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 offer Development Economics as an honors field (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 is required. If you have predictable attendance conflicts associated with athletic contests or other activities, please work these out with me at the beginning of the semester. All students are expected to contribute regularly to class discussions. Grading: Midterm exam, 25%. Final exam, 40%. Paper, 25%, Attendance/participation, 10%. 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 term papers: Your grade on the paper will be reduced by 1/3 of a grade for each 2 days the paper 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 Oct 22, 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 Nov 12 (this step optional): Rough draft of paper to Writing Center to be WAed.
--by Fri Dec 3, 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 blackboard. All other readings (in small font) are optional and may or may not be readily available.

Week 1 (Mon 8/30) Development and economic growth
Key concepts: Global development patterns; PPP adjustment; growth, factor accumulation, total factor productivity; social infrastructure; diversion; openness.
*Perkins, Radelet and Lindauer (PRL) text, chapters 1-3.

Week 2 (Mon 9/6) Growth models
Key concepts: Harrod-Domar, Solow, and new growth models; capital fundamentalism, convergence; institutions; dualism; the Lewis model.
*PRL, chapter 4.


**Week 3 (Mon 9/13) 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 9/20) Inequality and poverty**
Key concepts: Lorenz curve and Gini coefficient; poverty lines; pro-poor growth; targeting; cash transfers
*PRL chapter 6.


**Week 6 (Mon 10/4) Population**

✉️ Fri Oct 8 One-paragraph paper proposal due in class.
✉️ Fri Oct 8 Midterm Exam in class, covering weeks 1-5.
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

*** Fall Break, week of Monday Oct 11 ***

**Week 7 (Mon 10/18) RCTs and evaluation of education initiatives**

> Fri Oct 22: 2-page outline and annotated bibliography due in class

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

*PRL, chapter 8 (Education)


**Week 8 (Mon 10/25) 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)


**Week 9 (Mon 11/1) Trade, technology, and industrialization**

Key concepts: Comparative and absolute advantage; infant-industry argument; effective protection; ISI and export promotion; industrial policy

*PRL, chapters 11 (pages 415-end: Foreign Direct Investment), 18 (Industry) and 19 (Trade and Development).


**Week 10 (Mon 11/8) Foreign aid**

**Fri Nov 12 (optional): your paper to the Writing Center.**

Key concepts: poverty traps; aid effectiveness; conditionality; selectivity.

*PRL, chapter 11 (399-415), 14 (Foreign aid)

*Birdsall, N. “Cash on Delivery: A New Approach to Foreign Aid” Center for Global Development (http://www.cgdev.org/content/article/detail/1423828/)

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(http://www.nyu.edu/fas/institute/dri/Easterly/File/Was_Development_Assistance_a_Mistake.pdf)


Week 11-12 (Mon 11/15 and Mon 11/22) Agriculture and rural development

⇒⇒ Tues 11/23: 730pm, K115: Jorge Munoz ’84 (World Bank) on land policy

Key concepts: Agricultural surplus; Green revolution; induced innovation; risk and vulnerability; sharecropping; microcredit; microinsurance.

*PRL chapter 16.


http://econ.ucsc.edu/~mpd/NBER%20Direct%20Investment.pdf


**Week 13 (Mon 11/29) Debt and capital flows**

- **Final draft of paper due Fri Dec 3 in class.**
- 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