

ECO 403H1F LEC0101 / LEC0201: Topics in Development Economics and Policy

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Department of Economics
University of Toronto
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I. Course Description

ECO403 Topics in Development Economics and Policy is an intermediate level course that covers a variety of topics pertaining to economic development and associated policies. We will examine a variety of issues and policy problems pertaining to current international development challenges: topics include human capital development, financial markets, labor markets, political economics, and governance. 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 economic theory and quantitative empirical methods for policy analysis and evaluation. Students will apply tools such as poverty measurement and program evaluation methodologies to concrete questions in the current development policy agenda. Students will also put these techniques in practice and gain familiarity with Stata, one of the most widespread statistics software in economics.

II. Key Information

Course site: **Quercus** (all announcements and material)

Calendar: see **Quercus** homepage
<https://q.utoronto.ca/courses/357807> (L0101)
<https://q.utoronto.ca/courses/357814> (L0201)

Instructor: Gustavo J. Bobonis
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Instructor Drop-in Office Hours: Monday 10.00-12.00 on **Zoom** (access from **Quercus**)
Communication: see **Communication** below

All announcements will be made using *Quercus*. All material will be posted on *Quercus*.

III. Prerequisites

1. Microeconomic Theory – ECO200Y1 / ECO204Y1 / ECO206Y1
2. Macroeconomic Theory – ECO200Y1 / ECO204Y1 / ECO206Y1
3. Quantitative Methods in Economics – ECO220Y1 / ECO227Y1 / (STA237H1, STA238H1) / (STA247H1, STA248H1) / (STA257H1, STA261H1)
4. At least one FCE In ECO at the 300+ level.

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 any time if you do not meet all requirements set by the Department of Economics. Please talk to Ms. Sally Wong (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.

IV. 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)

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

Because this is not a new book, you should be able to find used copies online (e.g., <https://www.indigo.ca/en-ca/>, www.amazon.ca) at substantial discounts.

Cunningham, Scott (2021). **Causal Inference: The Mixtape**. Yale University Press: New Haven & London. 352pp. ISBN: 9780300255881.

It is available at **UofT Library (online)**

<https://www-degruyter-com.myaccess.library.utoronto.ca/document/doi/10.12987/9780300255881/html>

as well as on Amazon, Indigo and many other online platforms. I strongly recommend that you buy your own copy. Not only is it an engaging and accessible book, but it is also one that can stay useful for a lifetime.

A more complete list of the readings is listed in **Section XI** below. Most articles will be available through Quercus.

All assigned readings are examinable, and you should read the material before each lecture and come prepared to lecture. First, you will not be able to follow the lectures if you do not do the readings ahead. Second, regular work is much more efficient than last-minute cramming.

V. Course Delivery & Meetings (Lectures, Group Sessions, and Tutorials)

See the Course calendar for the list of topics and readings; the calendar is subject to (limited) changes. Content is organized by *workweek*.

(a) A new set of required readings will be made available by *Monday* morning (if not the end of the previous week).

(b) A new set of lecture slides will be made available by *Thursday* morning before class.

(b) Lecture, discussions and Q&A sessions will follow during each 2-hour lecture period ([Thursdays](#)), and

(c) One-hour **tutorials** with the TA ([Thursdays](#)).

For each *week*, you are expected to complete the readings and review/browse the lecture slides in advance of lectures and group sessions, work on the tutorial, participate in group discussions, and complete assignments by their due dates. I expect a time commitment of [10](#) hours a week.

Tutorials

The one-hour tutorial will be dedicated to practice material from the current or previous *week's* lecture and/or get hands-on Stata experience. Each tutorial is an opportunity to discuss readings and put to practice the methodologies seen in class with hands-on Stata experience. For Stata tutorials, it is important that you bring a laptop with Stata installed on it (see Stata and laptop).

In-class Behavior

To keep group meetings and tutorials as useful and productive as possible, I ask you to keep a professional and adequate attitude in class, in order to limit disruptions to other students (and to the instructors). This includes: arriving on time (or being discrete if you if you have to enter the room late), not chatting with your classmates (except related to course material), not visiting websites, watching or listening to other media, not texting/messaging. I do not like reminding students about this, but I will if I have to.

Office Hours

Office hours will take place online each week, at a time different than the class time slot (see details on *Key Information*). Hands-on help (office hours) will be delivered online during these times and those of the TA (TBD).

Stata (required) and laptop (recommended)

One objective of the course is to get students to perform analyses using statistical software. Some tutorials will provide hands-on experience to Stata, one of the most widely used statistics software in the world. Each student is expected to come with their own laptop.

Stata is a proprietary commercial software, available on Windows, macOS and Linux. It comes in several “flavours” of increasing memory capacity, but for the purpose of this course, the simplest Stata/IC is sufficient. A [6-month license to Stata/IC](#) for students costs 48 USD (make sure to click on the 6-month tab). (You are free to buy a more expensive flavour or a longer license, but it is unnecessary for this course. Do NOT buy Small Stata.) If you already have Stata version 14 or above, you do not need to buy the latest version, as most commands we will use haven't changed. Stata 13 is unable to open datasets provided for the tutorials and assignments.

Stata is also available on computers of the Map and Data Library room at Robarts Library; it is your responsibility to adequately transfer your files.

VI. Evaluation

Evaluation for the course is a mix of take-home assignments, a midterm test, and the final exam. The breakdown is as follows. The final course grade will be rounded to the nearest integer, with no exception.

Evaluation	Date	Percentage of Final Grade
Assignment #1	Week 5 (Oct. 3)	8%
Assignment #2	Week 7 (Oct. 17)	8%
Midterm Test	Week 9	36%
Assignment #3	Week 11 (Nov. 14)	8%
Final Exam	Final Exam Period	40%

Assignments

There are three assignments to hand in. These exercises involve a mix of applications of theory, questions on research articles, performing statistical analyses using Stata, and writing about your analysis in a clear rigorous way. You will be graded on the quality and clarity of your answers.

For every assignment, you will be asked to submit three documents:

- a PDF containing the answers to your questions, with the adequate explanations and interpretations
- the code (do-file) that you used for the analysis, duly commented (instructions will be posted on Quercus);
- the log file automatically generated by your code.

You will have to upload these documents before the deadline on Quercus.

Students may use artificial intelligence tools, including generative AI, in this course as learning aids or to help produce assignments. However, students are ultimately accountable for the work they submit.

- Students must submit, as an appendix with their assignments, any content produced by an artificial intelligence tool, and the prompt used to generate the content.
- Any content produced by an artificial intelligence tool must be cited appropriately. Many organizations that publish standard citation formats are now providing information on citing generative AI (e.g., MLA: <https://style.mla.org/citing-generative-ai/>).
- Students may choose to use generative artificial intelligence tools as they work through the assignments in this course; this use must be documented in an appendix for each assignment. The documentation should include what tool(s) were used, how they were used, and how the results from the AI were incorporated into the submitted work.
- Note that some generative AI applications may require a subscription fee. Students may opt-out of using a system if they have concerns about the cost, privacy, security or other issues related to this technology.

Mid-Term Test and Final Exam

For the term test and the final exam, bring your TCard, pencils, and erasers.

For the midterm test and the final exam, one or more questions (possibly with multiple parts) is planned to require a longer written answer where you interpret and assess

quantitative results (e.g. tables, figures, Stata output, etc.).

During the test you must show your student ID and sign the “signup sheet”. Stay seated until all tests have been collected and counted. To avoid disruption, you cannot leave the room in the last 15 minutes. The midterm test and exam begin at the official start time. You must be in the exam room no later than 5 minutes before official start time. You will not be given extra time if you are late.

The centerpiece of the test and the exam will be the theoretical and empirical issues covered in the context of the course readings and class discussions. *The final examination will be cumulative.*

Class Participation (Bonus)

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 book chapters and articles during class time.

Missed Term Work

You are expected to complete all required work as scheduled in the Evaluation section. Assignments dates and instructions are posted well in advance, and it is your responsibility to ensure adequate time to complete the work and deal with any issues, including technical issues. Failure to submit an assignment will result in a grade of zero.

Assignments are considered submitted by the time all the files have been uploaded in the correct format to Quercus according to the assignment instruction. Assignments that are submitted late will suffer a penalty of 10 percentage points per day of lateness, starting immediately at the deadline (by the deadline). Make sure to allow ample time for submission before the deadline; excuses such as: “the website is slow”, “I only submitted one minute late”, “I forgot to upload one of the files”, etc. are not valid excuses. These rules are there to limit unwarranted individual requests.

Policy on Missed Tests/Exams

Midterm Test: A grade of zero will be given to students who do not write the midterm test, unless an appropriate 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 student must email me the day of the test to indicate that they will not be able to write the test, and supply one of the four forms of documentation approved by A&S:
 - Absence declaration via ACORN;
 - UofT Verification of Illness or Injury (VOI) Form;
 - College Registrar’s letter; or
 - Letter of Academic Accommodation from Accessibility Services.
- 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”.

- It is an academic offense to feign illness to avoid a test.
- If the student has been excused from a midterm term test, they will be permitted to complete a "make-up" oral or written test (to be determined by the instructor) on Friday, November 8th, 2:10p - 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 Exam: The final will be governed by the University's rules for missing final examinations.

Appeals Policy

Appeals will be conducted according to the following procedure:

- For any assignment or 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 the document being returned to the class.
- Conditional on this argument being found persuasive by the instructor, it is likely that the entire assignment/test 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.

Academic Skills Resources

Even the most seasoned, organized and dedicated student can benefit from speaking with a Learning Strategist to explore setting achievable goals, preparing for tests and time management strategies. You can schedule an appointment with a Learning Strategist at any time of the year.

<https://sidneysmithcommons.artsci.utoronto.ca/can-a-learning-strategist-help-me/>

VII. Calendar and Planned Coverage

The authoritative calendar is the one posted on the Quercus course page. The due dates are definitive, but topics might be adjusted; all announcements will be made on Quercus.

Planned Coverage

We will follow the material in this outline very closely.

1. Development, Social Welfare, and Growth
 - A. Overview
 - B. Development and Social Welfare
 - C. Social Welfare, Poverty, and Growth
2. Households, Investments, Human and Physical Capital Accumulation
 - A. Households; Production, Consumption, and Investment Decisions
 - B. Human Capital Accumulation (Education)
 - C. Investments, Physical Capital, and Credit Markets (Imperfections)
 - D. Labor Markets (and Imperfections)
 - E. Health; Gender, Ethnicity and Race

3. The Role of the State, Governance, and the Political Economy of Development
 - A. Market Failures and the State
 - B. Democracy and Development
 - Representation, Responsiveness, and Accountability
 - Distributive Politics, Capture and Clientelism, and Autocracy
 - C. Conflict, Institutions, and State Capacity

VIII. Communication

I tend to use Quercus extensively as a means of communication with the class, so I recommend you check the announcements regularly.

E-Mail

Please feel free to email me questions or comments pertaining to the course, with the following proviso:

- (1) The answer requires a one or two-line response (maximum). It is my experience that email is an inefficient way to discuss economics. Questions that require more than one or two-line answers are more appropriate for office hours.
- (2) I will normally reply to emails within 24 hours, except on weekends.
- (3) I will not answer emails regarding information that can be found in the syllabus or on the Quercus page, questions about grades, or questions about the course material (which should be posted on Quercus).

Please do not send attachments and do not submit term work by email. Please always include [ECO403] in the title of any email. Emails that do not include this will be ignored.

IX. Student Well-Being and Academic Accommodations

Well-Being

University of Toronto aims at giving you an enriching learning experience, and has resources to help you stay healthy and be well: <http://studentlife.utoronto.ca/bewell>

However, sometimes things do not go as planned. **In case of emergency, call 911.** For ongoing injury, illness, or personal/family problems, or if you feel you are falling behind in your courses, you must contact your College Registrar immediately. The earlier you do, the easier it is to find solutions.

There are also a number of resources in case you are feeling distressed:
<http://studentlife.utoronto.ca/feeling-distressed>

Once again, the earlier you reach out, the easier it is to remedy the situation and find solutions. Do not wait until the end of the academic year.

Ongoing Learning Disability or Accommodation Requirement

Students with diverse learning styles and needs are welcome in this course. If you have an ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) (<http://accessibility.utoronto.ca>) at the beginning of the academic term. (Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs.) AS will then assess your medical situation, develop an accommodation plan with you, and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your condition with any

instructor, and your instructors will not reveal that you are registered with AS.

For more information on services and resources available to instructors and students, please contact Tanya Lewis, Director, Director of Academic Success and Accessibility Services, at (416) 978-6268; tanya.lewis@utoronto.ca.
Accessibility services: <http://studentlife.utoronto.ca/as/>

Accommodations for Religious Observances

As a student at the University of Toronto, you are part of a diverse community that welcomes and includes students and faculty from a wide range of backgrounds, cultural traditions, and spiritual beliefs. For my part, I will make every reasonable effort to avoid scheduling tests, examinations, or other compulsory activities on religious holy days not captured by statutory holidays. Further to University Policy, if you anticipate being absent from class or missing a major course activity (like a test) due to a religious observance, please let me know as early in the course as possible, and with sufficient notice (at least two to three weeks), so that we can work together to make alternate arrangements.

X. Academic Integrity

All students, faculty and staff are expected to follow the University's guidelines and policies on academic integrity. For students, this means following the standards of academic honesty when writing assignments, citing and using source material appropriately, collaborating with fellow students, and writing tests and exams. Ensure that the work you submit for grading represents your own honest efforts. Plagiarism, representing someone else's words as your own or submitting work that you have previously submitted for marks in another class or program, is a serious offence that can result in sanctions. Speak to me or your TA for advice on anything that you find unclear. Also, see the U of T writing support website at <http://www.utoronto.ca/writing>. Consult the Code of Behaviour on Academic Matters (<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>) for a complete outline of the University's policy and expectations.

Potential offences include, but are not limited to:

- In papers and assignments:
 - Using someone else's ideas or words without appropriate acknowledgement. This includes verbatim copying of any lecture notes distributed by the instructor.
 - Submitting your own work in more than one course without the permission of the instructor.
 - Making up sources or facts.
 - Obtaining or providing unauthorized assistance on any assignment.
- On tests and exams:
 - Using or possessing unauthorized aids, including smartphones.
 - Looking at someone else's answers during an exam or test.
 - Misrepresenting your identity.
- In academic work:
 - Falsifying institutional documents or grades.

- Falsifying or altering any documentation required by the University, including (but not limited to) doctor's notes.

I do encourage you to pay close attention to these sections on Perils and Pitfalls <http://academicintegrity.utoronto.ca/perils-and-pitfalls> and Smart Strategies <http://academicintegrity.utoronto.ca/smart-strategies>.

XI. List of Readings (Preliminary)

Development, Social Welfare, and Growth

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

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

*Jones, Charles I., and Peter J. Klenow (2016). "Beyond GDP? Welfare across Countries and Time." *American Economic Review*, 106(9), 2426-57.

Chancel, Lucas, Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. World Inequality Report 2022. World Inequality Lab, 2021.

Households, Investments, Human and Physical Capital Accumulation

A. Households; Production, Consumption, and Investment Decisions

*Bardhan, Pranab, and Chris Udry (2000). Development Microeconomics, Chapter 2, "Household Economics", 7-19.

B. Human Capital Accumulation (Education)

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

*Duflo, Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." *American Economic Review*, 91(4), 795-813.

*Duflo, Esther, Pascaline Dupas, and Michael Kremer (2024). "The Impact of Secondary School Subsidies on Career Trajectories in a Dual Labor Market: Experimental Evidence from Ghana." Working paper, MIT.

*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.

Glewwe, Paul, and Karthik Muralidharan (2016). "Improving Education Outcomes in

Developing Countries: Evidence, Knowledge Gaps, and Policy Implications.” Chapter 10 in Hanushek, Eric A., Stephen Machin, and Lugder Woessmann (eds), Handbook of the Economics of Education, Volume 5, 653-743.

C. Investments, Physical Capital, and Credit Market (Imperfections)

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

*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.

*Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan (2015). “The Miracle of Microfinance? Evidence from a Randomized Evaluation.” *American Economic Journal: Applied Economics*, 7(1), 22-53.

D. Labor Markets (and Imperfections)

*Jayachandran, Seema (2006). “Selling Labor Low: Wage Responses to Productivity Shocks in Developing Countries.” *Journal of Political Economy*, 114(3), 537-575.

*Bryan, Gharad, Shyamal Chowdhury, and Ahmed Mushfiq Mobarak (2014). “Underinvestment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh.” *Econometrica*, 82(5): 1671–1748.

*Kaur, Supreet (2019). “Nominal Wage Rigidity in Village Labor Markets.” *American Economic Review*, 109(10): 3585-3616.

E. Health; Gender, Ethnicity and Race

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

*Duflo, Esther (2012). “Women Empowerment and Economic Development”, *Journal of Economic Literature*, 50(4), 1051-79.

*Qian, Nancy (2008). “Missing Women and the Price of Tea in China: The Effect of Sex-Specific Income on Sex Imbalance,” *The Quarterly Journal of Economics*, 123(3), 1251-1285.

3. The Role of the State, Governance, and the Political Economy of Development

A. Democracy and Development

Representation, Responsiveness, and Accountability

*Banerjee and Duflo, Chapter 10 ("Policies, Politics"), pp. 235-265

*Fujiwara, Thomas (2015). "Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil." *Econometrica*, 83(2), 423-64.

*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.

*Avis, Eric, Claudio Ferraz, and Frederico Finan. (2018). "Do Government Audits Reduce Corruption? Estimating the Impacts of Exposing Corrupt Politicians", *Journal of Political Economy*, 126(5), 1912-64.

Distributive Politics, Capture and Clientelism, and Autocracy

Burgess, Robin, Remi Jedwab, Edward Miguel, Ameet Morjaria, and Gerardo Padró-i-Miquel (2015). "The Value of Democracy: Evidence from Road Building in Kenya." *American Economic Review*, 105(6), 1817-51.

*Dixit, Avinash, and John Londregan (1996). "The Determinants of Success of Special Interests in Redistributive Politics", *Journal of Politics*, 58(4), 1132-55.

*Anderson, Siwan, Patrick Francois, and Ashok Kotwal (2015). "Clientelism in Indian Villages." *American Economic Review*, 105(6), 1780-1816.

*Francois, Patrick, Ilia Rainer, and Francesco Trebbi (2015). "How is Power Shared in Africa?", *Econometrica*, 83(2), 465-503.

*Martinez-Bravo, Monica, Gerard Padró-i-Miquel, Nancy Qian, and Yang Yao (2022). "The Rise and Fall of Local Elections in China: Theory and Empirical Evidence on the Autocrat's Tradeoff." *American Economic Review*, 112(9): 2921-58.

B. Conflict, Institutions, and State Capacity

*Besley, Timothy and Torsten Persson (2011). Chapter 1 of Pillars of Prosperity: The Political Economics of Development. Princeton University Press.

*Besley, Timothy, and Torsten Persson (2011). "The Logic of Political Violence." *Quarterly Journal of Economics*, 126, 1411-45.

*Dube, Oeindrila, and Juan F. Vargas (2013). "Commodity Price Shocks and Civil Conflict: Evidence from Colombia." *Review of Economic Studies*, 80, 1384-1421.

*Acemoglu, Daron, Simon Johnson, and James Robinson (2001). "The Colonial Origins of Comparative Development; An Empirical Investigation." *American Economic Review*, 91(5), 1369-1401.

*Nunn, Nathan, and Leonard Wantchekon (2011). "The Slave Trade and the Origins of Mistrust in Africa." *American Economic Review*, 101(7), 3221-52.

Besley, Timothy, and Torsten Persson (2014). "The Causes and Consequences of Development Clusters: State Capacity, Peace, and Income." *Annual Review of Economics*, 6, 927-49.

Engerman, Stanley L. and Kenneth L. Sokoloff (2000). "Institutions, Factor Endowments, and Paths of Development in the New World", *Journal of Economic Perspectives*, 14(3), pp. 217-232.

Banerjee, Abhijit, V. and Esther Duflo (2014). "Under the Thumb of History? Political Institutions and the Scope for Action", *Annual Review of Economics*, 6(1), pp. 951-71.