

## DEPARTMENT OF ECONOMICS

Fall Semester 2009  
Profesor Maria S. Floro

Office: Roper Hall 212  
Tel no: 885-3139  
[mfloro@american.edu](mailto:mfloro@american.edu)

TA: Francois Kabore

Ofc. Hours: Mon 2:00-5:00 pm  
8:00-9:00 pm  
Wed 1:00-2 :00 pm  
5:00-6:00 pm

### **ECON 362 MICROECONOMICS OF ECONOMIC DEVELOPMENT COURSE SYLLABUS**

#### ***WHAT THIS COURSE IS ABOUT***

The economics of development is one of the most exciting and challenging subjects in social science. The aim of this course is to convey as much of the excitement as well as challenges by providing the student with an informed understanding of the process of economic development using micro-level analytical tools and insights into the social and economic conditions that confront people in Africa, Asia, and Latin America and the Caribbean, with a particular emphasis on the decision-making of poor households in developing countries. It examines their attempts to deal with the forces of globalization and financial crises as well as their choices, opportunities, and constraints amidst conditions of poverty, unemployment and inequality to develop their capabilities and to improve their social and economic well-being.

Throughout this course, we will explore the meaning and varied dimensions of "economic development" and "human development" at the level of the individual, the household, and the community they live in. We will examine issues such as poverty, inequality livelihood strategies, population growth, migration labor markets and employment, risk, insurance, credit, insurance, and poverty and hunger among others. so that you are in a position to adequately understand, formulate and evaluate policies that help develop people's capabilities and improve their well-being.

#### ***I COURSE REQUIREMENTS***

##### **A. PREREQUISITES**

Students taking this course are expected to have already taken either:

Econ 100 (Microeconomics) and Econ 200 (Macroeconomics)

The level of discussion as well as the set of assigned readings presupposes familiarity with economic concepts and analysis. I should like to note that the use of mathematics, graphs and statistics in this course is unavoidable. I suggest the use of macroeconomics and microeconomics textbook for review.

##### **B. TEXTBOOKS AND READINGS**

The following textbooks for this course are available in the bookstore and the library reserve.

1.(**TODARO-SMITH**) Michael Todaro and Stephen Smith, *Economic Development*, eighth edition, 2003, Addison-Wesley, New York and Boston.

2.. (**KABEER**) Naila Kabeer (2002), *The Power to Choose: Bangladeshi Garment Workers in London and Dhaka*, Verso Press, London

3. (**YUNUS**) M. Yunus , *Banker to the Poor: Microlending and the Battle Against World Poverty*, Perseus Group, 2003 ISBN 1-58648-108-3.

There are also supplementary required readings that will be made available in the classroom blackboard or as course handouts.

### **C. ACADEMIC INTEGRITY**

I take plagiarism, cheating and academic dishonesty very seriously, and I am required to report cases to the Dean of the College of Arts and Sciences, whose policy is to fail students for the course. Please read the university's Academic Integrity Code closely, and be sure to ask me if you have any questions. The code is available online at <http://www.american.edu/academics/integrity/index.htm>.

In doing your homework and writing papers, you must properly cite all sources (1) directly quoted, (2) paraphrased, or (3) consulted in any fashion. Sources include all printed material as well as the Internet. Proper citation means using a standard citation format: MLA, APA, or Chicago.

It is also considered plagiarism if you merely rework source material, placing an author's thoughts in other words without contributing your own ideas. For that reason, you must include some kind of source note whenever drawing on someone else's interpretation. A source note can be a sentence or more in your paper, or it can be a footnote. A source note should clarify the extent to which your interpretation is indebted to your source, explaining both (1) what you use and (2) where you depart or differ from the source.

It is also considered plagiarism to submit drafts, response papers, and other informal assignments without properly citing sources and acknowledging intellectual debts. Failure for the course is the typical sanction in such cases.

### **D. CLASSROOM RULES AND OFFICE HOURS**

This class will meet each Wednesday during the fall semester from 2:10 to 4:50 pm. Each class will include lecture and discussion, often on case studies. You are expected to attend class and participate in class discussion.. Note that there will be occasional “pop attendance checking.”

You are also expected to read the assigned readings AHEAD before coming to class. Written homeworks are to be submitted in class. Students are held responsible for everything covered in class and in the assigned readings.

Blackboard will be used to communicate with you about assignments and changes in the class schedule. You should check it on a regular (weekly) basis.

I appreciate it if you observe strictly my office hours (see above). If this is not convenient, you may set up an appointment ahead of time during other times (please send advanced notice for

this). My teaching assistant and I are available to help you in going through some of the more difficult/technical part of this course.

### **E REQUIREMENTS AND GRADING**

Your grade will be based on:

- Midterm and Final exams (60%)
- Assignments and Case Studies (20%)
- Reaction Papers (10%)
- Class Attendance and Participation (10%)

#### **1. Class Attendance and Participation (10%)**

Students are expected to participate in all class meetings and **have read the materials ahead of time.**

There will be 'pop-checking' of attendance.

#### **Student Presentation**

Students will lead the discussion on the case studies and some selected topics. Each team (group of 2) will be expected to make a presentation on the selected readings (30 minutes) and to lead the class discussion especially on the policy options (at least 2) and their evaluation. Be prepared to use additional materials including salient background info about the country. The rest of the class participates in the discussion afterwards.

**Selected topics for Presentation:**

- Gender and Intrahousehold Allocation**
- Urbanization and Migration**
- Labor Markets and Employment**
- Agricultural Transformation, Rural Development**
- Education and Health Policies**
- Environment and Development**

#### **2. Assignments and Case Studies (20%)**

There will be assignments and case studies which constitute 20% of your grade. There will be assignments involve exercises on concepts learned in class, problem solving and policy evaluation/recommendations. Please note that each assignment will have 3 points (out of 10) lowered for each day past beyond the due date (class period). Details will given in class

#### **Case Studies:**

You will be expected to write 4 short reaction essays (no more than 2/3 of a page) on the case studies 1, 2, 3 and 6. In each essay, state the most critical points (at least 3) that you think are raised in the article(s), and discuss succinctly how it relates to the other assigned readings. The essay should also give your own reflection on the issue or topic.

**These reaction essay should be posted in the discussion forum of the BB no later than Wednesday 9 am prior to class.**

#### **3. Reaction Papers (10%)**

You are required to write two reaction papers on the ff:

1. (KABEER) *The Power to Choose: Bangladeshi Garment Workers in London and Dhaka*, Chapters 1-5. **Due date: October 7 (in class).**
2. (YUNUS) M. Yunus , *Banker to the Poor: Micro lending and the Battle Against World Poverty*, Perseus Group, 2003, Chaps 5-12. **Due Date: November 4 (in class).**

**Guidelines for writing a reaction paper:**

A reaction paper is an informed analysis and thoughtful commentary of the required reading. It consists of:

- 1) A brief summary (about two paragraphs only) of the critical points (3-5) addressed by the author in the book and your own analysis.
- 2) A discussion of each of the critical points(s) in your own words. Explain why is the development issue that is addressed in the book more complex than one initially assumes. What makes the issue challenging to solve or address, from the point of view of the policymakers? Present your own analysis of the issue(s) or problem using the economic tools/concepts learned in class and discussed in the readings and/or Todaro-Smith.
- 3) A set of specific policy recommendations along with an explanation of the expected outcomes (using economic tools of analysis) of your policy recommendation.

The paper should be typewritten, double-spaced and have a maximum length of 4 (four) pages (in 12 inch font) and submitted in hard copy (No emails). Be sure to include a list of references if you use other materials in addition to the book.

The reaction paper will be graded based on

- (i) student's ability to integrate economic concepts/tools and class reading materials into his/her analysis of the issue(s) (40%),
- (ii) clarity and logic of the analysis of the economic problem and corresponding recommendation (30%),
- (iii) organization and adherence to the guidelines of the reaction paper (including citation of references, etc) (20%) and
- (iv) writing skill and general appearance of the paper (spelling, etc, (10%). Make sure that proper citations of references are made as this will be part of the grading.

**4. Exams (60%)**

There will be two exams, each is worth 30% of your grade.

Due dates and grades: The due dates for all class activities along with the weights of the requirements in the final grade are as follows:

Requirements	Weight	Due date
Midterm exam	30%	Wed, October 14
Assignments and Case Studies	20%	TBA
Reaction Papers	10%	October 7, Nov 4
Class Participation & Attendance	10%	
Final exam	30%	Mon, Dec 14, 2:10-4:50pm [No exceptions]
Total	100%	

## ***GRADING***

Students must submit **all required homeworks, reaction papers and meet other course requirements** to receive a passing grade for the course. Grades are calculated as follows:

A (90-100)

B (80-89%)

C (70-79%)

D (60-69%).

F (59% and below).

Do note that each letter category includes both pluses and minuses.

## ***COURSE SCHEDULE AND ASSIGNED READINGS***

[This schedule and assigned readings are subject to change. You will be notified ahead of time if there are any changes. Please check the announcement section of the BB on a weekly basis.]

### **Week 1, August 26 Course Overview, Nature and Meaning of Development Monitoring Development Progress**

\* TODARO-SMITH, Chaps 1-2

#### **Additional Resources:**

- The United Nations' Human Development Report 2008 (\*) contains its human development index for every member nation. The report can be downloaded as a [PDF](http://www.undp.org/hdr2008/back.pdf) file at: <http://www.undp.org/hdr2008/back.pdf>

### **Week 2. September 2 Who Benefits from Development? Measuring Poverty and Inequality**

- TODARO\_SMITH, Chapter 5.
- Reddy, S. and T. Pogge (2005) "How Not to Count the Poor", Paper Version No.4.5, Columbia University: New York. <http://www.columbia.edu/~sr793/count.pdf>
- Banerjee, A and E. Duflo (2006), "The Economic Lives of the Poor", MIT Dept of Economics Working Paper (BLACKBOARD)

### **Week 3 September 9 - Household Economics:**

- Taylor; J. E. and I. Adelman. 2003. "Agricultural Household Models: Genesis, Evolution, and Extensions." *Review of Economics of the Household*; 1:33-58. [BLACKBOARD]
- Alderman, H., Chiappori, P-A, Haddad, L., Hoddinott, J. and Kanbur, R. (1994) 'Unitary Versus Collective Models of the Household: Time to Shift the Burden of Proof', World Bank Policy Research Working Paper Series No. 1217, Washington, D.C.: World Bank. [BLACKBOARD]
- Elizabeth Katz, "Breaking the Myth of Harmony: Theoretical and Methodological Guidelines to the Study of Rural Third World Households", *Review of Radical Political Economics*, Vol 23, Nos 3 and 4, 1991, pp. 37-56. [BLACKBOARD]

### **Week 4 September 16 - Gender and Intrahousehold Allocation**

- Agarwal, Bina (1997). "Bargaining' and Gender Relations: Within and Beyond the Household." *Feminist Economics* 3(1): 1-51.[JSTOR/BB]
- Doss, C. (1996). Testing among Models of Intrahousehold Resource Allocation, *World Development*, 24 (10): 1597-1609.
- UNIFEM (2005). *Progress of World's Women: Women, Work and Poverty*, Overview, Ch 2 [[http://www.unifem.org/attachments/products/PoWW2005\\_eng.pdf](http://www.unifem.org/attachments/products/PoWW2005_eng.pdf)]

### **Case Study 1: GUATEMALA**

- Elizabeth Katz (1995), "Gender and Trade within the Household: Observations from Rural Guatemala", *World Development*, Vol. 23, No. 2. [ BLACKBOARD]

### **Week 5 September 23: Urbanization and, Migration**

- TODARO-SMITH, Chap 7.
- Taylor, J. Edward, 1999. "The New Economics of Labor Migration and the Role of Remittances in the Migration Process." *International Migration* 37(1):63-88.

### **Case Study 2: BOTSWANA**

- TODARO-SMITH, Chap 7, pp. 355-359
- Lucas, R. 1985. "Migration amongst the Botswana." *Economic Journal* 95(2):358-82.

### **Week 6: September 30: Labor Markets and Employment**

- Josh Bivens and Sarah Gammage ( 2005) ""Will Better Workers Lead to Better Jobs in the Developing World?" In Tony Avignon et al (eds), *Good Jobs, Bad Jobs, No Jobs: Labor Markets and Informal Work in Egypt, El Salvador, India, Russia and South Africa*", Global Policy Network, Economic Policy Institute, Washington DC.
- Maitreyi Bordia Das, "The Other Side of Self-Employment: Household Enterprises in India" Social Protection Discussion Series, September 2003, World Bank, Washington, DC.[BLACKBOARD]  
<http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/0318.pdf>

### **Case Study 3: SOUTH AFRICA**

- Banerjee et al, (2007) " Why Has Unemployment Risen in the New South Africa?" NBER Working Paper 13167, June [ <http://www.nber.org/papers/w13167>]
- UNDP (2003), "Chapter 7: Creating Jobs", *South African Human Development Report* (BLACKBOARD)

### **Week 7 October 7-The Informal Sector**

- ILO, *Decent Work and the Informal Economy*, International Labor Organization, June 2002., Chaps 1-2 (pp. 1-38). [BLACKBOARD]
- Marilyn Carr, Marty Chen and Jane Tate, 2000. "Globalization and Home-Based Workers," *Feminist Economics*, Vol. 6, No. 3, November: 123-142.
- Kucera, David and Leanne Roncolato (2008) "Informal Employment: Two Contested Policy Issues", *International Labour Review*, Vol 147, No. 8. [BLACKBOARD]

### **Case Study 4: BANGLADESH**

- Kabeer, N. (2000). Chaps 1-5.

**REMINDER: Reaction paper 1 due October 7.**

### **OCTOBER 14, Midterm**

### **Week 9 October 21 - Agricultural Transformation, Rural Development and Livelihood Strategies**

- Todaro and Smith, Chapter 9
- C. Diane Deere and Magdalena Leon, (2003). "The Gender Asset Gap: Land in Latin

America.” *World Development* Vol. 31, No. 6.

- Ellis F. 1998. “Household Strategies and Rural Livelihood Diversification.” *Journal of Development Studies* 35(1):1-38.[JSTOR; BLACKBOARD]

### **Weeks 10-11 October 28, November 4 Financial Markets and Microfinance**

- Jonathan Murdoch and Beatriz Aghion, *The Economics of Microfinance*, MIT Press, Chaps 1-2 [BLACKBOARD]
- Anne Marie Goetz and Gupta, R. S. (1996) Who Takes the Credit? Gender, Power, and Control Over Loan Use in Rural Credit Programs in Bangladesh, *World Development* 24 (1), pp. 45-63. [BLACKBOARD]
- Jonathan Morduch, “Does Microfinance Really Help the Poor? New Evidence on lending Program in Bangladesh” Paper Presented at the NEUDC Conference, Yale University, October 1998.[BLACKBOARD]

### **Case Study 5: GRAMEEN BANK, BANGLADESH**

- YUNUS, Chaps 5-12.

### **REMINDER: Reaction paper 2 due November 4.**

### **Week 12, November 11, Risk, Insurance and Vulnerability**

- Dercon, Stefan (2004) “Insurance for the Poor”, Working Paper, Department of Economics, Oxford University [BLACKBOARD]
- Cesar Calvo (2008), “Vulnerability to Multidimensional Poverty: Peru, 1998–2002” *World Development* Vol. 36, No. 6, pp. 1011–1020[ BLACKBOARD]
- Christopher Udry (1995) “Risk and Saving in Northern Nigeria” *American Economic Review*, Vol 85, No. 5. [BLACKBOARD]

### **Week 13 November 18- Education and Health Policies**

- TODARO-SMITH, Chap 8
- Stefan Dercon and John Hoddinott, “Health, Shocks and Poverty Persistence” in Stefan Dercon (2005), *Insurance Against Poverty*, Oxford University Press, Oxford.

### **Week 14, December 2: Environment and Development**

- Todaro-Smith, Chapter 10.
- P. Soderbaum (2008) “ Tenth Anniversary Focus: From Mainstream ‘Environmental Economics’ to ‘Sustainability Economics’. On the Need for New Thinking” *Journal of Environmental Monitoring*, Vol. 10, pp. 1467-1475.[BLACKBOARD]

### **Case Study 6: PHILIPPINES**

- Asian Development Bank (2009) *The Economics of Climate Change: A Regional Review*, Manila, Philippines, Chapters 1-3 [BLACKBOARD]

**December 14, Monday – Final Exam** [No make up exam will be given.]