

Applied Econometrics: Natural Experiments in Development Economics

Toulouse School of Economics
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Instructor

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Description

This mini-course features a selective overview of econometric methods that are concerned with causal inference. In the context of empirical microeconomics, causal inference seeks to determine the effects of particular market institutions or policies on individual behaviors holding constant all possible factors that likely determine both phenomena. Because it is typically impossible to adequately control for all relevant variables, it is often desirable to seek situations where it is reasonable to presume that the omitted variables are uncorrelated with the variables of interest. Such situations may arise if the researcher can use random assignment, or if the forces of nature or human institutions provide something close to random assignment whereby otherwise similar individuals or firms are differentially exposed to a given market institution or policy of interest. These lectures will cover classic examples of the latter approach, also known as *natural experiments*, taken from the recent literature of development economics.

Reading List

The articles indicated with a * are required readings and will be discussed in class. The remaining set of articles serve as background material for the empirical project that you are requested to complete as part of the course evaluation.

Overview material on empirical methods

Angrist, Josh and Alan Krueger (1999), "Empirical Strategies in Labor Economics", *ch. 23 in Ashenfelter and Card, Handbook of Labor Economics, vol. 3.*

Angrist, Joshua D. and Jorn-Stephen Pischke (2009), "Mostly Harmless Econometrics. An Empiricist's Companion", *Princeton University Press.*

Lecture 1: Instrumental variables

* Jayachandran Seema (2006). "Selling Labor Low: Wage Responses to Productivity Shocks in Developing Countries," *Journal of Political Economy*, University of Chicago Press, vol. 114(3), pages 538-575, June.

Reinikka, R. and J. Svensson (2005), "Fighting Corruption to Improve Schooling: Evidence from a Newspaper Campaign in Uganda", *Journal of the European Economic Association*, 3 (2-3), 259-267

Duflo Esther and Rohini Pande (2007), "Dams," *The Quarterly Journal of Economics*, MIT Press, vol. 122(2), pages 601-646, 05.

Lecture 2: Fixed effects and difference-in-differences

* 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*, Oxford University Press, vol. 81(2), pages 572-607.

Jayachandran, Seema and Ilyana Kuziemko (2011), "Why Do Mothers Breastfeed Girls Less Than Boys: Evidence and Implications for Child Health in India," *Quarterly Journal of Economics*, 126(3): 1485-1538.

Banerjee Abhijit V., Paul J. Gertler and Maitreesh Ghatak (2002). "Empowerment and Efficiency: Tenancy Reform in West Bengal," *Journal of Political Economy*, University of Chicago Press, vol. 110(2), pages 239-280, April.

Duflo Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review*, American Economic Association, vol. 91(4), pages 795-813, September.

Lecture 3: Regression discontinuity designs

* Avitabile, Ciro, Bobba Matteo and Marco Pariguana (2016), "High-School Track Choice and Financial Constraints: Evidence from Urban Mexico". *TSE Working Paper*, n. 16-661, June 2016.

Litschig Stephan and Marian Meller (2014), " Saving Lives: Evidence from a Conditional Food Supplementation Program". *Journal of Human Resources Fall 2014 vol. 49 no. 4 1014-1052.*

Pop-Eleches Cristian and Miguel Urquiola (2013). "Going to a Better School: Effects and Behavioral Responses," *American Economic Review*, American Economic Association, vol. 103(4), pages 1289-1324, June.