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Ec320. Economics of Less Developed Countries

Fall 2007, MWF 9-10, GCB205

Course Website: <http://people.bu.edu/dilipm/ec320/320hmpg.html>

This course will provide an introduction to development economics. Topics covered include: (a) conceptual approaches to economic development; (b) theories and facts pertaining to economic growth, inequality, poverty, rural-urban transition, population and human development; (d) development policy issues including education, health, population, land reform, credit, industrial policy, globalization, environment and corruption.

Prerequisites: Introductory courses in microeconomics (EC101/111 or equivalent), macroeconomics (EC102/112 or equivalent) are essential; statistics and intermediate microeconomics are desirable.

Grades: There will be a mid-term and a final exam, each accounting for 40% of the overall course grade. The remaining 20% will be based on problem sets. The mid-term will be held in class on October 24. No requests for change of date of exams will be entertained apart from medical reasons.

Problem Sets: There will be four problem sets which will be posted on the course web-site. They enable you to test your understanding of some of the main theories discussed in class.

Attendance: You are responsible for coming to class on time (at least 2-3 minutes before 9 am), attending all classes, keeping notes during the lectures, and integrating them with required readings. Please let me know of impending absences by email, and the reason.

If you miss an exam without legitimate reason and advance notice, you will receive a grade of zero. *The only exceptions will be for a verified family emergency or for an illness or injury that is confirmed by the University Medical Clinic or other doctor.* If you miss an exam for a legitimate reason, and you have notified me in advance, I will schedule a make-up exam a week or two later (in the case of mid-terms) or at the beginning of next semester.

It is your responsibility to plan your travel ahead around exams dates. In particular, the date of the exams are determined by the Registrar and cannot be changed for any reason.

Policy on Cheating: You are responsible for reading and understanding the CAS Academic Conduct Code, which you can pick up in room CAS B3. Academic misconduct involves not only direct cheating on tests, but some more subtle acts as well. All work handed in for credit must be your own, with the exception that you are encouraged to discuss your papers with each other but must turn in separate work demonstrating independent thought and investigation. I will report cases of suspected academic misconduct to the Dean's Office. In addition to any punishment determined by the College, you will receive a 0 for the test or assignment.

Optional Project: You can write a paper investigating some topic related to development economics that you personally find interesting and would like to read about further or conduct some research. *This is purely optional* — it will nominally not count towards your course grade, but in case you are on the borderline between two grades a good paper can bump you up into the higher grade. It can also help if you ask me for a recommendation for applying to graduate school or a research-related job. If you do want to write a paper, please let me know by end of October; we can discuss the topic and suitable readings. The topic should be related to development economics: e.g., specific country or sector experiences, or policy issues. I will be expecting a paper of between 15 to 30 pages (11 point, single-spaced, including references).

Readings: The textbook for the course is:

Debraj Ray *Development Economics*, Princeton University Press.

This book (hereafter referred to as DR) covers much more material than is needed for this class, so refer to appropriate sections and page numbers listed below for each part of the course .

Some sections of the course are not covered by the book; we will be referring to some journal articles listed below. They can be downloaded from the web (using your BU account, as the BU library has subscriptions to the relevant journals).

Time-Table: Topics and Readings

1. Overview: (Session 1: Sep 5)

Introduction; income and growth comparisons; income distribution; human development; structural aspects of development (DR Ch. 2: pp7–38).

2. Economic Growth: (Sessions 2-5: Sep 7,10,12,14; DR Ch. 3)

Modern growth: basic features (DR 47-51)

Harrod-Domar theory (DR 51-57)

The Solow Model (DR 64-75)

Empirical evidence (DR 74-87).

3. The Role of History: (Sessions 6-7: Sep 17,19)

Coordination Failures, Balanced Growth, Expectations, Increasing Returns (DR Ch 5: 131–154)

The Role of Colonial Institutions: S. Engerman and K. Sokoloff, “Colonialism, Inequality and Long Run Paths of Development,” NBER Working Paper 11057, www.nber.org/papers/w11057

SEP 19: PROBLEM SET 1 DUE; SEP 21: REVIEW SESSION

4. Income Distribution: (Sessions 9-13: Sep 24,26,28, Oct 1,3)

Measures of inequality (DR Ch. 6: 169–193).

Measures of poverty (DR Ch 8: 249–264)

Interaction between income distribution and development: Kuznets-inverted-U hypothesis (DR Ch. 7: 197–209); impact of inequality on savings, growth, credit, human capital (DR 211–223, 226–229, 237-238)

OCT 3: PROBLEM SET 2 DUE

5. Rural-Urban Transformation: (Sessions 14-18: Oct 5,9,10,12,15)

Changing structure of developing economies: rural-urban, agriculture-industry, informal-formal sectors (DR Ch. 10: 345–353).

Lewis model of economic development (DR Ch 10: 353–372)

Rural-urban migration: Harris-Todaro model and migration policy (DR Ch 10: 372–386)

6. Human Development: (Sessions 19-20: Oct 17,19)

Health and Nutrition: J. Strauss and D. Thomas, “Health, Nutrition and Economic Development”, *Journal of Economic Literature*, June 1998, 766-775, 798-806

OCT 17: PROBLEM SET 3 DUE

Education: P. Glewwe, “Schools and Skills in Developing Countries,” *Journal of Economic Literature*, June 2002, 436-438, 444-459, 472-477.

Session 21: Oct 22 REVIEW

OCT 24: MIDTERM EXAM

7. Population and Development: (Sessions 21-25: Oct 26,29,31, Nov 2)

Population Trends: Demographic Transition (DR Ch 9: 295-307)

Population growth and economic development (DR Ch 9: 326-337)

Determinants of fertility (DR Ch 9: 308-318)

Population policies (DR Ch9: 318-326)

8. Agricultural Policies: (Sessions 26-31: Nov 5,7,9,14,16,19)

Tenancy and Sharecropping (DR Ch 12: 415-436)

Land Ownership and Land Reforms (DR Ch 12: 445-462)

Rural Credit (DR Ch.14: 529-561)

Microfinance (DR Ch14: 578-584)

9. Industry and Trade Policies; Globalization: (Sessions 32-35: Nov 26,28,30, Dec 3)

Comparative Advantage (DR Ch 16: 627-630); Gains from Trade (DR Ch17:647-656), Interventionist Policies (DR Ch 17: 656-676)

Globalization and Poverty: L.A. Winters, N. McCulloch and A. McKay: “Trade Liberalization and Poverty: The Evidence so Far,” *Journal of Economic Literature*, March 2004 (pp 76-89,99-102)

NOV 26: PROBLEM SET 3 DUE

10. Environment: (Sessions 36-37: Dec 5,7)

B. Copeland and S. Taylor, "Trade, Growth and the Environment," *Journal of Economic Literature*, March 2004, 7–41, 48–52, 65–67.

DEC 7: PROBLEM SET 4 DUE

11. Corruption: (Session 38: Dec 10)

P. Bardhan, Corruption and Development: A Review of the Issues, *Journal of Economic Literature*, Sept 1997, 1320–1330, 1334–1346.

DECEMBER 12: REVIEW SESSION