



Spring 2015
University of North Carolina at Chapel Hill
ECON 465: Economic Development

Instructor: Dr. Geetha Vaidyanathan

Class Meeting Time: Tue. & Thu. @ 11:00 a.m. in GA 309

Make-up class: Feb. 5th – 7:00 p.m. to 8:15 p.m. (Room TBD)

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Office Hours: Mon: 2:00 p.m. to 5:00 p.m.

Tue: 9:15 a.m. to 10:30 a.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 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, Twelfth Edition.
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”

Research Paper: You will be writing a short research paper which will be due on April 14, 2015. The research topic can be from a list of topics that I will provide or on a topic chosen by you. Specific details about the research paper will be provided in a separate handout.

This requirement in the course will make this a research-exposure course. In this research-exposure course, you will be working with a Graduate Research Consultant (GRC), Ruchita Manghnani, who will assist you in the research project. The GRC Program is sponsored by the Office for Undergraduate Research (<http://our.unc.edu>), and you may be able to use this research-exposure course to meet a requirement of the Carolina Research Scholars Program (<http://our.unc.edu/students/crsp>). I encourage you to visit the OUR website to learn about how you might engage in research, scholarship and creative performance while you are at Carolina.

Contact Details for GRC: Ruchita Manghnani – manghnan@live.unc.edu.

Ruchita’s current research is in the area of International Economics. The following is a note from the GRC.

“My current research is on Firms in International Trade. There are vast differences in productivity across firms. My research examines whether the participation of firms in international markets (as exporters of final goods and importers of inputs) can explain some of these differences and the mechanisms through which firms possibly improve productivity through trade. I am also interested in how trade policy impacts firm decisions. This is important from a policy perspective as several countries around the world have undergone episodes of tariff liberalization or are in the process of reducing tariffs as part of their WTO commitments. I am currently studying how the firm’s investment decisions respond to tariff cuts.”

Following is a list of undergraduate research supervised by me in recent years:

- Income Distribution and Changing returns to Educations among Bumiputeras in Malaysia: A Quantile Regression Analysis.
- The Effect of Taiwan’s Industrial Policy on R&D.
- National Happiness: The Impact of Macroeconomic Variables on Life Satisfaction.
- Contemporary Issues in Economic Development.

- The Clean Air Act’s Hazardous Air Pollutants List and International Trade in Environmentally Sensitive Chemicals.
- The Effect of Fiscal Debt on Economic Growth using VAR.
- The Effect of School Infrastructure on performance of pre-school children in India.
- A Study of Microfinance.
- The Effect of Trade Liberalization on the Labor Allocation Decisions of Rural Households in Mexico.

Tests: There will be two midterm exams and one final exam. There will be no make-up midterm exam. If you miss a midterm exam and have a documented reason that is excusable, the weight of your final exam will be increased. The exams will consist of multiple choice questions, problems, graphs, and short answer questions. A final exam will be given according to the University final exam schedule.

Homework Assignments: There will be a total of six homework assignments. The lowest assignment grade will be dropped. 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:

Research Paper:	15%
Homework:	10%
Test 1:	20%
Test 2:	20%
Final exam:	35%

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:

1. Regular attendance is required for understanding the material and doing well in the course.
2. Please check *Announcements* in Sakai regularly for updates on readings, homework help sessions and other announcements.
3. Unless explicitly authorized, you are not permitted to use a laptop computer, tablet computer, smart phone, or cell phone during class. Watching movies and videos, playing games, checking the scores on espn.com, and chatting with your friends are disruptive behavior that will not be tolerated. (Please read <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom> about why laptops are banned even in Computer Science courses in some major universities).
4. 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.
5. If you miss a class, it is your responsibility to catch up.
6. 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.

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

Chapter 1: Todaro and Smith

Chapter 2: Sections 2.1, 2.2, 2.3, 2.6: 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.

There will be no class meeting on February 10, 2015

TEST 1 IS ON FEBRUARY 12, 2015

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: 7.1, 7.4, 7.5, 7.6, 7.7: 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 24, 2015

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. Conclusion: Banerjee and Duflo – Chapter 10

FINAL EXAM: 12:00 NOON ON APRIL 28, 2015