WHERE THIS COURSE FITS. This course is a survey of development economics. The prerequisite is Ec 1. Students who want to count the course towards a minor in Asian Studies, Black Studies, or Peace and Conflict Studies should inform me at the beginning of term so that we can tailor assignments appropriately. The course can also be counted towards a minor in Public Policy. This course is not intended for students planning to take the seminar in Economic Development (Ec 181 is worth only 1 credit if you have already taken 81).

COURSE OBJECTIVES. Development economists use the tools of economic analysis to understand the determinants of living standards in developing economies. This course covers mainstream approaches to development experience in Africa, Asia and Latin America since WWII. The objective of the course is to develop the student’s ability to apply the tools of economic analysis to contemporary debates in development policy.


OTHER REFERENCES. A good interdisciplinary overview of many development issues appears in Szirmai, A. (2005), The Dynamics of Socio-Economic Development: An Introduction (Cambridge: Cambridge University Press). For a deep approach using mainstream economics see Y. Hayami and Y. Godo (2005), Development Economics: From the Poverty to the Wealth of Nations, 3rd ed (Oxford: Oxford University Press). Both are on General Reserve at McCabe. The Ec 181 Honors reserve section has additional references including advanced surveys of development topics in the multi-volume Handbook of Development Economics. The Econlit database, accessible via Tripod>Databases>Economics, is a searchable index of the entire economics journal literature. The leading non-technical development journals are World Bank Research Observer and World Development; see also the World Bank’s annual World Development Report and ABCDE series (Annual Bank Conference in Development Economics) for up-to-date treatments of leading issues in development economics. For cross-country data, the World Bank’s WDI online and the IMF’s International Financial Statistics are both accessible online via Tripod>Databases>Economics; you can also consult worldbank.org, imf.org, and other obvious websites.

COURSE POLICIES. Attendance and participation: Attendance and regular contribution to class discussions is required. Please work out predictable attendance conflicts associated with athletic contests or other activities with me at the beginning of the semester.

Grading: Attendance/participation 15%, midterm exams 20% each, final exam 20%, paper 25%.

Make-up exams: I only give make-up exams for an emergency or medical excuse certified by the Dean’s office or Worth Health Center.

Late assignments: Your grade on any assignment will be reduced by 1/3 of a grade if it is late, and by an additional 1/3 of a grade for each additional 2 days the assignment is late.

Plagiarism: Plagiarism is defined as passing off the work of others as your own. It is easy to avoid, not by ignoring the work of others but by citing it whenever you use it. For instructions on avoiding plagiarism see Referencing Source Material and Avoiding Plagiarism in Economics under the ‘Classes’ link on my
web page. I require students to submit term papers electronically, as MS Word documents. Any student caught plagiarizing will fail the course and will also face the College’s judicial procedure which may lead to suspension or expulsion.

TERM PAPER. 10-12 pages of double-spaced text (not including references, tables, and figures, which can be at the end). Identify a topic that interests you, and follow up references in your readings to determine how development economists have approached this topic. Narrow your focus to a research question that can be informed by marshaling evidence from one or more developing economies (What impact has PROGRESA had on poverty in Mexico? What explains rural-to-urban migration in poor countries? Is Venezuela falling prey to the ‘resource curse’? Are bednets effective against malaria?). Present the relevant analytical framework in your paper and develop an answer in light of your evidence.

Term paper deadlines
--by Fri Feb 24, in class: Proposed research question (1 paragraph). Proposals returned by me Monday Oct 4. Approval required.
--by Fri Mar 2, in class: Annotated outline (2 pages, with at least 4 refs). Outline the paper and indicate the analytical framework and evidence you plan to use. Approval required.
--by Fri Mar 30 (this step optional but recommended): Rough draft of paper to Writing Center to be WAded.
--by Fri Apr 20, in class: Final draft to me in hard copy; also an electronic copy by email (see note under ‘course policies’ about late papers).

WEEKLY READINGS. All starred (*) readings are required. They are available either in required texts or on moodle. All other readings (in small font) are optional and may or may not be readily available.

Week 1 (Mon 1/16) Development and economic growth
Key concepts: Global development patterns, PPP adjustment, growth, factor accumulation, total factor productivity, diversion, openness.

*Perkins, Radelet and Lindauer (PRL) text, chapters 1-3.

Week 2 (Mon 1/23) Growth models
Key concepts: Harrod-Domar, Solow, and new growth models, capital fundamentalism, convergence, institutions, dualism, informal sector, Lewis model.

*PRL, chapter 4

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Week 3 (Mon 1/30) States and markets
Key concepts: market failure, government failure, rent-seeking, corruption, macroeconomic stabilization, structural adjustment, Washington Consensus

*PRL chapter 5.


Week 4-5 (Mon 2/6, Mon 2/13) Inequality and poverty
Key concepts: Lorenz curve, Gini coefficient, poverty line, pro-poor growth, targeting, conditional cash transfers

*PRL chapter 6.


References:
**Week 6 (Mon 2/20) RCTs and evaluation of education initiatives**

Key concepts: returns to education, impact assessment, randomized controlled trials, observational data, differences in differences, internal and external validity, scaling up

- Fri Feb 24: One-paragraph paper proposal due in class.
- Fri Feb 24: Midterm Exam #1, in class, covering weeks 1-5.

*PRL, chapter 8 (Education)*

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**Week 7 (Mon 2/27) Public service delivery**

Key concepts: Incentives, information, agency problems, leakages, accountability, long and short routes

- Fri Mar 2: 2-page outline and annotated bibliography due in class


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**Week 8 (Mon 3/12) Population and health**

Key concepts: Demographic transition; neoclassical model of fertility behavior; human capital; epidemiological transition

*PRL, chapters 7 (Population) and 9 (Health).
*Eswaran, Mukesh (2006) “Fertility in Developing Countries” UP chapter 10

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*** SPRING BREAK, WEEK OF MONDAY MARCH 5 ***
Week 9 (Mon 3/19) Natural resource exports
Key concepts: the natural resource curse; the permanent income hypothesis; the Dutch disease; resource-based conflict

*PRL, chapter 17 (Primary exports), 20 (Sustainable development)

Collier, Paul The Bottom Billion (2007) and Plundered Planet (2010)

Week 10 (Mon 3/26) Trade, technology, and industrialization
Key concepts: Comparative and absolute advantage, infant-industry argument, effective protection, ISI and export promotion, industrial policy

*By Fri Mar 30 (optional): Take your paper to the Writing Center to be WAed

*PRL, chapters 11 (pages 415-end: Foreign Direct Investment), 18 (Industry) and 19 (Trade and Development).
Week 11 (Mon 4/2) Foreign aid
Key concepts: poverty traps, aid effectiveness, conditionality, selectivity

**Fri Apr 6: Midterm exam #2, in class, covering weeks 6-10**
*PRL, chapter 11 (399-415), 14 (Foreign aid)
*Birdsall, Nancy “Cash on Delivery: A New Approach to Foreign Aid” Center for Global Development (http://www.cgdev.org/content/article/detail/1423828/)


Week 12-13 (Mon 4/9, 4/16) Agriculture and rural development
Key concepts: Agricultural surplus, Green revolution, induced innovation, risk and vulnerability, sharecropping, microcredit, microinsurance

**Fri Apr 20: Final draft of paper due in class.**
*PRL chapter 16.


**Week 14 (Mon 4/23) Debt and capital flows**
Key concepts: Inflation and government finance; financial repression and liberalization; debt sustainability, Asian financial crisis, moral hazard, adverse selection.
*PRL chapters 13 (Financial policy) and 15 (Foreign debt and financial crises)

Stiglitz, J. (2003), Globalization and its Discontents

➤ **FINAL EXAM at scheduled time during finals week**

Subject to revision. This version: January 12, 2011