

# ECON 4434 Economic Development and Growth

Fall 2016

Hong Kong University of Science & Technology

Course website: <https://canvas.ust.hk>

<u>Class meetings</u>	Mon	1:30 – 2:50 pm	Room 1511 (Lifts 27/28)
	Fri	9:00 – 10:20 am	Room 1511 (Lifts 27/28)
<u>Tutorials</u>	Wed	5:30 – 6:20 pm	LSK 1032

## Instructor

Professor Sujata VISARIA    Tel: 23587608  
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LSK 6081                            Office hours: Thu 3:30 – 5 pm

## Teaching Assistant

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LSK 5067                            Office hours: Wed 9:00 – 10:30 am

## **Course description**

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It could be argued that economic growth and development are the most important topics that economists study. Governments all over the world worry about their countries' economic growth, and most individuals are concerned about their economic and social wellbeing. So, for economists and indeed all interested citizens, it is useful to understand how economies grow, what it means for an economy to be developed, and what barriers individuals and countries face in achieving development.

We will work through a set of topics that will all contribute to this understanding. Acknowledging the role of income in determining human wellbeing, we will discuss models of economic growth, as well as study market frictions that undermine growth. But we will also recognize that human wellbeing is affected by more than just an individual's purchasing power. With this idea in mind, we will examine a couple of other topics as they relate to the developing world: primary education, and public accountability.

Development economics is a broad subject, and we do not have the time for an exhaustive treatment of all the topics that have been examined in the literature. But it is my hope that the group project requirement will allow you to explore topics that interest you, even if they are not discussed in class.

## Course Intended Learning outcomes (CILOs)

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Students who complete this course successfully will be able to<sup>1</sup>:

1. list the features of underdevelopment (ECOF 3, 6; BBA 4.1, 6)
2. explain the links between income, non-income factors and human wellbeing (ECOF 3, BBA 4.1, 4.3)
3. define basic measures of underdevelopment, poverty and inequality, and critique their usefulness (ECOF 1.2, 4.1, 4.3; BBA 1.2, 4.1, 4.2, 4.3, 4.4)
4. describe market imperfections and explain in their own words how market imperfections may impede growth (ECOF 4.2, 4.3, BBA 4.1, 4.2)
5. understand and explain simple theoretical analyses of agrarian land, credit and insurance markets (ECOF 4, BBA 4.2, 4.4)
6. distinguish between correlation and causality, and explain the merits and demerits of different empirical methods (ECOF 4.2, 4.3, 4.5, BBA 4.2, 4.3, 4.4)
7. formulate and carry out a secondary research project (ECOF 1.3, 1.4, 7.2, 7.3; BBA 1.3, 1.4, 7.2, 7.3)
8. analyze economic phenomena observed in the developing world (ECOF 6, 9; BBA 6, 9)

The course will also provide students the opportunity to:

9. argue, convince and work effectively with team members (ECOF 5; BBA 5)
10. develop written and oral communication skills in English (ECOF 2; BBA 2)

## Prerequisites

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You must have taken at least ECON 3133 (previously known as ECON 200) or ECON 3014 (previously known as ECON 214) successfully to enrol in this course.

I will assume that you know core concepts in calculus and microeconomics. Please review these if you feel uncertain.

## Learning resources

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- Lecture notes will be posted on the course website. However, it is possible that some material discussed does not appear in the lecture notes. **You will be responsible for all material discussed in class and in the assigned readings, whether or not it appears in the lecture notes.**

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<sup>1</sup>Numbers in parentheses are specific Programme Intended Learning Outcomes (PILOs) for the [ECOF](#) and [BBA](#) programmes respectively.

- We will use the [course website](#) for announcements, to post assignments and your homework and exam grades. Please check it regularly.
- The textbook for the course is Debraj Ray's *Development Economics* (1998), but in addition we will use some journal articles and book chapters. The reading list is below. Readings marked with a † will be on reserve in the library. For the others, click on the [hyperlink](#).

### Reading List

- † Aghion, Philippe and Peter Howitt. 2009. *The Economics of Growth*. Cambridge, MA: MIT Press. (pp. 1-18, 21-31, 39-40, 47-52, 56-60.)
- Armendariz de Aghion, Beatriz and Jonathan Morduch. 2005. *The Economics of Microfinance*. Cambridge, MA: MIT Press. (Chapters 4 & 5.)
- Chaudhury, Nazmul, Jeffrey Hammer, Michael Kremer, Karthik Muralidharan and F. Halsey Rogers. 2006 “[Missing in Action: Teacher and Health Worker Absence in Developing Countries](#)”. *The Journal of Economic Perspectives*, Volume 20, Number 1, pp. 91-116.
- † De, Anuradha, Reetika Khera, Meera Samson & A. K. Shiva Kumar. 2011. *PROBE Revisited: A Report on Elementary Education in India*. New Delhi: Oxford University Press.
- Di Tella, Rafael and Ernesto Schargrotsky. 2003. “[The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires](#)”, *The Journal of Law and Economics*, Volume 46, Number 1, pp. 269-292.
- Duflo, Esther, Rema Hanna and Stephen P. Ryan. 2012. “[Incentives Work: Getting Teachers to Come to School](#)”, *American Economic Review*, Volume 102, Number 4, pp. 1241-1278.
- Mauro, Paulo. 1995. “[Corruption and Growth](#)”. *The Quarterly Journal of Economics*, August, Volume 110, Number 3, pp. 681-712.
- Olken, Benjamin. 2007. “[Monitoring Corruption: Evidence from a Field Experiment in Indonesia](#)”. *Journal of Political Economy*, April, Volume 115, Number 2, pp. 200-249.
- † PROBE Team, The. 1999. *Public Report on Basic Education in India*. New Delhi: Oxford University Press, pp. 1-52, 143-145, 150.
- † Ray, Debraj. 1998. *Development Economics*. Princeton: Princeton University Press. (Various Chapters.)
- † Sen, Amartya. 1999. *Development as Freedom*. New York: Knopf. (Chapters 1 & 2.)

Udry, Christopher. 1990. “Credit Markets in Northern Nigeria: Credit as Insurance in a Rural Economy”. *The World Bank Economic Review*, Volume 4, Number 3, pp. 251-269.

Please contact the TA if you have trouble locating any of the reading material.

## Learning environment

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### Meetings/Lessons

We will meet twice a week during the lecture slot. The tutorial slot will generally not be used, but may need to be used if I am unable to hold a scheduled lecture due to unforeseen circumstances. Classes will mainly be in lecture format (this addresses CILOs 1-6), but we will have (ungraded) in-class exercises and one (graded) group project (these address CILOs 7-10).

### Groups

All students must sort themselves into groups of 4-5 members each. (*Groups smaller than 4 are discouraged; groups larger than 5 are not allowed.*) Please finalise your group by **Monday, September 19** and submit to me an index card with the following information: your group name, the names of all group members, and one fact about each group member that I should know. In class you will sit together with your group, and do all in-class exercises together. You will also do the project with your group members.

### Participation

I welcome, and do my best to encourage, class participation. At any time, please feel free to interrupt me to ask questions or make comments. I will also ask questions and expect you to answer. Please do not worry about whether your answer is “correct” or “incorrect”. Often what is incorrect according to a particular viewpoint is correct according to another viewpoint. The questions are not meant to test you. Instead, I am interested in finding out what you think and why you think it, and then we can build the discussion from there.

### Policy on Mobile Devices

I think of our lectures as a conversation. This means that both sides need to be engaged. It hurts my feelings if I am talking to people but they are looking at their phones or computers instead of looking back at me. If you need to check or send an urgent message, or even talk to someone on the phone, please step out of the class to do this, and then return when you are once again able to pay attention to our discussion.

## Assessment scheme

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### **Class Participation** 5% (CILO 10)

Your class participation score will depend on how often you raised questions, answered questions or made comments. Students who participate more actively will get more marks. *Attendance and participation are not the same thing*, although of course one is a necessary condition for the other!

### **Homework** 10% (CILOs 1-8)

- There will be three homework sets.
- They will be based on the readings and material discussed in class. This homework is meant to give you a chance to revise the material, and to see what is expected of you. My emphasis is that you try to answer the questions and in the process think about and learn the material in greater depth. So I hope that for your own sake, you will attempt to answer the questions yourselves, and not copy old answers or your friends' homework.
- Homework will be due *in hard copy* at the beginning of class, on the specified date. Late submissions will not be entertained.<sup>2</sup>
- Each student must submit their own individual homework.
- Homework must either be typewritten or written in clear, legible handwriting. Please staple all pages together, and write your name on the front page.
- When calculating the homework total, your lowest-scoring homework will receive a weight of 2%, and the other two homework sets will receive a weight of 4% each, to add up to 10% in total.

### **Midterm Exam** 25% (CILOs 1-6, 10)

The midterm exam will be held in a lecture slot on **Friday, October 21**. The venue will be our regular classroom (Room 1511). This will be a closed-book exam based on the material covered from the beginning of the course until October 14 (inclusive). Please mark the date on your calendar now – it is not possible to schedule make-up exams (see footnote 2). To help you prepare for the mid-term, on **Monday, October 17** the class will be devoted to a review session, led by your TA.

### **Group Project** 30% (CILOs 7-10)

Together with your group, you will conduct a research project on a topic related to economic development. You will identify a development issue in a particular developing country or region, and do a detailed, focused

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<sup>2</sup>Exceptions will be made only under the gravest circumstances. I will follow up to confirm the situation.

literature review on the economics behind it. You will focus on a single aspect of this problem and then based on your readings, present your own analysis of the issue and its causes and/or consequences. You will also make policy recommendations – for the government of the country, for NGOs, or for international organisations. There will be multiple deadlines; you will have to submit a project proposal and mid-term project report, make a presentation to the class, and finally submit an end-project report. Group information will be due on **Monday, September 19**. Project proposals will be due on **Friday, September 30**. Mid-project reports will be due on **Monday, October 31**. Presentations will take place on **November 25 & 28**, and end-project reports will be due on or before **Monday, December 5**. Detailed instructions are in the project assignment. This assignment will be handed out in class, and can also be accessed through the course website. Please feel free to talk to me about this assignment at any point.

**Final Exam** 30% (CILOs 1-6, 10)

The final exam will be held on the date fixed by the Registrar’s office. Please refer to the final examination timetable posted by the [Academic Records and Registration Office](#). *Please note: The final exam will cover material from after the midterm until the end of the course.*

## **ECON 4670: Economics Research and Communication**

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This course is *not* listed as one of the courses that will help you pass ECON 4670. What this means is that students enrolled in this course do not *automatically* pass 4670 just by fulfilling the project requirement. However, you are welcome to use your group project as background to help fulfill the requirement. To do this, you will have to individually write a paper of 10 pages (12 point Times New Roman or Palatino Linotype font, 1.5 spaced) on an aspect closely related to your group project topic. You can draw on the work done in your group project (with proper citation), but you must go into further detail, and you must do this individually. If you are interested in this option, please discuss this with me individually *before the midterm exam*. If you do not discuss ECON 4670 with me but then request a grade for it at the end of the semester, your request will not be entertained.

## **Academic honesty**

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Academic dishonesty is immoral and unfair, and I take a very serious view of it. You must be aware of [HKUST’s policy on academic integrity](#), and abide by its provisions. I will report all cases of suspected misconduct to the Dean’s Office, and their decision will be final and binding.

Please be especially careful not to plagiarize. Many students plagiarize without realizing what they are doing. For example, any text that you quote directly from another source must be included in quotation marks, and referenced correctly. If

you do not include quotation marks, the words must be your own. If we detect plagiarism on written assignments we will penalise it.

**Course schedule<sup>a</sup>**

Class	Date	Topics	Reading	Assigned	Due
L1	Sep 2	Human Wellbeing and Income	Ray Ch.2, Sen Chs.1,2		
L2-L5	Sep 5-19	Economic Growth: Theory & Evidence	Ray Ch.3, Aghion	HW1 9/9	Groups 19/9
L6-L9	Sep 23-Oct 3	Poverty & Inequality	Ray Ch.8, Ch. 6	HW2 26/9	HW1 23/9, Project proposal 30/9
L10-L11	Oct 7-14	Market Imperfections & Land Markets	Ray Ch.11, Ch. 12		HW2 7/10
L12	Oct 17	Review Session			
L13	Oct 21	—————MIDTERM EXAM: 9:00 – 10:20 am, Room 1511—————			
L14-L17	Oct 24-Nov 4	Credit Markets	Ray Ch.14		Mid-project reports 31/10
L18-19	Nov 7-11	Microcredit	Armendariz	HW3 4/11	
L20	Nov 14	Insurance Markets	Ray Ch.15, Udry		HW3 14/11
L21-22	Nov 18-21	Public Accountability	Di Tella, Olken		
L23-24	Nov 25-28	Student Presentations & Wrap-up			
–	Dec 5	—————SUBMIT END-PROJECT REPORT by 5 pm. In hard copy. LSK 6081.—————			
–	Dec ?	—————FINAL EXAM: Date/Time/Venue to be determined by ARRO.—————			

<sup>a</sup>Topics and/or readings may change. Check the [course website](#) for updates.