Syllabus and Readings for Economic Development
AAE 474/Econ 474

Spring 2015

1 Administrative details

Course meets:	MW, 8-9:15 am
Instructor:	Dr. Jennifer Alix-Garcia
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Office hours:	Thursdays, 2:00-3:30, and by appointment

2 Purpose of course

One out of five people on this planet lives on less than $1 per day and half the world lives on less than $2 per day. The intention of this course is to explore the causes and correlates of global poverty, and discuss policies used to address it. The approach of the course is microeconomic, meaning that we focus on individual and household behaviors, as well as market failures which lead to sub-optimal choices by these individuals. We will learn about measurement of poverty and inequality, the role of health and education in poverty, problems in credit and insurance markets, the causes of migration, corruption, and environmental degradation. We will also discuss current development programs intended to help address these issues. The learning goals of this course are:

1. To be able to calculate basic measures of poverty and inequality

2. To acquire the tools to be able to read and interpret current research in economic development

3. To explain how economic frameworks relate to causes of poverty, and

4. To use these models to guide policy design

5. To apply these tools to understanding the various development themes of the course: human capital, financial markets, migration, institutions, and the environment.

Although we will discuss the role of institutions and geography, this course will not cover macroeconomic topics such as growth in any depth. Trade and globalization are also not covered in this class. This is not because these are not important topics, but rather because there are other courses at UW which are entirely dedicated to them. For students interested in those topics I recommend AAE 373 and 374, and Econ 364, 365, 464, and 475. There are also area studies classes focusing on Latin America (AAE/Econ 462), Africa (AAE/Econ 477), and East and Southeast Asia (AAE/Econ 473).

3 Prerequisites

One introductory course in economics (e.g., Econ 101, 102, AAE 215) or a solid background in economic issues from other "development" oriented courses. Economic models and econometric tools are frequently used to provide a coherent explanation for some issues, but you do not have taken an econometrics course to be successful in this course.

4 Materials

You are required to purchase one book for this class. It is entitled *Poor Economics* by Abhijit Banerjee and Esther Duflo, published by Public Affairs Press in 2011. You can buy it in the bookstore or wherever else you would like. It is a little bit cheaper if you purchase it in electronic form. All other reading materials will be posted on Learn@UW.

5 PLEASE READ THIS SECTION CAREFULLY: Course structure

This semester, this course will "flip" most of the content. This means that you will have completed module readings and a weekly quiz BEFORE attending your face-to-face session. During the first week and half of class, we will meet together as one large group. We will also meet together in one large group to review for and take exams. ALL OTHER CLASS MODULES WILL REQUIRE YOU TO HAVE ONE FACE-TO-FACE SESSION PER WEEK. In practical terms, this means that you attend class physically once a week. I will split the class in half and assign you to Monday or Wednesday face-to-face after the first week of class. The rhythm of your week should be as follows:

- FOR THOSE WITH MONDAY FACE TO FACE:
    1. Tuesday-Saturday: list to introductory powerpoint for module, read assigned readings, respond to reading guide, post questions and participate in online or live group discussion
    2. Sunday: take weekly on-line quiz (available from 6 am Sunday to 6 am Monday)
    3. Monday: attend face to face
- FOR THOSE WITH WEDNESDAY FACE TO FACE:
    1. Thursday-Monday: list to introductory powerpoint for module, read assigned readings, respond to reading guide, post questions and participate in online or live group discussion
    2. Tuesday: take weekly on-line quiz (available from 6 am Tuesday to 6 am Wednesday)
    3. Wednesday: attend face to face

In class we will discuss the readings and work through applications. Initially, this may be an uncomfortable arrangement, but the intention is to maximize your mastery of the topics covered in this class, and there is a growing body of research to suggest that "flipped" or "inverted" classrooms facilitate this. Here is some anecdotal evidence supporting this type of approach.

5.1 Homework

There will be 4 homework assignments over the course of the semester. Anything that you hand in to me should contain gramatically correct, complete sentences (this is also true for email). Homework assignments will include a variety of written and numerical exercises. Three out of the four assignments will count towards your grade. This means that you can either drop your lowest score, or simply skip one assignment. Due dates for assignments will be announced in class. Assignments will be posted one week before they are due. If you choose not to turn in an assignment on time, you will lose 20% of the total points that you earn on the assignment for each day that it is late. Homework must be handed in through Learn@UW by 8 am on the date that it is due.

The four homework assignments are due: **FEBRUARY 13, MARCH 13, APRIL 3,** and **MAY 1**.

5.2 Exams

There will be two exams. The first exam will be in class on March 15. The second exam will be held on the last day of class, May 3. The exams are not cumulative.

5.3 Grading

The distribution of points for the semester will be as follows:

Quizzes	10%
In class work	10%
Online discussion	5%
Homework assignments	25%
Exam 1	25%
Exam 2	25%

Final grades are assigned in the following manner: the top five scores from the class are averaged. This average is subtracted from 100, and the remainder added to everyone's score (naturally, this means that 2 or 3 people receive "more than" 100%). Final grades are then assigned using the following scale:

>= 93%	: A
< 93 & >=88 %	: AB
< 88 & >=83 %	: B
< 83 & >=78%	: BC
< 78 & >= 68	: C
< 68 & >= 55	: D
< 55	: F

6 Important things to note

- If you have a conflict with either of the exams or any of the homework due dates, please advise me of this during the first two weeks of class, and we will make alternate plans.
- THERE IS NO EXTRA CREDIT IN THIS CLASS.
- Do not respond to email, surf the internet, or otherwise engage with your electronic devices other than for class-related activities. This type of behavior can be very distracting to people sitting around you.
- At least one person in your group will need a laptop for group activities. Otherwise, I would like you to keep them put away.
- The ringing of a cell phone in class will result in an immediate quiz.

- Cheating will not be tolerated. If you are caught cheating, you will fail the course and appropriate University Conduct Code sanctions will be taken against you.

7 Course outline and readings

THIS SCHEDULE MAY CHANGE SOMEWHAT AS THE SEMESTER PROGRESSES. I WILL ADVISE YOU OF MODIFICATIONS ON LEARN@UW.

1. Module 1: Jan. 18-25: What is development?
   (a) BD: Ch.1.1 "Think Again, Again"
   (b) Banerjee & Duflo (2007) "The Economic Lives of the Poor" *Journal of Economic Perspectives*
   (c) Sen (1994) "The Concept of Development" in *Handbook of Development Economics*
2. Module 2: Jan. 30- Feb. 1: Tools: Measuring poverty and inequality
   (a) Haughton and Khander (2009) "Measuring Poverty", *Handbook on Poverty and Inequality*, chapter 4, The World Bank Institute
   (b) Haughton and Khander (2009) "Measuring Inequality", *Handbook on Poverty and Inequality*, chapter 6, The World Bank Institute, pp. 101-106
   (c) *World Development Report 2006*, Overview, pp. 1-9
3. Module 3: Feb. 6 -Feb. 8: Tools: Regression analysis
   (a) Sykes (1992) "An Introduction to Regression Analysis" *The Inaugural Coase Lecture*

   HOMEWORK ASSIGNMENT 1 DUE FEBRUARY 13
4. Module 4: Feb. 13 - Feb. 15: Poverty traps
   (a) BD: Ch. 1.2 "Trapped in poverty"
   (b) Ray (1998) sections 8.4.2 and 13.4 in *Development Economics*, Princeton University Press
5. Module 5: Feb. 20 - Feb. 22: Human capital (health)

(a) BD: Ch. 2 "Private Lives"

(b) Thomas et al (2006) "The Causal Effect of Health on Labor Market Outcomes: Experimental Evidence" *California Center for Population Research Working Paper*

(c) BD: Ch. 3 "Low-Hanging Fruit for Better (Global) Health"

6. Module 6: Feb. 27 - Mar. 1: Human capital (education)

   (a) BD: Ch. 4 "Top of the Class"

   (b) Duflo (2001) "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual policy Experiment" *American Economic Review*

   (c) Rawlings and Rubio (2005) "Evaluating the Impact of Conditional Cash Transfer Programs" *World Bank Research Observer*

   (d) de Janvry and Sadoulet (2004) "Conditional Cash Transfer Programs: Are they really magic bullets?" *ARE Update, Vol. 7, No. 6*

7. Module 7: Mar. 6 - Mar. 8: Insurance

   (a) BD: Ch. 6 "Barefoot Hedge-Fund Managers"

   (b) Ray (1998) "Insurance" chapter 15, excerpts

   (c) Jensen (2000) "Agricultural Volatility and Investments in Children" *American Economic Review*

   (d) (optional) Udry (1990) "Credit Markets in Northern Nigeria: Credit as Insurance in a Rural Economy" *World Bank Economic Review*

HOMEWORK ASSIGNMENT 2 DUE MARCH 13

[Mar 13]: <u>ALL IN CLASS TOGETHER</u>: What have we learned so far? In class review

[Mar 15]: <u>ALL IN CLASS TOGETHER</u>: IN CLASS EXAM 1

SPRING BREAK: MAR 20-MAR 24

8. Module 8: Mar. 27- Mar 29: Credit and savings

   (a) BD: Ch. 7 "The Men from Kabul..."

(b) (optional) Aleem (1990) "Imperfect Information, Screening and the Costs of Informal Lending: a Study of a Rural Credit Market in Pakistan" *World Bank Economic Review*

(c) Banerjee et al (2013) "The Miracle of Microfinance? Evidence from a Randomized Evaluation" NBER Working Paper no. 18950

(d) BD: Ch. 8 "Saving Brick by Brick"

(e) McClure et al. (2004) "Separate Neural Systems Value Immediate and Delayed Monetary Rewards" *Science* vol. 306

HOMEWORK ASSIGNMENT 3 DUE APRIL 3

9. Module 9: Apr. 3 - Apr 5: Migration

   (a) de Janvry and Sadoulet (2014) Chapter 13 in *Development Economics: Thinking and Practicing Development*, Textbook Manuscript, UC

   (b) "Migration and Development" *The Economist*, 2004

10. Module 10: Apr. 10 -Apr 12: Population and development

    (a) de Janvry and Sadoulet (2014) Chapter 11 in *Development Economics: Thinking and Practicing Development*, Textbook Manuscript, UC Berkeley Dept. of Agricultural and Resource Economics

    (b) BD: Ch 5 "Pak Sudarno's Big Family"

11. Module 11: Apr. 17 - Apr. 19: Environment and development

    (a) de Janvry and Sadoulet (2014) Chapter 15 in *Development Economics: Thinking and Practicing Development*, Textbook Manuscript, UC

    (b) Solow (1991) "Sustainability: An Economist's Perspective" 18th J. Seward Johnson Lecture to the Marine Policy Center, Woods Hole Oceanographic Institution at Woods Hole, MA

    (c) Jack, B. K., Kousky, C. , and Sims, K.R.E. (2008) "Designing payments for ecosystem services: Lessons from previous experience with incentive-based mechanisms" *Proceedings of the National Academy of Sciences*

    (d) Costello et al (2008) "Can Catch Shares Prevent Fisheries Collapse?" *Science* (321)

12. Module 12: Apr. 24- Apr. 26: Institutions, geography, and the global distribution of income

    (a) Acemoglu et al (2003) "Reversal of Fortune: Geography and Institutions in the Making of Modern World Income Distribution" *Quarterly Journal of Economics*

    (b) (optional) Sachs (2001) "Tropical Underdevelopment," NBER Working Paper No. 8119

    (c) BD: "In Place of a Sweeping Conclusion..."

    HOMEWORK ASSIGNMENT 4 DUE MAY 1

    [May 1]: <u>ALL IN CLASS TOGETHER</u>: What did we learn in the 2nd half of this course? In class review

    [May 3]: <u>ALL IN CLASS TOGETHER</u>: IN CLASS EXAM 2