Public Policy 35550: Economic Development and Policy

Instructor: Professor Eduardo Montero (emontero@uchicago.edu)
Class meeting time: Tu/Th, 9:30 - 10:50 a.m.
Class meeting room: Keller 0023
Office hours: Teaching Assistant:

Course Description

What accounts for the vast disparities in income levels and economic growth across the world? What are the most important drivers of economic growth, and what policies have the greatest potential for reducing poverty and raising human well-being in the developing world? This course covers the following topics: the broad patterns of development across the world; economic growth; long-run determinants of development (geography, institutions, and culture); corruption; market failures; development research and policy-making; structural transformation; market reforms and industrial policy; poverty traps; infrastructure; migration and remittances; education; health; coping with risk; global science and technology; and foreign aid.

Course Objectives

This course has three main objectives. First, we will learn to think critically about the meaning of economic development and the leading ideas for why some countries have developed more than others. We will distinguish between long-run development forces and short-run market failures. My goal is that leave the course with a rich understanding of these two forces and how they determine modern policy-making approaches to development. Second, we will discuss how we can identify and produce high-quality quantitative research on development topics. We will discuss the assumptions behind different empirical approaches common in development economics and learn about their key strengths and weaknesses to better understand empirical evidence in economics. Third, we will debate these ideas and think about how to continue to expand on these ideas. We will cover research on the frontier of development economics and think critically about its implications and shortcomings. We will take advantage of the wealth of different perspectives and backgrounds in our course and learn from each other. Ultimately, my goal is that you all become fluent in critically assessing development policies and identifying specific market failures in various settings, and develop your own ideas and critiques for how we can continue to improve development economics.

Prerequisites

Previous or concurrent coursework in 1) microeconomics and 2) statistics or econometrics. In particular, students should be able to understand and interpret basic regression analyses.

Relationship to Other Programs

This course counts for the International Policy and Development (IDP) specialization.

How This Class Will Work

This is a reading intensive, discussion-based course. You should keep up to date with the readings posted on Canvas and participate in class. You may find it helpful to form study groups to cover the class
readings in advance of classes. On the reading list, required readings are indicated with stars (** is highest priority, * next priority). Optional readings have no stars and are included for those of you with further interest in the topic.

Each of the following components of the class accounts for a share of your class grade:

- Comments on readings and class participation 40%
- Final assignment and presentation 30%
- Final exam 30%

Comments on readings and class participation. For each class meeting, you are expected to read the double-starred (**) papers in detail (in particular: the paper introduction, conclusion, and tables and figures). Please also skim the one-starred (*) papers if you are interested in the topic. Other papers may be discussed briefly in class but are included on the reading list mainly for those of you interested in pursuing the given topic further. We expect to see the following:

1) Reading response/discussion memo (comments and questions) on only the two-starred papers.
2) Contribute to class discussion in the full class session and/or in small groups discussions.

Please make your reading responses prior to 8:30 a.m. on the day of the class, which is when we will begin reviewing them.

Final presentation on a development innovation (for details, see the assignment description on Canvas). Your exact presentation date will depend on your topic (see class schedule on Canvas). Please also submit your presentation file by 9:00 a.m. (before class) on the date of your presentation.

Final examination covering class readings and discussion. The exam will take approximately 1 hour and 30 minutes. There will be no exceptions to the final exam date and time.

Requests for Grade Changes

Any requests for grade changes must be submitted in writing (via email to the instructor). Your request must provide a detailed rationale behind your request for a re-evaluation of the grade.

Course Materials

Recommended texts (not required for purchase)


Access to readings

All two-starred (required readings for a short reading response) are on Canvas. For one-starred or optional readings, we have sometimes included web addresses on the reading list below and/or included them on Canvas. For some articles, a policy-oriented summary in the form of a “JPAL brief” is available, and we have provided a link to that resource (and sometimes uploaded the PDF to Canvas).
Some one-starred readings are in the two recommended texts, *Poor Economics* and *Portfolios of the Poor*. Other one-starred readings are chapters from Easterly (2001) and Sachs (2005), and PDFs of these are on Canvas.

**Schedule:**

<table>
<thead>
<tr>
<th>Class</th>
<th>Day</th>
<th>Date</th>
<th>Class Topic (Preliminary)</th>
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<tbody>
<tr>
<td>1</td>
<td>T</td>
<td>19-Mar</td>
<td>Introduction &amp; History and Distribution of Development</td>
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<tr>
<td>2</td>
<td>Th</td>
<td>21-Mar</td>
<td>Economic Growth &amp; Long-Run Determinants of Development</td>
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<td>3</td>
<td>T</td>
<td>26-Mar</td>
<td>Corruption and Reforming Institutions</td>
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<td>4</td>
<td>Th</td>
<td>28-Mar</td>
<td>Market Failures</td>
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<td>5</td>
<td>T</td>
<td>2-Apr</td>
<td>Development Research and Policy-Making</td>
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<td>6</td>
<td>Th</td>
<td>4-Apr</td>
<td>Structural Transformation Out of Agriculture</td>
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<td>7</td>
<td>T</td>
<td>9-Apr</td>
<td>Market Reforms and Industrial Policy</td>
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<td>8</td>
<td>Th</td>
<td>11-Apr</td>
<td>Poverty Traps</td>
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<td>9</td>
<td>T</td>
<td>16-Apr</td>
<td>Infrastructure</td>
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<td>10</td>
<td>Th</td>
<td>18-Apr</td>
<td>Migration</td>
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<td>11</td>
<td>T</td>
<td>23-Apr</td>
<td>Education</td>
</tr>
<tr>
<td>12</td>
<td>Th</td>
<td>25-Apr</td>
<td>Health</td>
</tr>
<tr>
<td>13</td>
<td>T</td>
<td>30-Apr</td>
<td>Credit, Savings, and Risk</td>
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<tr>
<td>14</td>
<td>Th</td>
<td>2-May</td>
<td>Foreign Aid &amp; Advance Market Commitments</td>
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<tr>
<td>15</td>
<td>T</td>
<td>7-May</td>
<td><em>Presentations</em></td>
</tr>
<tr>
<td>16</td>
<td>Th</td>
<td>9-May</td>
<td><em>Presentations</em></td>
</tr>
<tr>
<td>17</td>
<td>T</td>
<td>14-May</td>
<td><em>Presentations</em></td>
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<tr>
<td>18</td>
<td>Th</td>
<td>16-May</td>
<td><em>Presentations</em></td>
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<td>21-May</td>
<td>Final Exam</td>
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**Reading List**

**Introduction & History and Distribution of Development**


**Easterly, The Elusive Quest for Growth, Ch. 2-3**

**Acemoglu, Johnson, and James A. Robinson, “Institutions as a Fundamental Cause of Long-Run Growth,” Chapter 6 of Handbook of Economic Growth, eds. Philippe Aghion and Steven Durlauf, Elsevier, 2005, pp. 385-472. (Focus on sections 1-4, up to p. 421.)**


Sachs, The End of Poverty, Ch. 3

Diamond, Jared, Guns, Germs, and Steel, Prologue, Ch. 1, Ch. 4-10.


**Corruption & Reforming Institutions**


[JPAL summary]


Banerjee and Duflo, *Poor Economics*, Ch. 10.


*JPal brief version*


**Market Failures**


**Collins, Morduch, Rutherford, and Ruthven, *Portfolios of the Poor*, Chapters 1-2.

**Development Research and Policy-making**


**Structural Transformation Out of Agriculture**


**JPAL brief version**


**JPAL brief version**


**JPAL brief version**


**JPAL brief version**


**Market Reforms and Industrial Policy**


**JPAL brief version**


*L VoxEU article*


**Poverty Traps**


*NBER Digest Summary*


IPA Summary


NBER Digest summary (p. 3)


**Migration**


*Barsbai, Toman, Victoria Licuanan, Andreas Steinmayr, Erwin Tiongson, and Dean Yang, “Information and the Acquisition of Social Network Connections,” working paper, 2020.


**World Bank Impact Note**


[Blog post at Migration Information Source](https://www.migrationinformation.org)

[Blog post at Impacto Development Impact Blog](https://impactodevelopmentimpact.org)


McKenzie, David, Caroline Theoharides, and Dean Yang, “Distortions in the International Migrant Labor Market: Evidence from Filipino Migration and Wage Responses to Destination


World Bank, *Migration and Remittances Fact Book*. Online resource. (Skim the data on this website and look up information for regions and countries of interest to you.) [http://go.worldbank.org/QGUCPJTOR0](http://go.worldbank.org/QGUCPJTOR0)

**Education**


*JPAL Evaluation Summary*


*Banerjee and Duflo, *Poor Economics*, Ch. 4.


*JPAL brief version*


*JPAL Evaluation Summary*


** Health **


*Banerjee and Duflo, *Poor Economics*, Ch. 2, 3 and 5.


Credit, Savings and Risk
(Note: The readings are groups by Credit, Savings and Risk separately below. There is one two-starred reading in each.)

**Credit**


*Banerjee and Duflo, Poor Economics, Ch. 7.

*Collins, Morduch, Rutherford, and Ruthven, Portfolios of the Poor, Ch. 5.


   JPAL brief version


Armendariz, Beatriz and Jonathan Morduch, The Economics of Microfinance, Ch. 1, 2, and 4.


**Savings**

**J-PAL, "Facilitating savings among smallholder farmers to smooth or increase consumption." J-PAL Policy Insights. Last modified May 2019.**

*Banerjee and Duflo, Poor Economics, Ch. 8.

*Collins, Morduch, Rutherford, and Ruthven, Portfolios of the Poor, Ch. 4.


JPAL Evaluation Summary

Armendariz and Morduch, The Economics of Microfinance, Ch. 6 (sections 6.1-6.5, 6.8).


Coping with Risk


Banerjee and Duflo, Poor Economics, Ch. 6.


Collins, Morduch, Rutherford, and Ruthven, Portfolios of the Poor, Ch. 3.


Armendariz and Morduch, The Economics of Microfinance, Ch. 6 (sections 6.6-6.7).


**Foreign Aid & Advance Market Commitments**

*Foreign Aid:*


*Banerjee and Duflo, *Poor Economics*, Ch. 1.


JPAL brief version


Sachs, Jeffrey, *The End of Poverty*, Ch. 15.

*Advance Market Commitments:*


Resources Available to Students

- If you feel unwell during the semester, for whatever reason, know that you can definitely let the instructor know. I will be understanding and listen, respect your privacy and confidentiality, and direct you to resources where necessary.
- The University offers a comprehensive set of student support services, including student health services. And in response to the COVID-19 pandemic and associated disruptions, the University has provided links for students via its “Learning Remotely” website. There are also counseling services available; details are posted at https://wellness.uchicago.edu/mental-health/. Students needing urgent mental health care can speak with clinicians over the phone 24/7 by calling the Therapist-on-Call at 773.702.3625.
- Similarly, the Harris School itself provides both academic support services for students, described on this page of the Harris website.

Academic Integrity

All University of Chicago students are expected to uphold the highest standards of academic Integrity and honesty. Among other things, this means that students shall not represent another’s work as their own, use un-allowed materials during exams, or otherwise gain unfair academic advantage.

- The University’s policies regarding academic integrity and dishonesty are described here. It is worth explicitly stating the University’s approach here: “It is contrary to justice, academic integrity, and to the spirit of intellectual inquiry to submit another’s statements or ideas as one's own work. To do so is plagiarism or cheating, offenses punishable under the University's disciplinary system. Because these offenses undercut the distinctive moral and intellectual character of the University, we take them very seriously.”

- The Harris School’s student policies are available on the policies page of their website.
  - The Academic Honesty and Plagiarism section expresses the main principles.
  - Detailed guidelines for more specialized student work (e.g., problem sets including computer code) are offered in the sub-section titled Harris Integrity Policy for Problem Sets Involving Code.
- Harris’s specific procedures for handling suspected violations of these policies are available in the section Harris Procedures for Allegations of Plagiarism, Cheating, and Academic Dishonesty.

Disability Accommodations

The University’s policies regarding students with disabilities are available here. The University of Chicago is committed to ensuring equitable access to our academic programs and services. Students with disabilities who have been approved for the use of academic accommodations by Student Disability Services (SDS) and need a reasonable accommodation(s) to participate fully in this course must follow the procedures established by the Harris School of Public Policy.
Timely notifications are required to ensure that your accommodations can be implemented. Currently registered students are asked to notify the Harris Student Disability Liaison, Eman Alsamara (ealsamara@uchicago.edu) of their access requests by the end of the first week of the quarter. The Harris Student Disability Liaison will work with the student and instructor to coordinate the implementation of student accommodations. *Harris students are not required to submit their accommodations letter to the instructor.* Students from other divisions in the University must submit their accommodations letter to Eman Alsamara (ealsamara@uchicago.edu) in the Harris Dean of Students Office.

Students who are facing extenuating circumstances at any point during the quarter should reach out to their Academic Advisor in the Dean of Students Office for support. If you feel you need accommodations on an ongoing basis, contact Student Disability Services. To contact SDS: website: disabilities.uchicago.edu phone: (773) 702-6000 email: disabilities@uchicago.edu.

**Diversity and Inclusion**

The Harris School welcomes, values, and respects students, faculty, and staff from a wide range of backgrounds and experiences, and we believe that rigorous inquiry and effective public policy problem-solving requires the expression and understanding of diverse viewpoints, experiences, and traditions. The University and the Harris School have developed distinct but overlapping principles and guidelines to insure that we remain a place where difficult issues are discussed with kindness and respect for all.

- The University’s policies are available [here](#). Specifically, the University identifies the freedom of expression as being “vital to our shared goal of the pursuit of knowledge, as is the right of all members of the community to explore new ideas and learn from one another. To preserve an environment of spirited and open debate, we should all have the opportunity to contribute to intellectual exchanges and participate fully in the life of the University.”
- The Harris School’s commitments to lively, principled, and respectful engagement are available [here](#): “The Harris School of Public Policy welcomes and respects students, faculty, and staff from a wide range of backgrounds, experiences, and perspectives as part of our commitment to building an inclusive community. *Fostering an environment that encourages rigorous inquiry and effective public policy problem-solving requires the involvement and understanding of diverse viewpoints, experiences, and traditions.* As a leading public policy school, Harris holds diversity as a core value. That includes not only diversity of opinion, but diversity along a broad spectrum of factors, including race, ethnicity, national origin, gender identity, sexual orientation, ability status, religion, socio-economic background, and social or political belief. Recognizing the value of diversity and inclusion is essential to combating discrimination, addressing disparities, and cultivating ethical and clear-eyed policy leadership.”