



ECON 483:
DEVELOPMENT ECONOMICS

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Office hours: TTH 2:00-4:30 pm; and by appointment

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MWF: 11:00am-11:50am

Blow Hall 332

Course Description

While the developed world has gone through profound economic and demographic transformations over the last two centuries, these processes have not yet fully materialized in the developing world. The result has been a growing divergence in living standards between developed and developing countries. Over the last three decades, the developing world also exhibited greater heterogeneity whereby some countries are now recognized as Emerging Economies or Newly Industrialized Countries (NICs) while others remain as Least Developed Countries (LDCs). The overarching questions that this course aims to address are thus: What are the underlying forces that drive observed differences in economic growth and development across countries? What are the policy options for developing countries to catch up with advanced countries in a sustainable manner?

What makes development economics particularly interesting and relevant is that it provides the theoretical and empirical approaches to analyze the nature and dynamics of mass poverty and economic inequality. The scale of the poverty problem is rather daunting: almost half of the 6.8 billion people on earth today live on less than \$2.50 a day per capita. Another 2 billion earn in the \$2.50-\$10.00 range. This leaves us with fewer than 1.5 billion “rich” people (in North America, Western Europe and Northeast Asia) claiming some three-fourths of the \$50 trillion Gross World Product (GWP). Since poverty is central to development economics, the course begins with concepts and measurement issues of poverty and vulnerability. While there are a number of suggested solutions to reducing and ultimately eradicating absolute poverty, development economists emphasize the need for fundamental changes in institutions and economic structure of developing countries. Because of the broad range of topics that development economics deals with, this course provides a survey of selected topics at the macro, meso and micro levels.

The macroeconomic perspective relies on alternative theories of economic growth in which national economies are the units of analysis. This will be followed by “meso-economic” analyses where sector specific issues such as industrialization and structural change are addressed. The last part of the course provides microeconomic perspectives on the behaviors of households and enterprises. The course uses alternative theoretical approaches, empirical studies and country specific experiences that would inform broader as well as context specific policy discussions. By the end of the course, students will develop analytical skills to engage effectively in a range of academic and policy debates on economic development.

Requirements and Grading

Intermediate microeconomics is a requirement to enroll in this course. Since some of the readings contain technical materials, prior knowledge of statistics and/or econometrics will be an advantage but not a requirement. Basic skills on how to interpret and make sense of regression results, for instance, will be provided during class.

Students will take two midterm exams each accounting for 20% of the final grade, and a non-comprehensive final exam with a 25% weight. The course assessment also includes a problem set of 10% weight, designed to allow

students to implement quantitative methods discussed in class. While students are encouraged to work together with classmates on problem sets, each student should submit the assignment written in her/his own words. Hard copies of solutions to problem sets should be submitted in class on due date that will be announced together with the relevant data sets. Group presentations toward the end of the course allow students to give a coherent presentations based on a critical reading of assigned papers. Discussion topics and instructions on group presentations will be provided in due course. This group assignment will have a 18% weight in your final grade.

I expect active participation of students in this international and policy-oriented course. Class participation accounts for 7% your final grade. The college invites a number of outside speakers on a variety of topics closely related to the objectives of this course. I will announce these events regularly on the course blackboard and you are encouraged to attend these events and write a short discussion on blackboard to boost your participation grade. I will also ask students to be discussants for a particular reading material. Participation also means asking questions, making comments, sharing development related country experiences and also responding to questions raised in class. Reading the course materials before each lecture session is therefore the best way to equip yourself for a productive class participation.

I allow three days of absences from class without a need for official documents. However you are not allowed to miss more than two lectures in a row. I also do not reschedule designated exam dates. If you miss a midterm exam, its weight will be reassigned to your other exams provided you produce a written excuse from the relevant College office. Absence beyond three days needs written excuse from the relevant College authorities and should be presented to me in advance except in case of emergencies.

Your final course grade will be determined as follows:

<i>Assessment Type</i>	<i>Grade</i>	<i>Due Date</i>
Midterm Exam - I	20%	Mar 03
Midterm Exam - II	20%	Apr 07
Problems Set	10%	Tba
Group Presentation	18%	Apr 17, 19, 21 & 24
Class Participation	7%	
Final Exam	25%	Tba

Readings

By the very nature of the subject matter, this is a reading-intensive course. Some of the readings are in the following two books, which you can purchase online. The rest of the readings will be uploaded on **Blackboard**. A double asterisk indicates supplementary readings. The rest are all required readings.

Text books:

1. Banerjee, A., R. Benabou and D. Mookherjee (eds). 2006. *Understanding Poverty*, Oxford University Press.
2. David Weil.2009. *Economic Growth*, 2nd Edition, Pearson Education, Inc.

Course Outline

Week of 01/16: Introduction – The Purpose and Origins of Development Economics.

Week of 01/23: Who are the Poor and the Vulnerable? How do we Identify Them?

“Measuring Poverty” in *Understanding Poverty*, pp 3-15

Week of 01/30: Is Economic Growth Pro-Poor?

Bourguignon, F. 2004. “The Poverty-Growth-Inequality Triangle,” World Bank Discussion Paper, presented at the Indian Council for Research in International Economic Relations, New Delhi, India.

Ravallion, M. and S. Chen. 2003. “Measuring pro-poor growth,” *Economics Letters* 78, 93–99

Deaton, A. 2005. “Measuring Poverty in a Growing World (or Measuring Growth in a Poor World)”, *Review of Economics and Statistics* 87, 1, 1-19.

Week of 02/06: Achieving Growth Through Capital Formation and Productivity

Factor Accumulation

Economic Growth, Chapter 3, pp 47-76

Population and Economic Growth

Economic Growth, Chapter 4, pp 83-95

Week of 02/13: Growth Through Capital Formation and Productivity (Continued)

Productivity and Economic Growth

Economic Growth, Chapter 7, pp. 185-204

Week of 02/20: Deeper Drivers of Economic Growth

Geography and Growth

Sachs, J. 2001. “Tropical Underdevelopment,” *NBER Working Paper* No. 8119.
Economic Growth, Chapter 15, pp. 439-470

Barriso, S., L. Bertinelli, and E. Strobl. 2010. “Trends in Rainfall and Economic Growth in Africa: A Neglected Cause of the African Tragedy,” *Review of Economics and Statistics* 92,2, 350-366.

Institutions and Growth

Acemoglu, D., S. Johnson, and J. Robinson. 2005. Institutions as Fundamental Causes of Long-run Growth. In P. Aghion and S.N. Durlauf (Eds.), *Handbook of Economic Growth*, Vol. 1A, pp.385-472.

Engerman, S. and K. Sokoloff. "Colonialism, Inequality and Long-run paths of Development" in *Understanding Poverty*, pp 37-61

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

First Midterm Exam: Friday March 03

Fall Break: 03/04-03/12

Week of 03/13: Country Case Studies: Botswana and Ethiopia

Week of 03/20: The Role of Aid in Development

Assessing Aid Allocation

Easterly, W. and T. Pfutze. 2008. "Where does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives* 22,2,29-52.

Alesina, A. and D. Dollar. 2000. "Who Gives Aid to Whom and Why?" *Journal of Economic Growth* 15, 1, 33-63

** Burnside, C. and D. Dollar. 2000. "Aid, Policies and Growth," *American Economic Review* 90,4, 84-868.

UN Program of Action for LDCs

Shiferaw, A. 2009. "Assessing the UN Program of Action for LDCs and Special Support Measures," Background Paper for the Committee for Development Policy, UN.

Week of 03/27: Understanding Structural Change and The Role of Industrial Policy

Housman, R., J. Hwang, and D. Rodrik. 2007. "What You Export Matters," *Journal of Economic Growth* 12,1, 1-25.

Aghion, P., M. Dewaripont, L. Du, A. Harrison, P. Legros. 2012. "Industrial Policy and Competition," NBER Working Paper 18048.

Rodrik, D. 2004. "Industrial Policy for the Twenty-First Century," *mimeo* Harvard University, JFK School of Government.

** Imbs, and R. Wacziarg. 2003. "Stages of Diversification," *American Economic Review* 93, 1, 63-86.

Week of 04/03: Fertility, Mortality and Demographic Transition

Economic Growth, pp. 99-115

“Fertility in Developing Countries,” in *Understanding Poverty*, pp.143-160

Second Midterm Exam: Friday April 07.

Week of 04/10: Child Labor and Human Capital

Edmonds, E. and N. Pavcnik. 2005. “Child Labor in the Global Economy,” *Journal of Economic Perspectives* 19, 1, 199-220.

Bils, M. and P. Klenow. 2000. “Does Schooling Cause Growth?,” *American Economic Review* 90,5,1160-1183

“The Primacy of Education” in *Understanding Poverty*, pp.269-284

**Basu, K. 1999, “Child Labor: Cause, Consequence and Cure with Remarks on International Labor Standards,” *Journal of Economic Literature* 37, 1083-1119

** Kremer, M. 2004. “Randomized Evaluation of Education Programs in Developing Countries: Some Lessons,” *American Economic Review* 93,2, 102-106.

Student Group Presentations: April 17, 19, 21 and 24.

Week of 04/24: How Effective Are Microfinance and Microinsurance Institutions

Giné, X., R. Townsend, and J. Vicker. 2008. “Patterns of Rainfall Insurance Participation in Rural India,” *World Bank Economic Review* 22,3, 539-566

Duflo, E., A. Banerje, R. Glennerster and C. Kinnan. 2013. “The Miracle of Microfinance? Evidence From a Randomized Evaluation,” National Bureau of Economic Research, Working Paper No. 18590.

Ekman, B. 2004. “Community-based health insurance in low-income countries: a systematic review of the evidence,” *Health Policy and Planning* 19, 5, 249-270.

ADDITIONAL REFERENCES AND DATA SOURCES

References:

The New Palgrave Dictionary of Economics
Handbook of Development Economics, 5 volumes

Data Sources:

International Financial Statistics (IMF)
World Development Indicators (World Bank—now available free, online)
Global Development Finance (World Bank—now available free, online)
Geographic Distribution of Financial Flows (OECD)

Annual Research Reports:

The Economist (special surveys)
World Development Report (World Bank)
Industry and Development Report (UNIDO)
World Labour Report (ILO)
Human Development Report (UNDP)
World Economic Outlook (IMF)
Competitiveness Reports (World Economic Forum)
World Investment Report (UNCTAD)

Useful Web Sites:

Development Gateway: <http://governance.zunia.org/>
WB Growth Research: <http://www.worldbank.org/research/growth/index.htm>
WB Aid Effectiveness: <http://www.worldbank.org/research/aid/aidpub.htm>
Center for Global Development: <http://www.cgdev.org/>
Aid Watch: <http://aidwatchers.com/>
WIDER: <http://www.wider.unu.edu/>
Governance: <http://thekaufmannpost.net/>

Regional Development Banks:

African Development Bank (AfDB): www.afdb.org
Asian Development Bank (ADB): www.adb.org
Inter-American Development Bank (IADB): www.iadb.org
European Bank for Reconstruction and Development (EBRD): www.ebrd.org