

Montana State University
ECNS 317 - Economic Development
Spring 2021

Class: MWF 9:00-9:50am, Roberts Hall 101

Instructor: Diane Charlton

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Office Hours: W 10am-12pm and by appointment

"Most people in the world are poor. If we knew the economics of being poor, we would know much of the economics that really matters."

-Theodore Schultz

Class Description

In this course, we will use economic models to study poverty and development in a global context. We will study various models that describe why some nations are relatively wealthy and others poor and why it may be difficult for people in certain circumstances to rise out of poverty. We will analyze economic strategies for poverty alleviation at the global down to the household levels using case studies with evidence-based research. We will learn some of the fundamentals of Game Theory and apply Games to developing country settings to understand how strategic behavior can lead to the evolution of different institutions under slightly varying circumstances. Finally, we will analyze how institutions can affect short- and long-term growth.

Student Learning Outcomes

After successfully completing this course, students will

- be able to describe the Neoclassical and Endogenous Economic Growth Models, including their implications and underlying assumptions;
- know how to set up a game matrix and extended form game for simultaneous and dynamic games respectively and find all Nash Equilibria using Game Theory techniques;
- be able to determine whether a Nash Equilibrium is Pareto Efficient;
- be able to use Game Theory to illustrate how poverty traps form in competitive markets where everyone is acting in his or her own self-interest;
- be able to interpret production frontiers and indifference curves in an agricultural household model;
- and be able to describe fundamental issues in development economics by citing examples and outcomes from peer-reviewed economic studies.

Prerequisites

ECNS 204 or 251

Required Textbook

1. Banerjee, Abhijit V. and Esther Duflo. *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*.
 - (a) This book presents economic theories to describe the often unexpected behaviors of the poor, and it summarizes numerous case studies that test the hypotheses that spring from these theories or their underlying assumptions.
 - (b) We will discuss a chapter in class nearly every week (typically on Fridays). I will provide reading questions at the start of each week to help you prepare for class discussion.
2. Wydick, Bruce. *Games in Economic Development*.
 - (a) We will draw numerous examples from this book to study Game Theory and apply Games to help understand and interpret concepts in economic development.
 - (b) A copy of this book is available in the DAEE library. New paperback books can be found on Amazon for \$35.

Supplemental Reading (Not Required)

1. Taylor, J. Edward and Travis J. Lybbert. *Essentials of Development Economics*.
2. Roland, Gerard. *Development Economics*.

Course Webpage

Desire2Learn: I will use D2L to post readings and supplemental materials.

Evaluation and Grading

Grades will be assigned based on class attendance and participation, quizzes, a final paper, and exams:

1. Attendance and Participation (20%)
 - (a) Every Friday there will be group discussion of readings or problem-solving sessions to practice applications of economic models learned in class. I will take attendance on Fridays by collecting work completed in class. Although I do not intend to take attendance on Mondays and Wednesdays, you will not likely be able to complete in-class assignments if you do not attend class. If you are unable to attend class on Friday you will need to submit a make-up assignment. I expect students who cannot attend class to submit their assignments prior to class that Friday. Exceptions will be evaluated on a case-by-case basis.
 - (b) Everyone is expected to participate in class discussions. Use of cell phones, facebook, and other social media are not permitted in class. Students who interrupt others or otherwise show lack of respect will receive a lower grade for class participation.
2. Quizzes (20%)
 - (a) There will be 5 quizzes. The lowest of the 5 quiz grades will be dropped from your final grade. Quizzes are given on Fridays.
 - (b) I do not generally allow make-up quizzes. If you must miss more than one quiz during the semester, then you should speak to me about the circumstances and we can decide if a make-up quiz is reasonable.

3. Midterm Exam: Monday March 8 in class (20%)
4. Research Proposal Assignment: Due April 23 at the start of class (15%)
5. Final Exam: cumulative: April 28 9:00-9:50am in class (25%)

If you have conflicts with the midterm exam you will need to provide substantial written documentation in advance explaining why you cannot take the exam on the scheduled date. If you know now that you cannot take the final exam at the appointed date and time, please drop the course.

Instructor Availability

My office hours are your opportunity to ask questions about the course material and related topics and to receive help solving practice problems from class. I encourage you to come to office hours to discuss any related topics. If you cannot come to my office hours, you may email me and ask to schedule additional office hours (in person or on Webex), but please only use this option if you are unable to come to my scheduled office hours.

I will do my best to reply to emails within 24 hours, but I do not always check my email on the weekends.

I also advise you to discuss course material with your fellow students. You will learn much by working with others and teaching one another. I understand that the current situation with COVID-19 makes group work challenging. Please be sure to maintain the MSU protocols for social distancing when scheduling group work.

Course Schedule

Note: Assigned Readings, Quizzes, and Exams are in bold. I will post discussion questions and instructions for each reading on the Monday prior to discussion. Please do readings before coming to class and come prepared to discuss.

1. Week 1 (January 11-15): Introduction to Global Poverty and the Development Gap
 - (a) Monday: Introduction to Global Poverty
 - (b) Wednesday: Inequality
 - (c) Friday: Class activity (Introduction to game theory)
2. Week 2 (January 18-22): Growth Theory
 - (a) Monday: Holiday, No class
 - (b) Wednesday: Growth Theory and Its Limitations
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 1: Think Again, Again**
 - i. Optional Reading: RCTs (Taylor and Lybbert, Ch. 2)
3. Week 3 (January 25-29): Institutions, Interactions, and Games
 - (a) Monday: Economic Development, Interdependence, Incentives, and Games (**Wydick, Chs. 1-2**)
 - (b) Wednesday: Game Theory
 - (c) Friday: Games
4. Week 4 (February 1-5): Agriculture and Development
 - (a) Monday: Agriculture and Development (Taylor and Lybbert, Ch. 9)
 - (b) Wednesday: Understanding Agrarian Institutions (**Wydick, Ch. 6**)
 - (c) Friday: **Quiz 1** and Discuss **Banerjee and Duflo, ch. 2: A Billion Hungry People?**
5. Week 5 (February 8-12): Health and Development
 - (a) Monday: Health and Nutrition. Long-term Effects
 - i. Optional Supplemental Readings:
 - ii. Chen and Zhou (2007) The Long-Term Health and Economic Consequences of the 1959-1961 Famine in China, *Journal of Health Economics*. 26(4): 659-81.
 - iii. Alderman, Hoddinott, and Kinsey. 2006. Long Term Consequences of Early Childhood Malnutrition, *Oxford Economic Papers*. 58(3): 450-67.
 - (b) Wednesday: Health and Externalities (Miguel, Edward and Michael Kremer. 2004. "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities." *Econometrica* 72(1): 159-217.)
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 3: Low-Hanging Fruit for Better (Global) Health?**

6. Week 6 (February 15-19): Investments in Human Capital
 - (a) Monday: Holiday, No class
 - (b) Wednesday: Social Learning and Technology Adoption (**Wydick, ch. 8**)
 - (c) Friday: **Quiz 2** and Discuss Social Learning and Technology Adoption (Wydick, ch. 8)
7. Week 7 (February 22-26): Education and Conditional Cash Transfers
 - (a) Monday: Complementarities between Technologies and Human Capital (Foster, Andrew D. and Mark R. Rosenzweig. 1996. "Technical Change and Human-Capital Returns and investments: Evidence from the Green Revolution." *The American Economic Review*. 86(4): 931-953)
 - (b) Wednesday: Conditional Cash Transfers
 - i. Supplemental Material:
 - ii. Baird, Garfein, McIntosh, and Ozler, Impact of a Cash Transfer Program for Schooling on Prevalence of HIV and HSSV-2 in Malawi: A Cluster Randomized Trial
 - iii. Wydick. 2018. When are Cash Transfers Transformative?
 - iv. Wydick, Glewwe, Rutledge (2015) Does Child Sponsorship Pay Off in Adulthood? An International Study of Impacts on Income and Wealth
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 4: Top of the Class**
8. Week 8 (March 1-5): Population Growth
 - (a) Monday: Overview of population growth using microeconomic theory (Roland, ch. 3)
 - (b) Wednesday: Rural Poverty, Development, and the Environment (**Wydick, ch. 4**)
 - (c) Friday: **Quiz 3** and Discuss **Banerjee and Duflo, ch. 5: Pak Sudarnos Big Family**
9. Week 9 (March 8-12): Risk
 - (a) Monday: **Monday March 8 Midterm Exam in class**
 - (b) Wednesday: Risk and Insurance (Taylor and Lybbert (pp. 318-334))
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 6: Barefoot Hedge-Fund Managers**
10. Week 10 (March 15-19): Access to Credit
 - (a) Monday: Risk, Solidarity Networks, and Reciprocity (**Wydick, ch. 5**)
 - (b) Wednesday: Game Theory exercises in class
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 7: The Men from Kabul and the Eunuchs of India**
11. Week 11 (March 22-26): Savings and Social Capital
 - (a) Monday: Savings, Credit, and Microfinance (**Wydick, ch. 7**)
 - (b) Wednesday: Social Capital (Wydick, ch. 11)
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 8: Saving Brick by Brick**
12. Week 12 (March 29-April 2): Informal Labor Markets
 - (a) Monday: Structural Transformation (Taylor and Lybbert, ch. 10)

- (b) Wednesday: **Quiz 4** and Discuss **Banerjee and Duflo, ch. 9: Reluctant Entrepreneurs**
 - (c) Friday: No class
13. Week 13 (April 5-9): Institutions
- (a) Monday: Property Rights, Governance, and Corruption (**Wydick, ch. 9**)
 - (b) Wednesday: More Games/TBD
 - (c) Friday: Discuss **Banerjee and Duflo, ch. 10: Policies, Politics**
14. Week 14 (April 12-16): Trade and Globalization
- (a) Monday: Migration
 - (b) Wednesday: International Trade and Globalization (Taylor and Lybbert, ch. 13)
 - (c) Friday: **Quiz 5** and discuss **Easterly and Sachs readings**
15. Week 15 (April 19-23): Miscellaneous Topics, and Where Do We Go from Here?
- (a) Monday: The Political Economy of Trade and Development (**Wydick, ch. 10**)
 - (b) Wednesday: Conflict, Violence, and Development (**TBD**)
 - (c) Friday: Conflict, Violence, and Development continued **Research Proposal due**
16. Finals Week (April 26-30)
- (a) Monday: Optional Review (**Please bring questions to class**)
 - (b) Wednesday: (**Final Exam, in class**)
 - (c) Friday: No class. Please feel free to stop by my office if you would like to talk about the semester, potential research opportunities, or further studies in Economics.

Research Proposal

Your final assignment is to write a research proposal to evaluate a policy intervention of your choice (15% of your final grade). You need to clearly articulate the proposed research question and its relevance in development economics, you must explain how the research question will be evaluated, and you must demonstrate how the findings of your research project would be communicated to interested parties. You will be graded on the potential feasibility of your proposed project, your ability to frame your research question within the context of the relevant Economics literature, and how well you demonstrate comprehension of development economics. Papers should be 3-5 double-spaced pages in length.

The introduction should include your research question and demonstrate why the reader should care.

The body of your proposal must include the following:

- How does your research question fit into the current literature? You should cite studies from class, and you also need to do your own investigation to cite relevant literature.
 - You should cite a minimum of 3 peer-reviewed articles.
 - Be sure to read the actual articles and not just cite the findings that Banerjee and Duflo summarized in their book. Many of the Economics research articles will be technical and challenging to read, but I ask you to try reading them, possibly skipping over the more technical sections. If you make the effort to read these papers you will learn, even if some of the technical language is more advanced than your studies have yet taken you.
 - I suggest searching for articles using the econlit search engine, which you can access on the MSU library website. Please take the time to talk with me about your ideas well in advance of turning in your assignment. I may have relevant articles to share with you that are related to your topic.
- Where will the intervention be carried out? Or, where did the intervention/economic shock to be evaluated occur? What is the cultural, political, and social context in this location? Will

findings have relevant applications in other locations?

- What data are needed to evaluate the intervention and how will those data be collected? Are data already available? Do you need to conduct surveys? What information must be collected in the surveys? And who will answer the surveys?
- How will the proposal be evaluated? (e.g., Will you conduct a Randomized Control Trial? Will you take advantage of a quasi-natural experiment?) Who is the treatment group? Who is the control?
- How will you disseminate your findings to the relevant stakeholders? Who is your intended audience and why are the findings of importance to them?

You should write a concluding paragraph that reiterates why this research question is important and who would benefit from understanding the results of your evaluation project.

Student Resources at the Writing Center

To support you in your writing this semester, you have the option of meeting with a tutor at the MSU Writing Center. The MSU Writing Center is available free of charge to all student writers at any stage in their writing from figuring out the assignment to editing and helping you proofread. At the MSU Writing Center, we think of writing as a form of conversation: someone writes, and another responds by reading. Because writers and readers are separated by time and space, writers may not know how a reader will respond. When you work with a tutor, you get the benefit of an immediate audience. To make an appointment or for more information about the Writing Center, visit the MSU Writing Center webpage at www.montana.edu/writingcenter.

Note on Academic Integrity

Students writing in an academic setting are responsible for approaching all assignments with rigor, integrity, and in compliance with the University Code of Student Conduct. This responsibility includes:

1. consulting and analyzing sources that are relevant to the topic of inquiry;
2. clearly acknowledging when they draw from the ideas or the phrasing of those sources in their own writing;
3. learning and using appropriate citation conventions within the field in which they are studying; and
4. asking their instructor for guidance when they are uncertain of how to acknowledge the contributions of others in their thinking and writing.

When students fail to adhere to these responsibilities, they may intentionally or unintentionally “use someone else’s language, ideas, or other original (not common-knowledge) material without properly acknowledging its source” . When the act is intentional, the student has engaged in plagiarism.

Plagiarism is an act of academic misconduct, which carries with it consequences including but not limited to receiving a course grade of F and a report to the Office of the Dean of Students. Unfortunately, it is not always clear if the misuse of sources is intentional or unintentional, which means that you may be accused of plagiarism even if you do not intentionally plagiarize. If you have any questions regarding use and citation of sources in your academic writing, you are responsible for consulting with your instructor before the assignment due date. In addition, you can work with an MSU Writing Center tutor at any point in your writing process, including when you are integrating or citing sources. You can make an appointment and find citation resources at www.montana.edu/writingcenter.