

Dilip Mookherjee

Rm 500A Economics, 264 Bay State Road, Boston University

617-353-4392, dilipm@bu.edu

Administrative Assistant: Gillian Gurish, Rm 510 Economics, 353-4030

Office Hours: M 2.00-3.30, W 3.30-5

Teaching Assistant: Yeseul Hyun; yhyun@bu.edu; Office Hrs: Fr 11-1230 (B17C, 270 Bay State Road)

Ec320. Economics of Less Developed Countries

Fall 2014, TTh 5-630, CAS216

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

This course provides an introduction to development economics. The first half will cover: (a) development indicators and conceptual approaches to economic development; (b) theories and facts pertaining to economic growth, inequality, poverty, urbanization, and population growth in developing countries. The second half (after the midterm) will address specific policy issues in education, health, land reform, finance, industry and trade. Being an introductory course, many important topics in development will **not** be covered, such as environmental sustainability, gender empowerment, political economy, corruption, governance or civil war.

Course Objectives: (i) To acquire a conceptual framework for thinking about long-term development issues; (ii) become familiar with broad stylized facts, and know how to gather and interpret data on development indicators; (iii) identify key policy issues, and access research literature pertaining to policy evaluation. By the end of the semester, you will have completed a country development report and a policy brief which will cover most of these objectives.

Prerequisites: Introductory courses in microeconomics (EC101 or equivalent), macroeconomics (EC102 or equivalent) are essential; statistics (e.g. EC305 or equivalent) and intermediate microeconomics (EC201, 202) are desirable. In particular, I will assume you are familiar with the material on Elementary Statistical Methods in Appendix 2 (DR, pp. 777-804) of the text. If necessary, an additional review session on this material which will be conducted by the TA early in the semester.

Grades: There will be a mid-term and a final exam, each accounting for 30% of the overall course grade. Team project will account for 25% ; homeworks and class participation will account for 15%. The mid-term will be held during classhours on October 23; the final will be held from 6-8 pm on December 16. *Please make sure to avoid any conflict with exam dates.*

Group Project: You should form groups of four or five members each, at the beginning of the semester. Each team should select a developing country to do a project on, and work on this in parallel with the class. The first part of the project should provide a macroeconomic perspective on development trends in the country over the past few decades, using various development indicators and historical perspective. It should conclude with an assessment of development prospects in the near future. The second part should be a policy brief: select a key policy area for this country, search the literature for important research findings, summarize these and make some policy recommendations. Project reports are due on the last day of class, December 9th. I will be expecting a paper of between 15 to 30 pages (11 point, single-spaced, including references). Three teams will be randomly picked to make a presentation of their report on December 9th in class.

Homework and Class Participation: Groups should submit written solutions to homeworks which will be posted periodically on the course website. You may also be called upon in class to answer quiz questions.

Class Protocol: *Cellphones and laptops should be switched off in class.* Presentation slides for the main lecture material will be posted by the previous Friday of every week. I will expect you to read these as well as assigned readings in advance of each class. The slides will contain only main points of the lectures; I will fill in details using the blackboard, and expect you to ask and answer questions in class. You are responsible for coming to class on time (at least 2-3 minutes before 5 pm), jot down notes during the lectures, integrate them with required readings and work on homeworks and sample exams in order to prepare for the midterm and final. Please let me know in advance of impending absences by email, and the reason. I encourage you to study with your group, and to come see me and/or the TA during our office hours.

If you miss an exam without legitimate reason and advance notice, you will receive a grade of zero. 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 (for the final, in which case you will get an incomplete for this semester).

Policy on Cheating: You are responsibility for reading and understanding the CAS Academic Conduct Code, available at <http://www.bu.edu/cas/academics/programs/conductcode.html>. Aca-

demis misconduct involves not only direct cheating on tests, but some more subtle acts as well. 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.

Readings: The main textbook for the course is:

Debraj Ray *Development Economics*, Princeton University Press.

This book (hereafter referred to as DR) provides a more sophisticated treatment compared to the typical undergraduate textbook, and covers much more material than is needed for this class. *Use the appropriate sections and page numbers listed below for each part of the course, to guide you through the text.*

A supplementary book of readings providing a more nontechnical and broader account of many issues is

Abhijit Banerjee, Roland Benabou and Dilip Mookherjee (edited), *Understanding Poverty*, Oxford University Press (referred to as BBM below).

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

Time-Table: Topics and Readings

1. Overview: Development Indicators (Session 1: Sep 2)

Introduction; leading development indicators; relation between per capita income and other indicators, disparities in living standards across countries (DR Ch. 2: pp7–38; BBM Introduction xiii–xx).

2. Economic Growth: (Sessions 2-4: Sep 4,9,11; DR Ch. 3)

S2: Modern growth: basic features (DR 47-51)

S2-3: Harrod-Domar theory (DR 51-57)

S3-4 The Solow Model (DR 64-75)

S5: Empirical evidence (DR 74-87).

3. History, Geography and Institutions: (Session 5: Sep 16)

Coordination Failures: Externalities and Increasing Returns (DR Ch 5)

The Role of Colonial Institutions: (BBM, Chapters 2 and 3)

4. Income Distribution: (Sessions 6,7: Sep 18, 23)

Measuring inequality (DR Ch. 6: 169–193) and poverty (DR Ch 8: 249–264; BBM Ch 1)

Facts concerning inequality (DR Ch. 7: 197–209; BBM Ch 4) and poverty (DR Ch 8: 256–261)

5. Structural Change: Urbanization and Migration (Sessions 8-10: Sept 25,30, Oct 2)

S8: Changing structure of developing economies: rural-urban, agriculture-industry, informal-formal sectors (DR Ch. 10: 345–353).

S8-9: Lewis model of economic development (DR Ch 10: 353–372)

S10: Rural-urban migration: Harris-Todaro model and migration policy (DR Ch 10: 372–386)

6. Population Growth and Development: (Sessions 11-13: Oct 7,9,16)

S11: Population Trends: Demographic Transition (DR Ch 9: 295–307)

S11: Population growth and economic development (DR Ch 9: 326–337)

S12: Determinants of fertility (DR Ch 9: 308–318; BBM Ch 9)

S13: Population policies (DR Ch9: 318–326; BBM Ch 10)

Session 14: Oct 21 CARRYOVER and REVIEW

OCT 23: MIDTERM EXAM

7. Introduction to Policy Evaluation and Statistics Primer (session 15: Oct 28)

8. Health and Education: (Sessions 16, 17: Oct 30, Nov 4)

S16: Health and Nutrition: J. Strauss and D. Thomas, “Health, Nutrition and Economic Development”, *Journal of Economic Literature*, June 1998, 766-775, 798–806

S17: Education: BBM Ch 18, and P. Orazem, P. Glewwe and H Patrinos, “The Benefits and Costs of Alternative Strategies to Improve Educational Outcomes,” in *Global Crises, Global Solutions*, Second Edition, Edited by Bjorn Lomborg, Cambridge University Press.

9. Agrarian Property Rights and Land Reform: (Sessions 18,19: Nov 6,11)

S18: Tenancy and Sharecropping (DR Ch 12: 415–436)

S19: Land Ownership and Land Reforms (DR Ch 12: 445–462)

10. Financial Underdevelopment and Credit Policies: (Sessions 20,21,22)

S 20,21: Credit Markets (DR Ch.14: 529–561)

S 22: Financial Development Policies and Microcredit (BBM Ch 23; DR Ch14: 578–584)

11. Industry and Trade Policies; Globalization: (Sessions 23,24,25: Nov 25, Dec 2,4)

S23,24: Comparative Advantage (DR Ch 16: 627–630); Gains from Trade (DR Ch17:647–656), Interventionist Policies (DR Ch 17: 656–676)

S25: Globalization and Poverty: (BBM Ch 6,7); 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)

DECEMBER 9: PROJECT SUBMISSION and PRESENTATIONS