

ECONOMICS OF LESS DEVELOPED COUNTRIES

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This course explores economic analysis of behavior and policy issues important in developing economies. While many of these subjects are also important for industrialized economies, some are of special relevance to poor economies. The course is developed around readings. There is no main text, but we will use numerous chapters from the text by Professor Julie Schaffner of Tufts University, *Development Economics: Theory, Empirical Research and Policy Analysis*, Wiley. This is available in print and as an e-book. The electronic version is far less expensive. It is available at http://www.coursesmart.com/IR/6487639/9780470599396?_hdv=6.8. I encourage you to buy this. Also several books that will be used extensively in the course: World Bank, *World Development Report, 2008: Agriculture for Development*, *World Development Report, 2012*, Abhijit Banerjee and Esther Duflo, *Poor Economics* and Paul Collier, *The Bottom Billion*. The World Bank books are available for free on the web at www.worldbank.org (go to research, then to WDRs then to WDR 2008 or WDR 2011). Banerjee and Duflo and Collier are available at Amazon. These and other books will be available on reserve at Leavey Library and articles will be available on ARES online reserve, plus you can look them up on the web.

As you will see in the syllabus, in each section readings are included that explore an issue in greater detail than the required readings. Many of these come from an annual series published by the World Bank entitled, *World Development Report* (WDR). Some are from a journal published jointly by the World Bank and the International Monetary Fund, titled *Finance and Development*; these latter tend to be 1 to 3 pages in length. A few other readings are included. The WDRs are on ARES online reserve and should also be at Leavey Library, as are other books used for readings. Articles not in books are available online as electronic files under ARES reserve readings under Strauss. Articles in books can be found in the books, which should be on reserve. Articles in journals will be electronically available.

Grading will be based on two in-class midterms and an in-class final. Weights will be 30% for each midterm and 40% for the final. Exams will be a mixture of multiple choice, true-false and short answer.

Statement on Academic Conduct and Support Systems

Academic Conduct

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Section 11, *Behavior Violating University Standards* <https://scampus.usc.edu/1100-behavior-violating-university-standards-and-appropriate-sanctions/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct/>.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* <http://equity.usc.edu/> or to the *Department of Public Safety* <http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us>. This is important for the safety whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report, or can initiate the report on behalf of another person. *The Center for Women and Men* <http://www.usc.edu/student-affairs/cwm/> provides 24/7 confidential support, and the sexual assault resource center webpage sarc@usc.edu describes reporting options and other resources.

Support Systems

A number of USC’s schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the *American Language Institute* <http://dornsife.usc.edu/ali>, which sponsors courses and workshops specifically for international graduate students. *The Office of Disability Services and Programs* http://sait.usc.edu/academicsupport/centerprograms/dsp/home_index.html provides certification for students with disabilities and helps arrange the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* <http://emergency.usc.edu/> will provide safety and other updates, including ways in which instruction will be continued by means of blackboard, teleconferencing, and other technology.

I. What is development economics?

Schaffner, *Development Economics: Theory, Empirical Research and Policy Analysis*, Chapter 1, Introduction

II. Measuring development

Schaffner, Chapter 2, Well-Being

Schaffner, Chapter 3, Economic Growth

III. Poverty and inequality

Schaffner, Chapter 5, Poverty, Inequality and Vulnerability

World Bank, *World Development Report, 1990*, pp. 24-55

World Bank, *World Development Report, 2000/2001*, Overview

Martin Ravallion, "How long will it take to lift one billion people out of poverty?" *World Bank Research Observer*, August 2013.

Paul Collier and Stefan Dercon, "The complementarities of poverty reduction, inequality and growth: A perspective on the World Development Report, 2006", *Economic Development and Cultural Change*, Oct 2006.

World Bank, *World Development Report, 2012*, Overview

In more detail:

Shaohua Chen and Martin Ravallion, 2010. "The developing world is poorer than we thought, but no less successful in the fight against poverty", *Quarterly Journal of Economics*, 125(4):1577-1625.

Ferreira, Francisco and Martin Ravallion, "Global poverty and inequality: A review of the evidence", World Bank Policy Research Working Paper WPS4623, May 2008.

MIDTERM 1

IV. Agriculture and rural development

Yujiro Hayami and Yoshihisa Godo, *Development Economics*, Oxford University Press, 2005, pp. 92-121.

World Bank, *World Development Report, 2008*, Overview, Chapters 1-4, 7, 9-11

Schaffner, Chapter 13.1, 13.2; Chapter 17, Agricultural Market Interventions and Reforms; Chapter 20, Agricultural Research and Extension; Chapter 6.4, Basic Producer Theory with Application to Green Revolution Labor Market Effects

In more detail:

Thomas Tomich, Peter Kilby and Bruce Johnston, *Transforming Agrarian Economies*, Chapter 2; on structural transformation

V. Investment in human capital

T.W. Schultz, "The Economics of Being Poor," *Journal of Political Economy*, 1980, pp.639-51

World Bank, *World Development Report, 2004*, Chapters 7-9

Banerjee and Duflo, Chapters 2-5

Schaffner, Chapter 6.1-6.3, Consumption, Time Allocation and Production Choices; Chapter 15, Targeted Transfer Programs; Chapter 19, Education; Chapter 22, Public Health, Health Care and Health Insurance

World Development Report, 2012, Chapter 3: Education and Health

In more detail:

T. Paul Schultz, "Population and Health Policies", 2009

T. Paul Schultz, "The Gender and Generational Consequences of the Demographic Transition and Population Policies", 2009

Eric Hanushek, "Why quality matters in education", *Finance and Development*, June 2005.

Emanuel Jimenez, Elizabeth King and Jee-Peng Tan, "Making the Grade", *Finance and Development*, March 2012.

David Cutler, Angus Deaton and Adriana Lleras-Muney, 2006, "The determinants of mortality", *Journal of Economic Perspectives*, 20(3):97-120

David Bloom, "The Shape of Global Health" *Finance and Development*, Dec 2014.

Jorge Coarasa, Jishnu Das and Jeffrey Hammer, "Private vs. Public", *Finance and Development*, Dec 2014.

Dupas, Pascaline, 2014. "Getting Essential Health Products to Their End Users: Subsidize but How Much?" *Science*, 345(6202):1279-1281.

Rohini Pande and Petia Topalova, "Women in Charge", *Finance and Development*, June 2013.

MIDTERM 2

VI. Population and development

David Lam, 2011, "How the World Survived the Population Bomb: Lessons from 50 Years of Extraordinary Demographic History", Presidential Address to PAA, 2011

VII. Investment, Savings and Taxes

Schaffner, Chapter 18, Infrastructure Policies and Programs; Chapter 10, Investment and Financial Markets; Chapter 21, Microfinance

Banerjee and Duflo, Chapters 7-9

Jonathan Morduch, How microfinance really works. Millken Review, 2nd Quarter, 2013.

Tim Besley and Torsten Persson, 2014. "Why do developing countries tax so little?", *Journal of Economic Perspectives*, 28(4):99-120.

IX. Globalization, Growth and Poverty

World Bank, *Globalization, Growth and Poverty*

Hogendorn, *Economic Development*, Chapters 13-14

In more detail:

Martin Ravallion, "The Debate on Globalization, Poverty and Inequality: Why Measurement Matters", *International Affairs*, July 2003.

Craig Burnside and David Dollar, "AID spurs growth- in a sound policy environment," *Finance and Development*, December 1997

Easterly, William and Tobias Pfutze, 2008, "Where does the money go? Best and worst practices in foreign aid", *Journal of Economic Perspectives*, 22(2):29-52.

David Dollar and Aart Kray, "Trade, Growth and Poverty", *Finance and Development*, Sept 2001

X. Governance and civil war

Paul Collier, *The Bottom Billion*, 2007.

Schaffner, Chapter 13.3, 13.4, Good governance of policy implementation, Political Economy of Development

Soloman Hsiang, Marshall Burke and Edward Miguel. (2013). "Quantifying the Influence of Climate on Human Conflict", *Science*, 341:1212-1226.

Bellows, John and Edward Miguel. 2006. "War and Institutions: New Evidence from Sierra Leone." *American Economic Review* 96 (2): 394-399.