

Economic Development and policy  
ECON 3784-001  
Fall 2010  
Professor Akacem  
Monday 5:00:7:30 p.m.  
HUMN 135  
Office: Econ 216  
Office hours: Monday 3:00 to 4:50 p.m. or by appointment

The course will have a home in [CuLearn](#) and can be accessed at:  
<http://Culearn.colorado.edu>

**Please Note: Leave your laptops at home.** I generally do not encourage their use in class. If you have a documented need for them, please do see me. Otherwise, the evidence shows that these are used for things that have nothing to do with class and they distract others. The same goes for **cell phones and texting. There will be 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 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, make sure and get the 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 on the subject line.

### **Required Books:**

Michael P. Todaro and Stephen C. Smith Economic Development, Ninth Edition, 2005, Addison Wesley

You are welcome to buy the latest edition if you wish. The bookstore has been asked to buy the 9<sup>th</sup> edition.

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

### **On Reserve:**

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.

### **Other Recommended readings:**

**The Economist**

<http://www.economist.com>

**The Wall Street Journal**

<http://www.wsj.com>

**The Financial Times**

<http://www.ft.com>

**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 shown. Please consult the calendar within CuLearn for updates and stay informed through the class home page. The material covered in class may be more than what your outline shows.

A great number of the readings listed below are short pieces from Finance and Development (<http://www.imf.org/external/pubs/ft/fandd/fda.htm>). I highly recommend this publication which stresses policy aspects of economic development and may be relevant to other courses that you are taking.

**T=Todaro**

**WE = Easterly**

**FD=Finance and Development**

**Monday August 23rd: Week One: Introduction**

**Todaro:** Chapter 1

**WE,** Prologue, “Why Growth Matter,” “Intermezzo: In Search of a River,” pp. 1-19

**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.

**Monday August 30th: Week 2:**

**Todaro:** Chapter 3:

**WE,** “Solow’s Surprise,” pp. 47-70.

“Trading for Development: The Poor’s Best Hope,” Jagdish Bagwati, Council on Foreign Relations <http://www.cfr.org/publication.html?id=4631>

**Monday September 6<sup>th</sup>: Week Three:**

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 video reserve at Norlin.

**Part II: Problems and Policies: Domestic**

**Monday September 13th, Week Four:**

**Todaro:** Chapter 5 : Poverty, Inequality and Economic Development

The rising inequality of world income distribution

<http://www.imf.org/external/pubs/ft/fandd/2001/12/wade.htm>

Micro Finance and the Poor, in Finance and Development, found at:

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

Global War on Poverty, in Finance and Development, found at:

<http://www.imf.org/external/pubs/ft/fandd/2003/12/pdf/basics.pdf>

**Monday September 20<sup>th</sup>: Week Five:**

**Exam 1: All of the material assigned/covered from Week 1 to Week 4.**

**Monday September 20th, 2010.**

**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>

**Optional reading:**

From Back to Basics "Demographic Dividends", found in Blackboard under the Back to Basics folder

**Monday September 27<sup>th</sup>: 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

<http://www.imf.org/external/pubs/ft/fandd/2005/06/hanushek.htm>

**October 4<sup>th</sup>: Week Seven:****Todaro: 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>

**October 11<sup>th</sup>: 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%20\\_JEL.pdf](http://ksghome.harvard.edu/~drodrik/Lessons%20of%20the%201990s%20review%20_JEL.pdf)

**October 18<sup>th</sup>: 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>

**October 25th: 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 predicting economic crises**

<http://www.imf.org/external/pubs/ft/fandd/1999/06/sharma.htm>

**Case study: The Asian crisis and implications to development.**

**November 1st: Week 11:**

**Exam 2: On Monday November 1<sup>st</sup> covers week 5 to week 10. As with Exam 1, we will start on the new material for this week and then take the exam.**

**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)

**Optional:**

From Back to Basics “Remittances”

**November 8th: Week 12**

**Will finish the material from week 11**

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

Financial Markets and Economic Development in Africa  
[http://info.worldbank.org/etools/docs/library/83611/Africa\\_PERI.pdf](http://info.worldbank.org/etools/docs/library/83611/Africa_PERI.pdf)

**November 15th: Week 13**

**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 14<sup>th</sup>: November 22-26: No Class: Fall Break**

**November 29<sup>th</sup> Week 15: Globalization, Institutions and Development**

**The IMF on Globalization found at:**  
<http://www.imf.org/external/np/tr/2004/tr040922a.htm>

**The World Bank on Globalization:**  
<http://www1.worldbank.org/economicpolicy/globalization/>

**Optional:**  
**The Globalization website:**  
<http://www.sociology.emory.edu/globalization/>

**December 6<sup>th</sup>: Week 16<sup>th</sup>: Institutions and Economic Development, governance and its role**

**Hernando De Soto Chapter 1 from “The Mystery of Capital  
 Why Capitalism Triumphs in the West and Fails Everywhere Else”**  
<http://www.nytimes.com/books/first/d/desoto-capital.html>

**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>

**There is one case study that we will view in class-time permitting- this week on property rights and economic development from the work of Hernan De-Soto “The Mystery of Capital”.**

**Comprehensive Final Exam will cover material starting with week 5 to week 16. It will be on Wednesday December 15th, 2010 from 7:30 p.m. to 10:00 p.m.**

**The final exam date will not be changed so please make a note of it. 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