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Ec320. Economics of Less Developed Countries

Fall 2009, T,Th 2-3.30, CAS116

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 transformation, population and human development; (d) development policy issues including education, health, population, land reform, credit, industrial policy and globalization.

Prerequisites: Introductory courses in microeconomics (EC101/111 or equivalent), macroeconomics (EC102/112 or equivalent) are essential. A statistics course covering regression analysis will be extremely useful. Intermediate microeconomics and macroeconomics will be helpful but is not essential.

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 27. No requests for change of date of exams will be entertained.

Problem Sets: There will be six problem sets which will be posted on the course web-site. They enable you to test your understanding of the main material, especially the analytical parts. The exams will test your broader understanding.

Tutorial Sessions: Chun Wing will conduct tutorial sessions on Friday 9.30–10.30 in Room B17C to go over class material, explain solutions to problem sets and answer any other question. The time and classroom will be announced in class once term begins.

Attendance: You are responsible for coming to class on time (at least 2-3 minutes before 2 pm), attending all classes, keeping notes during the lectures, and integrating them with required readings. You must sign into the attendance sheet which will be passed out during class. Please let me know of impending absences by email, and the reason. Protracted absences that are unexplained will result in follow-up emails and will affect your grades if you do not explain and make them up satisfactorily.

If you miss an exam without legitimate reason and advance notice, you will receive a failing grade. 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.

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, you must let me know by October 30, give me an outline by Nov 30 and final version by December 15.** You will need to discuss the topic with me prior to October 30 and I will give you feedback as well as assign 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 3)

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

2. Economic Growth: (Sessions 2-4: Sep 8,10,15; 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).

SEP 22: PROBLEM SET 1 DUE

3. Rural-Urban Transformation: (Sessions 5-7: Sept 17, 22,24)

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)

4. The Role of History: (Session 8: Sep 29)

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

OCT 6: PROBLEM SET 2 DUE

5. Income Distribution: (Sessions 9-11: Oct 1,6,8)

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)

6. Human Development: (Sessions 12, 13: Oct 15, 20)

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

OCT 15: 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 14: Oct 22 REVIEW

OCT 27: MIDTERM EXAM

7. Population and Development: (Sessions 15-17: Oct 29, Nov 3,5)

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)

NOV 12: PROBLEM SET 4 DUE

8. Agricultural Policies: (Sessions 18–21: Nov 10,12,17,19)

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)

NOV 24: PROBLEM SET 5 DUE

9. Industry and Trade Policies; Globalization: (Sessions 22-24: Nov 24, Dec 1,3,8)

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)

DEC 10: PROBLEM SET 6 DUE

DECEMBER 10: WRAP-UP AND REVIEW

DECEMBER TBA: FINAL EXAM