Boston College
Department of Economics

EC 273: Development economics
Spring 2010

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Office Hours: Tuesday, Thursday 1:15 (or when I get back from lecture)-2:30
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Development economics

This course considers what we know about developing countries and the poor, and applies economic theory to help us understand the constraints of poverty. We will describe the economies of less developed countries and the lives of the poor, focusing on changes in poverty, inequality, demography, and health. We will consider theories and evidence for why some countries are rich and others poor. We will examine how land, labor, and credit markets function in poor countries and communities, and the consequences for health, education, and child labor. We will consider migration and its consequences. Finally, we will discuss aid and the international institutions.

Prerequisites: Micro principals (131) and Macro principals (132); statistics and the theory courses will be useful, but not required.

The required texts are:


An account of what has worked, and what has not, in growth and development in the past 50 years. Like all readings in the course, it must be evaluated critically—other readings will disagree with it. Almost all of the chapters are assigned, although not in order. The other chapters are interesting as well.

Under each topic I have marked required readings. Readings from sources other than Todaro and Smith or Easterly are linked on the course website on Blackboard Vista. Some of the readings come from economics journal articles, and may be difficult to understand. I do not expect you to understand everything in these articles, but I do expect you to have looked at them, and understood the parts we went over in class. Learning how to read original research, which may use techniques and terms with which you are not familiar, and get what you can out of it, is an important part of a tertiary education. For some topics I also give suggestions for further reading. These are not required nor expected, but allow you to expand on a topic if you find it interesting.

Development Economics
Course Schedule

Thursday, February 4    PS 1 Due
Thursday, February 18   PS 2 Due
Tuesday, March 2        No class, Spring Break
Thursday, March 4       No class, Spring Break
Thursday, March 11      PS 3 Due
**Thursday, March 16**  In-class midterm
Thursday, April 1       No class, Easter Weekend
Thursday, April 8       PS 4 Due
Thursday, April 22      PS 5 Due
Thursday, May 6         PS 6 Due
**Thursday, May 13**    Final Exam 9:00 a.m.

Course Requirements and Grades

The grading for this course consists of your best grades on five out of the six problem sets (30%), a midterm (30%) and a cumulative final (40%).

**Problem Sets:** There are six problem sets, of which I will count only the top five towards your final grade. Some of the exercises may involve obtaining data and calculations involving a spreadsheet.

1. Problem sets are due in class on the days listed in the course schedule above. You should mark them clearly with your name, the class, and the problem set number. They may be turned in early to my box in the economics department. I will post problem sets on Blackboard Vista under the Assignments section.

2. The problem sets will be graded on a 0-5 scale. Problem sets turned in on time and done completely will be graded on a three point “good effort” scale: problem sets which make a reasonable effort at all problems will receive a 4, exceptionally good work will receive a 5, while barely adequate work receives a 3. Complete late problem sets will receive a 2, as will any problem set turned in on time which was substantially incomplete. Problem sets not turned in, or late inadequate problem sets, receive 0.

3. You may discuss problem sets and do them together. Everyone must turn in a separate problem set. Exams will be similar to problem sets, so it is useful to fully understand the problem sets.

4. Problem sets cannot be submitted for a regrade, but I will drop your lowest score.

**Examinations:** The midterm will take place in class, and the final during the scheduled exam period. Both are closed book. The dates for both are not flexible. If you have a documented disability which will require special accommodation, or if an athletic or other event will cause you to miss the midterm, you must let me know at least a week beforehand. I am willing to work with you beforehand, but there is not much I can do after a deadline has passed. I will deal with medical and personal emergencies on a case by case basis, but I will likely require a note from the appropriate dean.

Development Economics 2
Course Outline and Reading List

1. Introduction to development economics (~2 lectures)
The nature of development. What it is to be developed. The role of values. The Millennium Development Goals. What does the world look like now? What did it look like 200 years ago? Development as history.

Readings:
Todaro and Smith chapters 1-2.
Easterly chapter 1.


2. Population growth and development (~2 lectures)

Readings:
Todaro and Smith, chapter 6.
Easterly chapter 5.

Further reading: The Ultimate Resource 2 by Julian Simon argues that human ingenuity is the “ultimate resource.” Paul Ehrlich has been arguing for years (see The Population Bomb 1968) that overpopulation will bring doom to us all. Will he finally be right, as he argues in One With Nineveh: Politics, Consumption, and the Human Future (2005) and as Jared Diamond suggests in Collapse: How Societies Choose to Fail or Succeed (2005)?

3. Economic Growth (~3 lectures)

Readings:
Todaro and Smith, chapters 3, appendices 3.1 and 3.2.
Easterly 2, 3.
4. Convergence and empirical evidence (~2 lectures)
*Convergence or divergence? Growth accounting. How well does the Solow model do? Inconsistent evidence. Can we make it better?*

**Readings:**


5. New Growth Theories and Coordination Failures (~2 lectures)
*A brief introduction to new growth theory. Coordination failures and development*

**Readings:**
Todaro and Smith, appendix 3.3 and chapter 4 (including case study).

Easterly 8 and 9.

6. Institutions and Long-Run Development (~2 lectures)
*Why did Europe conquer the rest of the world? Are institutions the long-run driver of growth? What policies seem to harm growth?*

**Readings:**

Easterly chapter 11.


Further reading: David Landes’ book *The Wealth and Poverty of Nations* examines the history of why some countries have done so well and other have not in the past 200 years. An even longer term perspective is given by *Guns, Germs*

7. Corruption (~1 lecture)
Institutions are made up of people, some of whom may be corrupt. Does it matter?

Readings:
Easterly chapter 12.


8. Poverty and Inequality (~3 lectures)
Measures of inequality. What are we measuring (or mismeasuring) and how do we measure it? Poverty: a different look at the distribution. How many poor are there? Are there better measures of the bottom of the distribution? Inequality and growth. The Kuznets curve.

Readings:
Todaro and Smith chapter 5.


9. The economic lives of the poor (1 lecture)
What do the poor do with their money?

Readings:

Further reading: Portfolios of the Poor: How the World's Poor Live on $2 a Day by Daryl Collins, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven provides an interesting glimpse at how the poor manage their money in the short term.
10. Education and child labor (~2 lectures)
Some see education as the best way to help the poor. But what if there are no jobs?

Readings:
Todaro and Smith chapter 8 (also for the section on health and nutrition).

Easterly chapter 4.


11. Health, Nutrition and Labor (~2 lectures)
What do we know about global health? Does it affect growth? Is health a poverty trap?
How have changes in nutrition contributed to growth?

Readings:
Todaro and Smith chapter 8.

(Read sections I and II and skim the rest—it uses some statistical techniques that you are not expected to know, although we will discuss them briefly.)


12. Credit Markets (~3 lectures)
Credit markets and market failures. How microfinance works. Will microfinance change everything? A problem with credit—the long term.

Readings:

Easterly chapter 6 and 7.


http://www.nyu.edu/projects/morduch/documents/microfinance/Microfinance_Where_Do_We.pdf

Further reading: The Economics of Microfinance by Beatriz Armendariz and Jonathon Morduch gives an overview of the ins and outs of microfinance.

13. Aid (~2 lectures)
Does aid work? The resource curse and Dutch disease.

Readings:
Easterly chapter 4.

http://www.nybooks.com/articles/19374

http://www.thelancet.com/journals/lancet/article/PIIS0140-6736%2805%2917791-5/fulltext


14. Urbanization and Migration (~2 lectures)
The growth of urban areas. Why do people move? Two sector models. Harris-Todaro model.

Readings:
Todaro and Smith chapter 7.