

Economic Development and policy
 ECON 3784-001
 spring 2014
 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 if you need to reach me. Generally speaking, it is much easier to come to my office and or right after or before class if times allows. Avoid messages such as “I missed class, what did I miss”. If you do miss class, 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, 11th Edition, 2012, Addison Wesley.

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

Highly recommended:

“Understanding Economics, Back to Basics from Finance & Development explains some fundamental concepts of economics.”

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

Three assigned chapters posted on D2L from the following:

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. You can use it as background material or refresher for key concepts that you may wish to review.

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:

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 new material as well as discussion of case studies. The material covered in class may be more than what your outline shows and additional readings will be assigned during the semester.

Attendance and general exam policy:

Attendance is required. I will be taking attendance at various times during the semester. I may use it at my discretion to benefit students with excellent attendance in the event that their overall grade is extremely close to the next letter grade. This is **NOT** part of the grading criteria but only a possible adjustment for those with excellent attendance.

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.). If you have a documented medical excuse for the specific day of the exam, then we will consider it. Attendance means being there for the whole class period. The same applies for the exams. Once the exam starts, students are required to stay in the classroom during the whole exam period.

Course outline:

Below is the course outline. Some material may be added during the semester so be in class and stay informed. If and when we have a guest speaker, the date and topic will be announced in class as well.

Note about the mid-term exams and the final:

1. There are NO make ups for missed exam so please note the dates.
2. Some CU courses that do not meet at the same time and day as ours, do give evening exams and it may conflict with our mid-terms. Please note that our exam will be given as scheduled by CU on Monday evenings during our class time, and will not be changed.
3. Please bring a calculator to the exams. No cell phone use in place of a calculator.

4. The Final will be given at the scheduled date and time as posted on MyCUInfo and will not be changed. Make sure and check for any conflicts early in the semester. **The final will be scheduled for only 1 Hour and 1/2 .**

T=Todaro

WE = Easterly

FD= Finance and Development

Part I:

Week 1:

Todaro: Chapter 1: Introducing Economic Development: A Global Perspective

WE, Prologue “The Quest” and Chapter 1 “To help the poor” and “Intermezzo: In Search of a River,” pp. xi-19

On D2L:

Chapter one “ Planners versus Searchers” by William Easterly from The White Man’s Burden

FD: From the IMF/World Bank Back to Basics series:

Supply and Demand

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

Gross Domestic Product

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

Week 2:

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

Todora: Chapter 2: Comparative Economic Development

WE, Chapter 2 “Aid to Investment” pp. 25-45

D2L: View Episode Two on D2L under documentaries: **The Agony of Reforms**, from The Commanding Heights series.

Week 3:

Todaro: Chapter 3: Classic Theories of Economic Growth and Development

WE, Chapter 3 “Solow’s Surprise: Investment is not the key to growth” pp. 47-70.

WE, Chapter 9 “Creative destruction: The power of technology” pp. 171-193

Part II: Problems and Policies: Domestic

Week 4:

Todaro: Chapter 5 : Poverty, Inequality and Economic Development

FD: Who let the Gini Out?

<http://www.imf.org/external/pubs/ft/fandd/2013/12/pdf/furceri.pdf>

FD: Micro Finance and the Poor

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

D2L: Audio file folder in D2L: India Microcredit meltdown:

Week 5:

Exam 1: Monday, February 10th, 2014. All of the material assigned/covered from Week 1 to Week 4. Pls remember that there are NO make up for missed exams.

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 Growth and economic development, Causes, Consequences and Controversies

WE, Chapter 5 “Cash for Condoms”, pp: 87 to 99

FD: What is the Demographic Dividend?

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

FD: Investing in the youth bulge

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

From The New York Times: India Tries Using Cash Bonuses to Slow Birthrates

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

Week 6:

We will finish the material from week Five this week.

Todaro: Chapter 8: Human Capital: Education and Health in Economic Development

WE, Chapter 4 “Education for What,” pp. 71-85.

FD: Why Quality Matters in Education by Eric A. Hanushek in Finance and Development, June 2005 <http://www.imf.org/external/pubs/ft/fandd/2005/06/hanushek.htm>

FD: Empowering Women is Smart Economics

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

Week 7:

Todaro: Chapter 9: Agricultural Transformation and Rural Development

WE, Chapter 10 “Under and Evil Star,” pp. 195-215

WE, Chapter 11 “Governments Can Kill Growth,” pp. 217-240

FD: Global Warming and agriculture

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

Week 8:

Todaro: Chapter 11: Development Policymaking and the Roles of Markets, States and **Civil Society**

Recipe for success

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

Goodbye Washington consensus, hello Washington confusion

http://www.hks.harvard.edu/fs/drodrik/Research%20papers/Lessons%20of%20the%201990s%20review%20_JEL_.pdf, should also be in D2L.

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

Part Three: Problems and Policies: International and Macro

Week 9:

Todaro: Chapter 12: International Trade Theory and Development Strategy

FD: Why Nations Trade from Back to basics:

<http://www.imf.org/external/pubs/ft/fandd/2009/12/pdf/basics.pdf> (and D2L)

FD: International Trade: Commerce among Nations

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

Week 10:

Todaro: Chapter 13: Balance of Payments, Debt, Financial Crises and Stabilization Policies

WE, Chapter 6 “The Loans That Were, the Growth that Wasn’t,” pp. 101- 122;

WE, Chapter 7 “Forgive Us Our Debts,” pp. 123-139.

Case study: Documentary “The Crash” The Asian crisis, IMF and implications to development, in class discussion of it

Week 11: Spring Break**Week 12:**

Exam 2: Monday March 31st, 2014. Material from week 5 to week 10 and any material assigned. As with Exam 1, we will start on the new material for this week and then start the exam.

Todaro: Chapter 14: Foreign Finance, Investment, and Aid: Controversies and Opportunities

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

FD: Remittances: Funds for the Folks Back Home

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

Under assigned readings in D2L: Chapter 2, “The legend of the big Push” by William Easterly

Week 13th: We will finish the material from week 12.

Todora: Chapter 15: Finance and Fiscal Policy for Development (Financial Markets, **Monetary** Policy and development) Lecture material will go beyond the text.

FD: Islamic Financial Systems by Zamir Iqbal

<http://www.imf.org/external/pubs/ft/fandd/1997/06/pdf/iqbal.pdf>

Week 14th: Lecture: Currency markets, exchange rates, Big Mac Index and capital flows need to Review the documentary The Crash, assigned for this week

FD: Capital Accounts: Liberalize or Not?

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

Exchange rate regimes: Fix or Float?

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

Week 15th:

Globalization, Institutions and Development

Data source for Worldwide Governance Indicators

<http://info.worldbank.org/governance/wgi/index.aspx#home>

Institutions matter but not for everything, by Jeffrey Sachs

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

Under documentaries: The Market Maker, if times allows.

Week 16th:

Institutions and Economic Development, governance and its role

WE, Chapter 12 Corruption and growth, pp. 241-252

WE, Chapter 14 Conclusion, pp. 285-291

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>

Under documentaries: Property rights and economic development by Hernan De-Soto

Final Exam will cover material starting with week 5 to week 16 with emphasis on the last part and any material assigned for the third part or added during the course of the semester.

The final exam will not take the whole assigned time for finals. It will end within 1 hour and ½ of the start time.

The final will be given on the date listed on MyCUInfo as well as on the finals' exams schedule posted on the CU website:

http://www.colorado.edu/registrar/sites/default/files/forms/Spring%202014%20Final%20Exam%20Schedule_0.pdf

Please check the final's date and make a note of it. Make sure that you do not have any conflict. It will not be given on any other day or time.

There are no make ups for missed exams.

Grading Policy

Grades will be earned on the following basis:

Exams: You will have 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.

Optional Extra Credit Assignment:

In addition to the three exams, you can do **an optional assignment** which will consist of a presentation on a given developing country. This will count for 5% of the grade which will be added to your final's (exam 3) grade. For example, if you receive a 70% on the presentations, 3.5

points will be added to your exam 3 grade.

A file titled Suggested data sources for the optional assignment can be found in D2L. It will give you a number of data sources.

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 will result in an F for the whole course.