

Econ. 360 Economic Development Section 3
George Mason University, Fall 2013
Tuesday and Thursday 3.00 pm - 4.15 pm

Instructor: Mark Koyama

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Office Location: Carow Hall 7B

Office Hours: Thursday 5 pm

Course Description

In this course, we will study different facets of human development at both the microeconomic and macroeconomic level. The two big themes we will explore are: (1) “Why are some countries poor” and (2) “What can be done about this poverty?”.

Emphasis will be placed on relating theory to empirical evidence. You will learn how to evaluate arguments and evidence.

Course Prerequisites

The course prerequisites listed on the catalog are Econ 103 or Econ 104. If you have not taken either of these classes please speak to me on the first day of class. This course assumes knowledge of microeconomics, macroeconomics, and statistics. There will be a test on a first day to make it clear what is required to succeed in this course.

Important course assumes familiarity with statistics and mathematics. This course is based on reading research papers. You will have to be able to read and understand papers that will contain mathematical models and statistical analysis. If you are not comfortable with this, consider taking an alternative Section of Econ 360.

Course Requirements

Your course grade will be based on the following

1. Two midterm exams worth 20% of your grade. A final worth 30%. The date of the midterms are approximately placed in the schedule of classes. The final will be given during the university assigned final exam time.

If you miss the midterm, then you may not “re-take” it. If you have a university sanctioned excuse the weight of your final will be increased.

2. Homework assignment: 10 % See below for details.

3. Attend class, read the articles, participate in general class discussion, and class presentations. These are worth 20% of your grade (see below).

To summarize, your raw final grade is composed of the following:

Exams: 70%

Class Participation, Assignments, and Presentations: 30%

I will assign letter grades based on this raw score. If you wish to dispute the grading of an exam you must submit a typed request making explicit reference to the problem(s) along with the original test within three class periods. I will then review your arguments and decide if a mistake was made.

I do not accept as valid, arguments such as: "I need at least 'B' to graduate."

A Note on Class Participation

It is important to do the readings and participate in class. The better prepared you are for the lectures, the more likely you will be able to ask clarifying questions and, when appropriate, give your opinions. You will be tested on the readings (in addition to the lecture material) on the exams.

During the semester I will assign group presentations. You will be expected to work in a small group to produce a 10-15 minute powerpoint presentation on a paper or topic and I will assign you a grade based on the collective quality of the slides and your individual part of the presentation.

Group Presentations will comprise 20% of your grade based on the quality of your group's powerpoint slides and your own individual segment of the presentation. The remaining 10 % of the grade is based on you completing the class assignment and on my evaluation of your participation in the class. If you don't attend class regularly or are not attentive in class, your participation grade will suffer as a result.

Accessing Class Materials

I use the following software to distribute class materials and share information with students.

- Dropbox. (www.Dropbox.com). I use Dropbox to upload my lecture slides, readings and other class material. All registered students will receive an invitation to the class Dropbox folder by email. I suggest that you download Dropbox onto your laptop (though this is not required to access material).

Grades

An 'A' grade will be awarded if the student displays excellent knowledge of the appropriate economic theory and is able to apply it correctly to analyze problems in development economics; a student is also expected to display detailed knowledge of individuals developing countries and the situations facing them and to be able write clear and grammatically correct English.

The student has to demonstrate excellent knowledge of appropriate statistical and econometric concepts to understand and discuss articles published by experts in the field.

A ‘B’ grade will be awarded if the student displays good knowledge of the appropriate economic theory and makes a good attempt to apply it to analyze problems in development economics; a student is also expected to display knowledge of individuals developing countries and the situations facing them.

The student has to demonstrate good knowledge of appropriate statistical and econometric concepts to understand and discuss articles published by experts in the field.

A ‘C’ grade will be awarded if the student displays some knowledge of the appropriate economic theory and makes an attempt to apply it to analyze problems in development economics.

The student has to demonstrate some knowledge of appropriate statistical and econometric concepts to understand and discuss articles published by experts in the field.

Plus and minus grades apply to students whose work falls between these categories.

It is crucial that you can understand and concisely summarize the articles on the reading list for you to get a good grade. Reliance solely on my powerpoint slides will ensure that you do not receive a good grade.

Course Materials

The required books for the course are:

- A. Banerjee and E. Dufo. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. PublicAffairs, 2011.
- William Easterly. *The Elusive Quest for Growth*. MIT Press, Cambridge MA, 2001

There is no required textbook for this course. Instead, the midterm and final will draw on my lecture notes, readings. Nevertheless students who have not taken both Econ 103 and Econ 104 are recommended to purchase a copy of

- Tyler Cowen and Alex Tabarrok. *Modern Principles: Macroeconomics*. Worth Publishers, New York, 2011.

We will use this book for the sections on economic growth.

We will be reading many articles and chapters which are available for download on the class’s Drop Box folder accessed via a link which I will email to every registered student. In addition, most of the readings can be downloaded from either JSTOR, the NBER Working Papers archive, or EconLit through the GMU libraries research databases page. You are required to acquire these papers and read them before the class in which they are covered. You are expected to know the readings for the exams.

Another resource that I will make use of is Marginal Revolution University—an online course in development economics run by my colleagues Tyler Cowen and Alex Tabarrok.

How to do Well in Class

- **Attend class and take notes in class.** My powerpoint slides are there to summarize information and present visual materials. They are **not** comprehensive. They are not a substitute for your own notes. So attend every class and produce your own set of hand-written notes.
- **Take notes by hand** Several studies have shown that students learn better when they take hand-written notes and that they learn less well when they use laptops. For this reason I discourage laptop use in class. Laptops can be used to write notes, consult my slides, or readings. They should not be used to play computer games, play music, check emails or use social media.
- **Mutual respect** It is not respectful to either me or to your fellow students to be repeatedly late or to leave class early (without a valid reason) or use your phone in class.
- **Do the readings** The readings are not optional. Midterms and exams will be based on the readings. If you don't do the readings, you will not do well in this class.
- **Work together** I encourage students to form study groups and to work together (except on final take-home exam). This makes learning more enjoyable and effective.
- **Ask questions and participate in class** Asking questioning and participating in classroom discussion will help you engage with the material (and hence remember it better) and make attending class more interesting.

Homework Assignments

For the homework assignment. Please choose a paper on the reading list. The paper has to contain econometric analysis. Write a 2 page summary of the paper. Explain the question and puzzle that the paper addresses. What data and methodology do they use to answer this question? How robust are their findings? Can you provide alternative explanations for their results or critique their analysis?

Some Important Dates

First Day of Classes: 8/30.

Last Day to Drop: 9/6

No Class due to Columbus Day: 10/11.

Midterm 1: 10/13

Home work assignments due: 10/27

Midterm 2: 11/15

Thanksgiving recess 11/23 –11/27

Class Presentations: 11/29, 12/1, 12/6.

Last Class: 12/8.

Final Exam: Thurs. 12/15 1:30 pm – 4:15 pm

PLEASE NOTE: COURSE POLICIES

1. George Mason University Honor System and Code

Honor Code

George Mason University has an Honor Code, which requires all members of this community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited.

All violations of the Honor Code will be reported to the Honor Committee.

Plagiarism (statements from Mason Web Site)

Plagiarism means using the exact words, opinions, or factual information from another person without giving that person credit.

<http://mason.gmu.edu/~montecin/plagiarism.htm#plagiarism>

Please familiarize yourself with the Honor System and Code, as stated in the George Mason University Undergraduate Catalog. When you are given an assignment as an individual, the work must be your own. Some of your work may be collaborative; source material for group projects and work of individual group members must be carefully documented for individual contributions.

<http://mason.gmu.edu/~montecin/plagiarism.htm>

2. Class Registration

Students are responsible for verifying the accuracy of their own schedules. Students need to check PatriotWeb regularly to verify that they are registered for the classes that they think they are. This is particularly important since students are no longer dropped for nonpayment. Faculty may not allow a student who is not registered to continue to attend class and may not grade the work of students who do not appear on the official class roster.

Deadlines each semester are published in the Schedule of Classes available from the Registrar's Web Site registrar.gmu.edu

After the last day to drop a class, withdrawing from this class requires the approval of the dean and is only allowed for nonacademic reasons. Undergraduate students may choose to exercise a selective withdrawal. See the Schedule of Classes for selective withdrawal procedures.

3. Accommodations for students with disabilities:

If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Resources at 703-993-2474. All academic accommodations must be arranged through that office.

The need for accommodations should be identified at the beginning of the semester and the specific accommodation has to be arranged through the Office of Disability Resources. Faculty cannot provide accommodations to students on their own (e.g. allowing a student extra time to complete an exam because the student reports having a disability).

Readings and Outline

I reserve the right to make changes to this outline as I go along. I will assign additional readings for discussion groups projects during the semester. I also recommend a range of podcasts and videos.

I. Introduction (August 30–)

- (1) Chapter 1 in A. Banerjee and E. Duflo. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. PublicAffairs, 2011
- (2) Chapter 1 in William Easterly. *The Elusive Quest for Growth*. MIT Press, Cambridge MA, 2001
- (3) Lant Pritchett. Divergence, big time. *Journal of Economic Perspectives*, 11(3):3–17, Summer 1997
- (4) Primer on Regression Analysis
<http://marcfbellemare.com/wordpress/wp-content/uploads/2011/08/Regression.pdf>

II. Economic Growth

Growth Theory (September 6–)

- (5) Chapters 3 and 4 of William Easterly. *The Elusive Quest for Growth*. MIT Press, Cambridge MA, 2001
- (6) Chapters 7 and 8 of Tyler Cowen and Alex Tabarrok. *Modern Principles: Macroeconomics*. Worth Publishers, New York, 2011
- (7) MRU: The Solow Model

East Asia (September 13–)

- (8) William Easterly. Explaining miracles: Growth regressions meet the gang of four. In Takatoshi Ito and Anne O’Krueger, editors, *Growth Theories in Light of the East Asian Experience*, volume 4, pages 267–299, 1995
- (9) Stephan Haggard. Institutions and growth in East Asia. *Studies in Comparative International Development*, 38(4):53–81, 2004

Poverty Traps and the Big Push (September 20–)

- (10) Chapter 3 of Jeffrey Sachs. *The End of Poverty*. Penguin, New York, 2006
- (11) Chapter 2 of William Easterly. *The Elusive Quest for Growth*. MIT Press, Cambridge MA, 2001
- (12) William Easterly. Reliving the 1950s: the big push, poverty traps, and takeoffs in economic development. *Journal of Economic Growth*, 11(4):289–318, December 2006 and/or Chapter 2 of William Easterly. *The White Man’s Burden*. Penguin Books, New York, 2006
- (13) William Easterly. The big push deja vu: A review of Jeffrey Sachs’s the end of poverty: Economic possibilities for our time. *Journal of Economic Literature*, 44(1):96–105, March 2006

- (14) Chapter 10 of William Easterly. *The White Man's Burden*. Penguin Books, New York, 2006
- (15) Econtalk: Nina Monk on Jeff Sachs
- (16) Econtalk: Jeff Sachs responds

III. Institutions

Historical Origins (September 27–)

- (17) Daron Acemoglu, Simon Johnson, and James A. Robinson. Institutions as a fundamental cause of long-run growth. In Philippe Aghion and Steven Durlauf, editors, *Handbook of Economic Growth*, volume 1 of *Handbook of Economic Growth*, chapter 6, pages 385–472. Elsevier, July 2005
- (18) Primer on Causal Analysis <http://marcfbellemare.com/wordpress/wp-content/uploads/2011/08/Causality.pdf>
- (19) Econtalk: Acemoglu on Why Nations Fail

B. Africa (October 4–)

- (20) Nathan Nunn. The long-term effects of Africa's slave trades. *Quarterly Journal of Economics*, Vol, 123(1):pg. 139–176, 2008
- (21) Nathan Nunn and Leonard Wantchekon. The Slave Trade and the Origins of Mistrust in Africa. *American Economic Review*, 101(7):3221–52, December 2011

C. Elections, Civil War, and Corruption (October 6–)

- (22) Raymond Fisman and Edward Miguel. Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets. *Journal of Political Economy*, 115(6):1020–1048, December 2007
- (23) Chapters 4 and 5 of William Easterly. *The White Man's Burden*. Penguin Books, New York, 2006
- (24) Christopher Blattman and Edward Miguel. Civil War. *Journal of Economic Literature*, 48(1):3–57, March 2010
- (25) MRU: Corruption and Growth
- (26) Econtalk: Collier on the Bottom Billion

No Class October 11 Due to Columbus Day.

MidTerm 1: October 13

IV. Policies

B. Health (October 18–)

- (27) Chapters 1–5 in A. Banerjee and E. Duflo. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. PublicAffairs, 2011

- (28) Chapter 4 of William Easterly. *The Elusive Quest for Growth*. MIT Press, Cambridge MA, 2001
- (29) Chapter 7 of William Easterly. *The White Man's Burden*. Penguin Books, New York, 2006
- (30) Abhijit Banerjee, Sharon Barnhardt, and Esther Duflo. Can Iron-Fortified Salt Control Anemia? Evidence from Two Experiments in Rural Bihar. NBER Working Papers 22121, National Bureau of Economic Research, Inc, March 2016
- C. Education* (October 25–)
- (31) Willa Friedman, Michael Kremer, Edward Miguel, and Rebecca Thornton. Education as Liberation? *Economica*, 83(329):1–30, 01 2016
- (32) Esther Duflo, Rema Hanna, and Stephen P. Ryan. Incentives Work: Getting Teachers to Come to School. *American Economic Review*, 102(4):1241–78, June 2012
- (33) Esther Duflo, Pascaline Dupas, and Michael Kremer. Peer Effects, Teacher Incentives, and the Impact of Tracking: Evidence from a Randomized Evaluation in Kenya. *American Economic Review*, 101(5):1739–74, August 2011
- (34) Sylvie Moulin, Michael Kremer, and Paul Glewwe. Many Children Left Behind? Textbooks and Test Scores in Kenya. *American Economic Journal: Applied Economics*, 1(1):112–35, January 2009
- D. Capital and Microfinance* (November 1–)
- (35) Chapters 6, 7, and 8 in A. Banerjee and E. Duflo. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. PublicAffairs, 2011
- (36) Esther Duflo, Abhijit Banerjee, Rachel Glennerster, and Cynthia G. Kinnan. The Miracle of Microfinance? Evidence from a Randomized Evaluation. NBER Working Papers 18950, National Bureau of Economic Research, Inc, May 2013
- (37) MRU: Microcredit
- E. Aid* (Nov 3)
- (38) Chapters 5 and 6 of William Easterly. Reliving the 1950s: the big push, poverty traps, and takeoffs in economic development. *Journal of Economic Growth*, 11(4):289–318, December 2006
- (39) Craig Burnside and David Dollar. Aid, policies, and growth. *American Economic Review*, 90(4):847–868, September 2000
- (40) Michael A. Clemens, Steven Radelet, Rikhil R. Bhavnani, and Samuel Bazzi. Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth. *Economic Journal*, 122(561):590–617, 06 2012
- (41) Nathan Nunn and Nancy Qian. US Food Aid and Civil Conflict. *American Economic Review*, 104(6):1630–66, June 2014
- (42) William Easterly. Can the west save Africa? *Journal of Economic Literature*, 47(2):373–447, June 2009

- (43) MRU: Basic Facts about Aid
- (44) Econtalk: Clemens on Aid
- (45) Econtalk: Easterly on Aid
- (46) Dambisa Moyo on Aid
 - F. Elections, Democracy, and Political Economy* (Nov 10)
- (47) Leonard Wantchekon. Clientelism and voting behavior: Evidence from a field experiment in Benin. *World Politics*, 55:399–422, 4 2003
- (48) Robin Burgess, Remi Jedwab, Edward Miguel, Ameet Morjaria, and Gerard Padró i Miquel. The Value of Democracy: Evidence from Road Building in Kenya. *American Economic Review*, 105(6):1817–51, June 2015
- (49) Edward Miguel. Tribe or nation? nation building and public goods in Kenya versus Tanzania. *World Politics*, 56:328–362, 4 2004
- (50) Introduction and Chapters 1, 2, and 8 of Paul Collier. *War, Guns and Votes*. Harper, London, 2009

MidTerm 2: November 15

Class Presentations: November 29, December 1, December 6

V. Course Summary and Conclusion (December 8–)

Final Exam Thurs. 12/15 1:30 pm ? 4:15 pm

References

- [1] Daron Acemoglu, Simon Johnson, and James A. Robinson. Institutions as a fundamental cause of long-run growth. In Philippe Aghion and Steven Durlauf, editors, *Handbook of Economic Growth*, volume 1 of *Handbook of Economic Growth*, chapter 6, pages 385–472. Elsevier, July 2005.
- [2] A. Banerjee and E. Duflo. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. PublicAffairs, 2011.
- [3] Abhijit Banerjee, Sharon Barnhardt, and Esther Duflo. Can Iron-Fortified Salt Control Anemia? Evidence from Two Experiments in Rural Bihar. NBER Working Papers 22121, National Bureau of Economic Research, Inc, March 2016.
- [4] Christopher Blattman and Edward Miguel. Civil War. *Journal of Economic Literature*, 48(1):3–57, March 2010.
- [5] Robin Burgess, Remi Jedwab, Edward Miguel, Ameet Morjaria, and Gerard Padró i Miquel. The Value of Democracy: Evidence from Road Building in Kenya. *American Economic Review*, 105(6):1817–51, June 2015.
- [6] Craig Burnside and David Dollar. Aid, policies, and growth. *American Economic Review*, 90(4):847–868, September 2000.
- [7] Michael A. Clemens, Steven Radelet, Rikhil R. Bhavnani, and Samuel Bazzi. Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth. *Economic Journal*, 122(561):590–617, 06 2012.
- [8] Paul Collier. *War, Guns and Votes*. Harper, London, 2009.
- [9] Tyler Cowen and Alex Tabarrok. *Modern Principles: Macroeconomics*. Worth Publishers, New York, 2011.
- [10] Esther Duflo, Abhijit Banerjee, Rachel Glennerster, and Cynthia G. Kinnan. The Miracle of Microfinance? Evidence from a Randomized Evaluation. NBER Working Papers 18950, National Bureau of Economic Research, Inc, May 2013.
- [11] Esther Duflo, Pascaline Dupas, and Michael Kremer. Peer Effects, Teacher Incentives, and the Impact of Tracking: Evidence from a Randomized Evaluation in Kenya. *American Economic Review*, 101(5):1739–74, August 2011.
- [12] Esther Duflo, Rema Hanna, and Stephen P. Ryan. Incentives Work: Getting Teachers to Come to School. *American Economic Review*, 102(4):1241–78, June 2012.
- [13] William Easterly. Explaining miracles: Growth regressions meet the gang of four. In Takatoshi Ito and Anne O’Krueger, editors, *Growth Theories in Light of the East Asian Experience*, volume 4, pages 267–299, 1995.
- [14] William Easterly. *The Elusive Quest for Growth*. MIT Press, Cambridge MA, 2001.
- [15] William Easterly. The big push deja vu: A review of Jeffrey Sachs’s the end of poverty: Economic possibilities for our time. *Journal of Economic Literature*, 44(1):96–105, March 2006.
- [16] William Easterly. Reliving the 1950s: the big push, poverty traps, and takeoffs in economic development. *Journal of Economic Growth*, 11(4):289–318, December 2006.
- [17] William Easterly. *The White Man’s Burden*. Penguin Books, New York, 2006.
- [18] William Easterly. Can the west save Africa? *Journal of Economic Literature*, 47(2):373–447, June 2009.
- [19] Raymond Fisman and Edward Miguel. Corruption, Norms, and Legal Enforcement: Evidence

- from Diplomatic Parking Tickets. *Journal of Political Economy*, 115(6):1020–1048, December 2007.
- [20] Willa Friedman, Michael Kremer, Edward Miguel, and Rebecca Thornton. Education as Liberation? *Economica*, 83(329):1–30, 01 2016.
- [21] Stephan Haggard. Institutions and growth in East Asia. *Studies in Comparative International Development*, 38(4):53–81, 2004.
- [22] Edward Miguel. Tribe or nation? nation building and public goods in Kenya versus Tanzania. *World Politics*, 56:328–362, 4 2004.
- [23] Sylvie Moulin, Michael Kremer, and Paul Glewwe. Many Children Left Behind? Textbooks and Test Scores in Kenya. *American Economic Journal: Applied Economics*, 1(1):112–35, January 2009.
- [24] Nathan Nunn. The long-term effects of Africa’s slave trades. *Quarterly Journal of Economics*, Vol, 123(1):pg. 139–176, 2008.
- [25] Nathan Nunn and Nancy Qian. US Food Aid and Civil Conflict. *American Economic Review*, 104(6):1630–66, June 2014.
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- [27] Lant Pritchett. Divergence, big time. *Journal of Economic Perspectives*, 11(3):3–17, Summer 1997.
- [28] Jeffrey Sachs. *The End of Poverty*. Penguin, New York, 2006.
- [29] Leonard Wantchekon. Clientelism and voting behavior: Evidence from a field experiment in Benin. *World Politics*, 55:399–422, 4 2003.