

Economic Development and policy  
ECON 3784-001  
spring 2013  
Professor Akacem  
Monday 5:00:7:30 p.m.  
ECON 117  
Office: Econ 216-A  
Office hours: Monday 3:00 to 4:50 p.m. or by appointment  
Course material posted on: <https://learn.colorado.edu>

**Please Note:** I generally do not encourage the use of lap tops in class. If you have a documented need for them, please do see me so that we can make sure that your use of the lap tops does not interfere with others. The evidence shows that these are used for things that have nothing to do with class and they distract others. The same goes for the use of **cell phones and texting. There is zero tolerance for their use.**

**Email:** Please email me at: [akacem@colorado.edu](mailto:akacem@colorado.edu) if you need to reach me. Generally speaking, it is much easier to come to my office during office hours, or right after or before class if times allows. Avoid messages such as “I missed class, what did I miss”. If you do miss, make sure and get the lecture notes from another student. When sending an email message, please do include a subject such as our class, question etc... Messages without anything on the subject line will not be answered. We get too much spam, so please help by simply adding something relevant on the subject line.

Prerequisites: Econ 2010 and Econ 2020

**Required Books:**

Michael P. Todaro and Stephen C. Smith Economic Development, Tenth Edition, 2009, Addison Wesley

William Easterly. The Elusive Quest for Growth. MIT Press, 2001, paperback edition.

**Glossary:** posted on D2L. Please consult and review these.

**Optional:**

William Easterly. The White's Man Burden, Why the West's efforts to aid the rest have done so much ill and so little good, Penguin Books, 2006.

**Back to basics** series: posted on D2L.

### **Purpose of the Course:**

The purpose of the course is to acquaint the student with the major issues in development economics and policies. By the end of the course the student should be acquainted with most of the major issues in economic development policy and what both developing countries and international institutions are doing to confront the major constraints facing poor countries.

### **Schedule of Readings and Topics:**

Tentative schedule. The class meets once a week for two and half hours. The outline below is tentative and may change somewhat depending on the pace of the class and case studies as well as events warrant. The material covered in class may be more than what your outline shows and additional readings may be assigned during the semester.

**Attendance and general exam policy:** Attendance is required and that means for the whole class period. You are given the exam dates in advance so do plan ahead. There are no make up for missed exams. No exception. (travel plans, weddings, etc.. will not do). Some classes schedule their exams at the same time as ours on Monday evening. Our exam takes precedent over any other course that decides to give an exam at the same time since ours is a scheduled class time. If you miss an exam and have a documented medical excuse for the **specific day** of the exam, then we will consider it. The exams will be essay format.

After each exam, you are welcome to contact the class grader to see your exam and visit with him to discuss your exam if you wish. For the final, you would need to wait until the next semester when we are back to visit with him. His contact information is below:

Yury Chernykh, Email: [yury.chernykh@colorado.edu](mailto:yury.chernykh@colorado.edu)

### **Course outline:**

Below is the course outline. Some material may be added during the semester so be in class and stay informed. These will not be emailed. If and when we have a guest speaker, the date and topic will be announced in class as well.

**T=Todaro**

**WE = Easterly**

**FD=Finance and Development**

### **Audio files:**

You will also have some audio files on D2L. These will be assigned as events warrant.

Please note that most if not all of the assigned readings are found on the web. If a URL changes and you get an error, simply search for the title and author in google and you should find it.

**Week One:****Todaro:** Chapter 1**WE**, Prologue: The Quest and To Help the Poor “Intermezzo: In Search of a River,” pp. xi to 19**On Reserve:**

Chapter one “Planners versus Searchers” from William Easterly. *The White’s Man Burden, Why the West’s efforts to aid the rest have done so much ill and so little good*, Penguin Books, 2006.

**Week Two: Martin Luther King Jr. Day campus closed**

No class but students are expected to read the assigned readings below. We cannot afford to lose a whole week, so make sure you cover the material.

**Todora: Chapter 2:****WE**, “panacea that failed,” pp. 21-45

View Episode Two: **The Agony of Reforms**, from The Commanding Heights series on course reserve. You need your normal log in and password in addition to the class password: devfall 2012

**Week Three:****Todaro:** Chapter 3:**WE**, Chapter 3 “Solow’s Surprise,” pp. 47-70 and chapter 12 “Corruption and Growth”, pp.241-253

“Trading for Development: The Poor’s Best Hope,” Jagdish Bagwati

Council on Foreign Relations <http://www.cfr.org/publication.html?id=4631>

The Quality of growth by Antoinette Sayeh, Finance and Development December 2011

<http://www.imf.org/external/pubs/ft/fandd/2011/12/straight.htm>

**Part II: Problems and Policies: Domestic****Week Four:****Todaro:** Chapter 5 : Poverty, Inequality and Economic Development

More or Less: Income inequality has risen over the past quarter-century instead of falling as expected, by Branko Milanovic, in Finance and Development September 2011

<http://www.imf.org/external/pubs/ft/fandd/2011/09/pdf/milanovi.pdf>

Micro Finance and the Poor from back to basics series:

<http://www.imf.org/external/pubs/ft/fandd/2007/06/basics.htm>

India Microcredit meltdown: Audio file on D2L under Audio files folder

A bigger slice of a growing pie, by Sarwat Jahan and Brad McDonal, Finance and

Development, September 2011

<http://www.imf.org/external/pubs/ft/fandd/2011/09/jahan.htm>

### **Week Five:**

**Exam 1: February 11<sup>th</sup>, 2012 .** All of the material assigned/covered from Week 1 to Week 4. In addition, terms in the glossary on D2L from page 1 to page 6 ending with fascism. Pls note: there are NO make up for missed exams. There may be other classes that schedule a night exam on the same day and time because of their size. Please note that our exam will not be rescheduled. It will be given on the assigned day and time of the class.

We will **NOT** take the whole class session for the exam. Lectures will continue on that day. We will first start the readings below and then take the exam. The material below is **NOT** assigned for exam 1.

### **Todaro: Chapter 6: Population and economic development**

**WE**, “Cash for Condoms”, pp: 87 to 99

**WE**, “Tales of Increasing Returns,” pp. 143-170.

Investing in the youth bulge

<http://www.imf.org/external/pubs/ft/fandd/2006/09/jimenez.htm>

Global demographic trends

<http://www.imf.org/external/pubs/ft/fandd/2006/09/picture.htm>

India Tries Using Cash Bonuses to Slow Birthrates

<http://www.nytimes.com/2010/08/22/world/asia/22india.html?ref=world&pagewanted=print>

Empowering women is smart economics, by Ana Revenga and Sudhir Shetty, Finance and Development, March 2012.

<http://www.imf.org/external/pubs/ft/fandd/2012/03/pdf/revenga.pdf>

### **Week Six:**

We may finish the material from week Five this week since part of the time was taken by exam 1.

### **Todaro: Chapter 8: Human Capital and Education**

**WE**, “Creative Destruction: The Power of Technology,” pp. 171- 193

**WE**, “Education for What,” pp. 71-85.

Why Quality Matters in Education by Eric A. Hanushek in Finance and Development, June 2005

Making the Grade, by Emmanuel Jimenez, Elizabeth M. King, and Jee-Peng Tan in Finance and Development, March 2012

<http://www.imf.org/external/pubs/ft/fandd/2012/03/pdf/jimenez.pdf>

### **Week Seven:**

## **Todorao: Chapter 9: Agriculture**

WE, “Under and Evil Star,” pp. 195-215 and “Governments Can Kill Growth,” pp. 217-240  
Global Warming and agriculture, Finance and development March 2008

<http://www.imf.org/external/pubs/ft/fandd/2008/03/cline.htm>

The Global Land Rush, by Rabah Arezki, Klaus Deininger and Harris Selod in Finance and Development March 2012

<http://www.imf.org/external/pubs/ft/fandd/2012/03/pdf/arezki.pdf>

## **Week Eight:**

## **Todaro: Chapter 11: Development Policy and Role of Markets**

Recipe for success

<http://www.imf.org/external/np/exr/BForums/2007/summary/112907.htm>

One economics many recipes

<http://www.imf.org/external/np/tr/2007/tr071129a.htm>

Goodbye Washington consensus, hello Washington confusion

<http://ksghome.harvard.edu/~drodrik/Lessons%20of%20the%201990s%20review%20JEL.pdf>

Audio files: Inside the IMF part one and two from the Audio files folder in D2L.

## **Week Nine:**

## **Todaro: Chapter 12: Trade Policy Debate**

A trade policy perspective on capital controls

<http://www.imf.org/external/pubs/ft/fandd/1999/03/schuknec.htm>

Trade policy by Anne Krueger

<http://www.imf.org/external/np/speeches/2005/041905.htm>

Trade: An engine of growth for Africa

<http://www.imf.org/external/pubs/ft/fandd/1999/12/sharer.htm>

Trade, growth and poverty

<http://www.imf.org/external/pubs/ft/fandd/2001/09/dollar.htm>

## **Week Ten:**

## **Todaro: Chapter 13: International Debt, capital flows, International Currency crises**

WE, “The Loans That Were, the Growth that Wasn’t,” pp. 101- 122; “Forgive Us Our Debts,” pp. 123-139.

The Challenge of Managing Global Capital Flows by Manuel Guitiérrez in Finance and Development, June 1998, Volume 35,

Number 2,

<http://www.imf.org/external/pubs/ft/fandd/1998/06/guitian.htm>

Audio file: Financial crises throughout history in the audio folder

Case study: The Crash: The Asian crisis, the IMF and implications to development.

Capital Account: Liberalize or Not? By M. Ayhan Kose and Eswar Prasad, Finance and Development, February 2012

<http://www.imf.org/external/pubs/ft/fandd/basics/capital.htm>

## **Week Eleven: Spring Break: No class**

### **Week Twelve**

**Exam 2: Monday April 1<sup>st</sup>, 2012.** Material from week 5 to week 10 and any material assigned. In addition, glossary terms page 7 to page 12 ending with NAFTA. These are on D2L. As with Exam 1, we will start on the new material for this week and then take the exam. Pls note: there are NO make up for missed exams.

### **Todaro: Chapter 14, Foreign Finance and Aid**

**WE**, Chapter 2, Aid for Investment (repeat), pp: 25-45

### **On Reserve:**

Chapter 2, “The legend of the big Push”, from William Easterly. The White’s Man Burden, Why the West’s efforts to aid the rest have done so much ill and so little good, Penguin Books, 2006.

Chapter 3, “You can’t plan a market” from William Easterly. The White’s Man Burden, Why the West’s efforts to aid the rest have done so much ill and so little good, Penguin Books, 2006.

Role of remittances in development:

[http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD\\_Brief8.pdf](http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief8.pdf)

Improving the effectiveness of aid

<http://www.imf.org/external/pubs/ft/fandd/2008/09/deutscher.htm>

Aid to growth by Steven Radelet, Michael Clemens and Rikhil Bhavnani, in Finance and Development, September 2005

<http://www.imf.org/external/pubs/ft/fandd/2005/09/radelet.htm>

Optional:

From Back to Basics “Remittances”

**Week Thirteen: We will finish the material from week 11<sup>th</sup>.**

### **Todora: Chapter 15: Financial Markets and Development**

Financial development, productivity and economic growth, in Economic Letters, Federal

Reserve Bank of San Francisco, June 27, 2003

<http://www.frbsf.org/publications/economics/letter/2003/el2003-18.pdf>

Differing benefits: Financial development does not give the same growth boost to all countries by Adolfo Barajas, Raph Chami and Reza Seyed Yousefi in Finance and Development September 2011

<http://www.imf.org/external/pubs/ft/fandd/2011/09/pdf/barajas.pdf>

Financial liberalization: How well has it worked for developing countries?

<http://www.frbsf.org/publications/economics/letter/2005/el2005-06.html>

Audio file : Micro-finance (Audio file folder in D2L)

## **Week Fourteenth:**

### **Todaro: Chapter 15: Currency markets, exchange rates**

Exchange rate regimes: Is the bipolar view correct.

<http://www.imf.org/external/pubs/ft/fandd/2001/06/fischer.htm>

Exchange rate regimes: Fix or Float?

<http://www.imf.org/external/pubs/ft/fandd/2008/03/basics.htm>

A new Bretton Woods

<http://www.imf.org/external/pubs/ft/fandd/2009/03/boughton.htm>

## **Week Fifteenth:**

### **Globalization, Institutions and Development**

Institutions matter but not for everything, by Jeffrey Sachs

<http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/sachs.pdf>

The IMF on Globalization found at:

<http://www.imf.org/external/np/tr/2004/tr040922a.htm>

The Market Maker: case study to be viewed in class time permitting

## **Week Sixteenth:**

### **Institutions and Economic Development, governance and its role**

Root Causes, in Finance and Development, found at:

<http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/acemoglu.pdf>

The primacy of institutions by Dani Rodrik and Arvin Subramanian

<http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/rodrik.pdf>

The World Bank: Governance matters 2008

<http://info.worldbank.org/governance/wgi/index.asp>

Paul Romer and the experiment in Honduras.

<http://www.npr.org/blogs/money/2013/01/04/168630879/planet-money-on-this-american-life>

Youth in the Balance, by David Bloom, Finance and Development March 2012

<http://www.imf.org/external/pubs/ft/fandd/2012/03/pdf/bloom.pdf>

There is one case study that may be assigned to be viewed class-time permitting- this week on property rights and economic development from the work of Hernan De-Soto.

**Final Exam** will cover material starting with week 5 to week 16 with emphasis on the last part. Any material assigned for the third part and glossary terms from page 13 to page 18 on D2L under learning modules and or any material added during the course of the semester.

**The final will be given on the date listed on MyCUInfo and/or the academic calendar. Please make a note of it. It will not be given on any other day or time. Please check your final exams' schedule for any conflicts.**

As noted below, there are no make ups for missed exams.

### **Grading Policy**

Grades will be earned on the following basis:

**Exams:** 2 mid-terms and one final exam. The weights are 25% for the first mid-term, 35% for the second mid-term and 40% for the final exam. **Remember that there are NO MAKE UP's for missed exams. Travel plans, wedding, etc.. will not do. Only a documented medical excuse for the specific day of the exam may be considered.**

### **Grade 100% scale**

A 93.4-100  
 A- 90.0-93.3  
 B+ 86.7-89.9  
 B 83.4-86.6  
 B- 80.0-83.3  
 C+ 76.7-79.9  
 C 73.4-76.6  
 C- 70.0-73.3  
 D+ 66.7-69.9  
 D 63.4-66.6  
 D- 60.0-63.3  
 F less than 60

Your final grade will be according to the percentage of total points that you earn based on the above apportionment. For instance, if you earn 83.3 points of the total available points then your grade will be a B-.



**Disabilities:** Any student with a documented disability who needs to arrange accommodations must contact both the instructor and Disability Services at the beginning of the term

If you have not already done so, please get familiar with the Honor code and the policies at CU by visiting : <http://honorcode.colorado.edu/>. Violation of the Honor code of any kind will result in an F for the whole course and will be reported to the Honor office. Please see below:

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council and those students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member involved and non-academic sanctions (including but not limited to university probation, suspension, or expulsion).

Please refer to <http://honorcode.colorado.edu> to view the specific guidelines. If you have any questions related to this policy, please contact the Honor Code Council at [honor@colorado.edu](mailto:honor@colorado.edu).