

ECON 541**Professor Ashok Kotwal****January 2012**

Office : #917 Buchanan Tower (822-3091)

Office Hours: Wednesdays 4 – 5 pm & Thursdays 2.00 – 3.00 pm.

Introduction: This course will be oriented toward understanding the reasons for the continuation of poverty in the world. The first half (before the midterm break) will be devoted to macro-studies emphasizing the impact of history, trying to explain why some countries have managed to become rich while others have languished and the second half to micro-studies of poverty. **Please note that I will assign a significant amount of reading material (mostly from 'Poverty Economics' and 'Understanding Poverty') that is easy to grasp and you will have to do this on your own. You may be tested on this material in the assignments as well as in the final examination.** We will use more examples from India than from any other country for two reasons: India has more of the world's poor than any other country and also because I know it better.

Assessment:

- There will be 3 assignments throughout the semester, one every three weeks or so. Each will be worth about 10 % of your grade.
- Each of you will work in a group of four on a group presentation of a pre-assigned journal article at the end of the term accompanied by a paper in the form of a referee report on the article. In order to assess what the given article has contributed in terms of results and methodology, you will have to do some literature survey of the related literature. The group project (presentation and paper) will constitute 20% of the course grade.
- There will be a final exam worth 50% of your grade.

Reader: Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty, by Abhijit Banerjee and Esther Duflo, Public Affairs, 2011.

This book will help you develop a perspective on the issues we study in the class and will precipitate some fruitful class discussions. I will ask you to read a chapter corresponding to a topic before we cover that topic in the class.

The following reference books will be helpful especially to those who have had no undergraduate courses in Development Economics.

Ray, Debraj (1998) Development Economics. Princeton University Press.

Bardhan, Pranab and Christopher Udry (1999) Development Microeconomics. Oxford University Press.

Banerjee, Abhijit, Roalnd Benabou and Dilip Mookherjee (2006) Understanding Poverty, Oxford.

1. Overview (Jan 4 -11)

Poverty Economics, Ch. 1.

Rodrik, D. (2011), "The Future of Economic Convergence", Paper presented at 2011 Jackson Hole Symposium of Federal Reserve Bank of Kansas City. (<http://www.nber.org/papers/w17400>)

Duflo E. (2011), "Balancing Growth with Equity: The View from Development", Paper presented at 2011 Jackson Hole Symposium of Federal Reserve Bank of Kansas City. (<http://www.kc.frb.org/publicat/sympos/2011/2011.Duflo.Paper.pdf>)

Ray, D. (2010), "Uneven Growth: A Framework for Research in Development Economics", *Journal of Economic Perspectives*, 24, No. 3 (Summer 2010), 45-60. (<http://www.econ.nyu.edu/user/debraj/Papers/Uneven.pdf>)

Why are some countries rich and some so poor?

2. The Impact of History (Jan 16 - 25)

Acemoglu, D., Johnson, S. and Robinson, J. (2006), "Understanding Prosperity and Poverty: Geography and Institutions and the Reversal of Fortune", Ch. 2, Understanding Poverty.

Acemoglu, D., Johnson, S. and Robinson, J. (2001), "The Colonial Origins of Comparative Development: An Empirical Investigation", *American Economic Review*, 91, 1369-1401. (<http://www.colmex.mx/centros/cee/longrun/Lecture2/Acemoglu,%20Colonial%20origins.pdf>)

Nunn, N. and Qian, N. (2010), "The Columbian Exchange: A History of Disease, Food and Ideas", *Journal of Economic Perspectives*, Vol. 24, (2):163-188. (<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.24.2.163>)

Nunn, N. (2008). "The Long-Term Effects of Africa's Slave Trades," *Quarterly Journal of Economics*, MIT Press, Vol. 123(1), pages 139-176. (<http://qje.oxfordjournals.org/content/123/1/139.full.pdf+html>)

*Assignment #1***3. Inequality and Growth (Jan 30 – Feb1)**

Galore, O. and Zeira, J. (1993), “Income Distribution and Macroeconomics”, *Review of Economic Studies*, 66, 35-52. (<http://www.jstor.org/stable/2297811>)

Engerman, S. and Sokoloff, K. (2006), “Colonialism, Inequality, and Long-Run Paths of Development”, Ch. 3, Understanding Poverty.

Sokoloff, K. and Engerman, S. (2000), “History Lessons: Institutions, Factor Endowments and Paths of Developments in the New World”, *Journal of Economic Perspectives*, 14, 217-232. (<http://www.jstor.org/stable/2646928>)

4. Ethnic Diversity as a Barrier to Development (Feb 6 - 8)

Miguel, E. (2006), Ethnic Diversity and Poverty Reduction, Ch. 12, Understanding Poverty.

Easterly, W. and Levine, D. (1997), “Africa’s Growth Tragedy: Politics and Ethnic Divisions”, *Quarterly Journal of Economics*, 112, 1203-1250. (<http://qje.oxfordjournals.org/content/112/4/1203.full.pdf>)

Anderson, S., Francois, P. and Kotwal, A. (2011), “One Kind of Democracy”, UBC Working Paper. (http://www.isid.ac.in/~pu/conference/dec_11_conf/Papers/AshokKotwal.pdf)

5. When Does Growth Result in Fast Poverty Decline (Empirical)? (Feb 13 - 15)

Kotwal, A., Ramaswami, B. and Wadhwa, W. (2011), “Economic Liberalization and Indian Economic Growth: What is the Evidence?” in *Journal of Economic Literature*, 49(4):1152-99. (<http://pubs.aeaweb.org.ezproxy.library.ubc.ca/doi/pdfplus/10.1257/jel.49.4.1152>)

Ravallion, M. and Chen, S., (2007), “China’s Uneven Progress Against Poverty”, *Journal of Development Economics*, 82(1): 1-42. (<http://www.sciencedirect.com/science/article/pii/S0304387805001185>)

Midterm Break

6. When Does Growth Result in Fast Poverty Decline (Theory)? (Feb 27 - 29)

Eswaran, M. and Kotwal, A. (1993), "A Theory of Real Wage Growth in LDC", *Journal of Development Economics*, December :243-269.

(<http://faculty.arts.ubc.ca/akotwal/541/EswaranKotwal.pdf>)

Loayza, N. and Raddatz, C. (2010), "The Composition of Growth Matters for Poverty Alleviation", *Journal of Development Economics*, 93: 137-151.

(<http://www.sciencedirect.com/science/article/pii/S0304387809000431>)

Assignment #2

Microeconomics of Poverty

7. Education (March 5 - 14)

Poverty Economics, Ch. 4

Rosenzweig, M. (2011), "Econometric Evidence on the Role of Human Capital on Growth". Keynote speech at IGC Conference on Dec 20, 2011 at Indian Statistical Institute, New Delhi.

Ljungqvist, L. (1993), "Economic Underdevelopment: The Case of a Missing Market for Human capital", *Journal of Development Economics*, 39.

(<http://www.sciencedirect.com/science/article/pii/030438789390084Z>)

Muralidharan, K. and Sundaraman, V. (2011), "Teacher Performance Pay: Experimental Evidence from India", *Journal of Political Economy*, Vol. 119, No. 1: 39-77. (<http://www.nber.org/papers/w15323>)

Banerjee, A., Cole, S., Duflo, E. and Lindey, L. (2007), "Remedying Education: Evidence for Two Randomized Experiments in India", *Quarterly Journal of Economics*, 122(3), August: 1235-1264.

(<http://qje.oxfordjournals.org/content/122/3/1235.full.pdf+html>)

8. Credit and Savings (March 19 - 26)

Poverty Economics, Chs. 6, 7, 8, 9.

Ghatak, M. (2009), "Lectures on Development", London School of Economics.

(<http://econ.lse.ac.uk/staff/mghatak/devlectures.html>)

Banerjee, Abhijit, and Esther Duflo (2010) "Giving Credit Where it is Due" *Journal of Economic Perspectives*, 24(3), 61-79.

(<http://www.aeaweb.org/articles.php?doi=10.1257/jep.24.3.61>)

Banerjee, A., Duflo, E., Glennerster and Kinnan, C. (2010), "The Miracle of Microfinance". MIT Mimeo.

(http://ifmr.ac.in/cmfp/publications/wp/2009/31_Banerjee_Miracle_of_Microfinance.pdf)

Karlan, D., Osei-Akoto, I., Osei R. and Udry, C., (2010), "Examining Underinvestment in Agriculture: Measuring Returns to Capital and Insurance", Yale University, Mimeo.

(<http://www.poverty-action.org/sites/default/files/Christopher%20Udry.pdf>)

Assignment #3

9. Student Presentations (March 28 - April 2)

Papers for Presentation (Each group of 4 students will pick one of the following 4 topics and present one of the two papers listed under each topic. Each presentation should take 40 mins)

Education

Duflo, E., Dupas, P. and Kremer, M. (forthcoming), "Peer Effects, Teacher Incentives and the Impact of Tracking: Evidence from a Randomized Evaluation in Kenya", *American Economic Review*. (<http://econ-www.mit.edu/files/5992>)

Banerjee, A., Banerji, R., Duflo, E., Glennerster and Khemani, S. (2010), "Pitfalls of Participatory Programs: Evidence for a Randomized Evaluation in Education in India", *American Economic Journal: Economic Policy*, 2(1), February:1-30.

(<http://www.aeaweb.org/articles.php?doi=10.1257/pol.2.1.1>)

Nutrition and Health

Field, E., Robles, O. and Toreso, M. (2009), "Iodine Deficiency and Schooling Attainment in Tanzania", *American Economic Journal: Applied Economics*, 1 (4): 140-169. (<http://www.aeaweb.org/articles.php?doi=10.1257/app.1.4.140>)

Banerjee, A., Duflo, E. and Glennester, R. (2008), "Putting a Band –Aid on a Corpse: Incentives for Nurses in the Indian Public Health Care System", *Journal of the European Economic Association*, 6(2-3): 487-500.

(<http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=26c0b504-4be0-47eb-80d2-f44172d92a48%40sessionmgr112&vid=2&hid=113>)

Behaviour

Duflo, E., Kremer, M. and Robinson, J. (2008), "How High Are Returns to Fertilizer? Evidence from Field Experiments in Kenya", *American Economic Review*, 98(2): 482-488. (<http://www.jstor.org/stable/29730068>)

Dupas, P. and Robinson, J., (2010), "Savings Constraints and Microenterprise Development Evidence from a Field experiment in Kenya", NBER Working Paper (4693). (<http://www.nber.org/papers/w14693>)

History and Institutions

Acemoglu, D., Johnson, S. and Robinson, J. (2001), "An African Success Story: Botswana". (<http://www.olby.edu/economics/faculty/jmlong/ec479/AJR.pdf>)

Acemoglu, D., Cantoni, D., Johnson, S. and J. Robinson, (2009) "The Consequences of Radical reform: The French Revolution" (mimeo). (<http://www.nber.org/papers/w14831>)