

Syllabus for ECNS 450
Advanced Topics in Economic Development
The University of Montana
Spring 2012

Instructor: Ranjan Shrestha
Office: 405 Liberal Arts
Class Meeting: TR, 2:10 – 3:30pm, Gallagher L13
Office Hours: TR, 9:00 – 10:00am / 3:30 – 4:00pm
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Course Objectives

This is a course in development economics structured for upper-level undergraduate students as well as graduate students in economics. The course will examine both theoretical and empirical issues in economic development (with an emphasis on microeconomic issues). Topics covered include theories of economic growth, economic inequality, poverty and undernutrition, and the markets for land, labor, and credit. Much of the emphasis of the course will be to explain the development process by studying the factors that cause markets to fail or function ineffectively in low-income countries.

Prerequisites

- Principles of Microeconomics (ECNS 201)
- Although not required, it is recommended that you have taken (or are concurrently taking) Intermediate Microeconomics (ECNS 301) and Intermediate Macroeconomics (ECNS 302).

Course Material

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

Recommended: Bannerjee, Abhijit and Esther Duflo, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Public Affairs, 2011.

Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It*. Oxford University Press, 2007.

William Easterly, *The Elusive Quest for Growth: Economists' Adventure and Misadventures in the Tropics*. MIT Press, 2001

Problem Sets and Exams

There will be two midterms and a final exam. The exams will consist of essay questions and numerical problems. Furthermore, you will also be assigned take-home problem sets based on the chapters covered in class.

<u>Exam</u>	<u>Date</u>	<u>Time</u>
Midterm 1:	Thursday, Feb 23*	2:10 – 3:30pm
Midterm2:	Thursday, Mar 29*	2:10 – 3:30pm
Final Exam:	Monday, May 7	1:10 – 3:10pm

*The dates are set tentatively and are subject to change.

Statement of Research Interests, Summary of a Journal Article, and Presentation

You will be required to submit a one-page (single-spaced) statement of research interests. This statement should discuss your research interests in a particular topic related to development economics. You will have to conduct a literature search on academic work already done on that topic and then pick 5 journal articles that are relevant to your specified area of interest.

Out of the 5 articles that you have listed, I will pick one for you to focus on. You will be required to write a 7-8 page summary of this article and make a 20-25 minute presentation in class.

Due Dates

Research Statement and List of Articles	Thursday, Feb 16
Summary of Article	Tuesday, Mar 27
Presentation	See Course Schedule

Grading

The following weights will be used to compute your final grade:

Problem sets:	10%
Midterms:	30% (15% each)
Final:	20%
Research Statement & Articles	10%
Summary of Journal Article	15%
Presentation	15%

Active class participation will be appreciated and will reflect positively on your grade in the event that you are in the borderline between grades. Your class participation will be evaluated based on your willingness to contribute meaningfully to class discussions. It is therefore important for you to read the relevant chapters in the textbook in advance of the class lectures.

Tentative Course Schedule:

Week	Items Due	Chapters to Read
1		Chapters 2: Introduction to development Chapter 3: Harrod-Domar model
2		Chapter 3: Solow model Chapter 4: Endogenous human capital model
3		Chapter 6: Measuring inequality Chapter 7: Kuznets Curve; Inequality and growth
4	Research Statement & List of Articles Thursday, Feb 16	Chapters 7: Inequality and capital markets
5		Chapter 8: Poverty Midterm 1: Thursday, Feb 23
6		Chapter 8: Functional impact of poverty Chapter 10: Rural urban interaction: Lewis model
7		Chapter 10: Rural urban migration: Harris Todaro model Chapter 11: Markets in agriculture; Principle agent problem
8		Chapter 12: Land – Ownership and tenancy; Land rental contracts;
9		Chapter 13: Labor – Poverty, nutrition and labor markets
10	Summary of Article Tuesday, Mar 27	Chapter 14: Credit – Rural credit markets; Theories of informal credit markets Midterm 2: Thursday, Mar 29
11		Spring Break
12		Chapter 14: Credit – Interlinked transactions; Alternative credit policies: microfinance
13		Chapter 15: Insurance - Perfect insurance model; limits to insurance
14		Presentations
15		Presentations
		Final: Monday, May 7 – 1:10 – 3:10pm

I will try to follow the course schedule closely. However, deviations from the schedule are possible and I will adjust speed and coverage of materials as we proceed. The main purpose of the course schedule is to guide you as to what we will cover

Graduate Increment

In addition to the general requirements for this course, graduate students will be required to submit 2-page (single spaced) summaries of 3 articles selected from the reading list. One of them has to be of an article listed under *ii) Empirical Research in Development Economics* and no more than one of the JEP articles can be chosen for your summary. Your summary should succinctly cover the major points of the article and should make it clear that you read and understood the entire paper.

Reading List

i) Introduction to Development

Sen, Amartya. "The Concept of Development," Chapter 1 in *Handbook of Development Economics, Volume 1*, pp. 9-26.

ii) Empirical Research in Development Economics

Deaton, Angus (1993). "Data and Econometric Tools for Development Economics," in *Handbook of Development Economics Vol. 3*.

Ravallion, Martin (2008). "Program Evaluation: Methods and Applications," in *Handbook of Development Economics Vol. 4*, Ch. 59

Duflo, Esther, Rachel Glennerster and Michael Kremer (2008). "Using Randomization in Development Economic Research: A Toolkit," in *Handbook of Development Economics Vol. 4*, Ch. 61

Joshua Angrist and Alan Krueger (1999). "Empirical Strategies in Labor Economics." In Orley Ashenfelter and David Card eds. *Handbook of Labor Economics*, v. 3. Amsterdam: Elsevier Science. Ch. 23.

Angrist, Joshua and Alan Krueger (2001), "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," *Journal of Economic Perspectives*, Vol. 15 (4), pp. 69-87.

Meyer, Bruce D. (1995), "Natural and quasi-experiments in economics," *Journal of Business and Economic Statistics*, 13 (2), pp. 151-161.

iii) *Economic Growth*

Acemoglu, D. and F. Zilibotti (1997), "Was Prometheus Unbound by Chance? Risk, Diversification and Growth," *Journal of Political Economy* 105 (4): 709-751. (JSTOR)

Pritchett, Lant (2000), "Understanding Patterns of Economic Growth: Searching for Hills among Plateaus, Mountains and Plains," *World Bank Economic Review* 14 (2): 221-50

Acemoglu, D., S. Johnson and J. Robinson (2001). "Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review* 91 (5): 1369-1401. (JSTOR)

iv) *Political Economy and Public Service Delivery*

Bardhan, P. (1997). "Corruption and Development: A Review of Issues," *Journal of Economic Literature* 35 (3): 1320-1346

A. Foster and M. Rosenzweig (2001). "Democratization, Decentralization and the Distribution of Local Public Goods in a Poor Rural Economy," Working Paper, November.

Duflo, Esther and R. Chattopadhyay (2004). "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," *Econometrica* 72(5), pp. 1409-1443.

Olken, Benjamin and Patrick Barron (2009). "The Simple Economics of Extortion: Evidence from Trucking in Aceh," *Journal of Political Economy* 117(9), pp. 417-452.

v) *Nutrition, Productivity and Health*

Subramanian, Shankar, and Angus Deaton. "The Demand for Food and Calories." *Journal of Political Economy* 104, no. 1 (1996): 133–162.

Duflo, Esther. "Grandmothers and Granddaughters: Old-age Pensions and Intrahousehold Allocation in South Africa." *World Bank Economic Review* 17, no. 1 (2003): 1–25.

Banerjee, Abhijit V., Angus Deaton, and Esther Duflo. "Wealth, Health and Health Services in Rural Rajasthan." *American Economic Review* 94, no. 2 (2004): 326-330.

Miguel, Edward, and Michael Kremer. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." *Econometrica* 72, no. 1 (2004): 159–218.

vi) *Land, Labor, and Credit*

Pitt, Mark & S. Khandker (1997), "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?," *Journal of Political Economy*.

Udry, Christopher. "Credit Markets in Northern Nigeria: Credit as Insurance in a Rural Economy." *World Bank Economic Review* 4, no. 3 (1990): 251–69.

Aleem, Irfan. "Imperfect Information, Screening and The Costs of Informal Lending: A Study of a Rural Credit Market in Pakistan." *World Bank Economic Review* 3 (1990): 329–349.

Morduch, Jonathan. "The Microfinance Promise." *Journal of Economic Literature* 37, no. 4 (1999): 1569–1614.

vii) *Some JEP papers of interest*

Bannerjee, Abhijit and Esther Duflo. The Economic Lives of the Poor. *The Journal of Economic Perspectives*, Vol. 21, No. 1 (Winter, 2007), pp. 141-67

Easterly, William. Can Foreign Aid Buy Growth? *The Journal of Economic Perspectives*, Vol. 17, No. 3 (Summer, 2003), pp. 23-48

Kuran, Timur. Why the Middle East Is Economically Underdeveloped: Historical Mechanisms of Institutional Stagnation. *The Journal of Economic Perspectives*, Vol. 18, No. 3 (Summer, 2004), pp. 71-90

Lee, Ronald. The Demographic Transition: Three Centuries of Fundamental Change. *The Journal of Economic Perspectives*, Vol. 17, No. 4 (Autumn, 2003), pp. 167-190

Levine, Ross. Law, Endowments and Property Rights. *The Journal of Economic Perspectives*, Vol. 19, No. 3 (Summer, 2005), pp. 61-88

Ndulu, Benno J. and Stephen A. O'Connell. Governance and Growth in Sub-Saharan Africa. *The Journal of Economic Perspectives*, Vol. 13, No. 3 (Summer, 1999), pp. 41-66

Collier, Paul and Jan Willem Gunning. Why Has Africa Grown Slowly? *The Journal of Economic Perspectives*, Vol. 13, No. 3 (Summer, 1999), pp. 3-22

Besley, Timothy and Robin Burgess. Halving Global Poverty. *The Journal of Economic Perspectives*, Vol. 17, No. 3 (Summer, 2003), pp. 3-22