

# Syllabus and Readings for Economic Development AAE 474/Econ 474

Spring 2018

## 1 Administrative details

Course meets: MW, 2:30-3:34 pm  
Instructor: Dr. Paul Castañeda Dower  
Office: 411 Taylor Hall  
Phone: 262-4499  
E-mail: pdower@wisc.edu  
Office hours: by appointment  
Credit Hours: 3 Credits  
Course URL: [canvas.wisc.edu/courses/74063/](https://canvas.wisc.edu/courses/74063/)

## 2 Purpose of course

One out of five people on this planet lives on less than \$1 per day and half the world lives on less than \$2 per day. The intention of this course is to explore the causes and correlates of global poverty, and discuss policies used to address it. The approach of the course is microeconomic, meaning that we focus on individual and household behaviors, as well as market failures which lead to sub-optimal choices by these individuals. We will learn about measurement of poverty and inequality, the role of health and education in poverty, problems in credit and insurance markets, the causes of migration, corruption, and environmental degradation. We will also discuss current development programs intended to help address these issues.

The learning goals of this course are:

1. To be able to calculate basic measures of poverty and inequality;
2. To explain how economic models relate to causes of poverty;
3. To describe empirical methods used to analyze poverty and poverty alleviation and their limitations;
4. To discuss and evaluate current research in development economics;
5. To apply these tools to assess development policy and comment on policy design directly related to themes of the course: human capital, financial markets, migration, institutions, and the environment.

Although we will discuss the role of institutions and geography, this course will not cover macroeconomic topics such as growth in any depth. Trade and globalization are also not covered in this class. This is not because these are not important topics, but rather because there are other courses at UW which are entirely dedicated to them. For students interested in those topics I recommend AAE 373 and 374, and Econ 364, 365, 464, and 475. There are also area studies classes focusing on Latin America (AAE/Econ 462), Africa (AAE/Econ 477), and East and Southeast Asia (AAE/Econ 473).

### **3 Prerequisites**

One introductory course in economics (e.g., Econ 101, 102, AAE 215) or a solid background in economic issues from other “development” oriented courses. Economic models and econometric tools are frequently used to provide a coherent explanation for some issues, but you do not have taken an econometrics course to be successful in this course.

### **4 Materials**

You are required to purchase one book for this class. It is entitled *Poor Economics* by Abhijit Banerjee and Esther Duflo, published by Public Affairs Press in 2011. You can buy it in the bookstore or wherever else you would like. It is a little bit cheaper if you purchase it in electronic form. All other reading materials will be posted on Learn@UW.

## 5 Course structure

This course is a three credit course, meeting twice a week. The course consists of lecture/discussions, homework, a group project and exams. I expect that you will read the corresponding readings (date of class in bold), usually a chapter in BD, before each class and be prepared to discuss questions related to the readings. Lecture slides and discussion questions will be posted before each class.

### 5.1 Homework

There will be 4 homework assignments over the course of the semester. Anything that you hand in to me should contain grammatically correct, complete sentences (this is also true for email). Homework assignments will include a variety of written and numerical exercises. Three out of the four assignments will count towards your grade. This means that you can either drop your lowest score, or simply skip one assignment. Due dates for assignments will be announced in class. Assignments will be posted one week before they are due. If you choose not to turn in an assignment on time, you will lose 20% of the total points that you earn on the assignment for each day that it is late. Homework must be handed in through Learn@UW by 8 am on the date that it is due.

The four homework assignments are due: **FEBRUARY 21, MARCH 7, APRIL 11, and APRIL 25.**

### 5.2 Group assignment

There will be one group assignment due on April 29th. The assignment is to create a mock issue for an online magazine, styled after *The Economist*. Each group must designate an editor who is in charge of copyediting, quality control, resolving disputes among group members and other editorial duties. The remaining group members will be contributing writers. Group size should be 5 members, but exceptions will be made on a case by case basis. Those students who are unable to self-organize into a group will be assigned to one.

The issue must have a cover page and a cover story, featured on the cover page, and at least three more articles, two of which must be specifically focused on a current event/issue in a particular geographic region, broadly defined (Africa, Latin America etc.), as well as an editorial letter introducing and motivating the issue. The cover story should fall under the

broad theme of development policy and one of chapter topics in BD chs. 2-9. The cover story and the supporting articles should include at least three components: 1) highlight and discuss recent academic literature (published in the past five years) 2) present and discuss quantitative evidence and 3) descriptive material on an actual development policy that has been implemented recently. The cover story should guide the thematic content of the remaining articles, but it is up to the editor to ultimately decide.

**IMPORTANT:** Group roster must be finalized before January 31st, including the designation of the editor. If you are not a member of a group by this date, I will assign you to one. Your group **MUST** obtain approval of your cover story's theme/question before February 28th. After this date, permission to change the theme/question will be granted on a case by case basis. If you fail to get approval by Feb. 28th, your group will be penalized 20% of total points for the assignment each week that it is late. Your group should submit the final draft of your mock issue through Learn@UW by midnight on April 29th. If your group chooses not to turn in an assignment on time, you will lose 20% of the total remaining points that your group earns on the assignment for each day that it is late.

### 5.3 Exams

There will be two exams. The first exam will be in class on March 19th. The second exam will be held on the last day of class, May 2nd. The exams are not cumulative. The first exam will cover material up to March 7th and the second exam will cover material from March 12th up to April 25th.

### 5.4 Grading

The distribution of points for the semester will be as follows:

Group assignment	20%
Class participation	10%
Homework assignments	20%
Exam 1	25%
Exam 2	25%

Final grades are assigned in the following manner: the top five scores from the class are averaged. This average is subtracted from 100, and the remainder added to everyone's score (naturally, this means that 2 or 3 people receive "more than" 100%). Final grades are then assigned using the following scale:

$\geq 93\%$	:	A
$< 93 \ \& \ \geq 88 \%$	:	AB
$< 88 \ \& \ \geq 83 \%$	:	B
$< 83 \ \& \ \geq 78\%$	:	BC
$< 78 \ \& \ \geq 68$	:	C
$< 68 \ \& \ \geq 55$	:	D
$< 55$	:	F

How 3 credits are earned: the class is organized based on an expected time investment of 45 hours of work per credit hour. One credit is the learning that takes place in at least 45 hours of learning activities, which include time in lectures or class meetings, in person or online, exams, presentations, tutorials, reading, writing, studying, preparation for any of these activities, and any other learning activities.

## 6 Important things to note

- If you have a conflict with either of the exams or any of the homework due dates, please advise me of this during the first two weeks of class, and we will make alternate plans.
- THERE IS NO EXTRA CREDIT IN THIS CLASS.
- Do not respond to email, surf the internet, or otherwise engage with your electronic devices other than for class-related activities. This type of behavior can be very distracting to people sitting around you.
- Cheating will not be tolerated. If you are caught cheating, you will fail the course and appropriate University Conduct Code sanctions will be taken against you.

## 7 Course outline and readings

**I will advise of any modifications to this schedule on LEARN@UW.**

1. What is development?

- (a) [**January 24**] Banerjee & Duflo (2007) “The Economic Lives of the Poor” *Journal of Economic Perspectives*

BD: Ch.1.1 “Think Again, Again”

(b) [**January 29**] Sen (1994) “The Concept of Development” in *Handbook of Development Economics*

2. Poverty traps

(a) [**January 31**] BD: Ch. 1.2 “Trapped in poverty”

3. Measuring poverty and inequality

(a) [**February 5**] Haughton and Khander (2009) “Measuring Poverty”, *Handbook on Poverty and Inequality*, chapter 4, The World Bank Institute

*World Development Report 2006*, Overview, pp. 1-9

(b) [**February 7**] Human Development Report (2007/2008), “Technical Note 1,” 355-356.

Human Development Report (2010), “Technical Note 1,” 216-217.

(c) [**February 12**] Haughton and Khander (2009) “Measuring Inequality”, *Handbook on Poverty and Inequality*, chapter 6, The World Bank Institute, pp. 101-106

World Development Report (2006), “Equity and Development, Overview,” 1-18.

4. Regression analysis

(a) [**February 14**] Sykes (1992) “An Introduction to Regression Analysis” *The Inaugural Coase Lecture*

**HOMEWORK ASSIGNMENT 1 DUE FEBRUARY 21**

5. Health

(a) [**February 19**] BD: Ch. 2 “A Billion Hungry People?”

(b) [**February 21**] BD: Ch. 3 “Low-Hanging Fruit for Better (Global) Health”

6. Education

(a) [**February 26**] BD: Ch. 4 “Top of the Class”

- (b) [**February 28**] Duflo (2001) “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual policy Experiment” *American Economic Review*

7. Population

- (a) [**March 5**] de Janvry and Sadoulet (2016) Chapter 11 in *Development Economics: Theory and Practice*

BD: Ch 5 “Pak Sudarno’s Big Family”

8. Migration

- (a) [**March 7**] de Janvry and Sadoulet (2016) Chapter 13 in *Development Economics: Theory and Practice*

“Migration and Development” *The Economist*, 2004

**HOMEWORK ASSIGNMENT 2 DUE MARCH 14**

9. Insurance

- (a) [**March 12**] BD: Ch. 6 “Barefoot Hedge-Fund Managers”  
Ray (1998) “Insurance” chapter 15, excerpts
- (b) [**March 14**] Jensen (2000) “Agricultural Volatility and Investments in Children” *American Economic Review*

(optional) Udry (1990) “Credit Markets in Northern Nigeria: Credit as Insurance in a Rural Economy” *World Bank Economic Review*

**[Mar 19]: IN CLASS EXAM 1**

10. Credit

- (a) [**March 21**] Morduch, J. (1999), “The Microfinance Promise,” *Journal of Economic Literature* 37(4), 1569-1614.

BD: Ch. 7 “The Men from Kabul...”

- (b) [**April 2**] Banerjee, A. D. Karlan, & J. Zinman (2015), “Six Randomized Evaluations of Microcredit: Introduction and Further Steps,” *American Economic Journal: Applied Economics* 7(1), 1-21.

**SPRING BREAK: MAR 26-MAR 30**

11. Savings

- (a) [**April 4**] BD: Ch. 8 “Saving Brick by Brick”

Anderson, S. & J. M. Baland (2002), The Economics of ROSCAs and Intrahousehold Resource Allocation, *Quarterly Journal of Economics* 117(3), 963-995.

- (b) [**April 9**] BD: Ch. 9 “Reluctant Entrepreneurs”

**HOMEWORK ASSIGNMENT 3 DUE APRIL 11**

12. Politics and governance

- (a) [**April 11**] Olken, B.A. and R. Pande (2012), “Corruption in Developing Countries,” *Annual Review of Economics* 4, 479-509.  
BD: Ch. 10 “Policies, Politics”

13. Environment

- (a) [**April 16**] de Janvry, A. and E. Sadoulet (2016), “Sustainable Development and the Environment,” Ch. 15 in *Development Economics: Theory and Practice*, London: Routledge.

14. Deep determinants of development

- (a) [**April 18**] Acemoglu et al (2003) “Reversal of Fortune: Geography and Institutions in the Making of Modern World Income Distribution” *Quarterly Journal of Economics*
- (b) [**April 23**] Ashraf, Q., & Galor, O. (2013) “The ‘Out of Africa’ Hypothesis, Human Genetic Diversity, and Comparative Economic Development.” *The American Economic Review*, 103(1), 1-46.

**HOMEWORK ASSIGNMENT 4 DUE APRIL 25**

15. Discussion

- (a) [**April 25**] de Janvry, A. and E. Sadoulet (2016), “Development Aid and its Effectiveness,” Ch. 19 in *Development Economics: Theory and Practice*, London: Routledge
- (b) [**April 30**] BD: “In Place of a Sweeping Conclusion...”

**[May 2]: IN CLASS EXAM 2**



## 8 Other information

**Plagiarism:** Plagiarism is a serious offense. All sources and assistance used in preparing your papers must be precisely and explicitly acknowledged. Ignorance of what constitutes plagiarism or academic misconduct is not a defense. It is your responsibility to be sure. The web creates special risks. Cutting and pasting even a few words from a web page or paraphrasing material without a reference constitutes plagiarism. If you are not sure how to refer to something you find on the internet, you can always give the URL. It is generally better to quote than to paraphrase from material on the web, because in the absence of page numbers it can be hard to find passages that are paraphrased rather than quoted. For more information on writing and source citation, the following may be helpful <http://writing.wisc.edu/Handbook/Documentation.html>

**Academic Integrity:** By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct comprises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. If you have any questions about what constitutes academic misconduct, please read the following information <http://students.wisc.edu/doso/acadintegrity.html> or come talk with one of the instructors.

**Accommodations for students with disabilities:** The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accom-

modations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA. <http://mcburney.wisc.edu/facstaffother/faculty/syllabus.php>