

**Economics 116: Economic Development**  
**Winter 2008**  
**MWF 12:00-12:50**  
**Solís 107**

**James Rauch**  
**Office: TMC Econ 220**  
**Hours: MWF 1:00-2:00**  
**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*. Eighth edition, 2005.

**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. Problem sets will not be graded; answers will be available from the class web site before each due date. In order for the problem sets to be most helpful, it is best that you attempt to solve them before looking at the answers.

**Grading:** Your grade will be determined on the basis of two midterm exams (25% each) and a final exam (50%). The first midterm will cover the same material covered by the first problem set, the second midterm will cover the same material covered by the second problem set, and the final will cover the same material covered by the third and fourth problem sets. No makeup exams will be given.

## **COURSE OUTLINE**

The pages listed below from the text marked with an asterisk (\*) are required; unmarked pages or readings are recommended. We will post any updates to these markings on the class web site.

I. Introduction xviii-ix\*, 2-4\*

A. Measuring Development 5-14\*, 15-29, 32-33\*

B. Economic performance of less developed countries: The recent past 34-44\*

Easterly, William. 2007. "Was Development Assistance a Mistake?" *American Economic Review* 97 (May): pp. 328-332.

II. Historical Perspective 81-131\*

## **FIRST MIDTERM**

### III. International Trade and Technology Transfer 133-136\*

#### A. Trade 137-150\*, 151-162, 163-171\*

\*Aizenman, Joshua and Jinjark, Yothin. "Globalization and Developing Countries – A Shrinking Tax Base?" <http://www.nber.org/papers/w11933>, pp. 1-3, 29.

#### B. Foreign Contact and Technology Transfer 172-174\*

\*Rauch, James E. "Development Through Synergistic Reform." <http://www.nber.org/papers/w13170>, pp. 1-5.

### IV. Human Resources 183-186\*; also Appendix 633-638

#### A. Education 187-193\*, 194-197, 198-200\*, 201-205, 206-211\*

#### B. Health 212-239\*

UNAIDS. *Aids Epidemic Update*.

[http://data.unaids.org/pub/EpiReport/2006/2006\\_EpiUpdate\\_en.pdf](http://data.unaids.org/pub/EpiReport/2006/2006_EpiUpdate_en.pdf)

\*Oster, Emily. 2007. "HIV and Sexual Behavior Change: Why Not Africa?" University of Chicago working paper (April). Skip section 2.

#### C. Population 240-247\*, 248-259, 260\*

#### D. Gender and Development 261-283\*, 284-291

\*Ebenstein, Avraham. 2007. "The 'Missing Girls' of China and the Unintended Consequences of the One Child Policy." Working Paper (September).

## SECOND MIDTERM

### V. Investment and Finance 293-296\*, 300-302\*, 303-308, 315-330\*

\*Burgess, Robin and Pande, Rohini. 2005. "Do Rural Banks Matter? Evidence from the Indian Banking Experiment." *American Economic Review* 95 (June): pp. 780-782, 789, 791-793.

VI. Urbanization and the Informal Sector 331-335\*

A. Urban Growth and Infrastructure 336-337, 338-342\*, 343-352

B. Rural-Urban Migration and the Informal Sector 353-354\*, 355-359, 360-364\*, 365-370, 371-380\*

\*Bruhn, Miriam. 2007. "License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico." World Bank (October).

VII. Agriculture 381-392\*, 404-406

Besley, Timothy and Burgess, Robin. 2000. "Land Reform, Poverty Reduction, and Growth: Evidence from India." *Quarterly Journal of Economics* 115: 389-430.

Banerjee, Abhijit; Gertler, Paul; and Ghatak, Maitreesh. 2002. "Empowerment and Efficiency: Tenancy Reform in West Bengal." *Journal of Political Economy* 110: 239-280.

VIII. Income Distribution 433-443\*

A. The Impact of Development on Income Distribution 449-464\*

B. The Impact of Income Distribution on Development 465-472\*

C. Case Studies 473-480\*, 481-488

IX. Political Economy 489-493\*

A. The (Proper) Role of the State in Less Developed Countries 494-498

B. Rent Seeking and Government Failure 502-535\*

\*Alesina, Alberto; Easterly, William; and Matuszeski, Janina. "Artificial States." <http://www.nber.org/papers/w12328>.

C. State Capacity 536-572, 573-580\*

\*Besley, Timothy and Burgess, Robin. 2002. "The Political Economy of Government Responsiveness: Evidence from India." *Quarterly Journal of Economics* 117(4).

- X. Development and the Environment 581-602\*, 612-621, 622-631\*

## **FINAL EXAMINATION**