

Economics 365: Economics of Underdeveloped Areas

Syllabus - Spring 2011

| | | |
|--------------|--|-------------------|
| Course | Economics 365 | MW: 4:00 - 5:15PM |
| Instructor | Dr. Hisham Foad | ENS-291 |
| Office | Nasatir Hall 325 | |
| Email | hfoad@mail.sdsu.edu | |
| Phone | 619-594-8495 | |
| Office Hours | Monday 11:45-1:30 Tuesday 1:15-3:30 Thursday 12:00-1:00 *Other Times by Appointment | |

Course Overview

Why are some countries poor and others rich? Why have countries like China and South Korea experienced rapid economic development, while others like Haiti and Liberia are stuck in perpetual poverty? What sort of economic policies have proven to successfully promote development and what policies have halted it? These are a few of the questions that the field of development economics deals with. This course examines these and other development issues in three sections. We begin by looking at various categorizations of economic development and explore the data used in measuring development. We then explore both classic and contemporary theories of economic growth as they relate to domestic policy issues that affect a country's development such as human capital, demographic changes, the environment, and economic institutions. The last section of the course looks at how global factors such as trade and foreign investment affect a country's development. This course will draw on both microeconomic and macroeconomic foundations and is designed to be accessible to students who have taken both Econ 101 and 102.

Learning Outcomes

- Define economic development in terms of traditional economic measures like GDP per capita and the Human Development Index
- Define economic development in terms of less tangible metrics such as happiness, sustenance, self-esteem, and freedom
- Explain the economic logic behind the UN Millennium Development Goals
- Assess the economic and institutional characteristics that developing countries share
- Compare the situation facing developing countries today to that which developed nations faced in the past
- Evaluate the argument that many of the problems facing developing countries today are legacies of the colonial era
- Analyze why some poor countries are catching up to rich nations, while others are seemingly stuck in a poverty trap.
- Discuss the importance of institutions like property rights and economic mobility in economic development

-
- Calculate various measures of income inequality and poverty like the Gini coefficient and the Total Poverty Gap
 - Explain why countries with the least equitable income distributions tend to be poorer and less developed
 - Evaluate classical theories of economic growth in terms of their conclusions and ability to explain observed phenomena
 - Contrast classical growth theories to modern theories of growth
 - Assess the impact of high fertility and population growth rates on economic development
 - Analyze population growth policy
 - Explain why human capital matters for economic development
 - Formulate policies to promote the accumulation of human capital
 - Identify the impacts of labor migration on developing countries
 - Articulate an argument for why child labor and gender discrimination limit economic development
 - Explain why the informal sector tends to be larger in developing countries and the consequences of having a large informal sector.
 - Describe the environmental challenges posed by economic development
 - Forecast the effects of climate change in the developing world
 - Evaluate various development policies in terms of their environmental sustainability
 - Identify the economic logic behind the “Washington Consensus” and evaluate how these recommendations have worked in practice
 - Explain how civil society can play an important role in economic development
 - Judge whether increased international trade has been beneficial to developing countries or not.
 - Compare the development policies of export promotion and import substitution
 - Assess how global trade policy may be reformed to promote global development
 - Calculate the balance of payments for a country
 - Identify the conditions that may lead to a balance of payments crisis
 - Evaluate the actions of the International Monetary Fund during balance of payments crises
 - Compare the impacts of foreign direct investment and foreign portfolio investment on development
 - Define remittances and explain their impacts on development
 - Analyze the effectiveness of foreign aid on development
 - Assess existing policies to promote financial market reform in developing countries
 - Explain why an independent central bank is important
 - Compare traditional top-down aid to microfinance

Readings

The main textbook for this course will be *Economic Development* by Michael Todaro and Stephen Smith, 10th Edition, Pearson Addison-Wesley Publishers (ISBN 0-321-48573-4). Course lectures will be structured on the chapters in the textbook, though specific details may diverge. Lectures will be based on the 10th edition of the book, but you could conceivably get by with the 9th edition. I caution you that if you do choose this option, you need to have good class attendance to fill in the gaps between the 9th and 10th editions of the book.

Exams

There will be three closed-book exams. Each exam is self-contained (i.e. not cumulative), covering only the material discussed in class up to that point. Though the third exam will take place during finals week, it will only cover material discussed after the second exam. The exams are tentatively scheduled for the following dates:

| | |
|----------|----------------------|
| Exam I | February 28th |
| Exam II | April 11th |
| Exam III | May 16th (3:30-5:30) |

There will be no make-up exams offered. If you know that you will miss an exam, let me know as soon as possible. Students who notify me BEFORE the exam with a valid excuse can add the weight of a missed exam to the other exams. Students who notify me after an exam or without a valid excuse will receive a zero on any exam that they miss. Valid excuses include school-sponsored functions such as athletic events or performances, unavoidable and documented work conflicts, or health issue accompanied by a doctor's note. Let me know as soon as possible if you know that you will be unable to sit for an exam.

Quizzes

We will have an announced quiz in class once per week covering the material discussed up to that point (i.e. you will only be quizzed on material you've already seen). The quizzes will be short (10 minutes) and provide you with an incentive to keep up with the material. I will drop your lowest quiz score when computing your quiz average. As with exams, there will be no make-up quizzes offered. If you know you will be absent on the day of a quiz and have a valid excuse, let me know beforehand and I can grant you an excused absence from the quiz. Any notification after the quiz will result in a zero for that quiz.

Grading

Grading for the course will consist of the following weights:

| | |
|--------------|-----|
| Quiz Average | 25% |
| Exam Average | 75% |

For example, a student who earned an 87 average on quizzes and a 78 average on exams would have a final average computed as:

$$87*0.25 + 78*0.75 = 21.75 + 58.5 = 80.25 \text{ (B-)}$$

I employ a standard grading scale in which 80-82 is a B-, 83-86 is a B, 87-89 is a B+ and so forth. In determining a grade distribution, I aim for an average score across the class of 78 and a standard deviation of 10 points. If the average or standard deviation differs greatly from these targets on any one assignment, then I will utilize a curve.

Attendance

While attendance is not mandatory, it is highly recommended. Past experiences indicate that there is a strong and positive correlation between attendance and exam scores. The lectures will cover material not in the textbook, and you can save yourself a lot of time and frustration by showing up and paying attention in class. Furthermore, you will miss out on the weekly quiz if you skip class. I encourage you to ask questions and participate in class discussions. While I am happy to lecture for the full class period, you may find this format less appealing. Engaging in discussions and asking questions will not only liven up the class, but also help you comprehend economics as more than just graphs and numbers.

Blackboard

This course has a dedicated site on Blackboard to which I will regularly post lecture notes, homework assignments, articles, and make announcements. It is your responsibility to regularly check Blackboard. You may also use it as a discussion forum outside of class and office hours. Please let me know as soon as possible if you have any trouble accessing the site.

Academic Integrity

I consider academic dishonesty to be a serious offense, and follow a zero tolerance policy in this regard. You can do very well in this course if you are willing to put in the work, and any benefit you may perceive from cheating is far outweighed by the penalty not only to your academic performance, but your personal integrity as well. I also ask that you be courteous to your fellow classmates and the class itself. Please arrive to class promptly and turn off your cell phones. Refrain from talking when your classmates or I have the floor. If you have a question or a point to make, raise your hand and I will call on you. I will not tolerate rudeness toward your classmates and anyone guilty of this will be asked to leave that class period.

If you need to leave class early, please let me know beforehand. I reserve the right to lower your grade if you are consistently showing up late to class or leaving early. In the past, I have had a problem with students showing up to class on the day of a quiz and leaving as soon as they have taken the quiz. Feedback from students in these courses has indicated that this practice has been a distraction to their learning. As a result, I do require you to stay for the entire class period on days in which we have a quiz. If you know that you must leave a class early, tell me beforehand. Otherwise, anyone who leaves class early on the day of a quiz will receive a zero for that quiz. You may leave an exam when you are finished with it (just not quizzes.) I ask that all students familiarize themselves with the SDSU Standards for Student Conduct: <http://csrr.sdsu.edu/conduct1.html>

Accommodating Disabilities

If you have or acquire any sort of disability that may require accommodation, feel free to discuss it with me at your convenience. If you want to find out what services are available on campus, contact Student Disability Services, Suite 3100, Calpulli Center, (619) 594-6473.

Tentative Course Outline *** *Subject to Change* ***

Part I: Defining and Measuring Economic Development

- | | |
|---|-----------|
| A. Introduction | Chapter 1 |
| i. Why study development? | |
| ii. Cross-Country differences in development | |
| iii. What's the best way to measure "Well Being?" | |
| iv. The Millenium Development Goals | |
| B. Measuring Development | Chapter 2 |
| i. Income as a development metric | |
| ii. The Human Development Index | |
| iii. Characteristics of developing countries | |
| iv. Historical differences in development paths | |
| v. Case Study in divergent development: Bangladesh and Pakistan | |
| C. Inequality and Poverty | Chapter 5 |
| i. Measuring inequality | |
| ii. Measuring poverty | |
| iii. Characteristics of poverty groups | |
| iv. Should we care about inequality and poverty? | |
| v. Policies targeting inequality and poverty | |

Part II: Domestic Development Policy

- | | |
|---|-----------|
| D. Classical Growth Theory | Chapter 3 |
| i. The Solow Growth Model | |
| ii. International Dependence models | |
| iii. Endogeneous Growth Theory | |
| E. Contemporary Growth Theory | Chapter 4 |
| i. Coordination failures and the "Big Push" | |
| ii. The Hausmann-Rodrik-Velasco growth diagnostic framework | |
| iii. Case Study: China | |
| F. Population Growth | Chapter 6 |
| i. Demographic trends | |
| ii. Economic models of fertility | |
| iii. Population growth policies | |
| G. Human Capital | Chapter 8 |
| i. Education systems in developing countries | |
| ii. Child labor | |
| iii. Education inequality across gender and income groups | |
| iv. Measuring health in developing countries | |
| v. HIV/AIDS | |
| vi. Malaria and other tropical diseases | |
| vii. Health and productivity | |

Tentative Course Outline Continued...

- H. The Environment and Development Chapter 10
 - i. Measuring the scope and scale of environmental degradation
 - ii. Common property resources, public goods, and externalities
 - iii. The impact of climate change on developing countries
 - iv. Environmental policy options in developing and in developed countries

Part III: International Development Issues

- I. International Trade and Development Chapter 12
 - i. Trends in globalization
 - ii. Trade theory
 - iii. Developing country experiences with trade
 - iv. Export promotion vs. import substitution
- J. The Balance of Payments and Debt Crises Chapter 13
 - i. Measuring global balances
 - ii. Global debt and balance of payments crises
 - iii. The IMF and its Stabilization programs
- K. Foreign Sources of Finance Chapter 14
 - i. Foreign Direct Investment
 - ii. Foreign Portfolio Investment
 - iii. Remittances
 - iv. Aid
- L. Financial Markets and Government Policy Chapter 15
 - i. Financial market efficiency in developing countries
 - ii. International constraints on domestic policy
 - iii. The role of international financial institutions
 - iv. Microfinance
 - v. Financial market reforms for developing countries

Important Dates

| | |
|------------------------|---|
| February 1st | Last day to drop classes (11:59PM deadline) |
| February 3rd | Last day to add classes (11:59PM deadline) |
| February 8th | Last day to apply for May 11th graduation |
| February 28th | Exam I |
| March 28th - April 1st | Spring Break |
| April 2nd | Last day to officially withdraw from the semester |
| April 11th | Exam II |
| May 9th | Last day of class |
| May 16th | Exam III (3:30-5:30PM) |

Useful Links

blackboard.sdsu.edu

Check daily for announcements, lecture notes, assigned articles, and practice exams.

wps.aw.com/aw_todarosmit_econdevelp_10/

Companion website to the textbook. Useful reference material as well as online quizzes for each chapter

infodome.sdsu.edu

SDSU Library. Good starting point to track down development information.

hdr.undp.org

UN Human Development Report. Good information on development including the HDI and its components.

worldbank.org

Another excellent resource for accessing development statistics (particularly the *World Development Indicators*). You should also check out the World Bank Policy Research Working Papers to see the leading edge of development research.

pwt.econ.upenn.edu/php_site/pwt_index.php

Penn World Tables. Good source of macroeconomic data that is comparable across countries and time.

devecondata.blogspot.com

Blog that tracks development data, some interesting finds.

www.imf.org/fandd

Finance and Development - an online journal on development published by the IMF. Interesting and accessible articles.

www.povertyactionlab.org

The Abdul Latif Jameel Poverty Action Lab (J-PAL) at MIT. Conducts field experiments in development economics, very interesting stuff.

kiva.org

Microfinance website that connects lenders and borrowers.