

ECON 125: ECONOMIC DEVELOPMENT, MICROFINANCE, AND SOCIAL NETWORKS

Contact information.

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Logistics.

Class times: T/Th (11-1 in-person at 200-305)

Recitation times: some Fridays either on Zoom or in-person (1.30-2.30 in 60-109, 2.45-3.45 in Littlefield 103), watch out for announcements

Course website: canvas

Course description. This course will provide an introduction to the study of the financial lives of households in less developed countries. We will focus on savings, credit and microfinance, informal insurance, social learning (how communities learn about new technologies, products, and job opportunities), corruption, and redistribution. We will emphasize the role that social networks play in each of these study areas. We will focus on questions such as

- Why do the poor seem to systematically undersave and what institutions have organically developed to cope with this?
- Why do the poor and rich face such different interest rates?
- Without access to formal credit or insurance, how do households in less developed countries deal with irregular income?
- Is microfinance a panacea?
- How should a policymaker structure information dissemination campaigns? What strategies are likely to succeed, what are likely to fail and lead to misinformation traps?
- How should redistribution and tax policy be structured when property rights are poor and corruption risk is high?

To address these sorts of questions we will make use of economic theory to structure our thinking and then turn to empirical analyses that test competing theories.

Goals for the class. In this course you will study some of the key theoretical ideas and empirical analyses that investigate the financial lives of the poor. I have three basic goals for this class. After taking the course you will be able to:

- (1) Identify the roles of various potential causes of “market failures” in developing countries, including asymmetric information, time-inconsistency, moral hazard.

- (2) Understand some of the core theoretical arguments surrounding market failures in developing economies, and be able to use this intuition in other settings. The theoretical concepts we focus on in this class are portable.
- (3) Understand empirical evidence in economics. Specifically, you should be able to identify the qualities of a credible empirical study and also critically evaluate empirical work in popular as well as academic settings. This involves understanding the advantages and disadvantages of empirical analyses using observational data, experimental data, as well as both model-based approaches versus comparisons of means.

Prerequisites. The prerequisites are Econ 51 and 102B. Econ 118 would also help, though is not required. This class is designed for juniors and seniors majoring in Economics, or with a strong quantitative background. The problem sets will require data analysis with a statistical software package called Stata as well as Matlab. You are of course welcome to use other programs as well (e.g., R).

Grading and assignments. We will have the following assignments.

- Reading Responses (50%).
Before every lecture you will have to submit a (short) reading response to your TA. This is due by 9AM the day of class, each class, no exceptions and you will receive no credit if it is late.
The responses may (occasionally) require supplementary readings beyond those listed in the syllabus. They may also require some light/theory and/or data work, though this is rare.
We have already posted all of the reading responses required for the course, so you can get an idea about the assignments.

- Presentations (50%)
Every class, we will have one or two “conference-format” presentations. One student (the “author”) will present a pre-selected paper (highlighted in blue and marked as “pres”) from the syllabus (20 minutes). You will be informed about which paper exactly it is a couple of days in advance. Another student will be a “discussant” (5 minutes) who will provide a critical evaluation of the paper. Then we will have a chance for the rest of the audience to ask questions. Finally, a “co-author” will then respond to the discussant and the audiences’ questions (5 minutes).

We will randomly (with replacement) assign the roles throughout the term. So you should expect to go several times, possibly in each role.

Other course policies.

- *Students with Documented Disabilities:* Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate

the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk (phone: 723-1066, URL: <http://studentaffairs.stanford.edu/oae>).

- *Missed exam:* The Department of Economics has a common policy across courses that governs exam attendance. Students must take each exam on the scheduled date. Exam dates will not be changed for individual students to accommodate job interviews, family events, etc. Exceptions will be made only for serious medical reasons or in the event of a death in the family. In the case of a medical problem, you must provide a letter from a doctor stating explicitly that the medical problem prevents you from taking the exam. If a student-athlete must be off-campus the day of an exam, he/she must take the exam on the scheduled exam date and supply his/her answers by fax on that date. Please read the guidelines at <http://economics.stanford.edu/undergraduate/economics-common-syllabus>.
- *Requests for re-grading:* The department common syllabus also lays out the process that must be followed to request re-grading of an assignment or exam. All re-grade requests should be submitted in writing, to the professor, copying the director of undergraduate studies (Professor Kyle Bagwell), within a week from when we return your work. Students must not approach either instructor or TA with an oral request before making their written request. Please read the full department policy carefully, as we will only re-grade problem sets and exams if the request complies with it.
- *Late assignments:* Late assignments will not be accepted.

Readings. The required readings for this class mostly consist of academic papers. Required readings are **starred** (and in blue) and are to be read *before* class. You do not need to understand every equation or every detail in the required articles. However, I expect you to understand the theory and empirical methods used by the authors. I note what parts of the paper you are required to read.

I also mention supplementary articles that may be covered in class. For these articles, you are responsible for what I cover in class – not the entirety of the articles themselves – though it may be useful to read them ahead of time.

I will rely on several textbooks. Only the starred one is required.

- ★ Banerjee, A. V., & Duflo, E. (2011). *Poor economics: A radical rethinking of the way to fight global poverty*. PublicAffairs Store.
- Ray, D. (1998). *Development economics*. Princeton University Press.

Course Outline. The course will roughly follow the structure below – but this is a live document and therefore things are subject to change. Remember, required readings are starred.

I Introduction [Lecture 1 - March 29, 2022]

A. Overview

- ★ [Banerjee and Duflo, §1.](#)
- Banerjee, Abhijit V., and Esther Duflo. “The economic lives of the poor.” *The Journal of Economic Perspectives* 21.1 (2007): 141. <http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.1.141>

II Preliminaries

- “Funes el Memorioso,” Borges
- “Objectivity...,” Weber

Reading Response 1 due 9am Friday, April 1st, 2022 by exception

III Savings

A. Benchmark and Overview [Lecture 2 - March 31, 2022]

- ★ [Banerjee and Duflo, §8.](#)
- Paxson, C. H. (1992). “Using weather variability to estimate the response of savings to transitory income in Thailand.” *The American Economic Review*, 15-33. [Read pg. 15-18 of the AER article, read conclusion.]

B. Lack of Access to Savings [Lecture 2 - March 31, 2022]

- ★ [Dupas, P. and Jonathon Robinson \(2013\). “Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya.” *American Economic Journal: Applied Economics*. \[Read the whole paper.\] \(pres\)](#)

Reading Response 2 due April 5, 2022.

Additional readings for assignment:

- “Orientalism, Chapter 1: Introduction,” Said
- “Rule of Experts: Chapters 1, 4” Mitchell

C. The Role of Psychology: Time Inconsistency, Alcoholism... [Lecture 3 - April 5, 2022]

- ★ [Ashraf, N., Karlan, D., & Yin, W. \(2006\). “Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines.” *The Quarterly Journal of Economics*, 121\(2\), 635-672. \[Read the whole paper.\] \(pres\)](#)
- Banerjee, A., & Mullainathan, S. (2010). “The shape of temptation: Implications for the economic lives of the poor” (No. w15973). National Bureau of Economic Research.
- ★ [Schilbach \(2019\). “Alcohol and Self-Control A Field Experiment in India.” *AER* \[Read the whole paper\] \(pres\)](#)
- Bernheim, D., Ray., D., & Yeltekin, S. (2013). “Poverty and self-control.”
- Ananth, B., Karlan, D., Mullainathan, S. (2007), “Microentrepreneurs and Their Money: Three Anomalies,” Working paper.

Reading Response 3 due April 7, 2022.

- D. Reputation, social networks, RoSCAs and the like [Lecture 4 - April 7, 2021]
- ★ Dupas, Pascaline, and Jonathan Robinson (2012), “Why don’t the poor save more? Evidence from Health Savings Experiments”. [Read whole paper.] **(pres)**
 - ★ Breza, E. and Chandrasekhar, A. (2019). “Social networks, reputation and commitment: Evidence from a savings monitors experiment,” *Econometrica* vol. 87 issue 1. [Read whole paper.] **(pres)**
 - Basu, K. (2011). “Hyperbolic discounting and the sustainability of rotational savings arrangements.” *American Economic Journal: Microeconomics*, 3(4), 143-171.

Reading Response 4 due April 12, 2022.

IV Insurance

- A. Overview [Lecture 5 - April 12, 2022]
- ★ Banerjee and Duflo, §6
- B. Full commitment [Lecture 5]
- ★ Townsend, R. M. (1994). “Risk and insurance in village India.” *Econometrica*., 539-591. [Read Abstract, Introduction, compare Fig. 1 and 3. Read and understand where equation (14) came from. Read Conclusion (Section 7).]
 - ★ Udry, C. (1994). “Risk and insurance in a rural credit market: An empirical investigation in northern Nigeria.” *The Review of Economic Studies*, 61(3), 495-526. [Read Abstract, Introduction, and be able to explain Table 1.]

Reading Response 5 due April 14, 2022.

- C. Limited commitment [Lecture 6 - April 14, 2022]
- Ligon, E., Thomas, J. P., & Worrall, T. (2002). “Informal insurance arrangements with limited commitment: Theory and evidence from village economies.” *The Review of Economic Studies*, 69(1), 209-244.
 - ★ Genicot, G., & Ray, D. (2003). “Group formation in risk-sharing arrangements.” *The Review of Economic Studies*, 70(1), 87-113. [Read Introduction and Conclusion.]
- D. Hidden income [Lecture 6 - April 14, 2022]
- Cole, H. L., & Kocherlakota, N. R. (2001). “Efficient allocations with hidden income and hidden storage.” *The Review of Economic Studies*, 68(3), 523-542.
- E. Moral Hazard [Lecture 6 - April 14, 2022]
- Kinnan (2013). “Distinguishing barriers to insurance in Thai villages”
- F. Migration [Lecture 6 - April 14, 2022]

- ★ Morten, Melanie. “Temporary migration and endogenous risk sharing in village India.” *Journal of Political Economy* 127.1 (2019): 1-46. [Read Introduction and Conclusion.]

Reading Response 6 due April 19, 2022.

Read Munshi and Rosenzweig (2016): “Networks and Misallocation: Insurance, Migration, and the Rural-Urban Wage Gap,” just enough to answer the questions.

Read “Caste and Class among the Dalits,” by Shyam Babu, in *Dalit Studies*.

Read “Occupation, Dignity, and Space,” by Rawat

G. Review of Insurance Unit [April 19+ April 21, 2022]

H. Network Approaches [Lecture 7 - April 26, 2022]

(i) Why relationships ought to be embedded?

- ★ Kinnan, C., & Townsend, R. (2012). “Kinship and Financial Networks, Formal Financial Access, and Risk Reduction.” *The American Economic Review: P & P*, 102(3), 289-293. [Read whole paper. It is 4 pages.]
- Jackson, M. O., Rodriguez-Barraquer, T., & Tan, X. (2012). “Social capital and social quilts: Network patterns of favor exchange.” *The American Economic Review*, 102(5), 1857-1897.
- Bloch, F., Genicot, G., & Ray, D. (2008). “Informal insurance in social networks.” *Journal of Economic Theory*, 143(1), 36-58.

(ii) How should village networks be organized? [Lecture 7]

- ★ Ambrus, A., Mobius, M., & Szeidl, A. (2014). “Consumption risk-sharing in social networks” *American Economic Review*. [Read Introduction and Conclusion.]

(iii) When networks form endogenously to share risk, how will they look?

- Ambrus, A. & Elliott, M (2018). “Investments in social ties, risk sharing and inequality ”

(iv) Presentation: ★ Karlan, D., & Zinman, J. (2009). “Observing unobservables: Identifying information asymmetries with a consumer credit field experiment.” *Econometrica*, 77(6), 1993-2008. [Read whole paper. Pay specific attention to the experimental design and how moral hazard and asymmetric information are identified.] (pres)

Reading Response 7 due April 21, 2022.

5 Read “Castes of Mind,” by Dirk.

V Credit and Microfinance

(a) Credit and Money Lenders [Lectures 8 + 9 - April 28, 2022]

- ★ Banerjee and Duflo §7.
- ★ Abhijit V. Banerjee and Esther Duflo. (2010). “Giving credit where it is due.” *Journal of Economic Perspectives*, 24(3):61-80. [Read whole paper]

- Aleem, Irfan. “Imperfect information, screening, and the costs of informal lending: a study of a rural credit market in Pakistan.” *The World Bank Economic Review* 4.3 (1990): 329-349.
- Ray, §14.2-14.4.
- Stiglitz, J. E., & Weiss, A. (1981). “Credit rationing in markets with imperfect information.” *The American economic review*, 71(3), 393-410.

Reading Response 8 due April 28, 2022.

- (b) Microfinance 1: Overview [Lectures 8 + 9 - April 28, 2022]
- ★ Brian Lehrer/Abhijit Banerjee: <https://www.youtube.com/watch?v=eM-pKMOBstE#t=43m25s> (it’s about 12 min.)
 - ★ Banerjee. (2012). “Microcredit under the microscope: What have we learnt in the last two decades, what do we need to know?” <http://economics.mit.edu/files/9071> [Read whole paper]
 - Ray, §14.5-14.6.

Reading Response 9 due April 28, 2022.

- (c) Microfinance 2: Why groups? [Lecture 10 - May 3, 2022]
- ★ Besley, T., & Coate, S. (1995). “Group lending, repayment incentives and social collateral.” *Journal of Development Economics*, 46(1), 1-18.
 - ★ Banerjee, A. V., Besley, T., & Guinnane, T. W. (1994). “Thy neighbor’s keeper: The design of a credit cooperative with theory and a test.” *The Quarterly Journal of Economics*, 109(2), 491-515.
 - Bulow, Jeremy and Kenneth Rogoff (1989) “Sovereign Debt: Is to Forgive to Forget?” *American Economic Review*, Vol. 79(1), pp. 43-50.

Reading Response 10 due May 3, 2022.

- (d) Microfinance 3: group composition: who joins with whom and why? [Lecture 11 - May 5, 2022]
- ★ Ghatak, M. (1999). Group lending, local information and peer selection. *Journal of development economics*, 60(1), 27-50.
 - ★ 2 videos:
 - a talk by Dean Karlan on a Mexico-wide microfinance expansion: <http://www.youtube.com/watch?v=v61CCDLF6ss>
 - a response by Abhijit Banerjee on the same topic: <http://www.youtube.com/watch?v=5wj7msxbY8>
 - Wang, Xiao Yu (2013). “Endogenous Insurance and Informal Relationships”. [Read Intro, Abstract and Conclusion]
 - Ghatak, M., & Guinnane, T. W. (1999). The economics of lending with joint liability: theory and practice. *Journal of development economics*, 60(1), 195-228. [Read Intro, Abstract and Conclusion]

Reading Response 11 due May 5, 2022.

- (e) Microfinance 4: Does the group even matter? [Lecture 12 - May 10, 2022]
- ★ Breza, Emily. (2013). “Peer Effects and Loan Repayment: Evidence from the Krishna Default Crisis.” [Read whole paper.] (pres)
 - ★ Gine, X., & Karlan, D. S. (2007). “Group versus individual liability: a field experiment in the Philippines.” [Read Introduction, Abstract, and Conclusion.] (pres)
 - ★ Bryan, G., Karlan, and Zinman (2015). “Referrals: Peer Screening and Enforcement in a Consumer Credit Field Experiment” [Read Introduction, Abstract, and Conclusion.] (pres)
 - Attanasio, O., Augsburg, B., De Haas, R., Fitzsimons, E., & Harmgart, H. (2011). “Group lending or individual lending? Evidence from a randomised field experiment in Mongolia.”

Reading Response 12 due May 10, 2022.

- (f) Microfinance 5: What are loans used for? [Lecture 13 - May 12, 2022]
- ★ Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman. “Six randomized evaluations of microcredit: Introduction and further steps.” *American Economic Journal: Applied Economics* 7.1 (2015): 1-21. [Read whole paper.]
 - ★ Meager (2019). “Understanding the Average Impact of Microcredit Expansions: A Bayesian Hierarchical Analysis of Seven Randomized Experiments.” *The American Economic Journal: Applied Economics*
 - Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2013). “The miracle of microfinance? Evidence from a randomized evaluation.”
 - De Mel, S., McKenzie, D., & Woodruff, C. (2008). “Returns to capital in microenterprises: evidence from a field experiment.” *The Quarterly Journal of Economics*, 123(4), 1329-1372.
- (g) Microfinance 6: What does demand look like? [Lecture 13- May 12]
- Karlan, Dean, and Jonathan Zinman. Long-Run Price Elasticities of Demand for Credit: Evidence from a Countrywide Field Experiment in Mexico. No. w19106. National Bureau of Economic Research, 2013.

Reading Response 13 due May 12, 2022.

- (h) Microfinance 7: Does microfinance impact informal insurance? [Lecture 14 - May 17, 2022]
- ★ Banerjee, Chandrasekhar, Duflo and Jackson (2016). “Changes in social network structure in response to exposure to formal credit markets” [Read whole paper.] (pres)

- Feigenberg, B., Field, E., & Pande, R. (2013). The economic returns to social interaction: Experimental evidence from microfinance. *The Review of Economic Studies*, 80(4), 1459-1483.

Reading Response 13 due May 17, 2022.

- (i) Microfinance 8: What happens with large scale expansion? [Lecture 14 - May 19, 2022]
- ★ [Breza, Emily and Kinnan, Cynthia. \(2016\). "Measuring the equilibrium impacts of credit: Evidence from the Indian microfinance crisis." \(pres\)](#)
 - Burgess, R., & Pande, R. (2003). "Do rural banks matter? Evidence from the Indian social banking experiment."
 - Townsend, R. M., & Ueda, K. (2006). "Financial deepening, inequality, and growth: a model-based quantitative evaluation." *The Review of Economic Studies*, 73(1), 251-293.
 - Kaboski, J. P., & Townsend, R. M. (2005). "Policies and Impact: An Analysis of Village-Level Microfinance Institutions." *Journal of the European Economic Association*, 3(1), 1-50.
 - Kaboski, J. P., & Townsend, R. M. (2011). "A Structural Evaluation of a Large-Scale Quasi-Experimental Microfinance Initiative." *Econometrica*, 79(5), 1357-1406.
 - Rai and Sjöström. "Redesigning Microfinance"

Reading Response 14 due May 19, 2022.

VI Information

A. Diffusion [Lecture 15 - May 24, 2022]

(i) Applications of diffusion

- Jensen, Robert. "The digital divide: Information (technology), market performance, and welfare in the South Indian fisheries sector." *The Quarterly Journal of Economics* (2007): 879-924.
- Beaman, Lori, and Jeremy Magruder. "Who gets the job referral? Evidence from a social networks experiment." *The American Economic Review* 102.7 (2012): 3574-3593.**
- Bloom, Nicholas, et al. "Does Management Matter? Evidence from India." *The Quarterly Journal of Economics* 128.1 (2013): 1-51.

(ii) Theory of diffusion

- ★ [Banerjee, Chandrasekhar, Duflo & Jackson \(2013\). "The diffusion of microfinance." *Science* 341 \(6144\). \[Read whole paper.\] \(pres\)](#)
- ★ [Banerjee, A., Chandrasekhar, A. G., Duflo, E., & Jackson, M. O. \(2019\). "Using gossips to spread information: theory and evidence from two randomized controlled trials," *The Review of Economic Studies*\[Read whole paper except for the theoretical model. Go through all tables/data analysis.\] \(pres\)](#)

- Kirman, A. “Ants, rationality, and recruitment,” *The Quarterly Journal of Economics* 108 (1), 137-156
- Beaman, L., BenYishay, A., Magruder, J., & Mobarak, A. M. (2014). “Can network theory based targeting increase technology adoption.” Unpubl. Manusc.

Reading Response 15 due May 24, 2022.

- B. Social Learning and Information Aggregation [Lectures 16 + 17 - May 26, 2021]
- (i) Why might the law of large numbers fail under Bayesian learning?
- ★ Banerjee, Abhijit V. “A simple model of herd behavior.” *The Quarterly Journal of Economics* 107.3 (1992): 797-817. [Read the whole paper.]
 - Bikhchandani, S., Hirshleifer, D., & Welch, I. (1992). “A theory of fads, fashion, custom, and cultural change as informational cascades.” *Journal of Political Economy*, 100(5), 992-1026.
- (ii) DeGroot learning on a network
- DeMarzo, Peter M., Dimitri Vayanos, and Jeffrey Zwiebel. “Persuasion bias, social influence, and unidimensional opinions.” *The Quarterly Journal of Economics* 118.3 (2003): 909-968.
 - Golub, Benjamin, and Matthew O. Jackson. “Naive learning in social networks and the wisdom of crowds.” *American Economic Journal: Microeconomics* 2.1 (2010): 112-49.
 - Golub, Benjamin, and Matthew O. Jackson. “How homophily affects the speed of learning and best-response dynamics.” *The Quarterly Journal of Economics* 127.3 (2012): 1287-1338.

Reading Response 16 due May 26, 2022.

Read “Risk Aversion and Expected-Utility Theory: A Calibration Theorem,” by Matthew Rabin.

- (iii) Applications [Lectures 16+17 - May 31, 2022]
- ★ Conley, T. G., & Udry, C. R. (2010). “Learning about a new technology: Pineapple in Ghana.” *The American Economic Review*, 35-69. [Read Introduction, Abstract, and Conclusion.]
 - Alatas, V., Banerjee, A., Chandrasekhar, A. G., Hanna, R., & Olken, B. A. (2016). “Network structure and the aggregation of information: Theory and evidence from Indonesia.” *American Economic Review*, 106(7), 1663-1704.
 - Foster, A. D., & Rosenzweig, M. R. (1995). “Learning by doing and learning from others: Human capital and technical change in agriculture.” *Journal of Political Economy*, 1176-1209.
- (iv) Putting it together: Diffusion + Aggregation
- ★ Banerjee et al. (2018) “When less is more: Experimental evidence on information delivery during India’s demonetization” [Read whole paper.] (pres)

- Beaman, Lori, Niall Keleher, and Jeremy Magruder. “Do job networks disadvantage women? Evidence from a recruitment experiment in Malawi.” *Journal of Labor Economics* 36.1 (2018): 121-157.
- ★ Karing, A., 2018. [Social signaling and childhood immunization: A field experiment in Sierra Leone](#). University of California, Berkeley, 2. (pres)
- Banerjee et al. (2016) “Naive learning with uninformed agents”
- Ngatia, Muthoni. “Social interactions, stigma, and HIV testing.” (2016).

Reading Response 17 due June 31, 2022.

VII Public finance [Lecture 18 - June 2, 2022]

A. Public goods:

- ★ [Banerjee et al. “Selecting the Most Effective Nudge” \(2021\) \[Read the whole paper.\]](#)
- Kremer, Michael, et al. “Spring Cleaning: Rural Water Impacts, Valuation, and Property Rights Institutions.” *The Quarterly Journal of Economics* 126.1 (2011): 145-205. [Read Introduction, Abstract, and Conclusion.]
- Duflo, Esther and Rohini Pande (2007), “Dams,” *Quarterly Journal of Economics*, Vol. 122, No. 2, 601-646
- Olken, Benjamin A. (2007). “Monitoring Corruption: Evidence from a Field Experiment in Indonesia.” *Journal of Political Economy* 115(2): 200-249.
- Galiani, S., P. Gertler and E. Schargrotsky (2005). “Water for Life: The Impact of the Privatization of Water Services on Child Mortality.” *Journal of Political Economy* 113(1): 83-120

B. Redistribution:

- ★ [Alatas, Banerjee, Hanna, Olken, and Tobias \(2012\) “Targeting the Poor: Evidence from a Field Experiment in Indonesia,” *American Economic Review* 104\(2\), pp. 1206-1240 \[Read whole paper.\] \(pres\)](#)
- Besley, T. and R. Kanbur (1988). “Food Subsidies and Poverty Alleviation.” *The Economic Journal* 98(392): 701-719
- Nichols, A. L. and R. J. Zeckhauser (1982). “Targeting Transfers through Restrictions on Recipients.” *American Economic Review* 72(2): 372-377
- Olken, Benjamin A (2007), “Corruption and the Costs of Redistribution,” *Journal of Public Economics*, 90(4-5), 853-870
- Banerjee, Hanna, Olken, and Sumarto. “The (lack of) Distortionary Effects of Proxy-Means Tests: Results from a Nationwide Experiment in Indonesia”
- Hanna and Olken, “Universal Basic Incomes vs. Targeted Transfers: Anti-Poverty Programs in Developing Countries,” *Journal of Economic Perspectives* 32 (4), pp. 201-226

Reading Response 18 due June 2, 2022.

Read “Righting Wrongs...,” by Gayatri Chakravorty Spivak.

Read “Economist as Plumber,” by Esther Duflo.

VIII Firms and contracts [Presentations: June 3, 2022]

A. Overview:

- ★ Banerjee, Abhijit and Esther Duflo (2000), “Reputation Effects and the Limits of Contracting: A study of the Indian Software Industry,” *Quarterly Journal of Economics* Vol. 115 (3), pp. 989-1017. [Read whole paper.]
- Tirole, Jean (1996), “A Theory of Collective Reputations (With Applications to the Persistence of Corruption and to Firm Quality),” *Review of Economic Studies*, Vol. 63 (1), pp.1-22.
- Avner Greif. 1993. “Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition.” *American Economic Review* v. 83 no. 3, pp. 525-548.
- John McMillan and Christopher Woodruff. 1999. “Interfirm Relationships and Informal Credit in Vietnam.” *Quarterly Journal of Economics* v. 114 no. 4, pp. 1285-1320**

B. Networks:

- ★ Macchiavello, R. and Morjaria, A., 2021. Competition and relational contracts in the Rwanda coffee chain. *The Quarterly Journal of Economics*, 136(2), pp.1089-1143. [Read whole paper.] (pres)
- ★ Sanchez de la Sierra, R., 2021. Whither Formal Contracts?. *Econometrica*, 89(5), pp.2341-2373. [Read whole paper.] (pres)
- Khwaja, Asim and A. Mian (2005), “Do Lenders Favor Politically Connected Firms? Rent provision in an Emerging Financial Market”, *Quarterly Journal of Economics*, Vol. 120, Issue 4.
- Bertrand, Marianne, Paras Mehta and Sendhil Mullainathan (2002). “Ferretting Out Tunneling: An Application to Indian Business Groups.” *Quarterly Journal of Economics* 117(1): 121-148
- Bertrand and Schoar. Family Firms.

Reading Response 19 due June 6, 2022.