

# ECON 171- Economic Development (Summer 2015)

- **Lectures:** M-Th 4-5:30; 6/22 - 8/14
- **Professor:** Elliott Collins
- **Email:** [elliottmcollins@berkeley.edu](mailto:elliottmcollins@berkeley.edu)
- **Office:** Giannini 238
- **Office Hours:** TTh 9:30-11 (or appointment)
- **Grader:** TBD

## Course Description

Econ 171 is a four-unit course on the concept and issues in Economic Development and Poverty. The course will be split between discussions of general topics in the economic analysis of growth, development, and poverty. The course will study problems affecting less developed regions and highlight where the main debates currently stand, drawing from examples wherever possible. We will use both analytical and empirical methods to assess these problems and the efficacy of various strategies that have been taken to address them.

### Objectives:

- Learn how the tools of economic analysis are applied to problems important of poverty and welfare.
- Understand different perspectives on why some poor countries have seen significant growth and welfare improvements in recent decades while others have not.
- Develop informed and nuanced perspectives on what can be done to help promote development among NGO's, governments, and multi-lateral groups, with an emphasis on understanding and interpreting available evidence on existing policies.
- Develop communication skills required to formulate a well-written argument on a complex issue.

### Grades:

- Problem Sets- 40%
- Midterm- 30%
- Final- 30%

**Prerequisites:** You should have taken Econ100A, EEP100, or another intermediate course in microeconomics. If you haven't taken any such class, come discuss with me. In addition, some familiarity with statistical methods will be very helpful.

## Details

**Academic Integrity:** As with any class, there will be no tolerance for academic dishonesty here. This includes cheating on exams and turning in writing that is not your own. The consequences for cheating can be far more serious than the consequences for getting an unsatisfactory grade (and isn't up to me). For more information, look at [and](#) .

**Group Work:** You are strongly encouraged to study and work on quantitative problem sets in groups if possible. This makes for a much more productive learning environment. While it is important to turn

in your own work, you may turn in very similar answers to these problems and should make sure to get help when you need it.

**Communication:** The best way to reach me is by email. If you have a conversation-length question about the material in the class or problem sets, then I strongly encourage you to attend my office hours. Otherwise, email will give you a faster, more flexible, way of getting in touch about the course or the material, and will leave record of whatever was said.

**Participation:** It's important that you actually *engage* with this material. The concepts which we will be discussing are complicated and important, and you will learn more if you also form your own thoughts and contribute them to discussion during lecture. Interrupting me will usually be encouraged. There will be no participation grade, though you may be expected to turn in brief answer to questions raised in class discussion.

## Exams

Exams will be taken during the usual lecture time and place. The exam dates are the following:

- Midterm: Thursday, July 16th
- Cumulative Final: August 13th (last lecture)

If you cannot attend an exam, please let me know as soon as possible.

To solve exams, you will only need to bring a pen. No electronic devices, including calculators and cell phones are allowed.

Exams may include questions on issues discussed in lectures but that are not necessarily in the lecture notes, readings, or problem sets. Unless I notify you in advance, exams will never include questions on the readings that were not discussed during lecture, discussion, or in problem sets.

## Assignments

There will be four problem sets of varying length throughout the course. In addition to the posted problem set, I may occasionally assign a question raised in lecture or class discussion for you to answer by the following lecture. These will be collected via bspace and count towards the subsequent problem set.

I will make extra credit assignments available if you would like. Note however that these will be challenging and engaging assignments that will require you to learn new skills.

## Tools & Methods

When this class is taught during the spring or fall semesters, there are usually weekly section meetings for students to apply the concepts acquired during lectures and to learn econometric techniques. In this summer version of the course, we will not have these weekly section meetings. Instead, we will dedicate occasional lectures to learning and applying econometric tools within the context of development economics. Each new concept or method will be accompanied by some paper or piece of research that has used this technique.

## Course Outline

Note that this is a work in progress and the reading list will be changing during and before the course. I will announce any changes to the reading list in advance via Bcourses and in lecture.

Starred readings (i.e. those marked with a ★) are required.

1. Course Intro & Patterns in Global Development

Chapter 2 of *de Janvry & Sadoulet (2014)*

2. The Definition and Measurement of Development

Chapter 1 of *de Janvry & Sadoulet (2014)*

Amartya Sen. *Development as Capability Expansion*. Oxford University Press, New Delhi and New York, 2003

Angus Deaton. Measuring Poverty. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mookherjee, editors, *Understanding Poverty*, pages 3–15. Oxford University Press, 2006

Daniel W Sacks, Betsey Stevenson, and Justin Wolfers. The new stylized facts about income and subjective well-being. *Emotion*, 12(6):1181, 2012

3. Growth Models and Convergence

Chapter 8, parts 1-5 of *de Janvry & Sadoulet (2014)*

The Elusive Quest for Growth, Ch. 3: "Solow's Surprise: Investment is Not the Key to Growth"

L Pritchett. Divergence, Big Time. *The Journal of Economic Perspectives*, 11(3):3–17, 1997

William Easterly. The Ghost of Financing Gap. *World Bank Policy Research Working Paper*, pages 1–30, 1997

4. Tools: Regression and Causality

Development Economics, "Econometric Appendix" only pages 561-567.

5. Geography, Resources, Institutions

Daron Acemoglu, Simon Johnson, and James Robinson. Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mookherjee, editors, *Understanding Poverty*, pages 19–37. Oxford University Press, 2006

Bloom, David, and Jeffrey Sachs. (1998). Geography, Demography, and Economic Growth in Africa, *Brookings Papers on Economic Activity*, 2, 207-295.

Nathan Nunn. *Shackled to the Past: The Causes and Consequences of Africa's Slave Trade*, pages 142–184. Harvard University Press, Cambridge, 2010

Ben Olken and Rohini Pande. Corruption in developing countries. *Annual Review of Economics*, 4:479–509, 2012

6. Tools: Randomized Trials & Causal Inference

Running Randomized Evaluations, Chapters 1-2 (pages 2-67)

7. Inequality & Distribution  
 Chapter 6 of *de Janvry & Sadoulet (2014)*  
 Thomas Piketty. The kuznets curve: Yesterday and tomorrow. *Banerjee, A. et al.(coords.): Understanding Poverty, Oxford University Press, New York*, pages 63–72, 2006
8. Trade  
 Chapter 7 of *de Janvry & Sadoulet (2014)*
9. Population: Determinants and Consequences  
 Chapter 11 of *de Janvry & Sadoulet (2014)*  
 Poor Economics, Chapter 5: "Pak Sudarno's Big Family"
10. Migration, Labor, & Unemployment  
 Chapter 12 of *de Janvry & Sadoulet (2014)*
11. Foreign Aid  
 Chapter 19 of *de Janvry & Sadoulet (2014)*  
 Jeffrey Sachs. *The End of Poverty: Economic Possibilities For Our Time*. Penguin Books, 2006  
 Shaohua Chen and Martin Ravallion. The developing world is poorer than we thought, but no less successful in the fight against poverty. *The Quarterly Journal of Economics*, 125(4):1577–1625, 2010  
 Angus Deaton. American hubris, African nemesis. *The Lancet*, 383(9914):297–298, January 2014  
 N Qian. Making Progress on Foreign Aid. *Annual Review of Economics*, 3, 2014
12. Poverty Traps  
 Aart Kraay and David McKenzie. Do poverty traps exist? assessing the evidence. *Journal of Economic Perspectives*, 28(3):127–48, 2014  
 Poor Economics, Chapter 2
13. Health  
 Poor Economics, Chapter 3: \*Low-hanging Fruit for Better (Global) Health\*  
 Edward Miguel and Michael Kremer. Worms: Identifying impacts on education and health in the presence of treatment externalities. *Econometrica*, 72(1):159–217, 2004  
 Matthew P. Fox, Sydney Rosen, William B. MacLeod, Monique Wasunna, Margaret Bii, Ginamarie Foglia, and Jonathon L. Simon. The impact of hiv/aids on labour productivity in kenya. *Tropical Medicine & International Health*, 9(3):318–324, 2004
14. Tools: Difference-in-Difference  
 Development Economics, Econometric Appendix only pages 571-57
15. Agriculture & Property Rights

Chapter 18 & 20 (part 6) of *de Janvry & Sadoulet (2014)*

Julian M. Alston and Philip G. Pardey. Agriculture in the Global Economy . *Journal of Economic Perspectives*, 28(1):121–146, February 2014

Markus Goldstein and Christopher Udry. The Profits of Power: Land Rights and Agricultural Investment in Ghana. Working Papers 929, Economic Growth Center, Yale University, November 2005

Stefan Dercon. Growth and shocks: Evidence from rural ethiopia. *Journal of Development Economics*, 74(2):309–29, 2004

16. Tools: Instrumental Variables

TBD...

17. Armed Conflict

Fearon, James D. and David Laitin. (2003) Ethnicity, Insurgency, and Civil War. *American Political Science Review* 97, 1 (February), 75-90.

Edward Miguel, Shanker Satyanath, and Ernest Sergenti. Economic Shocks and Civil Conflict: An Instrumental Variables Approach. *Journal of Political Economy*, 112(4):725–753, August 2004

Oeindrila Dube and Juan F Vargas. Commodity price shocks and civil conflict: Evidence from colombia. *The Review of Economic Studies*, 80(4):1384–1421, 2013

18. Education

Michael Kremer and Alaka Holla. Improving Education in the Developing World: What Have We Learned from Randomized Evaluations? *Annual review of economics*, 1:513–542, January 2009

19. Finance and Savings

Chapter 13 of *de Janvry & Sadoulet (2014)*

AV Banerjee. Microcredit Under the Microscope: What Have We Learned in the Past Two Decades, and What Do We Need to Know? *Annu. Rev. Econ.*, 5(1):487–519, January 2013

Pascaline Dupas and Jonathan Robinson. Why Don't the Poor Save More? Evidence from Health Savings Experiments. NBER Working Papers 17255, National Bureau of Economic Research, Inc, July 2011

Blattman, Christopher and Green, Eric and Jamison, Julian and Lehmann, Christian and Annan, Jeannie, The Returns to Microenterprise Support Among the Ultra-Poor: A Field Experiment in Post-War Uganda (June 17, 2015). Available at SSRN: <http://ssrn.com/abstract=2439488> or <http://dx.doi.org/10.2139/ssrn.2439488>

## References

- [1] Daron Acemoglu, Simon Johnson, and James Robinson. Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mookherjee, editors, *Understanding Poverty*, pages 19–37. Oxford University Press, 2006.
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- [3] AV Banerjee. Microcredit Under the Microscope: What Have We Learned in the Past Two Decades, and What Do We Need to Know? *Annu. Rev. Econ.*, 5(1):487–519, January 2013.
- [4] Shaohua Chen and Martin Ravallion. The developing world is poorer than we thought, but no less successful in the fight against poverty. *The Quarterly Journal of Economics*, 125(4):1577–1625, 2010.
- [5] Angus Deaton. Measuring Poverty. In Abhijit V. Banerjee, Roland Benabou, and Dilip Mookherjee, editors, *Understanding Poverty*, pages 3–15. Oxford University Press, 2006.
- [6] Angus Deaton. American hubris, African nemesis. *The Lancet*, 383(9914):297–298, January 2014.
- [7] Stefan Dercon. Growth and shocks: Evidence from rural ethiopia. *Journal of Development Economics*, 74(2):309–29, 2004.
- [8] Oeindrila Dube and Juan F Vargas. Commodity price shocks and civil conflict: Evidence from colombia. *The Review of Economic Studies*, 80(4):1384–1421, 2013.
- [9] Pascaline Dupas and Jonathan Robinson. Why Don’t the Poor Save More? Evidence from Health Savings Experiments. NBER Working Papers 17255, National Bureau of Economic Research, Inc, July 2011.
- [10] William Easterly. The Ghost of Financing Gap. *World Bank Policy Research Working Paper*, pages 1–30, 1997.
- [11] Matthew P. Fox, Sydney Rosen, William B. MacLeod, Monique Wasunna, Margaret Bii, Ginamarie Foglia, and Jonathon L. Simon. The impact of hiv/aids on labour productivity in kenya. *Tropical Medicine & International Health*, 9(3):318–324, 2004.
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- [16] Edward Miguel, Shanker Satyanath, and Ernest Sergenti. Economic Shocks and Civil Conflict: An Instrumental Variables Approach. *Journal of Political Economy*, 112(4):725–753, August 2004.

- [17] Nathan Nunn. *Shackled to the Past: The Causes and Consequences of Africa's Slave Trade*, pages 142–184. Harvard University Press, Cambridge, 2010.
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- [20] L Pritchett. Divergence, Big Time. *The Journal of Economic Perspectives*, 11(3):3–17, 1997.
- [21] N Qian. Making Progress on Foreign Aid. *Annual Review of Economics*, 3, 2014.
- [22] Jeffrey Sachs. *The End of Poverty: Economic Possibilities For Our Time*. Penguin Books, 2006.
- [23] Daniel W Sacks, Betsey Stevenson, and Justin Wolfers. The new stylized facts about income and subjective well-being. *Emotion*, 12(6):1181, 2012.
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