Issues in Economic Development (Econ 491)

Professor Rachel Heath

Spring 2013

Contact information

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Office hours: Thursdays, 3:30 – 5:00

*Overview:* A majority of the world’s population lives on less than $2/day. In this class, we’ll ask two related questions: Why do so many people remain poor, and what policies might reduce the number of people living in poverty?

*Textbook:* Debraj Ray, *Development Economics*. Princeton University Press, 1998.

*Prerequisites:* At least a 2.0 in Intermediate Microeconomics and Macroeconomics (Econ 300 and 301).

*Grading rubric*

35 percent Final Exam

25 percent Presentation and write-up of independent project

25 percent Midterm

15 percent Class participation/participation in online forum

*Information on Final Project:* In a group of two or three, you will prepare a 10 to 12 page paper and a 15 minute presentation on a policy question to which development economics can help provide some answers. Some ideas are posted on the course webpage, but you are encouraged to work on another topic if your group has interest in it (although your group should come talk to me to make sure I think it’s a good idea). The outline of the paper should be:

1. **Summary**

Short (maximum) 1 page summary of your paper.

1. **Introduction**

Define the issue and explain why it is important.

1. **Economic Analysis**:

How can economic tools be applied to analyze the issue? What existing evidence do we have? (This should be the longest section of the paper. While you can reference the popular press, blog postings, policy briefs, etc. you should also include citations to relevant papers in the economics literature. – e.g. Journal of Development Economics, Economic Development and Cultural Change, World Development, American Economic Review, Quarterly Journal of Economics, etc. You can apply the economic models you have learned in other classes to the issue if you find it helpful, although this is certainly not required.)

1. **Conclusion**

What lessons can we learn from the economics analysis (i.e. what are the policy recommendations or what are the new insights for the business world or the academic world etc.).

1. **References**

Your presentation should also roughly follow this outline. Your group will have 15 minutes to present. You can divide up the presentation however you would like, although everyone in the group should speak. There will be approximately 5 minutes for questions after each presentation.

*Information on online forum postings*: As part of your class participation grade, you should participate at least three times on one of the online discussions that I will post approximately every two weeks during the quarter. (There will be at least 5 different threads.) Your postings should be about one half of a standard word-processed document (so about 250 words). At least one should be a reply to a classmate’s posting. (Reply does not have to mean disagreement. You can build on one of their points as well.)

*Schedule (tentative; changes may be announced over email)*

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| Date | Topics | Reading(s) | |
| Tuesday, April 2 | Course introduction  An introduction to the economic lives of people in developing countries | Banerjee, Abhijit V., and Esther Duflo. "The Economic Lives of the Poor." *The Journal of Economic Perspectives”* 21.1 (2007): 141. | |
| Thursday, April 4 | Institutions, History, and Geography | Debraj Ray textbook, chapter 5  D. Acemoglu, “Root Causes,” Finance & Development (June 2003), pp. 27-30. <http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/Acemoglu.pdf>  J. Sachs, “Institutions Matter, but Not for Everything,” Finance & Development (June 2003), pp. 38-41. <http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/sachs.pdf> | |
| Tuesday, April 9 | Environmental economics in developing countries | Guest lecture from Professor Hendrik Wolff | |
| Thursday, April 11 | No formal class meeting. Watch the following TED talks, and come to next Tuesday’s class prepared to discuss:  Paul Collier on the "bottom billion” (March 2008)  <http://www.ted.com/talks/paul_collier_shares_4_ways_to_help_the_bottom_billion.html> Ngozi Okonjo-Iweala: Want to help Africa? Do business here (March 2007) <http://www.ted.com/talks/ngozi_okonjo_iweala_on_doing_business_in_africa.html> | | |
| Tuesday, April 16 | Education | Glewwe, Paul. "Schools and skills in developing countries: Education policies and socioeconomic outcomes." *Journal of Economic Literature* 40.2 (2002): 436-482.  The Jameel Poverty Action Lab. *Fighting Poverty: What Works? Series*, Summer 2009, “Showing Up is the First Step: Addressing Provider Absence in Education and Health”  http://www.povertyactionlab.org/publication/absenteeism-showing-first-step | |
| Thursday, April 18 | Health and nutrition | “Drop of Pure Gold," *The Economist*, October 15, 2005.  <http://www.economist.com/node/5017166>  Debraj Ray textbook, section 8.4.3 | |
| Tuesday, April 23 | Labor and migration | Debraj Ray textbook, chapters 10 and 13  Kristof, Nicholas “Where Sweatshops are a Dream.” New York Times, January 14, 2009. Aaron Bernstein A World of Sweatshops. Business Week. NOVEMBER 6, 2000 | |
| Thursday, April 25 | Agriculture: land markets and property rights | Debraj Ray textbook, chapters 6, 11, and 12 | |
| Tuesday, April 30 | Agriculture: risk and technology adoption | Debraj Ray textbook, chapter 15 (sections 15.2 – 15.4 are difficult. See if you can get the overall idea of what Ray is talking about, and we’ll work through some of the hard parts together in class) | |
| Thursday, May 2 | Midterm Exam | | |
| Tuesday, May 7 | Credit, insurance, and microfinance | Debraj Ray textbook, chapter 14 | |
| Thursday, May 9 | Credit, insurance and microfinance | Morduch, Jonathan. "The Microfinance Promise.", *Journal of Economic Literature*, vol. 37(4), pages 1569-1614, December 1999. |
| Tuesday, May 14 | Intrahousehold economics and child labor | Debraj Ray textbook, section 8.4.3  Edmonds, Eric V., and Nina Pavcnik. "Child labor in the global economy." *The Journal of Economic Perspectives* 19.1 (2005): 199-220. | |
| Thursday, May 16 | Gender | Paul Schultz, T. "Why governments should invest more to educate girls." *World Development* 30.2 (2002): 207-225. | |
| Tuesday, May 21 | Firms | Tim Ogden’s interview with David McKenzie on Philanthropy Action  <http://www.philanthropyaction.com/nc/excerpt_from_interview_with_david_mckenzie_part_i/>  and  <http://www.philanthropyaction.com/nc/excerpt_from_interview_with_david_mckenzie_part_ii>  “Does management matter: evidence from India”, Nick Bloom, Benn Eifert, Aprajit Mahajan, David McKenzie & John Roberts, mimeo, 2012. | |
| Thursday, May 23 | Corruption, trust, and social capital | The Diplomat-Parking-Violation Corruption Index. By CHRISTOPHER SHEA, New York Times, Published: December 10, 2006  Olken, B. (2007), Monitoring Corruption: Evidence from a Field Experiment in Indonesia," *Journal of Political Economy* 115(2), 200-249. | |
| Tuesday, May 28 | Student presentations |  | |
| Thursday, May 30 | Student presentations |  | |
| Tuesday, June 4 | Student presentations |  | |
| Thursday, June 6 | Student presentations |  | |

**Exam:**   
Friday, June 14, 2013

2:30-4:20 p.m.