

ARE/ECN 115A: Economic Development

University of California, Davis
Summer Session I, 2018

SYLLABUS

TIME & LOCATION

MTW 12:10-1:50 PM in Wellman 6

INSTRUCTOR

Mo Alloush

mmism@ucdavis.edu

Office Hours: Tuesday 9:00 AM – 11:00 AM or if necessary by appointment in SS&H 2141

TEACHING ASSISTANTS

Erin Havens

eahavens@ucdavis.edu

Office Hours: Monday 2:00 PM – 4:00 PM
SS&H 2143

Qian Wang

cdqwang@ucdavis.edu

Wednesday 10:00 AM – Noon
SS&H 2143

COURSE DESCRIPTION

The world has become much richer in the past century as many countries have achieved unprecedented rates of economic growth. Yet, there remain many poor countries and, even in richer countries, many poor people. This course examines the process of economic development, including the determinants of underdevelopment and poverty. We will focus on describing and understanding the many issues developing countries face and on perspectives that govern the choices of those living in poverty. We will frequently discuss policy implications of the topics we explore.

The first half of the course provides an overview of economic development and some of the models economists use to understand why some countries develop faster than others. Measurement issues loom large in development economics, so we will spend time at the outset exploring measures of poverty, inequality, and human development. In the second part of the course, people and individual markets, not nations, are the center of our inquiry. We explore how risk and information problems can lead to imperfections and failure in key markets for credit, insurance and land. We will then focus on a growing field in economics that aims to gain a nuance by understanding the psychological costs of poverty. We then explore innovative institutional and policy responses, such as micro-finance, index-based insurance, and poverty graduation programs. Throughout the course, we will develop quantitative tools for testing hypotheses and evaluating the causal impacts of development policies.

Prerequisites: The course formally requires that you have had at least an introductory course in microeconomics (such as ECN1A/1B). We will assume that you are familiar with basic concepts from consumer and producer economics (production functions, utility, cost curves, diminishing marginal product, etc.) as well as basic statistical concepts (mean, variance, standard deviation, etc.). The course will be issue oriented but will make rigorous use of the tools and techniques of applied economic analysis. Familiarity with basic Excel functions is crucial as several problem sets will require Excel use.

Learning Objectives: By the end of this quarter, you will:

1. Understand economic theories related to development economics and the main issues around poverty, its measurement, and why poverty seems to be persistent around the world.
2. Be aware of where the field of development economics currently is, the direction it is going, and how it is shaping policy around the world.
3. Be able to apply these concepts verbally, graphically, and mathematically in order to analyze complex real-world issues.

Textbook: The required textbook for this course is *Essentials of Development Economics*, Second Edition (2015) by J. Edward Taylor and Travis Lybbert. We will draw on a range of additional material including journal articles. All additional material will be available for download on the course website.

If you are interested in learning more about development economics, you are encouraged (but **not required**¹) to read one (or more!) of the following books on development economics and poverty:

Development as Freedom (by Amartya Sen)
The Elusive Quest for Growth (by William Easterly)
The White Man's Burden (by William Easterly)
Poor Economics (by Esther Duflo & Abhijit Banerjee)
Scarcity (by Sendhil Mullainathan & Eldar Shafir)
The End of Poverty (by Jeffrey Sachs)

Non-Academic

The Pearl (by John Steinbeck)
Behind the Beautiful Forevers (by Katherine Boo)
Evicted (by Matthew Desmond)

COURSE FORMAT

A detailed course outline is on Page 5. Learning any material well requires active engagement. I view my role as a facilitator of your learning process, will discuss important points and add context to the assigned material in lectures.

Familiarize yourself with the information in the assigned reading prior to coming to class. Engagement with the material during lecture will reinforce your learning. If you do not understand something or need additional help, please ask, in lecture, discussion section, or my office hours.

This course is a six-week summer session course and moves at an accelerated pace. It is important to keep up with reading and materials. The assignments, quizzes, participation grade, midterm, and final are all designed to incentivize and reinforce your learning.

Attendance and Participation: I expect you **to attend all lectures and sections**. You are responsible for all material covered in lectures and section.

We will use **i-Clicker** during lecture to take attendance and to practice problems.² Using i-Clicker allows you to participate during lecture even if you do not feel confident in contributing verbally in

¹ These will not be tested: I chose to list these books because they helped shape my understanding of development and I want this list to be a resource for you if you are interested in reading more on poverty/development.

² You may choose to opt out of the participation part of your grade. If you decide to do so, you must see me in person in my office hours to discuss this option *before the midterm, July 16*. In this case, your midterm and final exam score receive a larger weight in your overall grade.

class. It also provides the class with instant feedback. A total of 5% of your grade will be based on your i-Clicker responses over the quarter. In order to participate and earn points for this portion of your grade, you must purchase an i-Clicker or the REEF app for your laptop or smartphone. Both are available at the UC Davis Bookstore. You will receive two points for showing your attendance by using your i-Clicker. You will receive an additional point for each correct answer you submit. If you receive at least 40 points, you will receive full participation credit toward your grade.³ *For every 20 points beyond 40, you will get 1% added to your final grade.* No credit will be given if you attend class and your device does not work, or if you forget to bring one. Using a classmate's i-Clicker or bringing their i-Clicker to class when they are not there is cheating and will be treated as such under that UC Davis Academic Integrity Guidelines.

Hand Raise & Phone Check: In-class engagement is critical to learning. In addition to the use of i-Clickers, I will frequently ask questions and encourage students to answer them. If you'd like to participate in class you can do so by: (1) raising your hand or (2) checking your phone.

Canvas Website: You will access course materials, reading and other information and complete weekly section quizzes via the course Canvas website at <https://canvas.ucdavis.edu>. It is your responsibility to visit the site often. We will use Canvas as the communications platform for this class. We will use Discussion Boards on Canvas to facilitate questions and answers you have about the class, material or assignments. Please look there first when you have questions. If you want to communicate directly with a member of the teaching team, please use the Canvas Inbox feature. We will use Canvas Grades to record your scores in the class. It is your responsibility to verify that these scores are properly recorded.

Sections: All students are required to attend one section session each week. The sections will be conducted by the TA's and will be an integral part of the course. In addition to covering selected topics in greater detail than we can in lectures, these sections will enable students to work and discuss topics in smaller group settings. Each week you will complete a Section Quiz on Canvas that covers the material from that week's section session. These **quizzes must be completed via Canvas by Friday at noon** and will not be accepted late.

Problem Sets: Two problem sets will be due on the dates indicated in the course schedule below. The description and the data for the exercises will be available on Canvas. Answers to the problem sets must be typed and submitted individually **or in pairs**. Handwritten assignments WILL NOT BE ACCEPTED. I take writing very seriously and expect you to approach your homework assignments like a professional report. Points will be taken off for incomplete or unclear sentences. Assignments will require you to present and discuss graphs. Points will also be taken off for any graph that has a missing title or axis label. **Late problem sets will not be accepted.**

Small Scale Program Proposal: In the final two weeks of the quarter, you will work in groups of up to four to prepare a proposal for an innovative small-scale development pilot project that uses concepts from the class to make a compelling case for your proposed program. Effective proposals must do more than just drop terms from class into the text; they must demonstrate an understanding of the concepts and use this understanding in support of the program. The proposed program or intervention should address one (or more) of the difficulties that poor households face and should have an impact evaluation plan. The proposal should be no more than two pages long.

I will post more detailed description of what I expect from these proposals throughout the class. I will dedicate the last class to highlighting and discussing the best proposals.

³ Simply showing up to every class will get you to 32 points.

Grading: Your grade in this course will be based on total points earned and weighted as follows:

i-Clickers	5%
Section Quizzes	10%
Problem Sets (2)	20%
Midterm Exam	20%
Program Proposal	15%
Comprehensive Final Exam	30%

We will begin with the following final grade breakdown:

<u>Grade</u>	<u>% of Total Points</u>
A	93 - 100
A-	90 - 92
B+	87 - 89
B	84 - 86
B-	80 - 83
C+	77 - 79
C	74 - 76
C-	70 - 73
D	60 - 69
F	0 - 60

Final grades may be curved, but your grade will never fall as a result of the curve. If your Final Exam grade is higher than your Midterm grade, the 50% between the two will be split into 35% for the Final and 15% for the Midterm.

Regrade Policy: All requests must be submitted within one week of receiving the grade back in the form of your original work and a written explanation of why you believe your assignment should be regraded. If you submit a regrade request, **your whole exam/problem set will be subject to regrade.**

COURSE MISCELLANEOUS

Code of Academic Conduct: Students are expected to understand and abide by the Code of Academic Conduct (<http://sja.ucdavis.edu/files/cac.pdf>). Any violations of this Code will be treated seriously and reported to Student Judicial Affairs.

You are expected to do your **own academic work**: failing to do so is **scholastic dishonesty**. Scholastic dishonesty includes cheating on examinations or assignments; copying assignments from old answer keys; engaging in unauthorized collaboration on academic work; plagiarizing; taking, acquiring, or using test materials without faculty permission; falsifying records to dishonestly obtain grades; fabricating or falsifying data or data analysis results.

If you have additional questions, please ask me or your TA. I can respond to your specific questions regarding what would constitute scholastic dishonesty in the context of this class.

Courtesy: As a courtesy to your fellow students, your TAs, and me, be respectful. Be on time for class. If you arrive late or leave early, please do so quietly. Do not use your cell phones, tablets, or laptops during lecture other than for class purposes. You may not take pictures of my notes or otherwise take recordings during class—I expect and encourage you to write down your own notes.

UC Davis is a diverse community comprised of individuals having many perspectives and identities. In order to create an inclusive and intellectually vibrant community, we must understand and value individual differences and common ground. The **UC Davis Principles of Community** reflect the ideals I seek to uphold in this class.

Disabilities: If you have a learning disability or a physical disability that requires accommodation, please let me know as soon as possible. All needs that have been verified through the Student Disability Center will be accommodated.

Mental Health & Stress Management: As a student you may experience a range of issues that can cause barriers to learning. This includes strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance and may reduce your ability to participate in daily activities. The source of symptoms might be strictly related to your course work; if so, please speak with me.

It is important to know that University services are available to assist you. You can learn more about the broad range of confidential mental health services available on campus via the UC Davis Student Health and Counseling Services: <https://shcs.ucdavis.edu>. The university provides mental health services to support the academic success of students. Confidential and free psychological services are available to help you manage personal challenges that may threaten your well-being.

In the event that I suspect you need additional support, I will express my concerns and the reasons for them to you, and remind you of resources that might be helpful to you. It is not my intention to know the details of what might be bothering you, but simply to let you know I am concerned and that help, if needed, is available.

Getting help is a smart, often difficult, and always courageous thing to do.

COURSE SCHEDULE

This sketch of topics, readings and assignments may change slightly as we proceed. Readings are from the Taylor & Lybbert (second edition) textbook unless otherwise specified. Readings not in the textbook are available on the course website. Section topics are tentative. Required readings are designated by *.

Date	Topics & Readings	Assignments	Section
Monday June 25	Introduction to Development Economics & Course Overview *Ch.1 “What Development Economics is All About” Easterly (2006) “Planners versus searchers” Ch.1 in <i>The White Man’s Burden</i>		Excel Tune-up & Poverty Measurement
Tuesday June 26	Impact Evaluation in Development *Ch. 2 “What Works?” (pp.23-52) and Appendix (pp.63-65) Esther Duflo, Social experiments to fight poverty , TED Talk, Feb 2010		
Wednesday June 27	Measuring Income & Poverty *Ch.3 “Income” *Ch.4 “Poverty” Towards the end of poverty , Economist, 1 July 2013 The meaty dollar: Our Big Mac Index , Economist, 14 Jan The tricky work of measuring falling global poverty , Economist, 12 Oct 2015. Problem Set 1 assigned		
Monday July 2	Inequality & Human Development *Ch.5 “Inequality” *Ch.6 “Human Development” Health care in Rwanda: An African trailblazer , Economist, 15 Sep 2016.		HDI & Behavioral Insights
Tuesday July 3	Behavioral Insights I *DRAFT: New “Behavioral Development Economics” section for Ch.6 *Shah et al. (2012) “Some Consequences of Having Too Little” <i>Science</i> Poor behavior: Behavioral economics meets development policy , Economist, 4 Dec 2014		
July 4	NO CLASS		
Monday July 9	Behavioral Insights II *pp.1-23 of World Bank (2015) “Overview: Human decision making and development policy” <i>World Development Report: Mind, Society and Behavior</i> . *Mani et al. (2013) “Poverty Impedes Cognitive Function” <i>Science</i> *Fehr & Haushofer (2014) “On the Psychology of Poverty” <i>Science</i> Problem Set 1 Due		Information & Markets
Tuesday July 10	Institutions *Ch. 8 “Institutions” The high cost of red tape in Nigeria, Economist, 24 Aug 2017		
Wednesday July 11	Information & Markets *Ch.11 “Information & Markets” The power of prices , Economist, 17 Apr 2007 *pp.879-883, 890-900, and 913-920 of Jensen (2007) “The Digital Provide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector”		
Monday July 16	Midterm Exam		

Date	Topics & Readings	Assignments	Section
Tuesday July 17	Agriculture & Technology Adoption *pp.214-225 of Ch.9 "Agriculture" African Agriculture: A green evolution , Economist, 12 Mar 2016 Why Africa's development model puzzles economists , Economist, 19 Aug 2017	Problem Set 2 assigned	Agriculture & Credit Markets
Wednesday July 18	Credit Markets & Development *pp.301-314 & pp.331-333 of Ch.12 "Credit and Insurance" *Banerjee & Duflo (2011) "The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor." Ch. 7 from <i>Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty</i> .		
Monday July 23	Credit Markets II & Micro-Finance *pp. 314 – 318 of Ch.12 "Credit and Insurance" *Morduch (1999) "The microfinance promise," <i>World Development</i> , 28(4), 1569-1614.	Proposal Description Due	Risk & Final Review
Tuesday July 24	Risk, Risk Preferences & Investment * pp.318-328 of Ch.12 "Credit and Insurance" *Banerjee & Duflo (2011) "Barefoot Hedge-Fund Managers." Ch. 6 from <i>Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty</i> .		
Wednesday July 25	Informal Risk Sharing TBD	Problem Set 2 due	
Monday July 30	Innovations in Insurance Markets *pp. 328-330 of Ch.12 "Credit and Insurance"	Project Proposal Due	No Section!
Tuesday July 31	Epilogue & Wrap up		
Wednesday August 1	Comprehensive Final Exam		