

Policy Evaluation in Developing Countries: Methods and Applications

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Presentation

This is part of the field course “Advanced Public Policy and Applied Economics” for 2nd year PhD students. This section of the course is intended to provide students with tools for analyzing the effects of public policies. We will be studying economic models of forward looking behavior of individual agents combined with a variety of econometric methods suited to understand and fully characterize potential or realized policy impacts. I will then illustrate the diverse use of these methods in the most recent research practice through the exposition and discussion of leading applications to education policies and labor market policies in the context of developing countries.

Outline

Papers denoted with * are required readings. Students are strongly encouraged to read them before the corresponding lecture.

1. Ex-ante Policy Evaluation

- Methods:

- * Todd Petra E. and Kenneth I. Wolpin (2007). “Ex Ante Evaluation of Social Programs.” *Annales D’Economie Et De Statistique*, no. 91/92, 2008, pp. 263-291.

- Keane, Michael P. 2010. “Structural vs. Atheoretic Approaches to Econometrics”. *Journal of Econometrics* 156 (1): 3-20.

- Low, Hamish, and Costas Meghir. 2017. “The Use of Structural Models in Econometrics”. *Journal of Economic Perspectives* 31 (2): 33-58.

- Todd Petra E. and Kenneth I. Wolpin (2010). “Structural Estimation and Policy Evaluation in Developing Countries,” *Annual Review of Economics*, vol. 2(1), pages 21-50, 09.

- Application: Evaluating Conditional Cash Transfer programs – the case of *Progresa* in Mexico

- * Todd Petra E. and Kenneth I. Wolpin (2006). “Assessing the Impact of a School Subsidy Program in Mexico: Using a Social Experiment to Validate a Dynamic Behavioral Model of Child Schooling and Fertility,” *American Economic Review*, vol. 96(5), pages 1384-1417, December.

- * Attanasio Orazio P., Costas Meghir and Ana Santiago (2012). “Education Choices in Mexico: Using a Structural Model and a Randomized Experiment to Evaluate PROGRESA,” *Review of Economic Studies*, vol. 79(1), pages 37-66.

- Other applications combining RCTs with structural models
 - Bobba Matteo, and Veronica Frisancho (2016). “Perceived Ability and School Choices”. *TSE Working Paper*, n. 16-660.
 - Attanasio, Orazio, Cattan, Sarah, Fitzsimons, Emla, Meghir, Costas and Rubio-Codina, Marta (2015). “Estimating the Production Function for Human Capital: Results from a Randomized Control Trial in Colombia,” *NBER Working Paper N. 20965*.
 - Duffo Esther, Michael Greenstone, Rohini Pande and Nicholas Ryan (forthcoming). “The Value of Regulatory Discretion: Estimates from Environmental Inspections in India,” *Econometrica*.
 - Duffo Esther, Rema Hanna and Stephen P. Ryan (2012). “Incentives Work: Getting Teachers to Come to School,” *American Economic Review*, vol. 102(4), pages 1241-78, June.
 - Galiani Sebastian, Alwyn Murphy and Juan Pantano (2015). “Estimating Neighborhood Choice Models: Lessons from a Housing Assistance Experiment.” *American Economic Review*, 105 (11): 3385-3415.
 - Gautier, Pieter A., Muller, Paul, van der Klaauw, Bas, Rosholm, Michael and Svarer, Michael (forthcoming). “Estimating Equilibrium Effects of Job Search Assistance,” *Journal of Labor Economics*.

2. Job search models

- Job search theory
 - * Rogerson, R., Shimer, R., and Wright, R. (2005). “Search-Theoretic Models of the Labor Market: A Survey”. *Journal of Economics Literature*, Vol. 43, 959-988.
 - Lippman, S., and J. McCall (1976). “The Economics of Job Search: A Survey,” *Economic Inquiry*, 14, 155-189.
 - Pissarides, C.A. (1990). “Equilibrium Unemployment Theory”. *MIT Press*.
 - Burdett, K. and D. T. Mortensen (1998). “Wage Differentials, Employer Size, and Unemployment”. *International Economic Review* 39 (2): 257-273.
- Classic identification results
 - * Flinn, C, and J. Heckman (1982). “New methods for analyzing structural models of labor force dynamics”. *Journal of Econometrics*, vol. 18, issue 1, 115-168.
 - * Van Den Berg, G., and G. Ridder (1998). “An Empirical Equilibrium Search Model of the Labor Market.” *Econometrica* 66, no. 5: 1183-221.
 - Cahuc, Pierre, Fabien Postel-Vinay, and Jean-Marc Robin (2006). “Wage Bargaining with On-the-Job Search: Theory and Evidence.” *Econometrica* 74, no. 2 (2006): 323-64.
 - Flinn, C. (2006). “Minimum Wage Effects on Labor Market Outcomes under Search, Matching, and Endogenous Contact Rates.” *Econometrica* 74, no. 4 (2006): 1013-062.
 - Bontemps, C., J.M. Robin, van den Berg, G. J. (2000). “Equilibrium Search with Continuous Productivity Dispersion: Theory and Nonparametric Estimation”. *International Economic Review*, vol. 41, no. 2, 2000, pp. 305-358.
- Application: Informality and labor market policies
 - * Meghir, C., R. Narita and J.M. Robin (2015). “Wages and Informality in Developing Countries.” *American Economic Review*, 105(4):1509-1546.
 - * Bobba, M., L. Flabbi, and S. Levy (2017). “Labor Market Search, Informality, and Schooling Investments.” *TSE Working Paper*, n. 17-867
 - Bobba, M., L. Flabbi, S. Levy and M. Tejada (2018). “Labor Market Search, Informality, and On-the-job Human Capital Accumulation.” *Mimeo*
 - Conti, G., R. Ginja and R. Narita (2018). “The Value of Health Insurance: A Household Job Search Approach”. *Mimeo*