Instructor: Prof. Raymond Guiteras

Lectures:

Section 0101: TuTh 8:00–9:15 a.m., Tydings 2110
Section 0201: TuTh 11:00 a.m. – 12:15 p.m., Tydings 1114
Section 0301: TuTh 9:30 a.m. – 10:45 a.m., Tydings 2111

Office Hours: Tu 12:15–1:15 p.m. and Th 2:00–3:00 p.m., 3115H Tydings

Overview: This course will cover fundamental issues in development economics. There will be six units: (1) labor markets; (2) measuring poverty; (3) health; (4) credit markets; (5) neoclassical growth model (Solow); (6) endogenous growth model (Romer). As the course title suggests, the emphasis will be on the use of economic theory to explore issues arising in developing countries; however, empirical studies providing motivation for or tests of theoretical developments will be discussed. If time permits, we will have a short unit on empirical methods at the end of the course.

Warning: this course is designed for students with a serious interest in rigorous, technical economics, as practiced by researchers in universities and leading institutions (e.g., the World Bank, IMF, etc.). The course will provide a glimpse of the sort of economic science pursued during further study at the graduate level (M.A., Ph.D.) or during post-B.A. work at research organizations such as the Jameel Poverty Action Lab, Innovations for Poverty Action or the Center for Global Development. The science of economics today is (for better or worse) highly mathematical, and this course is designed accordingly.

Prerequisites: Minimum grade of C- in ECON326; and 1 course with a minimum grade of C- from (ECON321, STAT400). Restriction: Must be in a major within the BSOS-Economics department. Credit only granted for one of ECON315 or ECON416.

Since ECON 300 is a prerequisite for ECON 326, by transitivity ECON 300 is also a prerequisite for this course, and students should be comfortable with the material covered there, especially: constrained optimization, probability and decision-making under uncertainty (expected utility theory, risk aversion). Students in need of a review are encouraged to consult an intermediate micro or math for economists textbook. Two examples are given in the syllabus.
**Course grade:** The course grade will be based on three non-cumulative exams, each weighted equally, plus extra credit for completing problem sets as detailed below.

**Problem sets:** There will be 6 total problem sets, due on Thursday, September 17 (Unit 1), Thursday, October 1 (Unit 2), Thursday, October 22 (Unit 3), Thursday, November 5 (Unit 4), Tuesday, December 1 (Unit 5), and Thursday, December 10 (Unit 6). Problem sets are due at the beginning of class. You have two options for handing in your problem set: (1) hand it in in class on the day it is due or (2) submit a single PDF to the ELMS site. *No late problem sets will be accepted* except in the event of serious illness and a doctor’s note must be provided (see *Illness* section below). You are permitted (indeed, encouraged) to collaborate on problem sets, but each student must write up and submit an individual solution unless specific instruction to the contrary is given on the problem set.

Each student starts the semester with 1/3 of a GPA point extra credit banked. Students can preserve extra credit by turning in problem sets on time. You do not have to get everything right or even complete everything on a problem set to retain your extra credit, but you must, in the judgement of the grader, make a reasonable effort at all parts of all questions unless otherwise noted. (Some psets may have optional sections; these will be clearly marked in the instructions.) If you do not make a reasonable effort at all required parts of a problem set, you will lose 1/6 of your extra credit (i.e. $1/3 * 1/6 = 1/18$ of a GPA point).

**Exams:** There will be three non-cumulative exams, each counting for 1/3 of the course grade. No makeup or rescheduled midterm exam will be permitted except in the case of an excused absence (see *Excused Absences, Make-up Exams and Documentation of Medical Issues* section below).

The first exam, covering units 1 and 2, will be held in class on Thursday, October 8. There will be a review session in class on Tuesday, October 6.

The second exam, covering units 3 and 4, will be held in class on Thursday, November 12. There will be a review session in class on Tuesday, November 10.

The third exam, covering units 5 and 6, will be held at the standard scheduled exam time during the exam period:

- Section 0101: Friday, December 18, 10:30 a.m. – 12:30 p.m
- Section 0201: Monday, December 14, 8:00 a.m. – 10:00 a.m.
- Section 0301: Tuesday, December 15, 8:00 a.m. – 10:00 a.m.

A review session for the final will be held in class on Thursday, December 10.
Students whose class schedule requires them to take more than three final examinations on the same day have the right to reschedule examinations so they have no more than three on a given day. The student must take responsibility for initiating the rescheduling or be responsible for taking the examinations as scheduled. When rescheduling is necessary, the student should first contact the instructor. Students wishing to reschedule a final examination under this rule should contact the instructor by Tuesday, September 15.

Each exam will make up 1/3 of the course grade. Exam grades will be given on the usual 4-point GPA scale.\(^1\)

**Course website:** [https://myelms.umd.edu/courses/1152318](https://myelms.umd.edu/courses/1152318).

The course website will be the central source for materials for the course (problem sets, readings, etc.). Please be sure you have access and check it regularly.

**Communication:** Use the ELMS messaging system for all communication related to the course. Please do not use email. I will do my best to respond as soon as I can but you should not expect a reply any sooner than 24 hours.

Requirements: (1) write messages that are professional, concise and specific; (2) write an informative subject line; (3) demonstrate that you have done a reasonable amount of background investigation before writing me. For example, I am unlikely to reply to messages asking about the date of the next exam or whether the exams are cumulative unless there is legitimate uncertainty. For further advice, consult:


**Various necessary statements**

No use of laptops, tablets or cell phones is permitted in class. Students may use pen-enabled tablets or convertibles for notetaking only. Students will be provided with paper copies of lecture notes, which will also be available on the course website. Exceptions will be made with a note from DSS.

**Academic honesty:** The University of Maryland has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards

\(^1\)That is, \(A = 4.0, A^- = 3.67, ..., D = 1, F = 0\). There will be some variation within grade category based on the raw number of points awarded on the exam. That is, the best \(A^-\) will receive a higher “GPA score” than the worst \(A^-\), the best \(B+\) will receive a higher score than the worst \(B+\), but a lower score than the worst \(A^-\), etc. This calculation is somewhat complicated but details, consisting of computer code, will be made available to students on request.
applicable to all undergraduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Please make yourself aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information see www.studenthonorcouncil.umd.edu. If I observe what I believe is a violation of the Code of Academic Integrity, I will refer any and all students involved to the Student Honor Council.

You are permitted (indeed, encouraged) to collaborate on problem sets, but each student must write up and submit an individual solution unless specific instruction to the contrary is given on the problem set.

*Excused Absences, Make-up Exams and Documentation of Medical Issues:* Students are required to take all three exams since these assessments are “major scheduled grading events”. Make-up exams will be granted only to those students whose excuse complies with University policy. The four valid excuses according to University policy are: illness (of student or a student’s dependent), religious observance, participation in University events at the request of University authorities, and compelling circumstances beyond your control. See http://www.testudo.umd.edu/soc/atedasse.html for more detail on the University’s policy regarding attendance and assessments. If you miss an exam and cannot document a valid excuse, your grade will be recorded as a zero.

If you believe you need a make-up exam, please inform me as far in advance as possible by email and at a minimum the day of the exam. Do not wait until afterwards to tell me you are sick. If you find that you will miss 3 or more lectures in a row due to illness or other valid excuses, you must contact me by email to explain. You will not be allowed postpone a midterm because of absences earlier in the semester unless (a) these are valid, excused absences and (b) you have informed me of your situation at least one week prior to the exam.

University policy requires that you provide appropriate documentation before you can be considered eligible for a make-up exam. In the case of illness, ask your health care provider to verify in writing the dates of treatment and indicate the time frame that you are unable to meet academic responsibilities. No diagnostic information should be given. In the case of other valid excuses, consult with me as soon as possible about how to document the reason you have missed the scheduled exam.

Any falsification of documentation of an excused absence will be referred to the Student Honor Council.

*Religious observances:* We will make every effort to accommodate students’ religious observances. By Tuesday, September 15, students must provide me in writing a request for
accommodation if some requirement of the class will conflict with a specific and required religious observance. Please specify the observance and date. For further details, refer to the Online Undergraduate Catalog Policy on Religious Observance.

Students with disabilities: We will make every effort to accommodate students who are registered with the Disability Support Services (DSS) Office and who provide me with a University of Maryland DSS Accommodation form which has been updated for the Fall 2015 semester. This form must be presented to me no later than by Tuesday, September 15. I am not able to accommodate students who are not registered with DSS or who do not provide me documentation which has been reviewed by DSS after by Tuesday, September 15.

Decorum: Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility with one another or with the instructors will be subject to being referred to the Office of Student Conduct or to Campus Police. You are expected to adhere to the Code of Student Conduct at all times.

Texts:

Required:


Recommended:


Review of micro / math for economists:


Any edition of Nicholson will be useful, but be sure it is the Theory book.

Optional:


Course Outline

Required readings marked **. Recommended readings marked *. Supplementary readings will be added during the semester. Readings marked # are more technically demanding and are provided for those with an interest in pursuing graduate study in economics. Note that to access some materials (in particular, journal articles) you may need to be on campus and / or log into the library’s ResearchPort website: http://researchport.umd.edu/.

1. Agricultural land and labor markets: An introduction to the economics of risk and information

* Chap. 11 and 12 in Ray [1998]

* Useful review of risk aversion and expected utility theory in Chapter 8 of Nicholson [2010]


2. Measuring Poverty


See also the supplementary and updated tables for the Banerjee and Duflo paper available at http://econ-www.mit.edu/files/3792

** Blog debate on the Human Development Index – readings posted to the course website


3. Credit: An introduction to adverse selection and moral hazard

** Chapter 7 of Banerjee and Duflo [2011]

(a) Credit constraints

* Chap. 14 in Ray [1998]


(b) Microcredit and microfinance

If you are interested in recent news about microfinance, I highly recommend David Roodman’s Microfinance Open Book Blog at http://blogs.cgdev.org/open_book/.

4. Health: An introduction to microeconomic poverty traps

(a) Health and health care in LDCs

** Chapter 3 of Banerjee and Duflo [2011]


(b) The impact of poor health on development

** Chapter 1 of Banerjee and Duflo [2011]
* Chap. 8 and 13 in Ray [1998]


5. Neoclassical growth theories: Harrod-Domar and Solow

* Chap. 3 in Easterly, The Elusive Quest for Growth


# Chap. 3 in Ray [1998]

6. New growth theory


# Chap. 4 in Ray [1998]
References


