

Economic Development and Growth!!

Econ 230

Vital Statistics

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Class Time: 1:35-2:50 TTh

Class Location 262 SWKT

Instructor Office Hours: W 10-11 PM
Th 4:15-5:15 PM
Or email me a time
150 FOB

Purpose

In this course, we apply careful analytical thinking to the question of why some nations' citizens are so much richer than others. My expectation is that students will learn how to think analytically about economic development and developing countries. By working through a variety of issues, you will learn to critique models and see what questions they can answer and what questions they cannot.

Often, these models indicate what remedies, if any, are likely to work. Some models are based on individual agents and families making decisions, and so they are *microeconomic* models. The models are designed to explain why agents behave as they do and how that behavior affects economic development and living standards.

Other models abstract from the individual decision makers to think about the economy as a whole. These are *macroeconomic* models which we will use for our section on growth theory. In that section, we will look at why some *countries* grow and others do not, rather than focusing on the decisions faced by individuals.

Textbooks

The required text is Debraj Ray's *Development Economics*. Read it. It's a good book. The homework will mostly come from there, as will much of the lecture material. If you read the relevant chapters before class you will be far better prepared to go through the material (and you will do better on the quizzes). The textbook is written for those who have a grasp of basic, 110 level economic theory. You will need to do some thinking and lots of homework in order to grasp the concepts in the book, but the material is accessibly written. We will supplement this textbook with articles you may get through the Electronic Course Reserve.

In the past, some students have found that the growth material was easier to understand in Mankiw's *Macroeconomics* textbook, which the department uses for Economics 381. If you are struggling with the material, you may find that alternative approach helpful.

Prerequisites

You must have completed Econ 110. Econ 110 develops the neoclassical (supply and demand) model which is our point of departure. Most of what we are doing is modifying assumptions to make a model that better fits particular situations, and seeing what we learn. You will not be prepared to do this unless you are familiar with the material from Econ 110. Some introduction to statistics would be useful but is not required.

Although we do not use calculus in the class, many students find that they need to refresh their algebra in order to do well in the class. We use a fair bit of basic mathematics, at a level all of you can handle but some of you won't want to.

Grading

The class will involve a variety of opportunities for you to learn to do the material and for which you will be evaluated, but those will not be a large part of your final grade. In some cases, students who do well on other classroom assessments perform poorly on the final. In that case, I will give the student a weighted average of their final and their other grades.

Learning Evaluation

In order to practice the material and prepare for the final, You'll have the following assignments:

- Problem sets every second week
- 1 Page summaries or elaborative questioning (outside of class you will discuss the reading).
- In-class short examinations every second Thursday. We will also go over the answers in class.

Your grade will then be determined by one 3-4 page Book Essay (10%), the above assignments (20%) and the final exam (70%), which will draw heavily from the problem sets, readings, and in-class examinations.

If you can't make the final on **December 20—11:00-2:00**, drop the class and take it next year (the class will undoubtedly improve with age). You are encouraged to work together on homework but each assignment should be submitted independently based on your own thinking. Assignments must be completed on time to be graded.

You will submit a response to each paper we read. The reading responses consist of you answering the questions found on the last page of the syllabus. An alternative will be to submit a paper affirming that you completed a 30 minute Elaborative Questioning period with one other person on the subject of the paper. These are due at the beginning of the class period in which we discuss the paper. There will be approximately a half dozen papers to read.

The Book Essay will be due 5:00 on **October 27th**. You are to read a book on development economics and then offer up an argument about why the markets studied do or do not conform to the perfect competition, neoclassical assumptions. You may read any book on the following list that you have not read before now and are not reading for a class this semester. We'll discuss this requirement in class.

Acceptable Books

Great Basin Kingdom : an economic history of the Latter-day Saints, 1830-1900 by Leonard Arrington, any edition. (out of print but the library has many copies)

The Other Path by Hernando De Soto, any edition. This is a fine study of how people in Peru circumvent a hostile legal environment.

Development as Freedom by Amartya Sen, a development economist who recently won the Nobel Prize.

The Elusive Quest for Growth by William Easterly, an economist at the World Bank (until he wrote this book).

Globalization and Its Discontents by Joseph Stiglitz, a Nobel Prize winning economist who also no longer works at the World Bank.

I have not had the bookstore get any copies of the books so you will need to find a copy of your chosen book yourself. If you wish, I can order some copies of a book at the bookstore. **Note that there is a "Great Basin Kingdom Revisited" book that is a collection of essays. That does not count.** I am referring to the original work by Arrington.

University Policy

The university has policies on the Honor Code, plagiarism, discrimination, harassment, and accommodating those with disabilities. This class will adhere to those policies and students need to be familiar with them as they are presented in the current class schedule.

Rough Course Outline

Introduction and Overview of Countries and Economic Theory
Growth Theory
Innovations and Corruption, Social Norms and Fixed Costs
Inequality and Poverty
Fertility, Child Labor, and Labor Markets
Credit and Insurance

Example Questions to answer in written responses or in EQ

1. What is the question? Why is it interesting? Is there a more interesting question on the topic? Does the paper answer the question it asks?
2. What is being assumed about human behavior? What insight does it provide?
3. What data, if any, are used? How could the data be better?
4. What estimation technique, if any, is used? Is this technique effective for answering the question? What are the limitations?
5. What conclusion can be drawn from the paper? What further research would be useful to do?