

Issues in Economic Development (Econ 491)

Professor Rachel Heath

Spring 2015

Tuesday/Thursday; 3:30 to 5:20 pm; Art 317

Contact information

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Office hours: Thursdays, 2:00 – 3:15 pm and after class/by appointment.

Overview: A majority of the world's population lives on less than \$2/day. In this class, we'll ask two related questions: Why do so many people remain poor, and what policies might reduce the number of people living in poverty? Attention is paid to the diversity of the developing world, both within and between countries.

Textbook: Debraj Ray, *Development Economics*. Princeton University Press, 1998.

Prerequisites: At least a 2.0 in Intermediate Microeconomics and Macroeconomics (Econ 300 and 301).

Grading rubric

30 percent Midterm 1

30 percent Midterm 2

30 percent Final paper

10 percent Class participation/participation in online forum

Information on Final Project: The final project for the class is a 6 to 8 page double-spaced paper (not including graphs and charts) on a policy question to which development economics can help provide some answers. The paper is due on the date of the final exam. It will be turned in on the course website (Canvas), so you do not need to be physically present to turn it in.

Some suggestions for topics are posted on the course webpage, but you are encouraged to work on another topic if you have a specific interest (although you should come to make sure I think it's a feasible topic). The outline of the paper should be:

(i) **Introduction**

Define the issue and explain why it is important.

(ii) **Economic Analysis:**

How can economic tools be applied to analyze the issue? What existing evidence do we have? (This should be the longest section of the paper. While you can reference the popular press, blog postings, policy briefs, etc. you should also include citations to relevant papers in the economics literature. – e.g. *Journal of Development Economics*, *Economic Development*

and Cultural Change, World Development, American Economic Review, Quarterly Journal of Economics, etc. You can apply the economic models you have learned in other classes to the issue if you find it helpful, although this is certainly not required.)

(iii) **Conclusion**

What lessons can we learn from the economics analysis? (i.e. what are the policy recommendations or what are the new insights for the business world or the academic world etc.).

(iv) **References**

No specific format (e.g. MLA, APA) is required, but just make sure to cite your references

Information on online forum postings: As part of your class participation grade, you should **participate at least three times** on one of the online discussions that I will post approximately every two weeks during the quarter. (There will be at least 5 different threads.) Your postings should be about one half of a standard word-processed document (so about 250 words). At least one should be a reply to a classmate's posting. (Reply does not have to mean disagreement. You can build on one of their points as well.). Your postings should be done by the day of the final exam.

Grading policies

- Do not cheat. Anyone caught cheating runs the risk of failing the class, and/or being reported to the dean. Here is the official department policy on cheating:
Academic integrity is the cornerstone of the Department's rules for student conduct and evaluation of student learning. Students accused of academic misconduct will be referred directly to the Office of Community Standards and Student Conduct for disciplinary action pursuant to the Student Conduct Code and, if found guilty, will be subject to sanctions. Sanctions range from a disciplinary warning, to academic probation, to immediate dismissal for the Department and the University, depending on the seriousness of the misconduct. Dismissal can be, and has been, applied even for first offenses. Moreover, a grade of zero can be assigned by the instructor for the course.
- If you would like to challenge a grade, you need to write a memo explaining which questions you believe have been unfairly graded, and providing justification for why you think your answer deserves more points than it has received. Turn this memo into my mailbox in the front office of Savery (room 305). I will then regrade your exam, in light of the material you have provided. Since I will regrade your whole exam, your grade could either go up or down

Schedule

- Changes may be announced over email (so please check your official UW email regularly)
- I will plan to post the slides before noon on the day of the class for those who like to print the slides ahead of time. If I make any changes between then and the class, I'll always post an updated version after class.
- Items with asterisks are optional readings. Typically, they are readings mentioned in the overview articles (e.g., those from the Journal of Economic Perspectives) that we'll discuss in a bit more detail than in the overview article. You are not responsible for the content of these

articles -- aside from what we discuss in lecture, of course! -- but I list them in case you want to check the formal write-up of something we discussed in class.

Date	Topics	Reading(s)
Tuesday, March 31	No Class! (Professor Heath out of town.) Use the class time to start taking a look at the Banerjee and Duflo reading for Thursday's class.	
Thursday, April 2	Course introduction An introduction to the economic lives of people in developing countries	Banerjee, Abhijit V., and Esther Duflo. "The Economic Lives of the Poor." <i>The Journal of Economic Perspectives</i> 21.1 (2007): 141.
Tuesday, April 7	Institutions, History, and Geography	Debraj Ray textbook, chapter 5 D. Acemoglu, "Root Causes," <i>Finance & Development</i> (June 2003), pp. 27-30. http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/Acemoglu.pdf J. Sachs, "Institutions Matter, but Not for Everything," <i>Finance & Development</i> (June 2003), pp. 38-41. http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/sachs.pdf
Thursday, April 9	Education	Rosenzweig, Mark R. "Microeconomic approaches to development: Schooling, learning, and growth." <i>The Journal of Economic Perspectives</i> (2010): 81-96. Glewwe, Paul. "Schools and skills in developing countries: Education policies and socioeconomic outcomes." <i>Journal of Economic Literature</i> 40.2 (2002): 436-482. [Focus on the theoretical model explicated in section 2, which is difficult. See if you can get the overall idea, and we'll discuss the main points in class.] The Jameel Poverty Action Lab. <i>Fighting Poverty: What Works? Series</i> , Summer 2009, "Showing Up is the First Step: Addressing Provider Absence in Education and Health" http://www.povertyactionlab.org/publication/absenteeism-showing-first-step
Tuesday, April 14	Health and nutrition	"Drop of Pure Gold," <i>The Economist</i> , October 15, 2005. http://www.economist.com/node/5017166 Debraj Ray textbook, section 8.4.3

		Dupas, Pascaline. "Getting essential health products to their end users: Subsidize, but how much?." <i>Science</i> 345.6202 (2014): 1279-1281.
Thursday, April 16	AIDS, Ebola, and other epidemics	<p>Canning, David. The Economics of HIV/AIDS in Low-Income Countries: The Case for Prevention. <i>Journal of Economic Perspectives</i>, 20(3): 121-142.</p> <p>Glennerster, Rachel, Herbert M'Cleod and Tavneet Suri. How Bad Data Fed the Ebola Epidemic. <i>New York Times</i>. January 30, 2015. http://www.nytimes.com/2015/01/31/opinion/how-bad-data-fed-the-ebola-epidemic.html? r=0</p> <p>** Dupas, Pascaline. Do Teenagers Respond to HIV Risk Information? Evidence from a Field Experiment in Kenya. <i>AEJ: Applied Economics</i> 3 (1), pp.1-36, January 2011.</p> <p>** Thornton, Rebecca. The Demand for, and Impact of, Learning HIV Status. <i>American Economic Review</i>, 98(5): 1829-1863, 2008.</p>
Tuesday, April 21	Labor and migration	<p>Debraj Ray textbook, chapters 10 and 13</p> <p>Gibson, John, and David McKenzie. "Eight questions about brain drain." <i>The Journal of Economic Perspectives</i> (2011): 107-128.</p> <p>** Raviv, Shaun. "Why 'Brain Drian' can actually help African Countries." <i>The Atlantic</i>, February 2014. http://www.theatlantic.com/international/archive/2014/02/why-brain-drain-can-actually-benefit-african-countries/283750/</p> <p>** Bryan, Gharad, Shyamal Chowdhury, and Ahmed Mushfiq Mobarak. "Underinvestment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh." <i>Econometrica</i> 82.5 (2014): 1671-1748.</p>
Thursday, April 23	Labor case study: sweatshops in Bangladesh	<p>"Worker Safety in Bangladesh and Beyond." <i>New York Times</i> Editorial. May 4, 2013.</p> <p>Kristof, Nicholas "Where Sweatshops are a Dream." <i>New York Times</i>, January 14, 2009.</p> <p>Aaron Bernstein A World of Sweatshops. <i>Business Week</i>. NOVEMBER 6, 2000</p>

Tuesday, April 28	Agriculture: land markets and property rights	Debraj Ray textbook, chapters 6, 11, and 12
Thursday, April 30	MIDTERM 1	
Tuesday, May 5	Agriculture: risk and technology adoption	Debraj Ray textbook, chapter 15 (sections 15.2 – 15.4 are difficult. See if you can get the overall idea of what Ray is talking about, and we'll work through some of the hard parts together in class)
Thursday, May 7	Credit, insurance, and microfinance	Debraj Ray textbook, chapter 14
Tuesday, May 12	(More on) intrahousehold economics, child labor, and gender	Anderson, Siwan. "The economics of dowry and brideprice." <i>The Journal of Economic Perspectives</i> (2007): 151-174. Eric V. Edmonds and Nina Pavcnik "Child Labor in the Global Economy" <i>The Journal of Economic Perspectives</i> Vol. 19, No. 1 (Winter, 2005), pp. 199-220 ** Paul Schultz, T. "Why governments should invest more to educate girls." <i>World Development</i> 30.2 (2002): 207-225.
Thursday, May 14	Firms	Tim Ogden's interview with David McKenzie on Philanthropy Action http://www.philanthropyaction.com/nc/excerpt_from_interview_with_david_mckenzie_part_i/ and http://www.philanthropyaction.com/nc/excerpt_from_interview_with_david_mckenzie_part_ii Aker, Jenny and Isaac M. Mbiti. "Mobile Phones and Economic Development in Africa." Summer 2010. <i>Journal of Economic Perspectives</i> . 24(3): 207-32. ** Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. "Does management matter? Evidence from India." <i>The Quarterly Journal of Economics</i> 128, no. 1 (2013): 1-51.
Tuesday, May 19	The environment and urbanization	Greenstone, M. and B.K. Jack. (2015) "Envirodevonomics: A research agenda for an emerging field" <i>Journal of Economic Literature</i> , forthcoming. Marx, Benjamin, Thomas Stoker, and Tavneet Suri. "The economics of slums in the developing world." <i>The Journal of Economic Perspectives</i> (2013): 187-210.

		<p>** NPR Planet Money Interview with Elinor Ostrom (podcast)</p> <p>** Miller, Grant, and Mushfiq Mobarak. "Gender Differences in Preferences, Intra-household Externalities and Low Demand for Improved Cookstoves." http://faculty.som.yale.edu/mushfiqmobarak/papers/stove_long.pdf</p> <p>** Levinson, Arik (2008) The Environmental Kuznets Curve. <i>New Palgrave Dictionary of Economics</i>. http://faculty.georgetown.edu/aml6/pdfs&zips/PalgraveEKC.pdf</p>
Thursday, May 21	Political Economy	<p>Werker, Eric, and Faisal Z. Ahmed. "What do nongovernmental organizations do?." <i>The Journal of Economic Perspectives</i> (2008): 73-92.</p> <p>** Jones, Ben and B. Olken. "Hit or Miss? The Effect of Assassinations on Institutions and War" <i>American Economic Journal: Macroeconomics</i> 1 (2), pp. 55-87, July 2009.</p>
Tuesday, May 26	Corruption	<p>Svensson, J. (2005). Eight questions about corruption. <i>The Journal of Economic Perspectives</i>, 19(3), 19-42.</p> <p>Blattman, Chris. "Corruption and development: Not what you think?". Blog post. November 5, 2012. http://chrisblattman.com/2012/11/05/corruption-and-development-not-what-you-think/</p> <p>The Diplomat-Parking-Violation Corruption Index. By CHRISTOPHER SHEA, New York Times, Published: December 10, 2006</p>
Tuesday, May 28	Foreign aid	Qian, Nancy. "Making Progress on Foreign Aid" (2014) Forthcoming in the <i>Annual Review of Economics</i> .
Tuesday, June 2	TBA/catch up	
Thursday, June 4	MIDTERM 2	

Final Paper due on the day of the final exam.