

Economics 116: Economic Development
Winter 2004
TuTh 12:30-1:50
Center 119

James Rauch
Office: TMC Econ 220
Hours: TuTh 11:00-12:20
or by appointment

SYLLABUS

This course is intended to provide an introduction to the problems of economic development in the (former) Third World and to the economic relations between it and the mature industrial societies. The text for the course is:

Meier, Gerald M. and James E. Rauch. *Leading Issues in Economic Development*.
Seventh edition, 2000.

This text is being revised. Most of the new material that will appear in the revised text is included in a Course Reader that is available for purchase separately.

Lectures and Problem Sets: You are responsible for all the material and announcements in the lectures. If you miss one, borrow someone's notes. There will be four problem sets, two before the midterm and two after the midterm. The TAs will schedule sections to help with the problem sets and will correct any that are handed in by the due date. Students are permitted to work together on problem sets. No late problem sets will be accepted. Answers to the problem sets will be available on the class web site after each due date. The address of the class web site is <http://www.econ.ucsd.edu/classes/index.html>.

Grading: Your grade will be determined on the basis of a midterm exam (40%), a final exam (40%), and the problem sets (20%). The midterm will cover the first half of the course and the final will cover the second half. No makeup exams will be given. The midterm will be given on Tuesday, February 10 from 7:30-10:00 pm in Center 119.

COURSE OUTLINE

The pages listed below from the text and the Course Reader material marked with an asterisk (*) are required; unmarked pages or readings are recommended. Even for the required material in the Course Reader there are pages that can be skipped; the most important pages will be listed on the class web site before the material is covered.

I. Introduction 1-4*

A. Measuring Development 5-7*, 12-17

World Bank, "The Nature and Evolution of Poverty," *World Development Report 2000/2001* (Oxford U., 2001), pp. 15-29.

B. Economic performance of less developed countries: The recent past

- *Easterly, William. "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998." *Journal of Economic Growth* 6, June 2001: 135-157.

II. Historical Perspective 77-118*

- *Engerman, Stanley L. and Sokoloff, Kenneth L., "Factor Endowments, Inequality, and Paths of Development Among New World Economies," NBER Working Paper No. 9259 (October 2002).

- *Comment on Selection II.5: "Will the Poor Countries Catch Up?"

III. International Trade and Technology Transfer 155-158*

A. Trade 168-186*, 195-203*

- *Note, "Natural Resource Abundance, International Trade, and Economic Growth"

B. Foreign Contact and Technology Transfer

- *Note, "Learning in international production networks" (revision of text pp. 204-5)

IV. Human Resources 213-215*; also Appendix 561-566

A. Education 223-227*, 229-233, 237-240

- *Duflo, Esther, "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review* 91(4), September 2001, pp. 795-798, 812-813.

- *Case, Anne and Deaton, Angus. "School Inputs and Educational Outcomes in South Africa." *Quarterly Journal of Economics* 114(3), August 1999, pp. 1047-1050, 1057-1058, 1060-1061, 1069-1071, 1075-1082.

B. Health

- *Kremer, "Pharmaceuticals and the Developing World," *Journal of Economic Perspectives* 16(4), Fall 2002, pp. 67-90.

*Miguel, Edward and Kremer, Michael. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," UC Berkeley Department of Economics Working Paper, Feb. 2003, pp. 1-4, 7-8, 12-16, 24-28, 41-43.

*World Bank, *Confronting AIDS* (Oxford U., 1999), Chapter 1, Chapter 6.

C. Population 241*, 242-248

Bloom, David and Sachs, Jeffrey. "Geography, Demography, and Economic Growth in Africa," *Brookings Papers on Economic Activity* 2, 1998, pp. 243-251.

D. Gender and Development

*World Bank, *Engendering Development* (Oxford U., 2001), pp. 41-66, 151-162.

*Klasen, Stephan and Wink, Claudia, "Missing Women: A Review of the Debates and an Analysis of Recent Trends," *Feminist Economics* 9, 2003, pp. 265-281.

Chattopadhyay, R. and Duflo, Esther. "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India," MIT Department of Economics Working Paper, Nov. 2003.

V. Finance and Investment 119-121*, 122-128, 141-146

Galindo, A.; Schianterelli, Fabio; and Weiss, Andrew. "Does Financial Liberalization Improve the Allocation of Investment? Micro Evidence from Developing Countries," Boston College Department of Economics Working Paper, March 2002.

Eichengreen, Barry, "Taming Capital Flows," *World Development* 28(6), 2000, pp. 1105-1110.

Easterly, William, "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives* 17(3), Summer 2003, pp. 34-41.

*Morduch, Jonathan, "The Microfinance Promise," *Journal of Economic Literature* 37 (December 1999): 1569-1571, 1573-1576, 1578-1580, 1582-1585, 1587-1589, 1592-1594, 1609-1610.

VI. Migration and the Urban Informal Sector 289-311*, 318-327

*Henderson, Vernon, "Urban Primacy, External Costs, and Quality of Life," *Resource and Energy Economics* 24, 2002: 95-106.

VII. Agriculture 329-331*

*Gallup, John Luke and Sachs, Jeffrey D., "Agriculture, Climate, and Technology: Why are the Tropics Falling Behind?" *American Journal of Agricultural Economics* 82, August 2000: 731-737.

Banerjee, Abhijit V., "Prospects and Strategies for Land Reform," in Boris Pleskovic and Joseph E. Stiglitz, eds., *Annual World Bank Conference on Development Economics* 1999.

VIII. Income Distribution 375-381*

A. The Impact of Development on Income Distribution 382-386, 394-400*

*Higgins, Matthew and Williamson, Jeffrey G. "Explaining Inequality the World Round: Cohort Size, Kuznets Curves, and Openness." National Bureau of Economic Research Working Paper No. 7224, July 1999.

B. The Impact of Income Distribution on Development 404-408*

*Easterly, William, "The Middle Class Consensus and Economic Development," *Journal of Economic Growth* 6, 2001: 317-335.

C. Case Studies

*World Bank, *Sharing Rising Incomes: Disparities in China*, 1997.

*Hill, *The Indonesian Economy*, Second Edition, Chapter 10.

IX. Political Economy 421-425*

A. The (Proper) Role of the State in Less Developed Countries 426-433

B. Rent Seeking and Government Failure 434-441*, 446-470*

*Djankov, Simeon et al., "The Regulation of Entry," *Quarterly Journal of Economics* 117 (February 2002): 1-37.

C. State Capacity 471-475, 476-515*

X. Development and the Environment 517-530*, 531-534, 544-559

*Hamilton, Kirk and Clemens, Michael, "Genuine Savings Rates in Developing Countries," *World Bank Economic Review* 13, 1999: 333-356.