

ECO 403H1S

TOPICS IN DEVELOPMENT ECONOMICS AND POLICY

Department of Economics
University of Toronto

Winter 2014

Lectures: Monday 2:00 am - 4:00 pm, Friday 2:00 pm – 3:00 pm

Dr. Gustavo J. Bobonis
Associate Professor
Department of Economics
Max Gluskin House
150 St. George Street, Room 304

Phone: 416-946-5299
E-mail: gustavo.bobonis@utoronto.ca
Office hours: TBD

COURSE DESCRIPTION

This course will examine a variety of issues and policy problems pertaining to current international development challenges. Topics will include human capital development, financial markets, governance and institutions, industrial and international trade policies. We will study how well current domestic and foreign policies achieve stated objectives and discuss current proposals for improvements in international development policy.

The course will have an emphasis on the use of theory-based and quantitative empirical methods for policy analysis and evaluation. Students will apply tools such as poverty measurement, targeting, and program evaluation methodologies to concrete questions in the current development policy agenda.

PREREQUISITES

Microeconomic Theory – ECO200Y/204Y/206Y

Macroeconomic Theory – ECO202Y/208Y/209Y

Quantitative Methods in Economics – ECO220Y/227Y/STA(247H,248H)/(250H, 255H)/(257H, 261H)

Note: Prerequisites are strictly checked and enforced and must be completed before taking this course. By taking this course you acknowledge that you will be removed from the course at anytime if you do not meet all requirements set by the Department of Economics. Please talk to Ms. Robbie Innes (Undergraduate Administrator, Department of Economics) if you have any doubt about whether you meet the requirements.

I expect that you will be able to perform basic calculus (i.e., take simple partial derivatives) and have a basic understanding of game theory. The TA will offer brief reviews of the more advanced background material.

REQUIREMENTS

Graded Material and Grade Allocation

The final grade for the course is based on the following:

<u>Percentage</u>	<u>Component</u>	<u>Date(s)</u>
-------------------	------------------	----------------

30%	Two (2) assignments (each worth 15%)	Assignment 1: 10 February Assignment 2: 17 March
20%	One (1) in-class term exam	Midterm: 24 February
20%	One (1) class presentation	21, 24, 28, 31 March
10%	Class participation	n/a
20%	Final Exam	TBD

COURSE POLICIES

Examinations (Midterm and Final):

The centerpiece of the tests will be the theoretical and empirical analysis of economic development issues in the context of the course readings and class discussions. **The final examination will be cumulative.**

Appeals Policy:

Appeals will be conducted according to the following procedure:

- For any test, if a student wishes to appeal a grade, he/she must provide a **written explanation** of why they believe their grade is mistaken, and submit it to me *within one week of being returned to the class*.
- (Conditional on this argument being found persuasive by the instructor), it is likely that the *entire* exam will be re-graded, and the appealed grade can be lower or higher than the original grade.
Note: This does not apply to trivial appeals such as points being added incorrectly.

Policy on Missed Tests

Midterm Exam: A grade of zero will be given to students who do not write the midterm test, unless an **appropriate and convincing** note is received **within one week** of the missed test (explaining why the test was missed).

If the student misses a term test due to illness:

- The note must be provided using the University of Toronto medical certificate. No other documentation will be accepted. You can find a copy of the form here: <http://www.healthservice.utoronto.ca/pdfs/medcert.htm>
- The form must be completed by a Medical Doctor, and include the doctor's OHIP registration number.
- Only original notes will be accepted. I will not accept photocopies or emailed certificates.
- The note must clearly state that on the date of the test, the student was too sick to write the test. Notes that simply state that a doctor saw the student on the date of the midterm will not be accepted. Illness before the test is not sufficient grounds for missing the test. Nor will I accept notes that indicate that the student would have performed "sub-optimally".
- To comply with these requirements, it is expected that the student will have met with the doctor on the date of the test.
- **The student must email me the day of the test to indicate that they will not be able to write the test.**
- I will review each sick note to determine whether there are sufficient grounds for a student to be excused from a test. Part of this review process may include meeting with the student, and/or following up with a physician.
- It is an academic offense to feign illness to avoid a test.

If the student misses a term test due to another excused absence (e.g., funeral, car accident):

- The note must be accompanied by a note from a responsible third party that I can verify *in order for excusal to even be considered*. The validity of the excuse will also be evaluated by SPPG academic staff.

If a student has been excused from a midterm exam, he or she will be permitted to write the make-up test. The make-up test will be held on Friday, March 7th, 2:00p-4:00p.

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

Final: The final will be governed by the University’s rules for missing final examinations.

Assignments

In order to develop skills in econometric methods, interpreting and discussing theoretical concepts and empirical evidence, students must complete two assignments.

- Details will be announced throughout the semester, but the basic idea is that students will be provided data and assigned a set of questions based on those data, and/or an article (or book chapter) and asked to conduct a critical review of the piece.
- The assignments are expected to be (maximum) *six* pages in length (double spaced), plus tables (if appropriate).
- Concerning late penalties, assignments handed in after 9:10am of their due date will be penalized by 10 percentage points per business day. I will not accept assignments after 4:00pm of the Friday following the due date.
- Extensions to the deadline for the assignments will not be granted for any reason.

Presentations

You will be required to choose an empirical academic paper and present the paper in class. The length of the presentation will be around 20 minutes, with time at the end for questions and discussion. You should be prepared to discuss the following:

- What is the main question of the paper?
- How does the paper contribute to the literature?
- What is the research design and the empirical strategy?
- What are the main results of the paper?
- What are the policy implications of the paper (if any)?
- What are some of the drawbacks of the research design?
- Are there alternative explanations for the empirical results?

Presentation slides are due on March 18th, one week before class presentations (on March 25th and April 1st). No medical notes will be accepted for the slides.

Should you miss your presentation, you will be given a grade of zero (0) unless you present me with a medical note and I accept the note. The medical note should conform to the same restrictions alluded to above for the Midterm policy (#1). A very high standard will be applied to any medical accommodation.

If a student has been excused from his/her presentation on medical grounds, with appropriate notice (same day), the student will be required to make his/her presentation in the next available slot.

Class Participation

Students will be evaluated on class participation. The performance will largely be based on students having read required readings prior to class and being prepared to engage in a meaningful discussion on the articles during class time.

Practice Questions

I will periodically assign questions and problem sets on the webpage. While these questions will not be collected for grading, you are expected to complete them. If you have any problems with the questions from a particular section, please see the TA or me about them as soon as possible during office hours.

COURSE WEBSITE

The course website is on the UofT Blackboard Portal:

Winter-2014-ECO403H1-S-LEC0101: Top Development Eco

The website is an important means by which I make announcements to the class, as well as distribute additional readings and practice questions. We will be using Blackboard to manage class communications, so it is vital that you log on to Blackboard and provide an email address that you check regularly.

E-MAIL POLICY

I will do my best to respond to e-mail within 24 hours on a weekday, 48 hours on a weekend, according to the following policy:

- a) I will only respond to e-mails posing questions that can be answered in a sentence or two. For detailed questions, please see me or the TA in office hours.
- b) I will not reply to e-mails that request information that can be found on the website or the syllabus, so you should check those places first.
- c) I will not reply to e-mails regarding the results of graded material – for that, please see me in office hours.

ACADEMIC MISCONDUCT

Students should note that copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

As a student it is your responsibility to ensure the integrity of your work and to understand what constitutes an academic offence. If you have any concerns that you may be crossing the line, always ask your instructor. Your instructor can explain, for example, the nuances of plagiarism and how to use secondary sources appropriately; he or she will also tell you what kinds of aids -- calculators, dictionaries, etc. – are permitted in a test or exam. **Ignorance of the rules does not excuse cheating or plagiarism.** For more information regarding the Code of Behaviour on Academic Matters please visit (<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>).

OFFICE HOURS

TBD (Thursday)

TEACHING ASSISTANTS

TBD. Teaching Assistant office hours will be posted on the course website.

LECTURE SCHEDULE – WINTER 2014

Section 1: Social Welfare and Development

1	January 6	Overview
2	January 13	Social Welfare
3	January 20	Growth and Poverty
		<i>Assignment 1 Distributed</i>

Section 2: Investments, Human Capital Accumulation

4	January 27	Credit and Insurance
5	February 3	Education
6	February 10	Gender
		<i>Assignment 1 Due</i>

Section 3: Role of the State and Governance

7	February 24	Midterm
		<i>Assignment 2 Distributed</i>
8	March 3	Democracy and Development
9	March 10	Representation, Responsiveness and Accountability

Section 4: International Macroeconomic Policy

10	March 17	International Trade Policy
		<i>Assignment 2 Due</i>
11	March 24	Foreign Aid Debate

Class Presentations

11	March 24	Presentations
12	March 30	Presentations

READING MATERIAL

Most of the course material will consist of detailed lecture notes, which will be posted on Blackboard before the start of each class. There will also be some required readings (to be announced). Students should aim to complete the readings for each week before the start of lecture. Articles and book chapters listed in the Course Outline and Readings Section will be linked to the course website as necessary.

General References (Recommended Books)

Ray, Debraj. Development Economics. Princeton, NJ: Princeton University Press. 1998.

Banerjee, Abhijit V., and Esther Duflo. Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty. New York, NY: Public Affairs. 2011.

The books are available at the Short-Term Loan Service at the Robarts Library (4th Floor) in a very limited number (one copy). Because these are not new books, you should be able to find used copies online (e.g., www.chapters.indigo.ca, www.amazon.ca) at substantial discounts.

Reference on Empirical Methods

Angrist, J., and J. S. Pischke. Mostly Harmless Econometrics. Princeton, NJ: Princeton University Press. 2008.

READINGS:

I: Social Welfare and Development

Week 1: Overview

Ray, Chapter 1 (“Economic Development: Overview”), pp. 7-44.

Banerjee and Duflo, Chapter 1 (“Think Again, Again”), pp. 1-16.

*Sen, Amartya. “The Perspective of Freedom.” Chapter 1 in Development as Freedom. Oxford: Oxford University Press. 1999.

Week 2: Social Welfare

Banerjee and Duflo, Chapter 2 (“A Billion Hungry People?”), pp. 19-40.

Ray, Chapter 6 (“Economic Inequality”) and Chapter 8.2.2 (“Poverty Measures”), pp. 169-193, 249-292 (esp. 253-256, 290-292)

*Deaton, Angus (1997). The Analysis of Household Surveys: A Microeconomic Approach to Development Policy, Section 3.1 (“Welfare, Poverty, and distribution”), pp. 133-161.

*Sen, Amartya. “Poverty as Capability Deprivation.” Chapter 4 in Development as Freedom. Oxford: Oxford University Press. 1999.

*Sala-i-Martin, Xavier (2006). “The World Distribution of Income: Falling Poverty and ... Convergence, Period.” *Quarterly Journal of Economics*, 121(2), 351-397.

Week 3: Growth and Poverty

Besley, Timothy, and Robin Burgess (2003). “Halving Global Poverty”, Journal of Economic Perspectives, 17(3), pp. 3-22.

*Ray, Chapter 3 (“Economic Growth”), pp. 47-90.

*Easterly, Chapter 3 (“Solow’s Surprise: Investment is Not the Key to Growth”), pp. 47-69.

2: Investments, Human Capital Accumulation

Week 4: Credit and Insurance

Banerjee, Abhijit V., and Esther Duflo (2010). “Giving Credit Where It Is Due.” *Journal of Economic Perspectives*, 24(3), 61-80.

Banerjee and Duflo. Chapter 6 (“Barefoot Hedge-Fund Managers”) and Chapter 7 (“The Men from Kabul and the Eunuchs from India: The (Not So) Simple Economics of Lending to the Poor”), pp. 133-155, 157-181.

*de Mel, Suresh, David McKenzie, and Christopher Woodruff (2008). “Returns to Capital in Microenterprises: Evidence from a Field Experiment”, *Quarterly Journal of Economics*, 123(4), 1329-72.

*Karlan, Dean, and Jonathan Zinman (2009). “Observing Unobservables: Identifying Information Assymetries with a Consumer Credit Field Experiment.” *Econometrica*, 77(6), 1993-2008.

*Ray, Chapter 14.3 (“Theories of informal credit markets”), Chapter 14.5.2 (“Microfinance”), pp. 420-445, 543-561, 578-584.

Week 5: Education

Banerjee and Duflo, Chapter 4 (“Top of the Class”), pp. 71-101.

Easterly, Chapter 4 (“Education for What?”), pp.71-85.

*Muralidharan, Karthik, and Venkatesh Sundararaman (2011). “Teacher Performance Pay: Experimental Evidence from India.” *Journal of Political Economy*, 119(1), 39-77.

*Duflo, Esther, Pascaline Dupas, and Michael Kremer (2011). “Peer Effects, Teacher Incentives, and the Impact of Tracking: Evidence from a Randomized Evaluation in Kenya.” *American Economic Review*, 101(5), 1739-74.

Week 6: Gender

Banerjee and Duflo, Chapter 3 (“Low-Hanging Fruit for Better (Global) Health”), pp. 41-70.

Duflo, Esther (2005). “Gender Equality and Development”, unpublished working paper, MIT.

Section 3: Role of the State and Governance

Week 8: Democracy and Development

Banerjee and Duflo, Chapter 10 (“Policies, Politics”), pp. 235-265

*Acemoglu, Daron, et al (2008). “Income and Democracy.” American Economic Review, 98(3), 808-842.

*Besley, Timothy. 2006. Chapter 1 (“Competing Views of Government”) in *Principled Agents? The Political Economy of Good Government*. Oxford: Oxford University Press.

Week 9: Representation, Responsiveness and Accountability

Besley, Timothy. 2006. Chapter 3 (“Political Agency and Accountability”) in *Principled Agents? The Political Economy of Good Government*. Oxford: Oxford University Press.

*Ferraz, Claudio, and Frederico Finan. (2008). “Exposing Corrupt Politicians: The Effect of Brazil’s Publicly Released Audits on Electoral Outcomes.” Quarterly Journal of Economics, 123(2), 703-745.

*Svensson, Jakob (2005). “Eight Questions about Corruption”, Journal of Economic Perspectives, 19(3): 19-42.

*Ray, Appendix 1 (“Elementary Game Theory”), pp. 757-775.

Section 4: International Macroeconomic Policy

Week 10: International Trade Policy

Feenstra, Robert C., and Alan M. Taylor Smith, Chapter 4 (“Trade and Resources: The Heckscher-Ohlin Model”) in International Economics. New York, NY: Worth Publishers.

Ray, Chapter 17 (“Trade Policy”), pp. 647-705.

*Harrison, Ann (2006). “Globalization and Poverty.” NBER Working Paper 12347.

Week 11: Foreign Aid Debate

*Sachs, Jeffrey D. (2005). “The Development Challenge”, Foreign Affairs, 84(2), 78-90.

*Sanchez, Pedro, et al (Sachs, Jeffrey D.) (2007). “The African Millenium Villages.” PNAS, 104(43), 16775-16780.

*Clemens, Michael, and Gabriel Demombynes (2013). “The New Transparency in Development Economics: Lessons from the Millenium Villages Controversy.” Center for Global Development Working Paper 342.

http://www.cgdev.org/sites/default/files/Clemens-Demombynes-new-transparency_2.pdf