E337 DEVELOPMENT ECONOMICS

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Grading: Based on best 20 quizzes (20%) and 4 in-class exams (20% each)

A (90-100%)  C+ (65-69%)
A– (85-89%)  C (60-64%)
B+ (80-84%)  C– (55-59%)
B (75-79%)  D (50-54%)
B– (70-74%)  F (0-49%)

(4 of the 24 quizzes may be dropped; NO MAKEUPS FOR MISSED QUIZZES)

COURSE OUTLINE

I. Physical Capital Accumulation

MEETING 1
A. Development Facts
Reading: Weil Chapter 1

MEETING 2
Discussion/Quiz #1

B. General Framework
Reading: Weil Chapter 2

MEETING 3
Discussion/Quiz #2

C. Physical Capital Accumulation I
Reading: Weil Chapter 3, pp.48-56

MEETING 4
Discussion/Quiz #3

D. Physical Accumulation II
Reading: Weil Chapter 3, pp.56-63

MEETING 5
Discussion/Quiz #4

E. Physical Capital Accumulation III
Reading: Weil Chapter 3, pp.63-70

MEETING 6
Discussion/Quiz #5
F. *Physical Capital Accumulation IV*
Reading: Weil Chapter 11, pp.306-316

MEETING 7
Discussion/Quiz #6/Review

MEETING 8
EXAM #1

II. *Human Capital Accumulation*

MEETING 9
A. *Population Growth I*
Reading: Weil Chapter 4, pp.82-93

MEETING 10
Discussion/Quiz #7

B. *Population Growth II*
Reading: Weil, Chapter 4, pp.93-97

MEETING 11
Discussion/Quiz #8

C. *Population Growth III*
Reading: Weil, Chapter 4, pp. 97-113

MEETING 12
Discussion/Quiz #9

D. *Human Capital I*
Reading: Weil Chapter 6, pp.158-169

MEETING 13
Discussion/Quiz #10

E. *Human Capital II*
Reading: Weil Chapter 6, pp.169-176

MEETING 14
Discussion/Quiz #11

F. *Human Capital III*

MEETING 15
Discussion/Quiz #12/Review

MEETING 16
EXAM #2
III. Total Factor Productivity (TFP)

MEETING 17
A. TFP I
Reading: Weil Chapter 7, pp.179-191

MEETING 18
Discussion/Quiz #13

B. TFP II
Reading: Weil Chapter 7, pp.192-198

MEETING 19
Discussion/Quiz #14

C. TFP III
Reading: Weil Chapter 10

MEETING 20
Discussion/Quiz #15

D. TFP IV
Reading: Weil Chapter 11, pp.316-327

MEETING 21
Discussion/Quiz #16

IV. Growth Miracles
A. The Asian Tigers

MEETING 22
Discussion/Quiz #17

B. China and India

MEETING 23
Discussion/Quiz #18/Review

MEETING 24
EXAM #3

V. Microeconomics of Poverty

MEETING 25
A. Introduction
Reading: Banerjee-Duflo (2011) Chapter 1
MEETING 26
Discussion/Quiz #19

B. Human Capital
Reading: Banerjee-Duflo (2011) Chapters 2-3

MEETING 27
Discussion/Quiz #20

C. Fertility
Reading: Banerjee-Duflo (2011) Chapter 4

MEETING 28
Discussion/Quiz #21

D. Insurance and Credit I
Reading: Banerjee-Duflo (2011) Chapter 5, 6

MEETING 29
Discussion/Quiz #22

D. Insurance and Credit II
Reading: Banerjee-Duflo (2011) Chapter 7, 8

MEETING 30
Discussion/Quiz #23

E. Foreign Aid
Reading: Banerjee-Duflo (2011) Chapter 9

Discussion/Quiz #24 (Take home)

EXAM #4 (Finals Week)
STUDY QUESTIONS

I. A.
1. Weil Chapter 1—Questions 1-4, Problem 5
2. Give a brief description of the growth facts presented in class.

I.B.
Weil Chapter 2—Questions 1-5, Problems 1-8

I. C.
1. Write down the Cobb-Douglas production function. Explain in words what $A$, $K$, $L$, and $\alpha$ represent.
2. What is the purpose of transforming the Cobb-Douglas production function to its "per-worker" form?
3. Sketch the $MPK$ and the $MPL$ as functions of $k$. Explain the relationship exhibited in the sketches in economic, rather than mathematical, terms.
4. Explain the factor price equations that result from profit-maximization in competitive markets.
5. Show that the income shares paid to capital and labor must be constant if the production function is Cobb-Douglas and markets are competitive. What does the empirical evidence say about this implication of the Cobb-Douglas production function?

I.D.
1. Carefully explain how the key growth equation (3.2) was derived from an equilibrium condition for the economy as a whole. Explain what each expression in the equation represents.
2. Sketch equation (3.2) and explain how it can be use to track an economy's growth.
3. What is a steady state? Locate the steady state on the sketch made in #2 above. What 3 variables determine a country's steady state?
4. Weil Chapter 3—Problems 1-2 and 7

I.E.
Weil Chapter 3—Questions 1-5, Problems 4-6

I.F.
Weil Chapter 11—Questions 1,3,5,7 Problems 2-4

II. A.
Weil Chapter 4—Questions 1-2, Problems 2,8

II. B.
Weil Chapter 4—Question 3, Problems 4,6

II. C.
Weil Chapter 4—Questions 4-7

II. D.
Weil Chapter 6—Questions 1,4, P4-6,8

II. E.
1. Weil Chapter 6—Question 6, Problems 3,7,10
2. Give a rough estimate of how large education's role is in explaining worker productivity gaps across rich and poor countries based on differences in years of schooling. Why might this be an underestimate? An overestimate?
II.F.
1. Discuss the two external effects of education on economic growth.
2. Discuss the two opposing theories of how economic growth and democracy interact.
3. Which of the theories of the growth-democracy interaction does Korea’s history support? Explain.
4. Use the data from Table 8 to answer the following questions.
   (i) Can countries with weak democratic institutions grow?
   (ii) Can countries with low levels of education grow?
   (iii) Can countries with weak democratic institutions and low levels of education grow?
   (iv) Does having a literate population guarantee growth?
4. Suppose that you are advising a poor country without democratic institutions and a largely illiterate population on how to get growth going. Where would you start? Why might the country oppose your recommendation?

III.A.
Weil Chapter 7, Questions 1, 2, 5, Problems 1-5, 7

III.B.
Weil Chapter 7, Questions 3-4, 6, Problem 6

III.C.
Weil Chapter 10, Q1-5, P1-3, 5-6

III.D.
1. Use the example of Japan in 1858 to illustrate how trade can increase productivity via comparative advantage alone.
2. Explain how both technology and efficiency are affected by trade
3. How is domestic fiscal policy affected by trade?
4. Discuss the reasons that barriers to international trade exist.

IV. A.
1. How fast did the Asian Tigers grow from 1960 to 1990? Why is this considered a “Growth Miracle”?
2. How does Young form the “most naïve” estimate of TFP growth for the Asian Tigers?
3. How does Young identify the role of the reallocation of labor from agriculture to industry in the explaining the Growth Miracle? The importance of labor reallocation differed substantially across the Asian Tigers. Explain why.
4. Apart from the reallocation of labor, explain what three factors caused the labor input to grow and increase income per capita?
5. Give an rough summary breakdown of the quantitative contribution of each of the following in explaining the Asian Tiger’s Growth Miracle.
   (i) labor force participation
   (ii) labor reallocation
   (iii) education
   (iv) experience
   (v) physical capital intensity
   (vi) TFP
6. Why is the TFP growth of the Asian Tigers not considered to be the reason for their Growth Miracle?

IV. B.
1. How fast has China grown since 1978? Account for China’s growth in terms of physical capital intensity, human capital, labor reallocation, and TFP?
2. How does China’s growth accounting compare to those of the Asian Tigers? Explain the differences and similarities.
3. How does the growth accounting of the Growth Miracle countries compare to the growth accounting for economies in general from Weil Chapter 7?