

# ECON 320: Economic Development

Professor Yating Chuang

Spring 2019

## 1 Administrative Details

Course schedule: M/W 4:05-5:30PM

Classroom: Fowler 201

Office: 206 Fowler Hall

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Office hours: W 9:30-11:00 and by Email appointment

## 2 Course Description

In 2015, 1 out of 10 people around the world live under \$1.9 a day, which means that there are more than 700 million people living on less than \$1.9 a day. Why are so many people so poor? What could be effective strategies to make them catch up? The objective of this course is to combine economic theory and empirical evidence to explain economic development and poverty issues in the developing world. The first part of the class is through a macro-level approach. We will begin with defining development, poverty and various measures to understand the trends in these measures. Then we will highlight major historical and macroeconomic issues in the context of various theories of development. We will examine the impact of development policies while also discussing the different roles of markets and governments. By understanding the assumptions behind various development theories, you will be able to analyze the drivers of growth and the impediments to development in different contexts. The second half of the class is to look at various contemporary topics through microeconomics approach, meaning that we will focus more at the household level and individual behaviors, as well as how market failures lead to sub-optimal individual choices. We will look at topics ranging from microfinance, environment, education, health, etc. Through evaluating historical trend, development theories, and empirical evidence of various countries, we will gain a sense of the diversity of development experiences some specific countries have been through, while provide foundations to understand common themes and struggles of economic development in the developing world.

### 3 Learning Objectives

- Students will first understand how economists measure and quantify the key issues/problems in development.
- Students will apply theories of development to understand the diversity and commonality of historical and contemporary development experiences in various developing countries.
- Students will analyze the drivers of the growth and challenges to promote growth
- Students will apply economics tools and thinking to understand and assess policies, social programs, various drivers of sub-optimal household behaviors.

### 4 Textbook

*Economic Development*, 12th Edition by Michael P. Todaro & Stephen C. Smith, George Washington University. Chapters in this textbook will be denoted TS on the reading list.

### 5 Grading

- Exams (30%): Two closed-book, non-cumulative exams, and each counts for 15%. Exam 1 on **March 6**; exam 2 on **April 10**.
- Problem sets (HW) (20%): There will be 5 homework problem sets in total. I will automatically drop the one with the lowest score.
- Country Special Report (45%):
  - part I: 3 country problem sets (CPS) count for 15%
  - part II: final country report paper counts for 20%
  - part III: presentation counts for 10%
- Participation (5%)

Score	Grade
100-93%	A
90-92%	A-
87-89%	B+
83-86%	B
80-82%	B-
77-79%	C+
73-76%	C
70-72%	C-
67-69%	D+
60-66%	D
below 60	F

## 6 Course Requirements

### 6.1 Exam

There will be two close-book exams. The first exam is on **March 6**; the second exam is on **April 10**. On the exam date, you can use a calculator, but you cannot use any other digital device (laptop, iPad, cell phone, etc). There will be NO make-up exam, so please plan your schedule carefully. The only exception is for a sanctioned Oxy event (For example, travel to/from and participation in an intercollegiate or club sporting event). If this is the case, you have to notify me at least **1 week** before the exam, and obtain the proof from the related representative in charge.

### 6.2 Problem sets

There will be **5** problem sets that may include problem-solving and diagram-drawing to better understand the basic concepts in development. You should always start earlier to better organize your time. All problem sets are due **at the beginning of the class** on the due date. **Late submission will be penalized by discounting 20% of your grade if you are late for 1 day**; 40% of your grade if you are late for 2 days; 60% of your grade if you are late for more than 3 days. Problem sets will not be accepted more than three days late. If you need to be absent on the due date, you should plan accordingly. You are encouraged to work together on the problems, but you have to submit your own answers.

### 6.3 Country Special Report

Throughout the semester, you will become a country of expert. There will be 3 country problem sets (CPS) (Part I), one final country report integrating the research from your problem sets (Part II), and one final presentation (Part III) For example, you need to down-

load historical data to better understand the development path and policies of the country. You will focus on your country in each problem set and then use some of the numbers and graphs to write a special report by the end of the semester. You will also sign up for a final presentation (15-min presentation & 5-min Q&A) to share your findings to your colleagues. More detailed information and sign-up sheet will be provided.

## 6.4 Class Participation

The class discussion is very important for your learning. All participants are expected to contribute to group learning, not merely absorb materials passively. In particular, you are expected to convey your ideas clearly. In order to participate, it is necessary that you attend class and arrive on time. You should read the materials before the class—I expect you come to class fully prepared. Your participation grade is judged by your attendance, willingness to participate (quantity), and quality of the participation. Using electronic devices without special permission will adversely affect your engagement grade.

## 7 Course Rules

- Academic Integrity: Cheating in any forms is not tolerable. You are encouraged to discuss homework assignments together, but do not simply copy from others. There are no collaborations during the exams.
- Plagiarism: Plagiarism occurs when such borrowing has not been acknowledged, and the College, therefore, wishes to ensure that everyone understands the correct procedures for acknowledging and identifying sources of borrowed material. The basic rule is this: If you include material drawn from any source beyond your own firsthand experience, and if this material is not common knowledge of the kind possessed by everyone working in the general area, you must give credit for that material in a reference that identifies the source by author, date, title and page.

Please see the student handbook website for concrete details:

<https://www.oxy.edu/student-handbook/academic-ethics/academic-ethics>

- Electronic Etiquette Policy: Cell phones (or any other iDigitals, or equivalence) should not be seen in the classroom (because they are designed to attract/distract you) and should be silenced or turned off during the class. If you have a reason to leave earlier and check your phone, you should notify me in advance. **No laptop** in the class. You need to participate and contribute in the class, instead of looking at your own computers. If you are interested in this policy, I recommend The New Yorker's article "The Case for Banning Laptops in the Classroom" (NPR reference here): <http://www.npr.org/templates/story/story.php?storyId=95256794>!

(More comprehensive reasoning here):

<http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom>

- Email: You are more than welcome to ask me questions via emails. However, you should always check the syllabus or Moodle website before asking any logistic questions. For more involved questions, I encourage you to come to my office hour to talk in person. Feel free to send me emails regularly, but please expect at least 24 hours for me to get back to you. If you want to ask questions about the assignments, you should keep this in mind in order not to miss the deadlines.

Email Etiquette is important in your professional life. I recommend you to read the tips here written by Professor Chris Blattman at Columbia University:

<https://chrisblattman.com/2010/11/08/students-how-to-email-to-your-professor-employer-and-professional-peers/>

- Lateness and Absences: If you will be absent, late for, or leave early from the class, you should kindly notify me in advance. Please minimize your disruption when going in and out of the classroom during class time.

\*When you see this line, please immediately send me an email with this message: “Close reading is crucial for academic success. Participation is important for this class, so cellphones and computers are not allowed in class.” You will get *extra points* for reading the syllabus thoroughly. Limited time offer until January 27.

## 8 Accommodation

*Students With Disabilities:* If you have a documented disability (or think you may have a disability) and, as a result, need a reasonable accommodation to participate in this class, complete course requirements, or benefit from the College’s programs or services, contact Disability Services Coordinator **as soon as possible**. To receive any academic accommodation, you must request an accommodation each semester. If you need accommodations for the exams, you must give me at least **one week notice** (the earlier the better), since the disability office requires time to find space and a proctor.

## 9 Course Schedule

Note: This is a tentative schedule. Based on students' interests and backgrounds, the pace of class varies. If there are changes to this schedule, I will guide you along the way. Note: HW refers to the regular problem set; CPS refers to the country problem set

Date	Content	Due
<i>Theories of Development</i>		
1/23 (W)	Course Introduction	
1/28 (M)	Intro, History, and Goals	
1/30 (W)	Defining Development: Indicators	
2/4 (M)	Who Is the Developing World	<b>HW 1 Due 2/4</b>
2/6 (W)	Classic Growth Theory: Comparative Development	
2/11 (M)	Classic Growth Theory: HD model	
2/13 (W)	Classic Growth Theory: Industrialization (Solow model)	<b>HW 2 Due 2/13</b>
2/18 (M)	<b>Happy Presidents' Day</b>	
2/20 (W)	Classic Growth Theory: Institutions (Lewis model)	
2/25 (M)	Contemporary Growth: Big Push	<b>CPS 1 Due 2/25</b>
2/27 (W)	Measuring poverty & inequality	
3/4 (M)	Poverty & inequality	<b>HW 3 Due 3/4</b>
3/6 (W)	<b>Midterm Exam</b>	
3/11 (M)	<b>Happy Spring Break</b>	
3/13 (W)	<b>Happy Spring Break</b>	
<i>Development Through Applied Microeconomics</i>		
3/18 (M)	Impact Evaluation	<b>CPS 2 Due 3/18</b>
3/20 (W)	Rural Development & Sustainability	
3/25 (M)	Microfinance	
3/27 (W)	Other Social Programs	<b>HW 4 Due 3/27</b>
4/1 (M)	Women's Empowerment and Social Capital	
4/3 (W)	Education	<b>CPS 3 Due 4/3</b>
4/8 (M)	Health	<b>HW 5 Due 4/8</b>
4/10 (W)	<b>Final Exam</b>	
4/15 (M)	Country Special Report Presentation	
4/17 (W)	Country Special Report Presentation	
4/22 (M)	Country Special Report Presentation	
4/24 (W)	Country Special Report Presentation	
4/29 (M)	Country Special Report Presentation & Conclusion	
5/1 (W)		<b>Country Special Report Due 5/1</b>

## 10 Course Reading

I expect you to have done the reading before class on the bold date in brackets to the left of the reading. The reading list is for that class, so please finish the reading **before** the designated day of class, so you can contribute to the class. The list is tentative, subject to students' interests and backgrounds. Please follow my most current announcement in the class or email.

### Part I: Contending Theories of Development

Week 1: Introduction & Principle economics (1/23)

Week 2: Definition, Goal and History (1/28, 1/30)

- [1/28]: TS Ch1
- [1/30]: Banerjee, A. V. and E. Duflo (2007), "The Economic Lives of the Poor," *Journal of Economic Perspectives* 21(1), 141–167.

Week 3: Defining Development: Human Development Index (2/4, 2/6)

- [2/4] TS Ch2
- [2/6] TS Ch2

Week 4 & 5: Growth Theory (2/11, 2/13, 2/20)

- [2/11] TS Ch3 (3.1,3.2) (Focus on Harrod-Domar model)
- [2/13] TS Ch3 (3.3) (Lewis, Appendix 3.2)
- [2/20] TS Ch3 (3.4-3.5) (Dependence theory & neoclassical free markets)

Week 6 & 7: Growth continue & Poverty/Inequality (2/25, 2/27, 3/4)

- [2/25] TS Ch4 (until 4.3) (Big push)
- [2/27] TS Ch5
- [3/4] TS Ch5

Midterm exam (3/6)

Spring Break

## Part II: Microeconomics and Contemporary Issues

Week 9: Impact Evaluation & Inequality & Poverty (3/18, 3/20)

- [3/20] TS Ch5 inequality until p224; 235-242

Week 10: Microfinance and Other Social Programs (3/25, 3/27)

- [3/25] Rawlings, L. B. and G. M. Rubio (2005), “Evaluating the Impact of Conditional Cash Transfer Programs,” *World Bank Research Observer* 20(1), 29-55. (on Moodle)
- [3/25] (Optional) Olken, B. A., Onishi, J., & Wong, S. (2014). Should aid reward performance? Evidence from a field experiment on health and education in Indonesia. *American Economic Journal: Applied Economics*, 6(4), 1-34. (related to our case study) (on Moodle)
- [3/27] TS Ch 15.3
- [3/27] Dean Karlan, “Chapter 4: To Borrow” and “Chapter 6: To Cooperate in Groups,” *More Than Good Intentions: Improving the Ways the World’s Poor Borrow, Save, Farm, Learn, and Stay Healthy*, Plume Books, 2012. (on Moodle)
- [3/27] (Optional) Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman. 2015. “Six Randomized Evaluations of Microcredit: Introduction and Further Steps.” *American Economic Journal: Applied Economics* 7(1): 1-21. (**Read the introduction**) (on Moodle)

Week 11: Women Empowerment, Social Capital, Education (4/1, 4/3)

- [4/1] TS Ch 8 (until Ch 8.4 P.400) (Focus on the background and skip the human capital model)
- [4/1] Duflo, Esther. 2012. “Women Empowerment and Economic Development.” *Journal of Economic Literature*, 50(4): 1051-79.
- [4/3] Chuang, Yating, and Laura Schechter. 2015 “Social networks in developing countries.” *Annual Review of Resource Economics*, 7(1): 451-472.
- [4/3] Dean Karlan, “Chapter 9: To Learn,” *More Than Good Intentions: Improving the Ways the World’s Poor Borrow, Save, Farm, Learn, and Stay Healthy*, Plume Books, 2012.

Week 12: Health (4/8)

- [4/8] TS Ch 8.6 (until the end p.424)
- [4/8] Cutler, David, Angus Deaton, and Adriana Lleras-Muney. “The Determinants of Mortality.” *Journal of Economic Perspectives*, 20(3): 97-120.

**Final Exam (4/10)**