

14.772 Development Economics: Macroeconomics
Spring 2017 Part II

Lectures: Tuesdays and Thursdays 2:30-4:00 (E51-151)
Recitations: Thursdays 12:00-1:00 (E51-393)
Instructor: Robert Townsend. E52-538, rtownsen@mit.edu
Office hours: Immediately after class.

Michael Kramer is giving guest lectures on May 9, May 11, May 16, and May 18.
Teaching Assistant: Yu Shi. E52-586, yshi25@mit.edu

Website: http://stellar.mit.edu/S/course/14/sp16/14.772/index.html

Contents:
The course shows how contract and general equilibrium theory can help our understanding of the functioning of financial markets, financial access and individual welfare. We emphasize in particular how theory puts testable restrictions on data and on policy implications, guidance for intervention.

Requirements:
The grade will be based on class participation (15%), three problem sets (40%) and a discussion of a paper in class with write up due after generals, in the summer (45%).

The discussion should consist of a summary of the key contribution of the paper and a critical assessment of its strengths or shortcomings. Students are strongly encouraged to present preliminary robustness checks, improvements or extensions as part of the critical assessment. The summary of the paper should be less than a third of the presentation. Final paper will be due on June 25, 2017.

The discussions will take place during the class of May 2, May 4, and the recitation of May 4. Each discussion will be allocated a 30-min slot.

<table>
<thead>
<tr>
<th></th>
<th>Lecture</th>
<th>14.772 Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-Apr</td>
<td>1</td>
<td>INTRODUCTION + Risk Sharing Overview</td>
</tr>
<tr>
<td>6-Apr</td>
<td>2</td>
<td>Risk Sharing (II)</td>
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<tr>
<td>Date</td>
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<td>Notes</td>
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<td>6-Apr</td>
<td>Rec 1</td>
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<tr>
<td>11-Apr</td>
<td>3</td>
<td>Risk Sharing (III)</td>
</tr>
<tr>
<td>13-Apr</td>
<td>4</td>
<td>Obstacles</td>
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<tr>
<td>13-Apr</td>
<td>Rec 2</td>
<td></td>
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<td>18-Apr</td>
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<td>No Class</td>
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<tr>
<td>20-Apr</td>
<td>5</td>
<td>Village Fund</td>
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<tr>
<td>20-Apr</td>
<td>Rec 3</td>
<td></td>
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<tr>
<td>25-Apr</td>
<td>6</td>
<td>Measurement</td>
</tr>
<tr>
<td>27-Apr</td>
<td>7</td>
<td>Structural Models</td>
</tr>
<tr>
<td>27-Apr</td>
<td>Rec 4</td>
<td></td>
</tr>
<tr>
<td>2-May</td>
<td>8</td>
<td>STUDENT PRESENTATIONS</td>
</tr>
<tr>
<td>4-May</td>
<td>9</td>
<td>STUDENT PRESENTATIONS</td>
</tr>
<tr>
<td>4-May</td>
<td>Rec 5</td>
<td>STUDENT PRESENTATIONS</td>
</tr>
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<td>9-May</td>
<td>10</td>
<td>MICHAEL KREMER (I)</td>
</tr>
<tr>
<td>11-May</td>
<td>11</td>
<td>MICHAEL KREMER (II)</td>
</tr>
<tr>
<td>11-May</td>
<td>Rec 6</td>
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<td>16-May</td>
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<td>MICHAEL KREMER (III)</td>
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<td>18-May</td>
<td>13</td>
<td>MICHAEL KREMER (IV)</td>
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Reading List:

**Topic 1: Risk Sharing**


Friedman, Milton. The methodology of positive economics. 1953.


http://www.cmegroup.com/trading/weather/
https://en.wikipedia.org/wiki/Shared_appreciation_mortgage
https://en.wikipedia.org/wiki/Mutual_insurance
http://www.nytimes.com/2015/05/03/magazine/want-a-steady-income-theres-an-app-for-that.html?_r=1
https://en.wikipedia.org/wiki/Fixed_income
https://en.wikipedia.org/wiki/Mortgage_loan

**Theory and Economic Science**

Friedman, Milton. The methodology of positive economics. 1953.
Kuhn. The structure of scientic revolutions. 1962.
**Macro and Labor Supply**


**Incomplete Markets View of Smoothing**


**Topic 2 - Obstacles**

**Private Information and Limited Commitment**


http://www.investopedia.com/terms/e/etf.asp

**Topic 3 – Village Funds**


**Topic 4- Measurement**

*Measurement, mapping the financial system*


Baker, S.R., 2015. Debt and the consumption response to household income shocks. *Available at SSRN.*


http://www.cfsp.org/research/workshops/flow-funds-accounts-and-savings-workshop

**Topic 5 – Structural Models**


**Professor Kremer's Reading List (Temporary)**


There's No Place Like Home:Theory and Evidence on Decentralization and Politician Preferences

Vivian Hoffmann, Pamela Jakiela, Michael Kremer, and Ryan Sheely Draft