Weight
Participation in class discussion	10%
Weekly written reading responses	40%
Exam 1	25%
Exam 2	25%
Total	**100%**

Class grades will be assigned according to the following scale:

Letter grade	Score range
A	Above 93%
A-	90 to 93%
B+	87 to 90%
B	83 to 87%
B-	80 to 83%
C+	77 to 80%
C	70 to 77%
D	60 to 70%
F	Below 60%

Please contact Professor Beauregard with any concerns about class grades.

Attendance

You are expected to attend every class meeting. Because we meet once a week, missing a single class means missing a full week of the course. Your attendance and engagement in discussion and in-class modeling make up the class participation portion of your grade.

If you must miss class, please contact me in advance. Absences on exam days without prior permission will result in an exam grade of zero. Absences on exam days with professor permission due to extenuating circumstances may be excused in rare cases.

Technology usage

Laptops, tablets, and phones may be used during class for taking notes and viewing the week's readings. Other uses of devices, including messaging, social media, and AI tools, are not permitted during class. All exams will be completed and submitted using pen or pencil and paper. Please speak with me if you require an exemption from the rules above due to accommodation from Student Disability Services (SDS) or for another reason.

Course schedule

Weekly topics, required journal articles, and exams are listed below. A reading response is due at the start of every class with a required article except the first. Full citations for every required and recommended reading appear under Text and supplies below.

Wk	Date	Topic	Required article
1	Thu 1/28	The agricultural household model and separation	Benjamin (1992), *Econometrica*
2	Thu 2/4	Sharecropping, tenancy, and moral hazard	Burchardi et al. (2019), *QJE*
3	Thu 2/11	Property rights and investment incentives	Goldstein & Udry (2008), *JPE*
4	Thu 2/18	Efficiency wages, nutrition, and labor rationing	Breza, Kaur, & Shamdasani (2021), *AER*
5	Thu 2/25	Credit markets under asymmetric information	Karlan & Zinman (2009), *Econometrica*
6	Thu 3/4	Returns to capital and credit constraints	de Mel, McKenzie, & Woodruff (2008), *QJE*
7	Thu 3/11	**Exam 1 (in class): weeks 1-6**	None
8	Thu 3/18	Spring break (no classes)	
9	Thu 3/25	Firms, management, and productivity	Bloom et al. (2013), *QJE*
10	Thu 4/1	Markets, information, and price dispersion	Jensen (2007), *QJE*
11	Thu 4/8	Risk sharing and consumption smoothing	Jack & Suri (2014), *AER*
12	Thu 4/15	Saving, present bias, and commitment	Duflo, Kremer, & Robinson (2011), *AER*
13	Thu 4/22	Technology adoption and social learning	Conley & Udry (2010), *AER*
14	Thu 4/29	The collective household and efficiency	Almås et al. (2018), *EJ*
15	Thu 5/6	Investment in human capital	Jensen (2010), *QJE*
16	Thu 5/13	Migration and risk sharing	Kinnan, Wang, & Wang (2018), *AEJ: Applied*
	TBD by registrar	**Exam 2 (finals period): weeks 9-16**	None

Text and supplies

No textbook is required. The models we develop in lecture draw on the following texts, which are recommended as optional references:

Bardhan, Pranab, and Christopher Udry. 1999. *Development Microeconomics*. Oxford: Oxford University Press. ISBN 9780198773719. Optional.

Ray, Debraj. 1998. *Development Economics*. Princeton: Princeton University Press. ISBN 9780691017068. Optional.

Journal articles

Full citations for all required journal articles, plus any recommended readings, are listed below by week. Every article is linked by its DOI or a stable link; please access articles through the USF library portal, and contact Professor Beauregard with any problems accessing course materials. I do not expect you to pay for any article access.

Week 1, 1/28. The agricultural household model and separation

Required

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

Recommended

de Janvry, Alain, Marcel Fafchamps, and Elisabeth Sadoulet. 1991. "Peasant Household Behaviour with Missing Markets: Some Paradoxes Explained." *Economic Journal* 101 (409): 1400-1417.

Week 2, 2/4. Sharecropping, tenancy, and moral hazard

Required

Burchardi, Konrad B., Selim Gulesci, Benedetta Lerva, and Munshi Sulaiman. 2019. "Moral Hazard: Experimental Evidence from Tenancy Contracts." *Quarterly Journal of Economics* 134 (1): 281-347.

Recommended

Stiglitz, Joseph E. 1974. "Incentives and Risk Sharing in Sharecropping." *Review of Economic Studies* 41 (2): 219-255.

Shaban, Radwan Ali. 1987. "Testing between Competing Models of Sharecropping." *Journal of Political Economy* 95 (5): 893-920.

Week 3, 2/11. Property rights and investment incentives

Required

Goldstein, Markus, and Christopher Udry. 2008. "The Profits of Power: Land Rights and Agricultural Investment in Ghana." *Journal of Political Economy* 116 (6): 981-1022.

Recommended

Besley, Timothy. 1995. "Property Rights and Investment Incentives: Theory and Evidence from Ghana." *Journal of Political Economy* 103 (5): 903-937.

Week 4, 2/18. Efficiency wages, nutrition, and labor rationing

Required

Breza, Emily, Supreet Kaur, and Yogita Shamdasani. 2021. "Labor Rationing." *American Economic Review* 111 (10): 3184-3224.

Recommended

Dasgupta, Partha, and Debraj Ray. 1986. "Inequality as a Determinant of Malnutrition and Unemployment: Theory." *Economic Journal* 96 (384): 1011-1034.

Week 5, 2/25. Credit markets under asymmetric information

Required

Karlan, Dean, and Jonathan Zinman. 2009. "Observing Unobservables: Identifying Information Asymmetries with a Consumer Credit Field Experiment." *Econometrica* 77 (6): 1993-2008.

Recommended

Ghatak, Maitreesh, and Timothy W. Guinnane. 1999. "The Economics of Lending with Joint Liability: Theory and Practice." *Journal of Development Economics* 60 (1): 195-228.

Week 6, 3/4. Returns to capital and credit constraints

Required

de Mel, Suresh, David McKenzie, and Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." *Quarterly Journal of Economics* 123 (4): 1329-1372.

Recommended

Banerjee, Abhijit V., and Esther Duflo. 2014. "Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program." *Review of Economic Studies* 81 (2): 572-607.

Week 9, 3/25. Firms, management, and productivity

Required

Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. 2013. "Does Management Matter? Evidence from India." *Quarterly Journal of Economics* 128 (1): 1-51.

Recommended

Hsieh, Chang-Tai, and Peter J. Klenow. 2009. "Misallocation and Manufacturing TFP in China and India." *Quarterly Journal of Economics* 124 (4): 1403-1448.

Week 10, 4/1. Markets, information, and price dispersion

Required

Jensen, Robert. 2007. "The Digital Provide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector." *Quarterly Journal of Economics* 122 (3): 879-924.

Recommended

Aker, Jenny C. 2010. "Information from Markets Near and Far: Mobile Phones and Agricultural Markets in Niger." *American Economic Journal: Applied Economics* 2 (3): 46-59.

Week 11, 4/8. Risk sharing and consumption smoothing

Required

Jack, William, and Tavneet Suri. 2014. "Risk Sharing and Transactions Costs: Evidence from Kenya's Mobile Money Revolution." *American Economic Review* 104 (1): 183-223.

Recommended

Rosenzweig, Mark R., and Kenneth I. Wolpin. 1993. "Credit Market Constraints, Consumption Smoothing, and the Accumulation of Durable Production Assets in Low-Income Countries: Investments in Bullocks in India." *Journal of Political Economy* 101 (2): 223-244.

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

Week 12, 4/15. Saving, present bias, and commitment

Required

Duflo, Esther, Michael Kremer, and Jonathan Robinson. 2011. "Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya." *American Economic Review* 101 (6): 2350-2390.

Recommended

Dupas, Pascaline, and Jonathan Robinson. 2013. "Why Don't the Poor Save More? Evidence from Health Savings Experiments." *American Economic Review* 103 (4): 1138-1171.

Week 13, 4/22. Technology adoption and social learning

Required

Conley, Timothy G., and Christopher R. Udry. 2010. "Learning about a New Technology: Pineapple in Ghana." *American Economic Review* 100 (1): 35-69.

Recommended

Foster, Andrew D., and Mark R. Rosenzweig. 1995. "Learning by Doing and Learning from Others: Human Capital and Technical Change in Agriculture." *Journal of Political Economy* 103 (6): 1176-1209.

Week 14, 4/29. The collective household and efficiency

Required

Almås, Ingvild, Alex Armand, Orazio Attanasio, and Pedro Carneiro. 2018. "Measuring and Changing Control: Women's Empowerment and Targeted Transfers." *Economic Journal* 128 (612): F609-F639.

Recommended

Udry, Christopher. 1996. "Gender, Agricultural Production, and the Theory of the Household." *Journal of Political Economy* 104 (5): 1010-1046.

Chiappori, Pierre-André. 1992. "Collective Labor Supply and Welfare." *Journal of Political Economy* 100 (3): 437-467.

Week 15, 5/6. Investment in human capital

Required

Jensen, Robert. 2010. "The (Perceived) Returns to Education and the Demand for Schooling." *Quarterly Journal of Economics* 125 (2): 515-548.

Recommended

Munshi, Kaivan, and Mark Rosenzweig. 2006. "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy." *American Economic Review* 96 (4): 1225-1252.

Week 16, 5/13. Migration and risk sharing

Required

Kinnan, Cynthia, Shing-Yi Wang, and Yongxiang Wang. 2018. "Access to Migration for Rural Households." *American Economic Journal: Applied Economics* 10 (4): 79-119.

Recommended

Morten, Melanie. 2019. "Temporary Migration and Endogenous Risk Sharing in Village India." *Journal of Political Economy* 127 (1): 1-46.

Harris, John R., and Michael P. Todaro. 1970. "Migration, Unemployment and Development: A Two-Sector Analysis." *American Economic Review* 60 (1): 126-142.

Munshi, Kaivan. 2003. "Networks in the Modern Economy: Mexican Migrants in the U.S. Labor Market." *Quarterly Journal of Economics* 118 (2): 549-599.

Program learning outcomes

This course is an elective in the MS IDEC Program, and its objectives flow from the program's learning goals. In particular, its scope is designed to help students:

- Understand the application of modern microeconomic theory to the key problems of economic development, concentrating here on missing and imperfect markets for land, labor, credit, and insurance, and on household investment in capital, technology, schooling, and migration.
- Effectively communicate research findings in writing and orally, through weekly written evaluations of published research and class discussion.

The course also prepares students for the program goals of conducting original empirical analysis and fieldwork-based research by teaching the models that motivate and interpret that research; students carry out such analysis in other coursework.