

## ECO211: Economic Development

Smith College, Fall 2016

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Office Hrs: T: 8:30-10; Th: 3-4:30pm

Schedule: TTh 10:30-11:50

Venue: Seelye 110

“Divergence in relative productivity levels and living standards is the dominant feature of modern economic history. In the last century, incomes in the "less developed" (or euphemistically, the "developing") countries have fallen far behind those in the "developed" countries, both proportionately and absolutely.”

Pritchett, Lant, 1997, ‘[Divergence, Big Time](#)’, *Journal of Economic Perspectives*, Vol. 11: 3, pp 3-17

“The dramatic growth rates of China, India, and the rest of the Asian countries from the 1970s meant that the incomes of three to four billion people started to converge to those of the OECD. This reduced worldwide income inequality for the first time in centuries because it more than offset the divergent incomes of 608 million Africans. The problem now is, therefore, that unless the incomes of these African citizens start growing fast, world income inequality will start rising again.”

Sala-i-Martin, Xavier, 2006, ‘[The World Distribution of Income: Falling Poverty and... Convergence. Period](#).’ *The Quarterly Journal of Economics*, Vol. 121:2, pp. 351-397

### The Point of the Course

A majority of the world’s population lives on less than \$2.50/day. Health status, educational attainment, government quality, and many other indicators are substantially lower in developing countries than in developed countries. Why are so many people so poor and what stop them from catching up? What strategies help alleviate poverty? What policies or institutions cause economies to grow and develop?

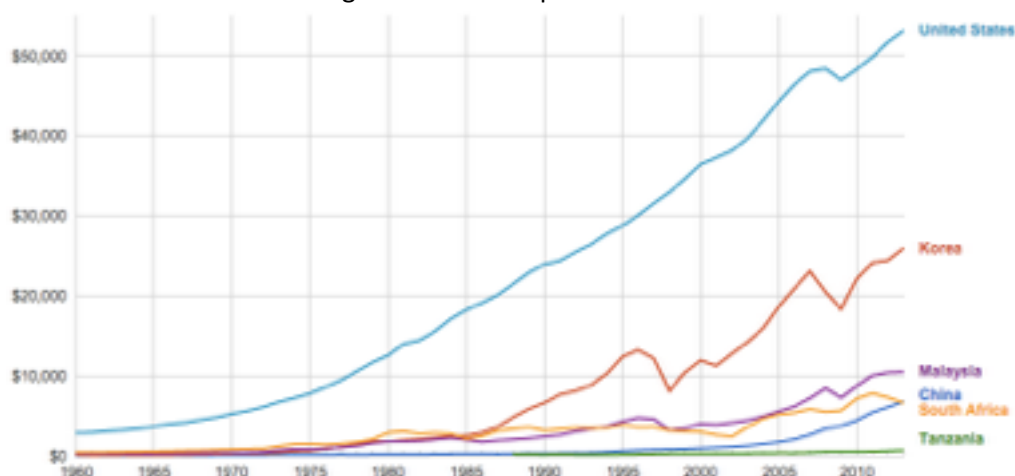


Figure 1: GDP per Capita (2014\$), 1960-2012, World Bank Data

We begin the class by understanding how to define and measure development, studying income, poverty, inequality, human development and health. We proceed to look at economic theories of growth as a tool to understand how agriculture, institutions and transformation have affected and continue to affect developing countries. Toward the end of the course we complicate our understanding of development by looking at the role of market failures and externalities, globalization and world trade, and credit and risk.

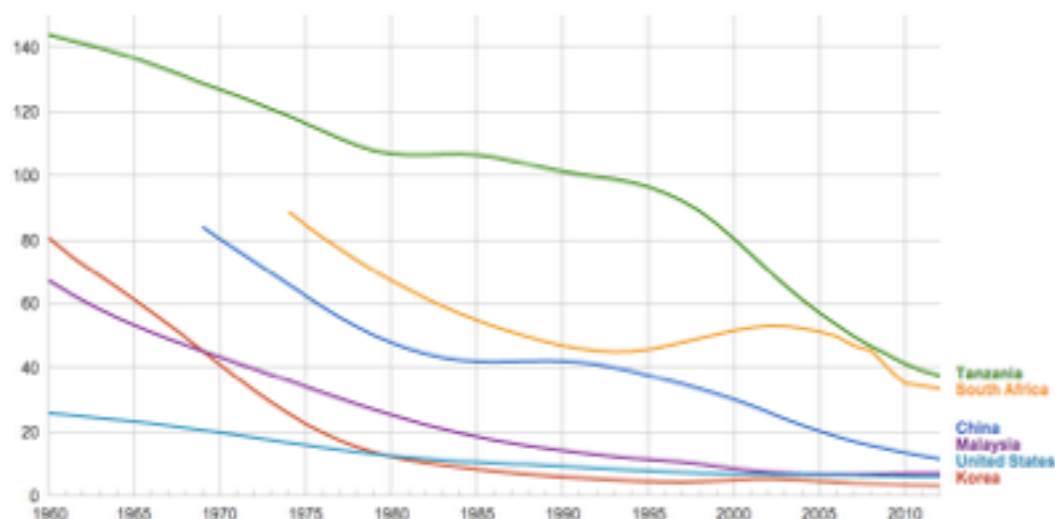


Figure 2: Infant Mortality (deaths per 1000), 1960-2012, World Bank Data

### The goals for ECO211

- To apply the tools from introductory microeconomics and introductory macroeconomics to analyze issues that developing countries face.
- To introduce some of the major theoretical and policy issues in development economics.
- To develop the quantitative and critical skills necessary to analyze current policy debates and controversies relating to development economics.

### Prerequisites & Where ECO211 Fits at Smith

ECO211 complements Smith College's other offerings in economics, development economics, and regional studies (African, Global South Development, South Asian, etc). It requires a student to have taken Introductory Microeconomics (ECO150) and Macroeconomics (ECO153). Introductory Statistics and Econometrics (ECO220) is not required, but is recommended for more comprehensive understanding of various topics. Seminars like Topics in Economic Development (ECO311) advance ideas introduced in ECO211 while typically focusing on one region of the world.



### Core Texts:

- Taylor, J. Edward with Travis Lybbert, 2012, *Essentials of Development Economics*, First ed, RebelText, Berkeley, CA, ISBN 978-00977103775 (abbreviation: EDE1).
- Or... Taylor, J. Edward with Travis Lybbert, 2015, *Essentials of Development Economics*, Second ed, UC Press, CA, (abbreviation: EDE2)
- Banerjee, Abhijit and Esther Duflo, 2011, [\*Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty\*](#), PublicAffairs, New York, ISBN 978-1586487980 (abbreviation: PE). **This book is available as an e-book through the Smith library.**

By the end of the course you will have read most, though not all, of both of the books (EDE and PE).

It is expected that you will read the required readings prior to the class session for which they are assigned, and come to class ready to discuss them.

### Course Survey

Please complete this Google form Survey (log in with your Smith account) to provide important information about your preferences and the area of the world and topics you would like to investigate in your team project. I will provide the link to you in an email.

### Assessment

There are two written exams for this course along with problem sets and a team project. The course assessment is based on the following breakdown.

- 10% Class Participation
- 25% Midterm Exam
- 35% Homework (4 Problem sets & 2 Book reports)
- 25% Team project (proposal presentation, final report, idea development reports)
- 5% Finally Presentation of Team Project

### Provisional Course Calendar (subject to change)

Dates	Topic	Reading	Assignments
9/8	Intro	EDE1 Ch 1 & 11 EDE2 Ch 1 & 2	
9/13-15	Income & start Poverty	EDE1 Ch 2 EDE2 Ch 3	
9/20-22	Poverty & Inequality	EDE1 Ch 3 & start 4 EDE2 Ch 4 & start 5	Problem Set 1 (Thurs)
9/27-29	Inequality & Human Development	EDE1 Ch 4 & start 5 EDE2 Ch 5 & start 6	
10/4-6	Human Development & Health	EDE1 Ch 5 EDE2 Ch 6	Book Report 1 (Tues)
10/8-11	<b>Fall Break</b>		
10/11-13	Human Development & Health	EDE1 Ch 5 EDE2: Ch 6	Problem Set 2 (Thurs)
10/18-20	Growth	EDE1 Ch 6 EDE2 Ch 7	
10/25-27	Institutions	EDE1 Add-in Ch. EDE2 Ch 8	
11/1-3	Institutions & Micro Revision	EDE1 Ch. 7 EDE2 Ch. 9	Problem Set 3 (Thurs)
11/8-10	Agriculture	EDE1 Ch 7 EDE2 Ch 10	
11/15-17	Market Failure	EDE1 Ch 8 EDE2 Ch 11	
11/22	Globalization & Trade	EDE1 Ch 9 EDE2 Ch 13	Problem Set 4 (Thurs)

11/23-27	<b>Thanksgiving Break</b>		
11/29-12/1	Credit & Risk	EDE1 Ch 10 EDE2 Ch 12	Book Report 2 (Tues)
12/6-8	Catchup/ Roundup Time	None	
12/13-15	Presentations	None	Final Project Due

### Homework

Homework is broken into two parts: problem sets and book reports.

#### *Problem Sets*

Problem sets will include a variety of written and numerical exercises. Assignments will be handed out at least one week before they are due. Assignments are due at the beginning of class on the day they are due. Late homework assignments will be accepted, for up to two days after they are due, but will lose 20% credit for each day they are late. (This means they lose 20% the first day late, 40% if two days late, and will receive no credit if handed in three or more days late.) You will have four problem sets and I will drop your lowest problem set score. We will 'front-load' the problem sets during the semester so that you have time to dedicate to your team project toward the end of the semester.

I encourage you to work in groups on the problem sets, but each student must prepare and submit their own answers in their own words. Copying your answers directly from another student or allowing a classmate to copy your problem set is a violation of the Honor Code. If you have any concerns about what constitutes independent work, please discuss them with me prior to the due date of the problem set.

#### *Book Reports*

You will write two book reports during the semester.

*Book report 1:* You will hand in the first before fall break. It will be a report on a work of fiction, history, auto-biography, biography or memoir written by an author from the global South (provisional list available on Moodle). In the report, I want you to write both about the book itself (brief summary, short analysis) and about what you think the *economic implications* are of the content of the book using ideas from ECO150 and ECO153.

I will hold you to the honor code in that you will choose to read a book that *you have not had to read for another course either in college or high school.*

*Book report 2:* The second you will hand in after Thanksgiving and it will be a report on *Poor Economics*. You will need to have read all of *PE* and you will have to put it in the context of the rest of the course and, preferably, through the lens of your team project. If you would prefer, you can write a report on *More Than Good Intentions* (Karlan and Eppel, 2012) instead of *PE*.

A book report should be no longer than 600 words (that is, approximately two double-spaced printed pages from MSWord or Google Docs).

### Team Project

You will produce a team project for which you will develop a presentation and a report. You will also present as a team on your project during the last week of term.

#### *Team Project & Knowledge Building*

The main focus for the project is for you as individuals and as members of a team to contribute to the sustained development of ideas relating to economic development.

The team project requires several tasks:

- Regular **summary of question or idea development** (one paragraph per 7 - 10 days written by a rotating team member)
- The development of an **initial proposal** for your project (decide on a question, project plan & draft literature list) with a presentation
- Literature review
- Project draft
- Project hand-in (with policy recommendation)
- Project presentation (hand in slides too)
- Personal reflection on idea development (in final problem set)
- Peer reviews

#### **What is knowledge building?**

An important part of ECO211 will be your participation in an interactive discourse with your classmates to share knowledge, reformulate problems, and continually improve your collective ideas and understanding. You will develop your own questions and work together to answer them. In this process you will post your ideas to Google docs, work in your allocated groups, create higher-level concepts that rise above the discourse, and engage in a meta-discourse that assesses your community's progress in knowledge advancement. I'll be there to help you every step of the way, but I won't be the arbiter of knowledge. You and everyone in the class will be counted upon to develop and bring expertise to the discourse.

While moving towards these outcomes, you will need to do the following:

- Participate in a team that shares knowledge, while refining and transforming that knowledge
- Treat all ideas as **improvable** and improve the **diversity** of the ideas
- Work toward broader reformulations of a problem
- Participate in meta-discourse that monitors the progress made by your team

#### *Guideline Questions to Think About Your Team Research Project*

Each member of the class will participate in a team to research a project. It would be useful for you to write down answers to the following questions, and then iterate by revising your answers as you think about each question, discuss it with your team members, your other colleagues and the instructor. Send me your write up at any stage you wish, and feel free to come and talk to me about it.

- What is the question you would like to have answered after the project? (Your answer should be a single sentence with a question mark at the end.)
- What do you know already about the possible answers to the question you have stated above?
- What are the various possible ways of finding an answer to the question you have stated above? Include both experimental and econometric/statistical methods you can think of.
- How important is this question to YOU? What are the chances that the answer you get from the data analysis will surprise you or others? What are the chances that it will change someone's mind?
- How would you conduct an impact evaluation? (Write down a design as if you could design a policy experiment and had the resources to do so — just outlines)
- Is your design of the analysis the simplest possible design to help answer the question you have stated?

- What are the possible outcomes of the analysis? Do the possible outcomes include at least one outcome that will answer the question you stated above? What is the chance that you will observe this outcome?

At any stage of your thinking, feel free to go back and revise your earlier answers if you wish to.

#### *Team Formation*

I will put you into teams. I will take your answers to the course survey about your backgrounds -- your majors, the courses you've taken, etc -- to design teams with diverse backgrounds and capabilities. The extra courses you've taken will help to improve the diversity of perspectives in your teams. I would recommend that you assign each person in your team a role and either hold roles constant for the semester or occasionally rotate roles to expose people to different tasks. I would suggest you put together a calendar with rotations and deadlines (see below). We will discuss these roles in class.

#### *Team Meeting*

You will need to register for a team meeting with me on Doodle. I will publish meeting slots on Tuesday and Thursday of the two weeks of the semester *before* fall break (09/27 to 10/06).

#### *Team Project Deadlines*

You have four deadlines that I have imposed for the Team Research Project.

- initial meeting with me before fall break
- team proposal presentation
- team final presentation
- final submission of project

I would suggest that you consider imposing deadlines within your team which you write up as a contract which all your team members agree to and sign. Provide me with a scan/photo of the agreement and submit parts of the project as the semester proceeds. You can amend the contract if everyone votes and agrees (send me a copy of the amendment). If you don't vote to amend, then someone may fail to meet their contractual obligations. This happens all the time in teams, so please also be forgiving, but also let me know if this happens repeatedly and a group member does not do their agreed tasks.

#### *Team member evaluations*

At the middle and end of the semester, you will evaluate each of your fellow team members in the following way. You will receive exactly these instructions on Moodle. For the mid-semester assessment, you will receive the feedback comments from others. For the final assessment, only I will read the comments.

"Evaluate the contributions of each person in your group except yourself, by distributing 100 points among them (that is, when you are done, the total points assigned to everyone should sum up to 100). You must provide comments for each person. These comments -- but not who provided them -- will be passed onto your teammates. Your score should reflect your judgment of such things as:

- Preparation (did they come to class prepared?),
- Contribution (did they contribute productively to group discussion and work?),
- Respect for others (did they encourage everyone to contribute and listen respectfully to different opinions?), and
- Flexibility (were they flexible when disagreements occurred?).

It is important that you differentiate between people who truly worked hard for the good of the group and those you perceived not to be working as hard on group tasks

(NOTE: If you give everyone pretty much the same score when it is not truly deserved, you will be hurting those who did the most and helping those who did the least)."

#### *Tools for Team Project*

I would strongly recommend Google docs for your your team project. A post on the Google blog demonstrates the use of Google docs for collaborative projects: <http://googleblog.blogspot.com/2015/09/google-docs-classroom-school.html>

I would also recommend [doodle.com](http://doodle.com) for setting up meetings and inviting people to meetings using Google Calendar. Another alternative is [Slack](https://slack.com/), which I use for managing team projects and keeping team communication in one place (*away* from email, if possible).

#### **Extra Credit for Spinelli Center Workshops**

Using MSExcel or Google Spreadsheets is a crucial component of this course in order to start working with economic data. Unfortunately, Apple's Numbers is strictly *inferior* to MSWord.

Dr. Cat McCune (of the Spinelli Center) and I have worked out a workshop for you to attend to learn the basic skills of working with Excel, from basic functions such as MEAN, SUM, etc and on to more complex tools, such as Pivot Tables.

*You can get extra credit if you attend and are signed in at the Spinelli Center for these workshops. **If you do not attend these workshops, you may fall behind and be less able to answer questions in problem sets and the midterm exam.** I will provide examples of every function I expect you to be able to use and I shall demonstrate some of them in class, but it would be very useful for you to have seen them before and practiced their use. I shall announce the workshops on Moodle and Piazza.*

#### **Moodle**

We have a Moodle site for the course that will be available through your Smith Moodle Login details. Specific readings, the course outline, gradebook and other resources will be available on Moodle.

#### **Piazza, Questions & Email**

In ECO211 we will use Piazza. Piazza is a website that allows participants to post questions (with their names or anonymously). You can respond to questions other people ask and they can respond to questions you ask. I can also endorse, comment on and add feedback to questions. I strongly encourage you to assist each other online (and preferably to do so with your names) so that I can see if and when you understand or do not understand an idea. Using Piazza also helps to ensure that I do not receive many emails asking the same question (which has happened in the past). If you email me about something already covered on Piazza, I will direct you to Piazza. I will add you all to the Piazza course after which you will receive an email alert and need to create a log-in for Piazza. Many of you probably already have such a log-in (I hope you remember your passwords).

All of which said, please feel free to email me. Typically, if an email is not about course content (which should almost always go on Piazza), then the email will be about something that is particularly relevant to you personally, e.g. you are traveling and will miss class, you need an extension for an assignment, you have a physical or mental health issue that needs to be resolved, etc. I shall always do my best to accommodate you. That said, I receive many, many emails. I try to ensure I get back to you within 24 hours (during the business week) or

by Monday (if you emailed over the weekend). Occasionally, I may miss an email because of reading it on my phone and forgetting to mark it as unread to respond to it later. I apologize in advance if this happens.

### **Method of Instruction**

The course is based on lectures by the professor and work among students and facilitated by the professor. Students are expected to prepare the readings for each session and to be able to answer questions about the readings to produce a high quality discussion. Each student is expected to contribute to the discussion. If you do not contribute, I shall encourage you to do so. If you contribute substantially more than anyone else, then I may ask you rather to encourage the engagement of others. We will also employ peer evaluation, though the professor will award grades.

### **World Bank**

Each year the World Bank issues a World Development Report. Here are a few recent reports.

- World Development Report 2012: [Gender Equality and Development](#)
- World Development Report 2013: [Jobs and Development](#)
- World Development Report 2014: [Risk and Opportunity](#)
- World Development Report 2015: [Mind, Society and Behavior](#)

Independently of the WDRs, the World Bank is a valuable resource for a variety of data. Though we discuss in the course how poor developing country data is, even from 'official' sources, it might be the case that using some of this data helps us to understand particular cases within countries.

**This course syllabus is preliminary and subject to change.**