

PA 5503 ECONOMICS OF DEVELOPMENT

Fall 2024, 3 credits

Instructor: Hosam Ibrahim

Humphrey School of Public Affairs – University of Minnesota

Class times & meeting place

Tuesday and Thursday 2:30-3:45. HHH 60

Prerequisite

PA 5501, Theories and Policies of Development or instructor permission. This course may be taken concurrently with PA 5503 to satisfy pre-requisite.

Contact information

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Office hours: T 4-5:30pm and Th 4-5:30p or by appointment. Location: HHH 133.

1 Course design

This course was developed jointly by Ragui Assaad and Deborah Levison. We will use a flipped classroom model. You will watch videos of the lectures prior to class and we will use the designated class time for discussion and problem solving. This course is scheduled as an in-person course. I intend to hold the class mostly in person with a few possible zoom sessions.

2 Course description

This course aims to make you familiar with a variety of economic analysis frameworks and models used in development economics. We will cover topics such as economic growth, inequality, poverty, household consumption and production decisions, rural and urban labor markets, investments in human capital, risk and uncertainty, credit markets, gender and household economics, governance and institutional issues, and health and nutrition. Policy issues covered include food or cash assistance, microfinance, education policies, health and nutrition interventions, policies to promote community cooperation, and program design and governance. The focus of the course is on the use of analytical tools and models to analyze these issues and policy areas.

3 Learning objectives

By the end of the course, students should be able to recognize, understand, and apply the following economic concepts:

- Income/substitution effects, price and income elasticities of supply and demand
- Marginal utility/product; marginal vs. average thinking, resource allocation under constraints
- Economic growth, production functions, growth decomposition
- Measures of poverty and inequality
- Private vs. social returns (externalities)
- Assumptions of unitary vs. collective household models (bargaining, cooperation, conflict, agency)
- Behavioral economics and departures from neoclassical rationality
- Game theory and the analysis of cooperative vs non-cooperative behavior, free riding and collective action
- Analyzing risk and uncertainty, credit and insurance market imperfections
- Contracting and transaction costs, information asymmetry, coordination failures
- Principal-agent models, aligning of incentives, choice of contracts
- Path dependency, role of institutions, rules of the game, rent-seeking, governance failures

4 Course requirements and grading

4.1 Course website

There is a Canvas course website where students can find the syllabus, list of required readings, links to library reserve, recordings of lectures, and assignments. You will post your weekly reflections and problem sets to the Canvas site.

4.2 Required books

1. Julie Schaffner (2014) *Development Economics: Theory, Empirical Research and Policy Analysis*.
 - This book is available as “inclusive access” for a cost of \$48.75 through the course’s Canvas website. You have until Sept 15 to opt out of inclusive access if you wish to do so.
2. Abhijit V. Banerjee and Esther Duflo (2011) *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, New York: Public Affairs.
 - This book is available online for free through the course’s “library course materials”.

4.3 Recommended resources

VoxDev Website and Blog (www.voxdev.org). Excellent resource on development economics from research to practice.

4.4 Grading

These weights in percentages are approximate since your final grade will depend in part on your performance relative to others in the class.

4.5 Grade breakdown

Approximately:

15%	Reflections on readings
25%	Problem Sets
20%	Mid-term Exam
30%	Final Exam
10%	Class participation

4.6 Reflections on readings (15%)

To inspire timely reading of the articles and to ensure that students think about what they are reading, a very short commentary on readings will be required most weeks. This may apply to podcasts or online videos as well. Reflections on all readings, podcasts, etc. for the coming week should be posted to the web by **Tuesday at 9 am**. They should consist of one substantive thought/comment/reaction to each “reading.” You need not comment on the **recommended** readings, but please do if you want to. Reflections should not exceed one-half page per posting. If for any technical reason you are unable to post, you may instead email your reflections to the instructor.

Reflections are due every week, but you will be allowed to skip up to **4 weeks** of your own choosing in the entire semester without incurring a reduction in your grade.

On the Canvas site, go to “Post Assignments” to post your reflections on the readings. Be sure to choose the Topic number corresponding to the syllabus! It is recommended that you write your commentary in a word processor and cut and paste it into the web window. Keep it short!

Tips for writing comments:

- Refer to readings by the LAST NAME of the first author
- Refer to EACH reading, at least briefly
- Do NOT summarize readings

Reflections will not receive letter grades. They will be checked off as check-minus (unsatisfactory to weak), or check (satisfactory to excellent). Grading criterion: thoughtfulness of the comments and clarity of writing. Lateness will be penalized separately.

4.7 Problem sets (25%)

A short problem set will be due most weeks, posted to Canvas. Please save your problem sets as PDF files before posting. **If you have figures drawn by hand, please scan or photograph these figures, email them to yourself and then include them in one consolidated PDF to be posted**

on Canvas. You can post multiple files if you wish, but it is best to try to consolidate everything into one file, if possible. You can submit an Excel file with calculations if this is relevant to the problem at hand.

Problem sets will not receive letter grades. They will be graded as check-minus (unsatisfactory to weak), or check (satisfactory to excellent).

You are encouraged to discuss and work on the assigned problems with classmates, but please submit your own answer.

Assignments will be graded according to criteria specified in advance, to the extent possible. The following standards are, however, always (or almost always) in effect:

- If a written explanation was required, then content, organization, grammar, and spelling will be used in evaluation. Corrections will not be made.
- At least 12-point font and at least one-inch margins must be used.
- Lateness will be penalized.

4.8 Exams (50%)

There will be two take-home open-book, open-notes exams (mid-term and final). The exams are individual exercises where it is strictly prohibited to discuss the contents of the exam with colleagues or anyone else other than the instructor. If evidence of cooperation emerges on the exam, it will be treated as cheating and will be subject to university disciplinary procedures as well as sanction.

4.9 Class participation (10%)

You are expected to actively participate in discussion every week. In the first week of class, you will select two topics for which you will act as discussion leader. Discussion leaders will be responsible to structure the discussion in the last 45 minutes of class on Thursdays. Together with the other discussion leaders for the week, you will decide on the structure of the discussion and the activities that you will ask the rest of the class to undertake. The main requirement is that the discussion engages the active participation of members of the class and that it relates closely to the topic of the week.

Class participation, including your role as discussion leader, will constitute 10 percent of the final grade. Besides serving as a discussion leader, elements of class participation include attendance, lateness, timely reading, and your participation in discussion in general.

A note on attendance: This class is designed for in person participation and you are expected to participate in person unless you have a valid excuse such as your own illness or that of a family member. You should stay at home and attend remotely if you can. If you experience any signs of illness or have a positive COVID-19 test result, please consult with your healthcare provider about an appropriate course of action. I will follow these same protocols and will let you know if the delivery of this course has to be temporarily changed as the result of my own circumstances. Absences related to illness, including COVID-19 symptoms, for yourself or your dependents, are

[legitimate “excused” absences](#). Other legitimate circumstances for non-attendance include participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, and religious observances. Such circumstances do not include voting in local, state, or national elections.

5 Use of Chat GPT

Artificial intelligence (AI) language models, such as ChatGPT, may be used for any assignment with appropriate citation. Examples of citing AI language models are available at: libguides.umn.edu/chatgpt. You are responsible for fact checking statements composed by AI language models.

6 Workload expectations

According to University policy, undergraduates are expected to spend 3 hours on homework per credit hour per week, on average, in order to achieve an average grade. For this class, that means that 9 hours per week on homework would be expected for undergraduates. Expectations are higher for graduate students.

6.1 Extra credit

No extra credit will be allowed in this class.

7 Missed exams and late work

Missed exams can be made up if the instructor is informed in advance and agrees that the reason for delay is valid. Late work will be marked down at the instructor’s discretion.

8 Face coverings

Up-to-date policy information is available on the [Safe Campus](#) page. The University expects all community members to respect those who choose to wear a mask, as well as those who choose not to wear one.

I don’t intend to wear a mask in class myself, and I fully support your individual choices around masking.

Indoor masking continues to be an important tool in high-risk situations. Check the [Safe Campus](#) website for information on the location(s) for each campus.

9 University Policies

University policies on academic misconduct and scholastic dishonesty, use of electronic devices in the classroom, makeup work, etc. are available on the Canvas course site under U of M Policies and can also be found [here](#).

10 Resources for Success

10.1 Center for Writing's Student Writing Support

Student Writing Support provides free writing instruction for all University of Minnesota students – graduate and undergraduate – at all stages of the writing process. They help students develop productive writing habits and revision strategies via in-person consultations. See [Center for Writing](#). It is also possible to submit short papers online to the Student Writing Support page at the Center for Writing and get comments and feedback from experienced writing tutors.

10.2 Mental health

As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via the Student Mental Health Website at: <http://www.mentalhealth.umn.edu> .

Schedule of Readings & Assignments

Try to read the selections in the order listed.

Topic 1 – Development as the Pursuit of Well-being – September 3 & 5

Required readings [41 easy pages]:

- Make sure to read the entire syllabus.
- Schaffner, Chapter 2, “Well-being” (16 pages)
- Poor Economics, Chapters 1, “Think Again, Again” (16 pages)

Recommended:

- Amartya Sen on “Beyond GDP, measures of welfare and sustainability” [You Tube](#) (10:16)
- The World Bank’s [World Development Report 2024 – The Middle-Income Trap](#), pages 2-4: “To get rich is glorious” and “One trap or two”.

*Be prepared to critique what you have read.

Topic 2 – Economic Growth – September 10 & 12

Post reflections on the Topic 1 & 2 readings by 9 am Tuesday Sep 10. See syllabus p. 2 for instructions.

Required readings [53 pages]:

- Schaffner Chapter 3, “Economic Growth” (26 pages). Skim sections that you have covered in other classes.
- Schaffner Chapter 4, “Economic Growth Theory in Historical Perspective” – **you can skip section 4.4** (thus, 27 hard pages)

Recommended:

- Development Ideas [video](#): Shahid Yusuf on “Growth Economics,” 5:20 (5 minutes, 20 sec.)
- Commission on Growth and Development (2008) *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, Washington, D.C.: The World Bank. Read Part I, pp. 17-31.
- [Fajnzylber and Lederman \(2016\)](#) “Economics Reforms and Total Factor Productivity Growth in Latin America and the Caribbean, 1950-95: An Empirical Note,” The World Bank. *Especially see Table 1 (page 18), to see what a growth decomposition looks like.*

Problem set 1 on Topic 2. Post by Sunday 9/15 at 6 pm:

- Schaffner Chapter 3, problem #1
- Schaffner Chapter 4, problem #3 parts a, b.

Topic 3 –Poverty, Inequality and Vulnerability – September 17 & 19

Post reflections on the Topic 3 readings by 9 am Tuesday Sep 17. See syllabus p. 2 for instructions.

Required readings [51 pages]:

- Schaffner Chapter 5, “Poverty, Inequality and Vulnerability” (25 pages)
- Banerjee and Duflo, Chapter 6. “Barefoot Hedge Fund Managers” pp. 133-147. Skip pages 147-155 for now. (15 pages)
- Guarcello, Kovrova & Rosati (2007) “Child Labour as a Response to Shocks: Evidence from Cambodian Villages,” UCW Working Paper, June 2007. Skip pages 6-7, 11-12. (11 pages)

Problem set 2 on Topic 3. Post by Sunday 9/22 at 6 pm:

- Schaffner Chapter 5, problems # 2 and #3.

Topic 4 – Economics of Household Decision-Making & Markets: Consumption, Time Allocation and Production Choices – September 24 & 26

Post reflections on the Topic 4 readings by 9 am Tuesday Sep 24. See syllabus p. 2 for instructions.

Required readings [58 pages]:

- Schaffner Chapter 6, “Consumption, Time Allocation and Production Choices” (37 pages)
 - This chapter includes basic microeconomic tools that we will use throughout the rest of the semester.
 - Do you have any problems with standard economic assumptions or theories presented here?
 - How can you critique the child labor model (section 6.3)?
- Banerjee & Duflo, Chapter 2, “A Billion Hungry People” (21 pages)

Problem set 3 on Topic 4. Post by Sunday 9/29 at 6 pm:

- Schaffner Chapter 6. Problems #2 and #3.

Note: in problem 3a, change the word “food” to “rice” (scan hand-drawn figures on a Humphrey copier or take a picture of them with your phone; then embed them in a Word document or save as pdf and post to Canvas).

Topic 5 – Econ. of Household Decision-Making & Markets: Unitary and Collective Household Models – October 1 & 3

Post reflections on the Topic 5 readings by 9 am Tuesday Oct 1. See syllabus p. 2 for instructions.

Required readings [61 pages]:

- Schaffner Chapter 7, “Households”. Skip sections 7.3C and 7.3D, but read 7.3E. (27 pages)
- Banerjee & Duflo, Chapter 5, “Pak Sudarno’s Big Family,” pp. 103-129. (27 pages)

Recommended:

- Quisumbing, Agnes R. 2003. “What have we learned from research on intrahousehold allocation?” In *Household Decisions, Gender, and Development: A Synthesis of Recent Research*. Ed. Agnes R. Quisumbing. Washington D.C.: International Food Policy Research Institute and The Johns Hopkins University Press, pp. 1-16.

Problem set 4 on Topic 5. Post by Sunday 10/6 at 6 pm:

- Schaffner Chapter 7: Discussion Question #1, Problem #3

Topic 6 – Economics of Household Decision-Making & Markets: Domestic Markets for Goods and Services – October 8 & 10

Post reflections on the Topic 6 readings by 9 am Tuesday Oct 8. See syllabus p. 2 for instructions.

Required readings [31 pages]:

- Schaffner Chapter 8, “Domestic Markets for Goods and Services” (31 pages)

Problem set 5 on Topic 6. Post by Sunday 10/13 at 6 pm:

- Schaffner Chapter 8: Problem #1

Topic 7 – Labor Markets – October 15 & 17

Post reflections on the Topic 7 readings by 9 am Tuesday Oct 15. See syllabus p. 2 for instructions.

Fill mid-semester student evaluations, available as a quiz on Canvas from Oct 15-17.

Required readings [37 pages]:

- Schaffner Chapter 9, “Labor Markets” (37 pages)
 - Think of (and jot down) situations from your experience that fit the various employment contracts and labor arrangements described here.

Recommended:

- Assaad, R. 2013. “Making Sense of Arab Labor Markets: The Enduring Legacy of Dualism.”
- Schaffner Chapter 9: Problem #3

Mid-term exam:

The **take-home mid-term exam** will be made available Thursday 10/17 at 4pm and due back by Monday 10/21 at 6 pm.

Topic 8 – Education and the Human Capital Model – October 22 & 24

Post reflections on the Topic 8 readings by 9 am Tuesday Oct 22. See syllabus p. 2 for instructions.

Required readings [59 pages]:

- Schaffner, Chapter 19, “Education” (29 pages)
- Banerjee & Duflo, Chapter 4, “Top of the Class,” page 71-101 (30 pages)
- Ibrahim, Hosam. 2024. “The Tradeoff between Child Quantity and Child Quality: Testing Becker’s Q-Q Model and Long-Term Effects on Women Using Data from Egypt.” ERF Working Paper No. 1711.

Recommended:

- Glewwe, Paul. 2002. “Schools and Skills in Developing Countries: Education Policies and Socioeconomic Outcomes.” *Journal of Economic Literature* 40(2):436-82.

Problem set 6 on Topic 8. Post by Sunday 10/27 at 6 pm:

- Schaffner, Chapter 19: Problem #2

Topic 9 – Savings, Investments, Risk and Insurance– October 29 & 31

Post reflections on the Topic 9 readings by 9 am Tuesday Oct 29. See syllabus p. 2 for instructions.

Required readings [53 pages]:

- Schaffner Chapter 10, “Investment and Financial Markets” – **don’t read section 10.2C** (thus 31 pages)
- Banerjee & Duflo, Chapter 8, “Saving Brick by Brick,” pp. 183-204. (22 pages)

Problem set 7 on Topic 9. Post by Sunday 11/3 at 6 pm:

- Schaffner, Chapter 10: Problem #3

Topic 10 – Financial Markets and Microfinance – November 5 & 7

Post reflections on the Topic 10 readings by 9 am Tuesday Nov 5. See syllabus p. 2 for instructions.

Required readings [56 pages]:

- Schaffner Chapter 10, section 10.3 “Financial Markets” (31 easy pages)
- Schaffner Chapter 21, “Microfinance” (31 easy pages)
- Banerjee, A., E. Duflo, N. Goldberg, D. Karlan, R. Osei, W. Pariente, J. Shapiro, B. Thuysbaert, C. Udry (2015). “A multifaceted program causes lasting progress for the very poor: Evidence from six countries.” *Science* 348(6236): 1-16.

Recommended:

- Banerjee & Duflo, Chapter 7, “The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor,” pp. 157-181 (25 pages).

Topic 11 – Institutions, Cooperation and the Provision of Public Goods – November 12 & 14

Post reflections on the Topic 11 readings by 9 am Tuesday Nov 12. See syllabus p. 2 for instructions.

Required readings [36 pages]:

- Schaffner, Chapter 12, “Institutions and Cooperation” (36 pages)

Recommended:

- Prisoner’s Dilemma video: <http://www.youtube.com/watch?v=jUTWcYXVR5w> (2:59)

Problem set 8 on Topic 11. Post by Sunday 11/17 at 6 pm:

- Schaffner, Chapter 12: Problems #1 and #2

Topic 12 – Governance & Political Economy – November 19 & 21

Post reflections on the *Topic 12* readings by 9 am Tuesday Nov 19. See syllabus p. 2 for instructions.

Required readings [62 pages]:

- Schaffner Chapter 13, “Policy, Governance and Political Economy” (37 pages)
 - This chapter summarizes a large body of literature, much of which is called “institutional economics.”
- Acemoglu, Daron & James Robinson (2012) *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, New York: Crown Business. Read Chapter 3, “The Making of Prosperity and Poverty: The Economics of the 38th Parallel,” pp. 70-95. (25 pages)
 - Acemoglu is pronounced like “Ah-jeh-moh-lu”. This book provides a sweeping explanation of the differential economic performance of nations based on the nature and history – that is, path dependency – of their institutions.

Recommended:

- Hallward-Driemeier, Mary, Gita Khun-Jush, and Lant Pritchett (2010) “Deals Versus Rules: Policy Implementation Uncertainty and Why Firms Hate It,” HKS Faculty Research Working Paper Series, RWP10-027, John F. Kennedy School of Government, Harvard University. Previously published in Working Paper Series, 16001, National Bureau of Economic Research Working Papers, 2010.
 - This includes a good discussion of how uncertainty in the enforcement of rules is a major constraint to economic growth in Africa. The constraints that firms face are more likely to be based on the deals that they can make with public officials; these deals therefore vary greatly across firms.

Problem set 9 on Topic 12. Post by Sunday 11/24 at 6 pm:

- Schaffner, Chapter 13: Problems #1.

November 26th class excused

November 28th – Thanksgiving Day

Topic 13 – Health & nutrition – December 3 & 5

Post reflections on the Topic 13 readings by 9 am Tuesday Dec 3. See syllabus p. 2 for instructions.

Required readings [65 pages]:

- Schaffner, Chapter 22, “Public Health, Health Care and Health Insurance” – **skip section 22.3** (19 pages).
- Banerjee & Duflo, Chapter 3, “Low-Hanging Fruit for Better (Global) Health?” pp. 41-70 (29 pages).
- Das, Hammer & Leonard (2008) “The Quality of Medical Advice in Low-Income Countries,” *Journal of Economic Perspectives* 22(2): 93-114. (17 pages).
 - Focus on incentives. Think about policies that might affect incentives.
- Kurdi S, Figueroa JL, Ibrahim H. “Nutritional training in a humanitarian context: Evidence from a cluster randomized trial.” *Matern Child Nutr.* 2020; <https://doi-org.ezp3.lib.umn.edu/10.1111/mcn.12973>

Recommended:

- Kibrom A. Abay, Hosam Ibrahim, Clemens Breisinger. 2022. “Food policies and obesity in low- and middle-income countries”. *World Development*, Volume 151. <https://doi.org/10.1016/j.worlddev.2021.105775>
- Kurdi, Sikandra; Ghorpade, Yashodhan; and Ibrahim, Hosam. 2019. “The cash for nutrition intervention in Yemen: Impact evaluation study.” MENA RP Working Paper 19. Washington, DC and Cairo, Egypt: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.133219>

Topic 13 problem set. Post by Sunday 12/8 at 6 pm:

- Schaffner, Chapter 22: Problem #1

Additional Resources:

- International Lipid-Based Nutrient Supplements Project: <http://www.ilins.org/>

Topic 14 – Conclusion – December 10

Required readings [36 pages]:

- Banerjee & Duflo, Chapter 10, “Policies, Politics,” pp.235-265. (30 pages)
- Banerjee & Duflo, “In Place of a Sweeping Conclusion,” pp. 267-273 (6 pages)

Course evaluations.

Final exam

- The **final examination** will be an open-book, open-notes take-home. It will be made available on Wednesday, December 11th at 9 am via Canvas, and it will be due back on Canvas on Sunday, December 15th, at 9pm.