



ECON 483-01:
MACROECONOMICS OF DEVELOPMENT

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MW: 3:30-4:50pm

Tyler Hall 134

Course Description

While developed countries have undergone profound economic and demographic transformations over the last two centuries, these processes are at early stages in most developing countries. Such differences in economic structure and demographics are very crucial in understanding economic development since they reflect and also propagate the substantial gap in standards of living between developed and developing countries. There is also considerable heterogeneity within the developing world whereby some of them (mainly in East Asia and Latin America) have achieved middle-income status over the last four or five decades while others (mainly in Sub-Saharan Africa) remain low-income countries. The process of economic development is thus complex and multifaceted, and Development Economics provides the analytical frameworks — both theoretical and empirical — to understand this process.

Development economics emerged as a sub-discipline of economics in the 1950s with the primary objective of understanding developing economies and tackling global mass poverty. Reducing and ultimately eliminating Extreme Poverty (as defined by earning less than \$1.95 per person per day; previously set at \$1 a day) has been an organizing framework for recent Global Development Initiatives such as the Millennium Development Goals (MDGs) for the 1990-2015 period, and the Sustainable Development Goals (SDGs) for 2015-2030. Development economists argue that the fight against mass poverty involves three critical components: (i) inclusive and sustained economic growth; (ii) structural transformation, which refers to adjustments in the composition of output, exports and employment; and (iii) direct interventions, by government and non-governmental

organizations, that target the poor and provide resources to overcome poverty. This course addresses these three essential aspects of poverty reduction in a selective yet balanced manner. The major themes to be addressed are organized in three parts. Part I sets the stage by addressing two central questions: What is the best way to measure poverty? How do we assess the effectiveness of economic growth in reducing poverty? Students will be familiarized with conventional approaches to identifying the poor and measurements of poverty, and the statistical properties of poverty measures. This discussion is very important not only for understanding the correlates of poverty but also for evaluating the effectiveness of policies and intervention in reducing poverty. Part II of the course tackles the question: Why are some countries poorer than others? We will discuss challenges of sustaining strong economic growth by drawing a distinction between “Proximate” and “Fundamental” determinants of long-run growth. In addition to theoretical models, Part II uses country case studies to highlight the relative importance of different growth factors in the real world. Part III delves deeper into major on-going debates on policies and strategies for poverty reduction and sustainable growth. Questions to be addressed in this part include: To what extent should poor countries follow an agriculture-first development strategy given that most poor people work in agriculture? How about strategies for economic diversification and industrialization given the role of industrialization in economic prosperity? How successful are recent institutional innovations that directly target the poor – including Conditional Cash Transfers (CCTs), Microfinance and Microinsurance — in reducing poverty and vulnerability? The course allows students to engage effectively in academic and policy dialogs surrounding the above-mentioned topics through relevant reading materials, lectures, classroom discussions and group presentation assignment.

We all know that this is going to be a very unusual semester in terms of the uncertainty surrounding learning modality, course organization and campus life in general. And the parameters keep changing based on new information about the pandemic. However, I will do my best to give you as much clarity as possible on how we will proceed knowing full well that our plan could change any time. Here are the main points:

- Until Labor Day, all classes will be online per campus policy. We will thus have synchronous Zoom sessions for the 1st three weeks. I expect to finish Part I of the course during this period.
- Our first in-person session will be on Monday September 7.
- Depending on when exactly we finish Part I, I would like to have a series of in-person sessions to go through the first section of Part II (i.e., Proximate Determinants of Long-run Growth). This section has technical aspects that are best addressed through in-person sessions. I expect to complete this section by the week of September 21 – with some uncertainty, of course.
- After that, we will have rotating in-person and online sessions. We will have in-person sessions every Monday and online sessions every Wednesday. The default online mode for Wednesdays is synchronous live Zoom sessions to give you a sense of predictability. However, there will be asynchronous sessions where I will just post a video of my lecture; and I will announce those instances ahead of time. The two mid-term exams will also take place in-person on Wednesday.
- For the in-person sessions in Tyler 134, note that wearing face masks is mandatory and you need to observe ALL COVID-19 related guidelines provided by the University's Healthy Together Community Statement:
(<https://www.wm.edu/sites/pathforward/health/index.php>)
- Because of adjustments to the academic calendar, we have lost 3 instructional hours this semester which I intend to make up through two or three video sessions that I will post on Blackboard.
- All my office hours will be online on days and times indicated above. I will provide a Zoom link that would allow you to click and join just like walking to my office. You don't have to make an appointment for these dedicated office hours, but I would appreciate it if you give me a heads up via email. Appointments are necessary though if you want a meeting outside my office hours.

Requirements and Grading

Intermediate microeconomics is a requirement to enroll in this course. Since some of the readings use quantitative research methods, 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 will be provided during class.

Students will take two midterm exams during the semester each accounting for 20% of the final grade, and a non-comprehensive final exam of 30% weight. The course assessment also includes a problem set with a 15% weight designed to enhance technical skills in poverty measurement. While students are encouraged to work together with classmates on the problems set, each student should submit the assignment written in her/his own words. Students will also be divided into groups to conduct a panel discussion on selected development topics not covered under regular lecture sessions. Topics for the panel discussion, suggested initial readings and instructions for the assignment will be provided in due course. This group assignment will take place toward the end of the semester and carries a 15% weight. See Table 1 for a summary of course assessments.

I expect your active participation in this course by reading the assigned materials ahead of class, asking and answering questions, and sharing development related country experiences. I will also ask students to be discussants for specific reading materials. This would mean leading the class discussion through deeper reflections and questions on the contents of the reading materials.

You are allowed three days of absence from class due to sickness or other reasonable causes without having to provide official documents. Notice that you are required to notify me of your absence and its cause as early as possible, and that you cannot miss more than two consecutive classes under this provision. For extenuating circumstances such as family emergencies or absence that require you to miss more than two consecutive sessions, you should contact the Dean of Students Office who will in turn inform me of the situation without disclosing details. I expect all students to take the exams and return the assignments at the designated times indicated in Table 1.

I do not reschedule exam dates. If you miss a midterm exam, you need to bring a written excuse from the Dean of Students Office such that the full weight (and topics of the missed exam) will be added to your final exam.

Table 1: Your final course grade will be determined as follows:

<i>Assessment Type</i>	<i>Weight</i>	<i>Due Date</i>
Midterm Exam - I	20%	September 23
Midterm Exam - II	20%	October 21s
Problems Set	15%	Tba
Panel Discussion	15%	Nov 2 and 4
Final Exam	30%	Nov 23, 9:00am-12:00

Readings

By the very nature of the subject matter, this is a reading-intensive course. Some of the readings are in the following book, 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*, 3rd Edition, Pearson Education, Inc.

Course Outline

August 19: Introduction

Part I: Measuring Poverty and the Growth Elasticity of Poverty

Week of 08/24: Measuring Poverty and Inequality

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

Foster, Greer and Thorbecke. 1984. “A Class of Decomposable Poverty Measures,” *Econometrica* 52, 761-766

**Foster, Greer and Thorbecke. 2010. "The Foster-Gree-Thorbecke(FGT) Poverty Measures: Twenty Five Years Later," IIEP Working Paper 2010-14, Institute for International Economic Policy, George Washington University.

**Ghana Statistical Service. 2018. "Poverty Trends in Ghana: 2005-2017"

Week of 08/31: 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

Part II: Why Are Some Countries Poorer Than Others? A Cross-country Analysis

Week of 09/07 and 09/14: Proximate Drivers of Economic Growth: The role of Capital Formation and Productivity

David Weil. 2009. *Economic Growth*, 2nd Edition, Pearson Education, Inc
Chapters 3 and 4

Week of 09/21 and 09/28: Deeper/Fundamental Drivers of Long-run Economic Growth

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.

Weeks of 10/05: Cases Studies on Growth and Poverty Reduction: China and Ethiopia

Yao, Yang. 2014. "The Chinese Growth Miracle," *Handbook of Economic Growth* 2, 943–1031.

Shiferaw, A. 2016. "Building Productive Capacity in Ethiopia," Background Paper for the UN Committee on Development Policy (CDP)

First Midterm Exam: Wednesday September 23rd

Week of 10/12: Country Cases - Continued

Part III: Strategies for Growth and Poverty Reduction

Week of 10/19: Agriculture-first Growth Strategy

Christiaensen, L., L. Demery, and J. Kuhl. 2011. "The (evolving) role of agriculture in poverty reduction – an empirical perspective," *Journal of Development Economics* 96, 2, 239-254.

Janvry, A., and E. Sadoulet. 2009. "Agricultural Growth and Poverty Reduction: Additional Evidence," *World Bank Research Observer* doi: 10.1093/wbro/lkp015

Week of 10/26: Structural Change and Industrialization

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

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.

Second Midterm Exam: Wednesday October 21st
Week of 10/26: Child Labor and Access to Education

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

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

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

Week of 11/02-11/09: Poverty Reduction Through Transfers, Microfinance and Microinsurance

"Transfers and Safety Nets in Poor Countries: Revisiting the Trade-offs and Policy Options" in *Understanding Poverty* pp. 203-229.

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.

Student Panel Discussion: November 2nd and 4th

