

## Course Outline

The aim of the course is to give you a quick introduction into the economic literature on micro-credit schemes and the role of property rights in economics development. We will work through classic and recent, empirical and theoretical papers on these topics. On the methodological side, the course aims to provide ideas how to fruitfully connect theoretical and empirical work.

The course will have 3 lectures, on the 28th, 29th and 30th of March, each at 9-12am. The content of and reading list for these lectures is outlined below. (Two stars mark papers we will certainly discuss in detail, one star marks papers which we will discuss in less detail, and no star marks papers which are closely related, but we will not discuss in detail.) For those of you who are free and would like to join, I suggest we go for lunch together after the lectures.

### Lecture 1: (Micro-)Credit – Theory

The first lecture will give an introduction to four leading reasons for credit market failures: adverse selection, ex-ante moral hazard in project choice, ex-ante moral hazard in effort choice, and ex-post moral hazard. Secondly, and this is the focus of the lecture, we will discuss theoretical reasons, how micro-credit schemes might help to alleviate these problems.

#### Suggested Reading:

- Banerjee, A.V., Timothy Besley, and Timothy W. Guinnane. 1994. “The Neighbor’s Keeper : The Design of a Credit Cooperative with Theory and a Test.” *The Quarterly Journal of Economics* 109 (2): 491–515.
- \*\* Besley, Timothy, Stephen Coate, and Glenn Loury. 1993. “The economics of rotating savings and credit associations.” *The American Economic Review* 83 (4): 792–810.
- \* Besley, Timothy, and Stephen Coate. 1995. “Group lending, repayment incentives and social collateral.” *Journal of Development Economics* 46 (1): 1–18.
- \*\* Ghatak, Maitreesh. 2000. “Screening by the Company You Keep : Joint Liability Lending and the Peer Selection Effect.” *The Economic Journal* 110 (465): 601–631.
- \* 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.
- \*\* Stiglitz, Joseph E. 1990. “Peer Monitoring and Credit Markets.” *The World Bank Economic Review* 4 (3): 351–366.

## Lecture 2/3: (Micro-)Credit – Empirics

The second lecture will survey the empirical literature which tests (some of) the theories discussed in Lecture 1. We will discuss different empirical approaches, spanning structural work, field, and laboratory experiments. As well we will survey other facts about rural credit markets which come out of a variety of experimental work. This is a lot of material, and I guess we'll keep on talking about it during the first hour of Lecture 3.

### Suggested Reading:

- \*\* Ahlin, Christian, and Robert M. Townsend. 2007. "Using Repayment Data to Test Across Models of Joint Liability Lending." *The Economic Journal* 117 (517): F11–F51.
- \*\* Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan. June 2010. "The miracle of microfinance? Evidence from a randomized evaluation." [Mimeo \(MIT\)](#).
- Banerjee, Abhijit, Arun G. Chandrasekhar, Esther Duflo, Matthew O. Jackson. August 2011. "The Diffusion of Microfinance." [Mimeo \(MIT\)](#).
- Crépon, Bruno, Florencia Devoto, Esther Duflo and William Pariente. March 2011. "Impact of microcredit in rural areas of Morocco: Evidence from a Randomized Evaluation." [Mimeo \(MIT\)](#).
- \* De Mel, Suresh, David McKenzie, and Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." *The Quarterly Journal of Economics* 123 (4): 1329-1372.
- \* Field, Erica, Rohini Pande, John Papp, and Natalia Rigol. September 2011. "Debt Structure, Entrepreneurship, and Risk: Evidence from Microfinance." [Mimeo \(Harvard\)](#).
- \* Fischer, Greg. February 2010. "Contract Structure, Risk Sharing, and Investment Choice." [Mimeo \(LSE\)](#).
- \*\* Giné, Xavier, and Dean Karlan. June 2011. "Group versus Individual Liability: Long Term Evidence from Philippine Microcredit Lending Groups." [Mimeo \(Yale\)](#).
- \*\* Karlan, Dean S., and Jonathan Zinman. 2009. "Observing Unobservables: Identifying Information Asymmetries With a Consumer Credit Field Experiment." *Econometrica* 77 (6): 1993-2008.
- \* Karlan, Dean S. and Jonathan Zinman. January 2010. "Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila." [Mimeo \(Yale\)](#).
- Karlan, Dean S. and Jonathan Zinman. 2011. "Microcredit in Theory and Practice: Using Randomized Credit Scoring for Impact Evaluation." *Science* 332 (6035): 1278-1284.
- Lilienfeld-Toal, Ulf, Dilip Mookherjee, Sujata Visaria. "The Distributive Impact of Reforms in Credit Enforcement: Evidence from Indian Debt Recovery Tribunals" *Econometrica*, forthcoming.

### Lecture 3: 'Property Rights' or 'Savings' (you choose)

During Lecture 3 we will talk about either the research on the role of 'property rights' in development, or about research on 'savings' products (or have a short discussion of both). We'll decide on this at the beginning of Lecture 1.

#### Suggested Reading, Property Rights:

- \*\* Besley, Timothy. 1995. "Property Rights and Investment Incentives: Theory and Evidence from Ghana" *Journal of Political Economy* 103 (5): 903-937.
- \* Besley, Timothy, Konrad B. Burchardi and Maitreesh Ghatak. 2012. "Incentives and the De Soto Effect." *The Quarterly Journal of Economics* 127(1): 237-282.
- \* Field, Erica. 2007. "Entitled to Work: Urban Property Rights and Labor Supply in Peru." *The Quarterly Journal of Economics* 122(4): 1561-1602.
- Galiani, Sebastian and Schargrodsky, Ernesto. 2010. "Property rights for the poor: Effects of land titling." *Journal of Public Economics* 94 (9-10): 700-729.

#### Suggested Reading, Savings:

- \* Dupas, Pascaline and Jonathan Robinson. February 2012. "Why Don't the Poor Save More? Evidence from Health Savings Experiments." [Mimeo \(Stanford\)](#).
- \* Ashraf, Nava, Dean Karlan and Wesley Yin. 2006. "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines." *The Quarterly Journal of Economics* 121 (2): 635-672.
- \*\* Basu, Karna. November 2010. "Commitment Savings in Informal Banking Markets: Implications for Takeup and Welfare." [Mimeo \(Hunter College, CUNY\)](#)
- \* Dupas, Pascaline, and Jonathan Robinson. October 2011. "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya." [Mimeo \(Stanford\)](#).