



Spring 2014
University of North Carolina at Chapel Hill
ECON 465: Economic Development

Instructor: Dr. Geetha Vaidyanathan

Class Meeting Time: Tue. & Thu. @ 2:00 p.m. in GA 308

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Office Hours: Tue: 9:15 a.m. to 10:30 a.m.
Wed: 1:00 p.m. to 3:00 p.m.
Thu: 12:30 p.m. to 1:30 p.m.
Please take appointment for a meeting at other times. Walk-ins are welcome but please do not come during the half hour before class time.

Pre-requisite: ECON 101 & 410

Objective of the course:

More than two billion people live on less than \$2 a day in developing nations. We will discuss the problems faced by the poor in South Asia, Sub-Saharan Africa, Latin America and other such regions in the world. Poverty, income inequality, human development, health and education issues, Millennium Development Goals, population, underdeveloped capital markets and the consequences for economic growth, microfinance, environmental issues and migration are some of the topics covered in the course. We will also discuss the role of international institutions such as the World Bank, United Nations, and International Monetary Fund to promote economic development in these regions.

Textbook:

1. "Economic Development" by Michael P. Todaro and Stephen C. Smith, Eleventh Edition. http://wps.aw.com/aw_todarosmit_econdevelp_11/. There is a free online study guide at this website.
2. "Poor Economics: A Radical Rethinking of The Way to Fight Global Poverty" by Abhijit V. Banerjee and Esther Duflo.

Highly recommended books to read for enrichment:

- Mohammed Yunus, “Building Social Business: The New Kind of Capitalism That Serves Humanity's Most Pressing Needs”
- Dani Rodrik, “One Economics, Many Recipes: Globalization, Institutions, and Economic Growth”
- Paul Collier. “The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It”.
- Dambisa Moyo. “Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa”.
- D. Landes. “The Wealth and Poverty of Nations: Why Some Are So Rich & Some So Poor”
- Jeffrey Sachs. “The End of Poverty: Economic Possibilities for Our Time”.
- William Easterly. “The White Man's Burden”
- Joseph E. Stiglitz. “Globalization and Its Discontents”

Tests: There will be two midterm exams and one final exam. Exceptions may be made in rare cases and a legitimate excuse may need to be accompanied by proof. A final exam will be given according to the University final exam schedule. The exams will consist of multiple choice questions, problems, graphs, and short answer questions. If you miss a midterm exam and have a documented reason that is excusable, the weight of your final exam will be increased.

Homework Assignments: There will be a total of six homework assignments. Assignments are due in class on the due date. Assignments submitted after the due time will have a 25 point penalty each day. Assignments will not be accepted under my office door, in the Economics Department office or via email. Assignments will not be accepted after the answer key is posted. Assignments that require more than one page must be stapled. Assignments done on paper torn from a spiral notebook may NOT be graded. Students may cooperate on assignments but each student must hand in an individual copy of the assignment that is not a duplicate of another student or source. **If duplicate copies appear, all involved students will be given a zero on the assignment.**

Grading: Grades will be determined using the weights and scale defined below:

Weights to be used to determine grades:

Test 1:	25%
Test 2:	25%
Final exam:	35%
Homework Assignments:	15%

Grading Scale:

At least 93%	A
At least 90% but less than 93%:	A-
At least 87% but less than 90%:	B+
At least 83% but less than 87%	B
At least 80% but less than 83%:	B-

At least 77% but less than 80%:	C+
At least 73% but less than 77%:	C
At least 70% but less than 73%:	C-
At least 67% but less than 70%:	D+
At least 60% but less than 67%:	D
Less than 60%:	F

Grades are earned through the percentage point schedule given above. **No extra credit** of any kind is given to adjust grades at the end of the semester. Percentages are calculated using a spreadsheet software package and results are posted rounded to the first decimal place. Grades are assigned based on these results according to the above scale. **There will be NO “rounding up” to the next grade level.**

Calculators: You will not be allowed to use programmable calculators during exams. Please make sure that you have a basic calculator before your first exam. No exceptions.

Miscellaneous:

- (i) Regular attendance is required for understanding the material and doing well in the course.
- (ii) When you are in class, please pay attention which means no newspapers, laptops, IM, etc.
- (iii) Cheating will not be tolerated. UNC Honor Code will be strictly enforced for all course work. Please refer to honor.unc.edu if you have any questions about the honor code.
- (iv) Please check your grades on Sakai periodically. Any grade related issues have to be settled **within a week** after the test or homework is returned. Please attach a **short petition/note with the test/homework**. Changes will not be made after a week.
- (v) Please do the required reading before each class.

Here is a tentative schedule for the course. * implies suggested (but not required) additional readings to enhance your knowledge. Some of these might become required readings if time permits.

I. Economic Growth and Economic Development

Chapters 1 and 2: Todaro and Smith
Chapter 1: Banerjee and Duflo

Wolfers, Justin (2009). “Another Perspective on the Human Development Index”. *New York Times Blog: Freakonomics*. Response from HDRO’s Head of research Francisco Rodriguez. June 1, 2009.

II. Poverty and Income Inequality

Chapter 5: Todaro and Smith
Chapter 2: Banerjee and Duflo

Abhijit Banerjee and Ester Duflo, "The Economic Lives of the Poor," *Journal of Economic Perspectives*, Vol. 21, Number 1, Winter 2007, pages: 141-167.

* Besley, Timothy, and Robin Burgess, 2003. "Halving Global Poverty," *Journal of Economic Perspectives*, 17(3): 3-22

III. Growth theories in Development Economics

Chapter 3 & 4: Todaro and Smith

Dani Rodrik. "Diagnostics before Prescription," *Journal of Economic Perspectives*, Volume 24, Number 3, Summer 2010, pages 33-44.

TEST 1 IS ON FEBRUARY 13, 2014

IV. Population Growth and Economic Development

Chapter 6: Todaro and Smith

Chapter 5: Banerjee and Duflo

David Cutler, Angus Deaton, and Adriana Lleras-Muney. 2006. "The Determinants of Mortality," *Journal of Economic Perspectives*, Volume 20, Number 3, pages 97-120.

V. Urbanization and Rural-Urban Migration

Chapter 7: Todaro Smith

"Linkages between Internal and International Migrations: Policy Implications for Development" by *Claudia Natali*, *International Organisation for Migration (IOM), Thailand-Office* presented at the Conference on Urban-Rural Linkages and Migration September 16th 2009, Plenary Session 1

VI. Human Capital: Education and Health in Economic Development

Chapter 8: Todaro and Smith

Chapters 3 and 4: Banerjee and Duflo

Edmonds, Eric V. and Nina Pavcnik, 2005. "Child Labor in the Global Economy," *Journal of Economic Perspectives*, Volume 19, Number 1, Winter 2005, pages 199-220.

*Esther Duflo, Pascaline Dupas, Michael Kremer, and Samuel Sinei, "Education and HIV/AIDS Prevention: Evidence from a randomized evaluation in Western Kenya," *World Bank Policy Research Working Paper #4024, June 2006*.

*Kremer, Michael (2002). "Pharmaceuticals and the Developing World," *Journal of Economic Perspectives* 16(4). (25 pages)

*Dupas, Pascaline (2011). "Health Behavior in Developing countries". *Annual Review of Economics* Vol. 3, pp. 425-449, September 2011.

TEST 2 IS ON MARCH 20, 2014

VII. Agricultural Transformation and Rural Development

Chapter 9: Todaro and Smith

“Buying Farmland Abroad: Outsourcing’s third wave”, *The Economist*, May 21, 2009

*IFPRI (2003) “How much does it hurt? The impact of agricultural trade policies on developing countries”

VIII. The Environment and Development

Chapter 10: Todaro and Smith

* Hardin (1965) “The Tragedy of the Commons” *Science* 162

IX. International Trade Theory and Development Strategy

Chapter 12: Todaro and Smith

Anne O.Krueger, 1998. “Why Trade Liberalization is Good for Growth,” *Economic Journal*, 108 (450): pages 1513-1522

Stiglitz, Joseph, 2006. “Social Justice and Global Trade”

<http://pragmatos.net/2006/03/19/stiglitz-social-justice-and-global-trade/>

X. Lending, Saving and Entrepreneurship

Chapters 6, 7, 8 and 9: Banerjee and Duflo

* Morduch “The Microfinance Promise.” *Journal of Economic Literature* 37(4):1569-1614, 1999

* Robert Cull, Asli Demirgüç-Kunt and Jonathan Morduch (2009). “Microfinance Meets the Market”. February 2009. *Journal of Economic Perspectives* 23(1), Winter: 167-192.

XI. Foreign Finance, Investment, and Aid: Controversies and Opportunities

Chapter 14: Todaro and Smith

*Easterly, William, 2003. “Can Foreign Aid Buy Growth?” *Journal of Economic Perspectives*, 17(3): 23-48

XII. Balance of Payments, Debt, and the Macroeconomic Stabilization Policy

Chapters 13 & 15: Todaro and Smith

XIII. Conclusion: Banerjee and Duflo – Chapter 10

FINAL EXAM: 12:00 NOON ON MAY 5, 2014