Course Information

- Class Meetings: Carson L02
  - Section 9L: MWF, 8:45-9:50; X-hour, Th. - 9:00-9:50
  - Section 2: MWF, 1:45-2:50; X-hour, Th. 1:00-1:50
- Course materials on blackboard: http://www.dartmouth.edu/~blackboard
- Course website: http://www.dartmouth.edu/~econ74
- Instructor: Eric Edmonds, 308 Rockefeller Center
  - Office hours: Monday 12:00-1:30pm, Wednesday 3:00-4:30pm

Overview

This course is an introduction to how economics can aid our understanding of contemporary issues in low-income countries. We consider why extreme poverty and hunger, child mortality, low-levels of education, gender inequality, environmental degradation, high fertility, and child labor pervade today's developing countries. We also examine the economic consequences of globalization and infectious diseases such as malaria and HIV/AIDS. For each topic, we seek to understand the factors and constraints influencing decision-making in developing countries. We use this understanding to discuss the role of markets, civil organizations, government policy, and international institutions.

Prerequisites

This is an empirical class. For each topic in the course, we study real examples chosen from the experience of developing countries around the world. Students who have not completed statistics (Economics 10 or equivalent) will not adequately understand the course material. Econometrics (20) and Microeconomics (21) are not prerequisites for this class, but students who have not completed them are expected to familiarize themselves with basic concepts when necessary.

Readings

Debraj Ray’s Development Economics is the main text for the course. We supplement the textbook with recent research papers and news clippings. Two additional readings are available in the bookstore; neither is required for the course. A Quiet Violence is a narrative about village life in rural Bangladesh. We will reference it for motivation many times throughout the course. The Elusive Quest for Growth is one economist’s account of his experiences working for the World Bank. As with A Quiet Violence, material from The Elusive Quest for Growth will be referenced many times in the class. There is little required reading from either.

Evaluation

Grades are based on a midterm (30%), final (45%), a paper (9%), and 4 policy briefs (16%).
Other Administrative notes

Students with disabilities, including invisible disabilities like chronic diseases, learning disabilities, and psychiatric disabilities that may affect their performance in this course should meet with me during the first two weeks of classes so that appropriate accommodations may be made.

CALENDAR

DE denotes the textbook: Ray's *Development Economics*. All readings are required unless noted with a * which indicates recommended.

JANUARY 5, 2005 - INTRODUCTION
What are the different ways we might measure well-being? How do these different measures of well-being vary across the world today?

- DE Ch. 2, 8.1-8.3, Ch 6.3
- DE Appendix 2 (this statistics review is a must)
- *FAO, The State of Food Insecurity in the World 1999

JANUARY 6 - FOREIGN AID
Who are the major players in international development assistance? How are current aid flows determined? Is there any evidence of their success? Can the current aid delivery system be improved?

- DE - Appendix to Ch. 17

JANUARY 7 - NO CLASS

JANUARY 8 - NO CLASS

JANUARY 10 - TSUNAMI POLICY BRIEF
You have US$1,000 to give as a private donation to help Tsunami victims in Asia or Africa. Who would you give this money to? Why do you feel that they are the best recipient of this cash? How does one give money to this organization? At the very minimum, the top submitted brief will be funded.

A couple of cautions: 1 - There are a number of places where you can give money and they distribute the money to various sources. Do not propose to give money to one of these organizations. Rather, the money should go directly to one organization that is active in the area of the disaster. Your case should be based on the activities of that specific organization. 2 - A fraction of every donation given to a charity generally goes to overhead or fundraising expenses and not directly to relief programs. Obviously, one would want to avoid charities that are relatively less effective at converting your money into relief. Information on charities is available from many sources including the Better Business Bureau's Wise
Giving Alliance (http://www.give.org/), Charity Navigator (http://www.charitynavigator.org/), or the American Institute of Philanthropy (http://www.charitywatch.org/hottopics/tsunami_asia.html).

A note on policy briefs in general: A policy brief is a short (maximum 600 words) summary document of arguments on a particular issue. The title of the brief is critical - it must convey in a clear manner the fundamental point of the brief. Assume that your title determines whether your brief gets read. The purpose of the brief is not an in depth study of a particular issue. Rather, it highlights for a busy policy maker what are the key issues that need to be considered on the topic. A rather famous recent policy brief is available on blackboard.

JANUARY 12 - HEALTH STATUS AND WORK
The connection between poor health and work is obvious. You cannot work if you are sick. However, can poverty itself create a poverty trap? This question is especially important in the context of the Tsunami. Can shocks like this create poverty traps that are difficult to escape?
- DE Ch. 8, esp. 8.4

JANUARY 14 - GLOBAL HEALTH
What are the current public health threats that plague the low income world? To the extent that globalization promotes economic growth, what are the implications of this growth for health? What new threats might globalization pose to the problem of global health?

JANUARY 17 - NO CLASS

JANUARY 19 - VACCINES POLICY BRIEF
Why is there so little research on diseases that are endemic in developing countries? What can be done to promote this research? What are the arguments for promoting this research and who should be involved in this promotion?

JANUARY 20 - THE HIV/AIDS EPIDEMIC
What are the economic consequences of the HIV/AIDS epidemic in low income countries? Why is the disease burden so much higher in these poor countries? What coping mechanisms do families of AIDS victims have to mitigate the impact of adult death?
JANUARY 21 - APPROACHES TO THE HIV/AIDS EPIDEMIC


JANUARY 24 - TYPES OF PROPERTY (Land 1)

Most of the world's poor are subsistence farmers. We consider how individuals use land and why property rights are an important determinant of how it is used.

- DE Ch. 11, 12
- The resource basis of production: Dasgupta (1993), Ch 10 p 269-296

JANUARY 26 - THE CASE FOR LAND REFORM (Land 2)


JANUARY 27 - EXAMPLES OF LAND REFORM (Land 3)


JANUARY 28 - TYPES OF LABOR MARKETS (Labor 1)

The one asset that virtually everyone owns is their own labor. We consider how labor markets work in developing countries, why they might not function properly, and how we can see persistent poverty for generations.

- DE Ch. 13

JANUARY 31 - THE FARM HOUSEHOLD (Labor 2)


FEBRUARY 2 - RURAL TO URBAN MIGRATION (Labor 3)

- DE Ch. 10

FEBRUARY 4 - MIDTERM

FEBRUARY 7 - HIPC POLICY BRIEF

There are a lot of poor countries with very high levels of debt. This debt attracts a great deal of popular attention with celebrities such as Bono and the Pope weighing in what should be done about these high levels of debt. Who are the HIPC countries? Why are they so in debt? What policy options are available to address the problems caused by this debt burden? Conclude with a policy recommendation of what you feel should be done about the problem of high levels of debt. Some helpful readings:

- The World Bank's Debt Website: www.worldbank.org/debt (esp. the FAQ round by following the HIPC link)
• *Arlanalp, Serkan and Peter Henry (2004), "Helping the Poor to Help Themselves: Debt Relief or Aid?" NBER Working Paper #10230.
• *The Millenium Challange Corporation outlines U.S. Policy: http://www.mca.gov/

FEBRUARY 9 - INFORMAL CREDIT (Credit 1)
We examine formal and informal credit markets in low income countries. We discuss the impact on development of poor access to credit and consider some of the programs that have been attempted to improve credit access.
• DE Ch 14
• *The Economist: “No Title," March 31, 2001

FEBRUARY 10 - MICRO CREDIT (Credit 2)

FEBRUARY 11 - NO CLASS

FEBRUARY 14 - SAVINGS (Insurance 1)
The poor are typically believed to be extremely vulnerable to fluctuations in income. We consider the nature of this vulnerability, its economic consequences, and how can households cope with risk.
• DE Ch 15

FEBRUARY 16 - INFORMAL INSURANCE (Insurance 2)

FEBRUARY 17 - WITCHES
How do households cope with shocks when insurance fails? We look at some contemporary and historical evidence at the relationship between witchcraft and crops shocks.

FEBRUARY 18 - NO CLASS

FEBRUARY 21 - "GLOBALIZATION" POLICY BRIEF
No development issue is more controversial than the impact of globalization on world poverty. Positions for and against globalization are so entrenched that virtually no dialogue has been sustained between the two camps. Meetings of international organizations are picketed massively, often leading to violence. The aim of this policy brief is to build an understanding of what issues are being debated and what analytical content is in each side of the debate over how globalization affects poverty in low income countries.

Other resources will be available on blackboard.

FEBRUARY 23 - FERTILITY (Human Capital 1)
Why is fertility so much higher in poor countries than in rich countries? What are the economic consequences of this fertility? Is there anything that can be done about it?

• DE Ch 9
• * Easterly, William (2001). The Elusive Quest for Growth. MIT Press, Ch 5

FEBRUARY 24 - EDUCATION (Human Capital 2)
The idea of human capital is that individuals differ in the value of their labor based on investments that they make to improve its value. Education is one component. Nutrition is another. We consider the value of human capital investment, its determinants, and how human capital investments may mitigate some of the problems in land, labor, credit, and insurance that we have discussed.


FEBRUARY 25 - NO CLASS

FEBRUARY 28 - CHILD LABOR (Human Capital 3)
Few persistent issues in low income countries garner as much popular attention as does child labor. What is child labor? Why do children work? We'll focus on informing many popular misconceptions.

• *The Economist, "Economic Focus: Child Labour, Sickness or Symptom?" February 5.

MARCH 2 - GENDER (Human Capital 4)
We examine how family behavior is affected by social norms with a specific focus on the causes and consequences of differences in the treatment of children by gender. We consider whether there is hope that differences in the treatment of children may change over time.


MARCH 4 - POLICY AND INVESTMENTS IN CHILDREN (Human Capital 5)
If we accept that a combination of low investments / high fertility creates an environment where poverty may be persistent, what can policy do to promote investments in children? We consider policies to improve schools, reduce child labor, or resolve the incentive problems that may be critical in the observed low levels of investments.

MARCH 7 - TRADE
How are low-income countries affected by international markets? What potential benefits are there for low-income countries that liberalize trade and integrate into international markets? How are policies in wealthier countries affecting the ability of low income countries to integrate? We'll take an extremely brief look at this topic.
- DE Ch 16, 17.1

MARCH 9 - DEVELOPMENT PRIORITIES: PAPER PRESENTATIONS
Pick a low-income country. Imagine you are the health and social protection officer for the World Bank in your country. Your Country Director (CD) is looking for innovative ideas and has asked you develop a proposal for a pilot (test) project that will address a fundamental need in your country in the area of health and social protection (broadly understood to include all topics included in this class). The CD will make a credit of US$ 250,000 available for the project. Write a brief (maximum 3,000 words) proposal for the CD. The report should clearly motivate the proposed project in terms of statistics and more qualitative evidence relevant to make the case for the project in your country. The report should be clear in what the proposed project is and why you believe this is the best use of resources in your area. You do not need to prepare a precise budget, but projects that are not feasible within the budget will be rejected. With this budget, projects will not be nationwide. Instead, they'll focus in a particular geographic area. You should be clear about your choice in where to try the project. Projects should be of national interest despite the need to target the project to a well defined location. You should also make a strong case for why the project will be effective, drawing on the experience of other countries with similar programs. You should also be forthcoming about any shortcoming in that evidence. All projects now funded by the World Bank need to have an evaluation component. This is especially important for pilot projects such as this which may eventually lead to a nationwide policy change. Explain in your proposal how you will evaluate its effectiveness (this does not need to be part of your budget). Students should work in groups of 4 to 5 students. 1 student from each group will make a 5 minute sales pitch on the project in class today. Group papers are also due today.

MARCH 13 - FINAL EXAM AT 3:00PM