**Issues in Economic Development (Econ 491)**

**Professor Rachel Heath**

**Spring 2016**

**Monday and Wednesday; 1:30 to 3:20 pm; Mary Gates Hall 228**

Contact information

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Office hours: Wednesdays, 11:00 – 12:30 pm and by appointment.

*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? Attention is paid to the diversity of the developing world, both within and between countries.

*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*

30 percent Midterm 1

30 percent Midterm 2

30 percent Final paper

10 percent Class participation/participation in online forum

*Information on Final Project:* The final project for the class is a 6 to 8 page double-spaced paper (not including graphs and charts) on a *policy question* to which development economics can help provide some answers. The paper is due on the date of the final exam. It will be turned in on the course website (Canvas), so you do not need to be physically present to turn it in.

Some suggestions for topics are posted on the course webpage, but you are encouraged to work on another topic if you have a specific interest. You should make sure to frame it as a policy question, though. For instance, if you are interested in, say, railroads in African, your paper should not just be “the effects of railroads on economic output in Africa”. Instead, you should focus on a question policymakers are asking (or at least, might be asking at some future time), such as what areas should be prioritized for expansion of railroads, or whether policymakers should focus on railroads rather than regular roads or ports.

The outline of the paper should be:

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 cite the papers on the class syllabus, but you should make sure to supplement them with additional papers as well. 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**

No specific format (e.g. MLA, APA) is required, but just make sure to cite your references

*Information on online forum postings*: As part of your class participation grade, you should **participate at least five times** on one of the online discussions that I will post every Wednesday during the quarter. Your postings should be around 1 or 2 paragraphs (so about 200 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.). To keep the discussion active and fresh, you should plan on participating **within 1 week of the posting.**

*Grading policies*

* Do not cheat. Anyone caught cheating runs the risk of failing the class, and/or being reported to the dean. Here is the official department policy on cheating:

*Academic integrity is the cornerstone of the Department’s rules for student conduct and evaluation of student learning.  Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct.  Dismissal can be, and has been, applied even for first offenses.  Moreover, a grade of zero can be assigned by the instructor for the course.*

* If you would like to challenge a grade, you need to write a memo explaining which questions you believe have been unfairly graded, and providing justification for why you think your answer deserves more points than it has received. Turn this memo into my mailbox in the front office of Savery (room 305). I will then regrade your exam, in light of the material you have provided. Since I will regrade your whole exam, your grade could either go up or down

*Laptops and phones in class*. In light of evidence that taking notes by hand is more effective at helping you learn the material than taking notes on a computer, I encourage you not to use your laptops in class. (Mueller, Pam A., and Daniel M. Oppenheimer. "The Pen Is Mightier Than the Keyboard Advantages of Longhand Over Laptop Note Taking." Psychological Science, 2014). If you do choose to use your laptops, I ask that you use your laptop only for the class in order to avoid creating a negative externality on your classmates who might be distracted. Along those same lines, I also ask you not to use your phones in class.

*Schedule*

* Changes may be announced over email (so please check your official UW email regularly)
* I will plan to post the slides before 12:30 pm on the day of the class for those who like to print the slides ahead of time. If I make any changes between then and the class, I’ll always post an updated version after class.
* Items with asterisks are optional readings. Typically, they are readings mentioned in the overview articles (e.g., those from the Journal of Economic Perspectives) that we’ll discuss in a bit more detail than in the overview article. You are not responsible for the content of these articles -- aside from what we discuss in lecture, of course! -- but I list them in case you want to check the formal write-up of something we discussed in class.

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| Date | Topics | Reading(s) | |
| Monday, March 28 | 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. | |
| Wednesday, March 30 | 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> | |
| Monday, April 4 | Education and externalities | Rosenzweig, Mark R. "Microeconomic approaches to development: Schooling, learning, and growth." *The Journal of Economic Perspectives* (2010): 81-96.  Glewwe, Paul. "Schools and skills in developing countries: Education policies and socioeconomic outcomes." *Journal of Economic Literature* 40.2 (2002): 436-482. [Focus on the theoretical model exposited in section 2, which is difficult. See if you can get the overall idea, and we’ll discuss the main points in class.]  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>  Kremer, Michael. “Public Policies to Stimulate Development of Vaccines for Neglected Diseases.” In Understanding Poverty (2006), edited by Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee. | |
| Wednesday, April 6 | 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  Dupas, Pascaline. "Getting essential health products to their end users: Subsidize, but how much?." Science 345.6202 (2014): 1279-1281.  Das, Jishnu, Jeffrey Hammer, and Kenneth Leonard. 2008. "The Quality of Medical Advice in Low-Income Countries." Journal of Economic Perspectives, 22(2): 93-114. | |
| Monday, April 11 | AIDS, Ebola, and other epidemics | Canning, David. The Economics of HIV/AIDS in Low-Income Countries: The Case for Prevention. *Journal of Economic Perspectives,* 20(3): 121-142.  Glennerster, Rachel, Herbert M’Cleod and Tavneet Suri. How Bad Data Fed the Ebola Epidemic. *New York Times.* January 30, 2015.  <http://www.nytimes.com/2015/01/31/opinion/how-bad-data-fed-the-ebola-epidemic.html?_r=0>  \*\* Dupas, Pascaline. Do Teenagers Respond to HIV Risk Information? Evidence from a Field Experiment in Kenya. *AEJ: Applied Economics* 3 (1), pp.1-36, January 2011.  \*\* Thornton, Rebecca. The Demand for, and Impact of, Learning HIV Status. *American Economic Review*, 98(5): 1829–1863, 2008. | |
| Wednesday, April 13 | Labor and migration | Debraj Ray textbook, chapters 10 and 13  Gibson, John, and David McKenzie. "Eight questions about brain drain." *The Journal of Economic Perspectives* (2011): 107-128.  \*\* Raviv, Shaun. “Why ‘Brain Drian’ can actually help African Countries.” *The Atlantic*, February 2014. http://www.theatlantic.com/international/archive/2014/02/why-brain-drain-can-actually-benefit-african-countries/283750/  \*\* Bryan, Gharad, Shyamal Chowdhury, and Ahmed Mushfiq Mobarak. "Underinvestment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh." Econometrica 82.5 (2014): 1671-1748. | |
| Monday, April 18 | Labor case study: sweatshops in Bangladesh | “Worker Safety in Bangladesh and Beyond.” New York Times Editorial. May 4, 2013.  Kristof, Nicholas “Where Sweatshops are a Dream.” New York Times, January 14, 2009.  Aaron Bernstein A World of Sweatshops. Business Week. NOVEMBER 6, 2000 | |
| Wednesday, April 20 | Agriculture: land markets and property rights | Debraj Ray textbook, chapters 6, 11, and 12 | |
| Monday, April 25 | Agriculture: risk and technology adoption (and a brief midterm review) | 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) | |
| Wednesday, April 27 | MIDTERM 1 |  | |
| Monday, May 2 | Credit, insurance, and microfinance | Debraj Ray textbook, chapter 14  Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman. "Six randomized evaluations of microcredit: introduction and further steps." American Economic Journal: Applied Economics 7.1 (2015): 1-21. | |
| Wednesday, May 4 | (More on) intrahousehold economics and child labor | Eric V. Edmonds and Nina Pavcnik “Child Labor in the Global Economy” *The Journal of Economic Perspectives*  Vol. 19, No. 1 (Winter, 2005), pp. 199-220 |
| Monday, May 9 | Gender and marriage | \*\* Paul Schultz, T. "Why governments should invest more to educate girls." *World Development* 30.2 (2002): 207-225.  Anderson, Siwan. "The economics of dowry and brideprice." *The Journal of Economic Perspectives* (2007): 151-174. | |
| Wednesday, May 11 | 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>  Aker, Jenny and Isaac M. Mbiti. “Mobile Phones and Economic Development in Africa.” Summer 2010. Journal of Economic Perspectives. 24(3): 207-32.  Besley, Timothy. 2015. "Law, Regulation, and the Business Climate: The Nature and Influence of the World Bank Doing Business Project." Journal of Economic Perspectives, 29(3): 99-120.  \*\* Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. "Does management matter? Evidence from India." *The Quarterly Journal of Economics* 128, no. 1 (2013): 1-51. | |
| Monday, May 16 | The environment and urbanization | Greenstone, M. and B.K. Jack. (2015) “Envirodevonomics: A research agenda for an emerging field” Journal of Economic Literature, forthcoming.  Marx, Benjamin, Thomas Stoker, and Tavneet Suri. "The economics of slums in the developing world." *The Journal of Economic Perspectives* (2013): 187-210.  \*\* NPR Planet Money Interview with Elinor Ostrom (podcast)  \*\* Miller, Grant, and Mushfiq Mobarak. “Gender Differences in Preferences, Intra-household Externalities and Low Demand for Improved Cookstoves.” http://faculty.som.yale.edu/mushfiqmobarak/papers/stove\_long.pdf  \*\* Levinson, Arik (2008) The Environmental Kuznets Curve. *New Palgrave Dictionary of Economics.* http://faculty.georgetown.edu/aml6/pdfs&zips/PalgraveEKC.pdf | |
| Wednesday, May 18 | Political Economy | Le Roy, Alex “Democracy and Economic Growth: Part One.” International Policy Digest (2012).  http://www.internationalpolicydigest.org/2012/11/28/democracy-and-economic-growth-part-one/  Besley, Timothy, and Torsten Persson. 2014. "Why Do Developing Countries Tax So Little?" Journal of Economic Perspectives, 28(4): 99-120.  Werker, Eric, and Faisal Z. Ahmed. "What do nongovernmental organizations do?." *The Journal of Economic Perspectives* (2008): 73-92. | |
| Monday, May 23 | Corruption | Svensson, J. (2005). Eight questions about corruption. *The Journal of Economic Perspectives*, 19(3), 19-42.  Blattman, Chris. “Corruption and development: Not what you think?”. Blog post. November 5, 2012.  http://chrisblattman.com/2012/11/05/corruption-and-development-not-what-you-think/  The Diplomat-Parking-Violation Corruption Index. By CHRISTOPHER SHEA, New York Times, Published: December 10, 2006 | |
| Wednesday, May 25 | Social capital and foreign aid | Qian, Nancy. “Making Progress on Foreign Aid” (2014) Forthcoming in the *Annual Review of Economics*.  Munshi, Kaivan. "Community networks and the process of development." *The Journal of Economic Perspectives* 28.4 (2014): 49-76. | |
| Monday, May 30 | TBA/catch up |  | |
| Wednesday, June 1 | MIDTERM 2 |  | |

**Final Paper due on the day of the final exam (turn on online to Canvas).**