

Economic Development
Eco 324 Y1Y section L0101
Fall 2012/Winter 2013
University of Toronto

COURSE DESCRIPTION

The big question for development economics and this course is: What economic policies can bring about an improvement in the lives of the world's poor? This is a very complex question. Economics gives us a framework to think through these issues theoretically and empirically. This course is an overview of the issues and problems faced by developing countries. We will critically examine the debates and prescriptions related to economic policy in developing countries.

The topics covered include, theories of growth and development, education, health, credit markets, gender and development, insurance, inequality, institutions, trade and the role of aid.

By the end of this course, a student should be able to critically analyze economic arguments related to economic development. A course goal is for the student to be able explore a development topic in depth and with reference to a particular country and be able to convey this to a general audience.

COURSE INFORMATION

Instructor

Kripa Freitas

Department of Economics

Max Gluskin House, Room 224

k.freitas@utoronto.ca

(416) 978-4537

Office hours

Drop in: Mondays 4-5pm

By appointment only: Fridays 9- 11 am

Appointments can be easily made at: <https://www.timetrade.com/book/2P41J>

Lectures

Mondays 2-4pm

Location EM 119

Tutorials

Fridays 2-3pm

Location: EM 001

Tutorial time may be used as additional time to cover material or to cover concepts and problem sets. I will announce when we plan to use the Friday time slot.

TA

TA information and office hours will be posted on Blackboard under the Contacts tab

Textbook

The *required* textbook for this course is

[Development Economics](#) – Debraj Ray, Princeton University Press, 1998

We will also be the following books a lot so it may be worth buying them. They are available online at major retailers

[Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty](#), Abhijit Banerjee and Esther Duflo; Public Affairs, 2012

[The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics](#) by William R. Easterly; MIT Press

Readings

In addition to the textbook there are required readings. For each of these I will expect you to be able to summarize and critically evaluate the main arguments and results of the paper. You will be tested on this in the exams. The assigned readings are meant to be more comprehensive than the material presented in class. Students are responsible for learning any information presented in class or assigned in the readings.

Website

We will be using Blackboard for this course (<http://www.portal.utoronto.ca>). All course material, announcements, problem sets, assignments etc. will be posted on the website. It will be the primary means of communication for this class. You will be responsible for checking the Blackboard course site regularly for class work and announcements. Any communication will be emailed to the class list as it appears on Blackboard.

Prerequisites

Students must have the following prerequisites as per the Calendar to be able to take this course: ECO200Y1/ECO204Y1/ECO206Y1, ECO202Y1/ECO208Y1/ECO209Y1, ECO220Y1/ECO227Y1/(STA247H1,STA248H1)/(STA250H1,STA255H1)/(STA257H1,STA261H1)

It is your responsibility to make sure you satisfy the prerequisites. The Economics Department strictly enforces them and you will be dropped from the course if you do not satisfy them.

I will assume familiarity with the material in these courses. Specifically, I will expect you to know basic calculus (especially partial derivatives), basic microeconomics (especially game theory) and basic econometrics. Some of the concepts will be reviewed briefly in class or in tutorial

EVALUATION

The grade for this class will be based on two midterms, three assignments and a final. The dates and weight for each component is as follows:

Component	Weight	Date	Time
Midterm 1	20%	November 5, 2012	2-4pm
Midterm 2	20%	February 4, 2013	2-4pm
Assignment 1 (five graded parts 1.1-1.5, each worth 2%.)	10% total	Country choice: September 17, 2012	2:00 PM
		1.1: October 1, 2012	2:00 PM
		1.2: October 22, 2012	2:00 PM
		1.3: November 19, 2012	2:00 PM
		1.4: December 5, 2012	2:00 PM
		1.5: January 21, 2013	2:00 PM
Assignment 2	10%	November 26, 2012	2:00 PM
Assignment 3 (Three stages)	10% total	First draft: February 18, 2013	2:00 PM
		Peer Review: March 4, 2013	2:00 PM
		Final draft: March 11, 2013	2:00 PM
Final	30%	Final exam period	TBD

Midterms and Final

In general midterms cover material from the first lecture up to and including the lecture before the midterm. The final is **cumulative** and will cover all of the material from the course

Assignments

There will be a total of **three, individual** assignments for this class. More details will be provided on the course webpage. A brief description of each one is given below.

Assignment 1

The purpose of this assignment is for you to take the concepts learnt in class and see how they apply to a country. It will proceed in **six** stages. The **first** stage is a country choice. You will be asked to choose a developing or middle income country. In the **rest of the five** stages, I will post a question for you to answer with reference to your chosen country. The questions will be motivated by class material. This assignment is a building block for Assignment 3 which develops this further.

Each part is due on the dates and times listed above. They need to be submitted online via Blackboard under the Assignments tab. No late submissions will be accepted for any reason, no exceptions.

You **must** include a signed Academic Integrity Checklist (available on Blackboard) with **every part of this** assignment (except the country choice). If you do not include the statement, your work will not be graded

Assignment 2

This assignment will be a graded problem set. You may also be asked to work with a data set and to analyze and interpret your results. It needs to be submitted online via Blackboard AND be handed in during class on the date mentioned above to be considered as submitted. No late submissions will be accepted for any reason, no exceptions.

Assignment 3

The purpose of this assignment is to develop your economic reasoning and communication skills. It will give you the opportunity to explore more in depth, any development topic that may be interesting to you in the context of a country.

This is a writing assignment that builds on Assignment 1. Based on your country choice in Assignment 1, you will need to write a 300-500 word Op-Ed. The piece should be on what, in your opinion, is an area of development that the country should focus on.

The Assignment will proceed in three stages. More details will be provided during the course on Blackboard. Briefly, in stage 1 you will hand in a **first draft**. After that you will be randomly assigned the first drafts of three of your classmates and will need to complete a **peer review** for each one of them. When you get your peer reviews back, you will need to hand in a revised **final draft** together with an **explanation** of what changes you made (if any) based on your peers' reviews and anything else you may have learnt during the peer review process.

I expect to be using **PeerScholar** for this Assignment. You will need to submit **all four parts** of this assignment (first draft, peer reviews, final draft and reflection) online on PeerScholar. In addition, the final draft will need to be handed in via **Turnitin.com** and as a **hard copy** in class. The dates for all stages are listed above.

First drafts submitted after the due date and time will not be accepted and you will get a grade of zero for the entire peer assessment part of the assignment. If you submit your peer evaluations after the due date and time, you will get a grade of zero for the peer assignment part. Final drafts submitted late are penalized at 10 percentage points (out

of 100) for every 24 hours starting right after the deadline. No papers will be accepted after 5pm on March 18th and a grade of zero will be assigned to such papers.

Problem sets

I will occasionally post ungraded problem sets on Blackboard. The purpose of the problem sets is help you work through the concepts introduced in class and to apply them to different examples. You do not need to hand them in. You are strongly encouraged to work on them as they are good preparation for the midterms. If you have any questions on these problem sets please see me or the TA during office hours.

COURSE TOPICS AND READINGS

1. Introduction – Economic Development

- Ray, Chapters 1 and 2
- Ray Chapter 6
- Ray Chapter 8.2.2
- Banerjee and Duflo, Chapter 1 “Think Again, Again”
- Banerjee and Duflo, Chapter 2 “A Billion Hungry People”
- *Sen, Amartya Chapters 1 and 4 in [Development as Freedom](#), Oxford: Oxford University Press 1999

2. Growth Models

- Ray, Chapters 3, 4-4.3
- Easterly, Chapter 2 “Aid for Investment”
- Easterly, Chapter 3 “Solow's Surprise: Investment Is Not the Key to Growth”
- Besley, Timothy and Robin Burgess “[Halving Global Poverty](#)” Journal of Economic Perspectives—Volume 17, Number 3—Summer 2003—Pages 3–22
- * Mankiw, Gregory;, David Romer and David Weil. “[A Contribution to the Empirics of Economic Growth](#)” The Quarterly Journal of Economics, Vol, 2 No. 2, 1992

3. Health and Education

- Ray Chapter 8
- Banerjee and Duflo, Chapter 3, “Low Hanging Fruit for Better (Global)”
- Banerjee and Duflo, Chapter 4, “Top of the Class”
- Easterly, Chapter 4, “Educated For What?”
- Edmonds and Pavcnik “[Child Labor in the Global Economy](#)” – Journal of Economic Perspectives—Volume 19, Number 1—Winter 2005—Pages 199–220

4. Population

- Ray, Chapter 9

- Banerjee and Duflo, Chapter 5 "Pak Sudarno's Big Family"
 - Easterly, Chapter 5 "Cash for Condoms"
 - * Schultz, T. Paul "[Fertility and Income](#)" - in Understanding Poverty (eds.) A. Banerjee, R. Benabou, and D. Mookerjee, , Oxford University Press, New York, , 2006.
5. Gender and Development
- Duflo, Esther "[Women's Empowerment and Economic Development](#)", Working Paper, November 2011
 - Anderson, Siwan and Debraj Ray "[Missing Women: Age and Disease Population](#)", Review of Economic Studies, Vol. 77, Issue 4, pp. 1262-1300, October 2010
 - Beaman, Lori ; Esther Duflo, Rohini Pande and Petia Topalova "[Female Leadership Raises Aspirations and Educational Attainment for Girls: A Policy Experiment in India](#)," January 2012, Science Magazine,
6. Expectations and Development
- Ray Chapter 5
 - *Murphy, Kevin M.; Andrei Shleifer; Robert W. Vishny "[Industrialization and the Big Push](#)" Journal of Political Economy, October, 1989, Vol. 97, no. 5
7. Credit Markets
- Ray Chapter 14
 - Banerjee and Duflo, Chapter 7 "The Men from Kabul and the Eunuch of India: The (Not So) Simple Economics of Lending to the Poor"
 - Aleem, Irfan "[Imperfect Information, Screen and the Costs of Informal Lending: A Study of a Rural Credit Market in Pakistan](#)" World Bank Economic Review, 1990
 - Banerjee, Abhijit; Esther Duflo, Rachel Glennerster and Cynthia Kinnan "[The miracle of microfinance? Evidence from a randomized evaluation](#)", 2010
 - *"[Can Rural Banks Reduce Poverty? Evidence from the Indian Social Banking Experiment](#)," R. Burgess and R.Pande, *American Economic Review*, June 2005, Vol.95 (3), pp.780-795.
8. Insurance
- Ray Chapter 15
 - Banerjee and Duflo Chapter 6 "Barefoot Hedge-Fund Managers"
 - *Murdoch, Jonathan [Micro-insurance: the next revolution](#) – in Understanding Poverty (eds.) A. Banerjee, R. Benabou, and D. Mookerjee, , Oxford University Press, New York, , 2006.
9. Inequality
- Ray Chapter 6

- Ray Chapter 7
- Pikety, Thomas “ [The Kuznets' Curve, Yesterday and Tomorrow](#) ”in Understanding Poverty (eds.) A. Banerjee, R. Benabou, and D. Mookerjee, , Oxford University Press, New York, , 2006.
- *[Inequality and Growth: What Can the Data Say?](#), June 2003, Esther Duflo and Abhijit Banerjee

10. Trade

- Ray Chapter 16
- Ray Chapter 17
- Rodrik, Dani “[Trading in Illusions](#)” Foreign Policy No. 123 (Mar. - Apr., 2001), pp. 54-62

11. Institutions

- Acemoglu, Daron ; Simon Johnson and James A. Robinson, “[The Colonial Origins of Comparative Development: An Empirical Investigation](#)” The American Economic Review, Vol. 91, No. 5 (Dec., 2001), pp. 1369-1401
- Sokoloff and Engerman, “[History Lessons: Institutions, Factors Endowments, and Path of Development in the New World](#)”
- Nunn, Nathan “[The Importance of History for Economic Development](#),” *Annual Review of Economics*, Vol. 1, No. 1, September 2009, pp. 65-92
- *Acemoglu, Daron ; Simon Johnson and James A. Robinson, “[An African Success Story: Botswana](#),” in In Search of Prosperity: Analytical Narrative on Economic Growth. Edited by Dani Rodrik, Princeton University Press, 2003
- *Qian, Yingyi “[How Reform Worked in China](#)” ,” in In Search of Prosperity: Analytical Narrative on Economic Growth. Edited by Dani Rodrik, Princeton University Press, 2003

12. Aid

- Easterly ,William “[Can Foreign Aid Buy Growth?](#)” –The Journal of Economic Perspectives, Volume 17, Number 3, 1 August 2003 , pp. 23-48
- Sachs, Jeff “[The Development Challenge](#)”, Foreign Affairs, March/April 2005.
- Sanchez , Pedro et al “[The African Millennium Villages](#)” , Proceedings of the National Academy of Sciences Special Feature: Sustainability Science, 104 , no. 43 (October, 23 2007): 16775–80
- “[Millenium Bugs](#)”, The Economist, Feast and Famine Blog, May 14th, 2012
- * Kremer, Michael and Edward Miguel (2007). “[The Illusion of Sustainability](#).” Quarterly Journal of Economics 122 (3): 1007-1065.

MISSING A MIDTERM

Please note that in you miss a midterm you are not automatically allowed to take the make-up. Only if your reason for missing the exam is for a *valid, documented* reason and your reason is accepted, will you will be given a make up test.

To be considered for a make up test you need to do the following:

- You need to **email me the day of the exam** to say that you will not be taking the exam. The email should have a detailed explanation of why you are unable to take the test.
- You have till **one week** after the test to follow up the email with the documentation. This needs to be handed in to me **in person** either after class or in my office. If you don't provide the documentation in time or if your note is not accepted you will be assigned a grade of 0 for the midterm.
- If you need to miss the test for a medical reason, I will require a fully completed original (not scanned, copied, or emailed) University of Toronto Medical Certificate, available at:
<http://www.healthservice.utoronto.ca/pdfs/medcert.htm>
- It needs to be completed by a qualified medical doctor (e.g., not an acupuncturist, chiropractor, or other health care professional) and the doctors OHIP registration number must be provided. As part of the process I may contact the doctor to verify details.
- The physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. I will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.
- For the illness to be considered, the note from a doctor should state that in their opinion on the date of the test you are too ill to write the exam.
- In general conditions such as colds, headaches, diarrhea, stomach aches or other similar conditions are not accepted as sufficient reasons for missing an exam. Simply not feeling your best, suffering from stress or anxiety is no longer considered to be an excused absence.
- If you need to miss the midterm for any *unexpected* other reason (like funerals etc..) you must provide documentation (like a funeral program/obituary, air tickets etc..). In addition I will need a note from a responsible adult which also has their contact information so I can verify the details.
- The final decision to accept any note lies with me or the undergraduate chair.

MAKE-UP EXAM

If your note is accepted then you will be allowed to take the make up test. There will be a **cumulative** make-up midterm held in the last week of class for those students who are allowed to take the make-up. Details will be announced closer to the date. The format may be different from the class midterm.

Consistent with university policy, there is no “make-up” test for the make-up test. No medical excuses will be accepted, and grade of zero will be applied if a student fails to write the make-up test.

GENERAL CLASS POLICIES

Re-Grades

Requests for re-grades will be accepted in writing up to one week after each exam or assignment is returned. When requesting a re-grade, it is important to attach a detailed note on the front indicating the problem you want us to take a look at, as well as why you think your grade should be changed. We re-grade entire exams, not just individual questions, so your grade could go up or down.

Drop Dates

Please make sure you check the calendar to make sure you’re aware of the add/drop deadlines and the associated penalties:

<http://www.artsandscience.utoronto.ca/ofr/calendar/Sessional-Dates.html>

Email Policy

I will try to respond to emails within 24 hours outside of weekends. However, I do not respond to emails that ask a question that can be answered by looking at the syllabus or course website. Most questions cannot be answered adequately over the email so I will ask you to see me in office hours. Questions on grading will only be answered during office hours.

Academic Integrity¹

Academic integrity is fundamental to learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will be valued as a true indication of your individual academic achievement, and will continue to receive the respect and recognition it deserves.

Familiarize yourself with the University of Toronto’s *Code of Behavior on Academic Matters* (<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>). It is the rule book for academic behavior at the U of T, and you are expected to know the rules.

The University of Toronto treats cases of academic misconduct very seriously. All suspected cases of academic dishonesty will be investigated following the procedures outlined in the *Code*. The consequences for academic misconduct can be severe, including a failure in the course and a notation on your transcript. If you have any questions about what is or is not permitted in this course, please do not hesitate to

¹ From the UofT Academic Integrity Statement and Checklist

contact me. If you have questions about appropriate research and citation methods, seek out additional information from me, or from other available campus resources like the U of T Writing Website (<http://www.writing.utoronto.ca/>). If you are experiencing personal challenges that are having an impact on your academic work, please speak to me or seek the advice of your college registrar.

Plagiarism is a concern with writing assignments. Your Assignment 3 must be submitted via turnitin.com. You can find details about what constitutes plagiarism and how to avoid it in class at <http://www.utoronto.ca/academicintegrity/>. Being unaware of what constitutes plagiarism is not a defense.

The University disclaimer on Turnitin.com

"Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site".