

ECON 343 Economic Development and Growth

Spring 2010

Hong Kong University of Science & Technology

Course website: <http://lmes2.ust.hk>

<u>Class meetings</u>	Mon & Wed	9:00 – 10:20 am	Room 4333
<u>Tutorials / TA Office hours:</u>	Wed	6:00 – 6:50 pm	Room 3008

Instructor

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Course description

This course aims to introduce Economics and Business majors to the exciting and evolving field of development economics. Economic growth is arguably the most important topic that economists study. All governments in the world worry about their countries' economic growth, and most individuals are concerned about their economic and social wellbeing. That makes it important for us 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 acknowledge that human wellbeing is affected by more than just an individual's purchasing power, and so we will examine problems in the areas of nutrition, education and public accountability.

Course Intended Learning outcomes

Students who complete this course successfully will be able to¹:

- list the features of underdevelopment (ECOF 4, 6; BBA 4.2, 4.4, 6)

¹Numbers in parentheses are specific Programme Intended Learning Outcomes (PILOs) for the ECOF and BBA programmes respectively. You may view the PILOs on the [course website](#).

- explain the links between income, non-income factors and human wellbeing (ECOF 4, BBA 4.2, 4.4)
- define basic measures of underdevelopment, poverty and inequality, and critique their usefulness (ECOF 1, 4; BBA 4.2, 4.4)
- describe market imperfections and explain in their own words how market imperfections may impede growth (ECOF 4, BBA 4.2, 4.4)
- perform simple theoretical analyses of agrarian land, credit and insurance markets (ECOF 4, BBA 4.2, 4.4)
- distinguish between correlation and causality, and explain the contribution of randomized experiments (ECOF 4, BBA 4.2, 4.4)
- design a simple household questionnaire and administer it (ECOF 5, 7; BBA 5, 7.2)

The course will also provide students the opportunity to:

- argue, convince and work effectively with team members (ECOF 4; BBA 5)
- develop written and oral communication skills in English (ECOF 2; BBA 2)
- analyze economic phenomena observed in the real world (ECOF 9; BBA 9)

Prerequisites

You must have taken at least one of the following courses: ECON 110, ECON 111, ECON 191 or ECON 198 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

The textbook for the course is *Development Economics* (1998), by Debraj Ray. In addition we will use a few journal articles and chapters from other books. The complete list of readings is below. Readings marked with a † will be on reserve in the library starting February 1. Readings with a [hyperlink](#) are available online.

† Ainsworth, Martha and Jacques van der Gaag. 1988. “Guidelines for Adapting the LSMS Living Standards Questionnaires to Local Conditions”. LSMS Working Paper Number 34. Washington DC: The World Bank.

Deaton, Angus. 1997. *The Analysis of Household Surveys: A Microeconometric Approach to Development Policy*. Washington DC: The World Bank.

- † Drèze, Jean and Amartya Sen. 1989. *Hunger and Public Action*. Oxford: Oxford University Press.
- 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. 1998. *Public Report on Basic Education in India*. New Delhi: Oxford University Press.
- † Ray, Debraj. 1998. *Development Economics*. Princeton: Princeton University Press.
- † Sen, Amartya. 1999. *Development as Freedom*. New York: Knopf.
- † 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. Lecture notes will be posted on the course website. Please note, however, that all material discussed *may not* appear in the lecture notes. **You will be responsible for all material discussed in class, regardless of whether or not it appears in the lecture notes.**

We will use the course website for announcements, to post assignments and your homework and exam grades. Please check the course website regularly. You may also use the discussion forums to post questions for the TA or for me on questions related to the material covered in class.

Learning environment

Classes will mainly be in lecture format, but we will have in-class exercises and one group project (described below). Also, I encourage and welcome class participation. Please raise your hand and ask questions or make comments.

All students will be sorted into groups of 4-5 members each. In class you will then sit together with your group, and do all in-class exercises together. You will also do the project with your group members. When I ask questions in class, you may discuss them with your group members and then have a representative answer on your behalf. I will assign you to your group, you may not form groups yourselves.

You are all adults, and I will treat you as such. I will respect your time and your intelligence, and I expect you to reciprocate. This means that

- classes will begin and end on time (except in unavoidable circumstances)

- we will all listen to each other and be quiet when someone else is speaking, and we will turn off mobile phones
- we will submit our written work on time (in my case, the lecture notes and graded homework and exams; in your case, your homework and project reports)
- we will all make our best efforts to be engaged, and to make classes pleasant, informative and educational

If you have questions about any of the material covered in class, feel free to raise your hand and interrupt me to ask questions. I will also feel free to cold-call students to ask questions and opinions. If material is boring, difficult, going too fast or too slow, please let me know. Your feedback will help me improve the experience for all of us.

Assessment scheme

Class Participation 5%

Your score on this section will depend on how often your group raised questions, answered questions or made comments. The entire group will get the same score for class participation.

Problem Sets 20%

There will be four problem sets, assigned at regular intervals. They will be based on the readings and material discussed in class. They will be due *in hard copy* at the beginning of class, on the specified date. Late submissions will not be entertained.² Each student must submit the homework individually. You may discuss the questions with each other, but the work you submit must be *your own*. If you discuss the homework with your classmate(s) you must specify their name(s) on the front of your homework. Problem sets must either be typewritten or written in clear, legible handwriting. All pages must be stapled together, and the student's name must appear on the front page. Points will be deducted if any of these conditions are not met.

Midterm Exam 25%

The midterm exam will be held in class on March 22. This will be a closed-book exam based on the material covered from the beginning of the course until (inclusive). Please mark the date on your calendar now – it is not possible to schedule make-up exams (see footnote 1).

Group Project 15%

You will be asked to design a questionnaire and administer it to 3 households.

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

You will submit a copy of the questionnaire, along with a report of your survey. More detailed instructions will be provided when the project is assigned.

Final Exam 35%

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 Admissions, Registration and Records Office. The final exam will cover material from after the midterm until the end of the course.

Academic honesty

Academic dishonesty is immoral and unfair, and it wastes your and my time. 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 it. For example, any thing 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.

Course schedule^a

Lecture	Date	Topics	Reading	Assigned	Due
1	Feb 1	Human Wellbeing and Income	Ray Ch. 2		
2	Feb 5	What is Income?	Ray Ch. 3		
3-6	Feb 8-22	How does GDP grow?	Course Notes, Ray Ch. 3	HW1 12/2	HW1 22/2
7	Feb 26	Measuring Household Income	Deaton, Ainsworth & van der Gaag	Project 26/2	
8-9	Mar 1-5	Poverty, Inequality, Kuznets Curve	Ray Chs. 8, 6, 7	HW2 5/3	
10	Mar 8	Market Imperfections	Ray Ch. 11		
11-13	Mar 12-19	Land Markets	Ray Ch. 12		HW2 12/3
14	Mar 22	MIDTERM EXAM			
15-18	Mar 26-Apr 12	Credit Markets	Ray Ch. 14	HW3 12/4	Project 9/4
19-20	Apr 16-19	Insurance Markets	Ray Ch. 15, Udry		
21	Apr 23	Human Development	Sen Ch. 2, Ray Ch. 2		HW3 23/4
22	Apr 26	Famine	Drèze & Sen (selected pages)		
23-24	Apr 30-May 3	Education	PROBE (selected pages)	HW4 30/4	
25-27	May 7-14	Public Accountability	Olken		HW4 7/5
28	May 17	Wrap-up FINAL EXAM			

^aTopics and/or readings may change. Check the [course website](#) for updates.