

BOSTON UNIVERSITY DEPARTMENT OF ECONOMICS

EC 521-- DEVELOPMENT THEORY AND POLICY

Fall 2012
T-Th 12:30-2:00
Room –STH B20
Office Hours – Mon. 2-3:30; Tu 10-11; W. 3 -5;
Th 10-11

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SYLLABUS

COURSE SYNOPSIS

This course is a policy oriented approach to Economic Development of nations. We will analyze the nature and experience of economic development over the past century, and particularly identify ways in which policy actions have affected outcomes. The principal policy targets are growth, equity and stability. We first ask what determines these outcomes and then ask how policy can be used to alter the result.

Course Prerequisites

The course is designed for advanced undergraduate and terminal MA students. Undergraduate Intermediate Micro and Macro (such as Ec 201/202) are required; Masters Micro and Macro (such as Ec 501/2) are desirable. An undergraduate Development Economics course (such as Ec 320) is assumed, but not essential.

Student Evaluation -- Requirements

A student's final grade in the course will depend on his/her performance on one mid-term examination (30%), a final examination (45%), and participation in preparation and presentation of a research paper (25%).

The mid-term examination will take place in class on **Tuesday October 30**.

Presentations of research projects will be scheduled as part of class sessions beginning on December 4. A set of instructions covering potential topics, scope of projects, sources of information, and a time table for adopting topics and presenting various parts in draft will be circulated in class on Tuesday, Sept. 11 .

The final exam will be held on Tuesday Dec. 18 from 12:30-2:30 in the usual classroom. Following University regulations and Department of economics Procedures, there will be no excuses permitted for missing the final examination because of travel plans for early departure from campus for the summer. Check the exam schedule before you schedule plane trips!!!

Policy on Academic Conduct

There will be strict enforcement of the CAS policy on academic conduct as outlined in detail in the website: <http://www.bu.edu/cas/students/undergrad-resources/code/>. Cheating on exams and/or plagiarism in problem sets or your research papers will not be tolerated. I will be pleased to review with you what constitutes plagiarism since there is sometimes confusion of what kinds and forms of citation is required when you quote an author. Also, the forms of documentation required when data are retrieved from a website can be discussed.

Assigned Readings.

The following text is required reading and is available at the BU Bookstore:

(A&H) Aghion, Philippe and Peter Howitt, The Economics of Growth (Cambridge: MIT Press, 2009).. Other readings will be available on this web site or at the Reserve Room at Mugar. Supplementary readings are listed in this syllabus

(B&D) Bannerjee, Abjit and Esther Duflo, *Poor Economics* (New York: Public Affairs) 2011 has been ordered at the bookstore.

It is highly recommended that students keep abreast of current economic events through regular reading of publications such as The Wall Street Journal, The Financial Times, The Economist, and/or publications of the International Monetary Fund. Special Subscription arrangements for The Wall Street Journal and Financial Times are available and I will circulate special subscription forms in class.

Communications / Resources

There will be a “home page” for this course under the BU Blackboard system. **The course is 12 Fall case 521_a1.** If you are registered for the class, you should have no problem accessing it. I will list the updated syllabus for the course, announcements, upcoming assignments, and grades to date on the home page along with useful internet references etc.

The best way to reach me is by coming to my office hours or e-mail at: harrisjr@bu.edu. We will use the discussion board on the web site for general questions that will be of interest to other members of the class. I'll set up specific forums for various topics as the semester goes on.

Resources on the Web

Use of the World Wide Web for current information is essential for research. Seven critical sources you should become familiar with in the near future are:

[Http://www.imf.org](http://www.imf.org) which is the web site of the International Monetary Fund

[Http://www.worldbank.org](http://www.worldbank.org) is the web site of the World Bank.

[Http://www.ft.com](http://www.ft.com) is the web site of the Financial Times. They have an excellent archive that can be accessed at reasonable cost.

www.wsj.com is the website of the Wall Street Journal. The current site is available to the public, use of archives etc. requires subscription

We will be using the on-line version of the IMF International Financial Statistics that is available through the BU Library. We also have on-line access to the World Bank's “World Development Indicators” and “Global Development Finance.” I will provide you more detailed instructions for using these data bases.

<http://baselinescenario.com> is an economic blog edited by Simon Johnson of MIT who was previously Chief Economist of the IMF. It is one of the best reasoned and informative sources of information about international finance and the recent world-wide economic crisis.

<http://economix.blogs.nytimes.com> is a collection of blogs on the New York Times. It frequently contains useful data and I find David Leonhart's reporting to be consistently excellent,

<http://economistsview.typepad.com> is another economics blog edited by Mark Thomas at the University of Oregon. It contains a wide range of contributions/opinions which provides pretty good balance to competing viewpoints and arguments.

I will post other sources as the semester goes on which are relevant to the topics we will be studying in class.

COURSE OUTLINE AND READING LIST

- Sept.4-6 An Overview of Economic Development (2 classes)
(A&H) Introduction; Also check on External links to Gapminder.org, to papers and websites by Hidalgo and Hausman.
- Sept. 11-13- Neo Classical Growth Theory (2 classes) **(A&H) Ch. 1**
- Sept. 18- The AK Model (1 classes) **(A&H) Ch. 2**
- Sept 20 Models with Product Variety (1 class) **(A&H) Ch. 3**
- Sept. 25-27 The Schumpeterian Model (2 classes) **(A&H) Ch. 4**
- Oct. 2-4 Capital, Innovation and Growth Accounting; Cross-section analyses of growth (2 classes)
(A&H) Ch.5, (Wong), (Collier and Gunning)
- Oct. 11-16 Finance and Growth (2 classes) **(A&H), Ch. 6**
(Case) pp; 81-128, (Harris, Schaintarelli, and Siregar), (Ocampo, Spiegel, and Stiglitz)
- Oct. 18 Stages of Growth, Agricultural Transition,(1 class) **(A&H) Ch. 10**
- Oct. 23- Migration and Urbanization in Developing Countries: (1 class)
Harris and Todaro, (Hanson) Harris and Speare
- Oct 25 Review of Material to Date (1 class)
- Oct. 30 **Mid Term Exam**
- Nov. 1-6 Poverty: Measurement and Policies of Alleviation (2 classes)
(Sala I Martin), (Dutt and Revallion), (Collier, Chapters 1, 2 and 11), (Harris-Uganda), (Banerjee & Duflo)
- Nov, 8-13 Liberalizing Trade(2 classes) **(A&H) Ch.15, (Winters et al), (Estevadeordal and Taylor)**
- Nov. 15-20- Promoting Democracy (1 class) **(A&H) Ch 17**
- Nov. 22 NO CLASS - HOLIDAY
- Nov.27-29 Culture and Development (2 class) **(A&H) Ch. 18, (Duflo)**
- Dec.4-11 Discussion and Presentation of Research Projects (3 class sessions)
- Dec.18 (Wednesday) **Final Exam (12:30-2:30)**

BIBLIOGRAPHY**(Items on this list will be available on the course web site)**

- (B&D) Bannerjee, Abjit and Esther Duflo, *Poor Economics*** (New York: Public Affairs) 2011
- (CASE) Ann Case, et.al. “Symposium on Consumption Smoothing in Developing Countries,”**
Journal of Economic Perspectives, V.9, No.3 (Summer 1995) pp. 81-128 (includes articles by Case, Robert Townsend, Monathan Morduck, and Timothy Besley).
- (Collier) Collier, Paul, *The Bottom Billion* (Oxford: Oxford University Press, 2007)** (On Reserve in Mugar)
- (Collier and Gunning) Collier, Paul and Jan Willem Gunning, “Explaining African Performance,**
Journal of Economic Literature” (March 1999) pp. 64-111
- (Duflo) “Poor but Rational?” in Abhijit Banerjee, Dilip Mookherjee and Roland Benabou (eds.)**
Understanding Poverty, New York: Oxford University Press, March 2006, 367-78.
- (Dutt and Revallion) Dutt and Revallion, “Is India’s Economic Growth Leaving the Poor Behind?”**
Journal of Economic Perspectives, V 16, No 3 (Summer 2002) pp. 89-108
- (Estevadeordal and Taylor) Estevadeordal, Antoni and Alan Taylor “Is the Washington Consensus Dead? Growth, Openness, and the Great Liberalization, 1970s–2000s” ms (2007)**
- (Hanson) Hanson, Gordon, “Illegal Immigration from Mexico to the United States,”** *Journal of Economic Literature*” (Dec. 2006) pp. 869-924.
- (Harris, Schaintarelli, and Siregar), “The Effect of Financial Liberalization on the Capital Structure and Investment Decisions of Indonesian Manufacturing Establishments”** *The World Bank Economic Review* (January 1994) pp. 17-48
- (Harris-Uganda) Harris, John R. “Reconstruction and Poverty Alleviation in Uganda: 1987-2001” (July 2003)**
- (Harris and Todaro), Harris, J. and M. Todaro "Migration, Unemployment and Development: a Two-Sector Analysis)** *American Economic Review* **40, (1970)** pp. 126-142
- (Hidalgo and Hausman), “The building blocks of economic complexity”** PDF in Course Materials
- (Ocampo, Spiegel, and Stiglitz)** [Capital Market Liberalization and Development](#), with J.A. Ocampo and S. Spiegel, in *Capital Market Liberalization and Development*, J.A. Ocampo (eds.), New York: Oxford University Press, 2008, pp. 1-47.
- (Sala I Martin), Sala I Martin, Xavier, “The World Distribution of Income: Falling Poverty and Convergence”** *Quarterly Journal of Economics* **(May, 2006)**
- (South African Credit Experiment) Karlan, Dean and Jonathan Zinman, “Expanding Credit Access: Using Randomized Supply Decisions to Estimate the Impacts”** (New Haven: Yale Growth Center Discussion Paper No. 956) **(July 2007)-**
- (Harris and Speare) Speare, Alden Jr. and John R. Harris, “Education, Earnings, and Migration in Indonesia”** *Economic Development and Cultural Change, V. 34, No.2*

(Jan. 1986)pp 223-44

(Winters et.al) WINTERS, L. ALAN, NEIL MCCULLOCH, and ANDREW MCKAY “Trade Liberalization and Poverty:The Evidence So Far” Journal of Economic LiteratureVol. XLII (March 2004) pp. 72–115

(Wong) Wei-Kang Wong, “Economic Growth: A Channel DecompositionExercise”