

**University of Western Ontario**  
**Department of Economics**  
**Economics 3325**  
**Economic Development II**  
**Fall 2016**

Professor: Elizabeth Caucutt

Class time and place: KB k208, T 1:30-3:30, TH 1:30-2:30

Office: Social Science Centre 4043

Phone: 661-2111 ext. 85235

Office Hours: Th 10:30-12:30

**Course Description:** In this course we will explore why some countries are so rich and other so poor. We will start by studying the Malthusian model and theories behind the Industrial Revolution. We will study models of fertility to try to understand the demographic transition and its implications for income differences across countries. We will next develop the Solow model, where we will incorporate human capital, both quantity and quality, and discuss its successes and limitations in explaining cross-country income differences. We will investigate the impacts inter-generational and intra-generational borrowing constraints have on human capital accumulation. Time permitting, we will touch on institutional explanations for differences in income per capita across countries.

**Learning Outcomes:**

- Students will understand the forces underlying stagnation in the Malthusian model.
- Students will be familiar with the leading theories behind the Industrial Revolution, and will understand how behavioral economists think about decision making of the poor.
- Students will understand how to model fertility choices and how these models can be used to account for income differences across countries
- Students will be able to identify the key predictors for income differences across countries within the Solow model.
- Students will be able to incorporate human capital into the Solow model.
- Students will understand how much human capital quantity and quality differences across countries can account for income differences across countries.
- Students will understand the role borrowing constraints play in limiting efficient investment in human capital.

- Students will be introduced to political/institutional explanations for development differences.

**Prerequisite Note:** The prerequisites for this course are Economics 2261A/B (Intermediate Microeconomics), Economics 2221A/B (Intermediate Macroeconomics). You are responsible for ensuring that you have successfully completed all course prerequisites, and that you have not taken an anti-requisite course. Lack of pre-requisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees. This decision cannot be appealed.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course in question for graduation.

**Text:** There is no required text for this course. You are responsible for all content covered in lecture and any material posted on OWL. Note that I do not supply class notes.

**Grading:**

Quiz 1	15%
Quiz 2	15%
Quiz 3	15%
Homework	15%
Participation	5%
Final	35%

**Quizzes:** There will be three quizzes held in class, September 29, October 20, and November 17. The quizzes will be closed book and closed note, and electronics free. All the quizzes will focus on material covered since the last quiz, but may be cumulative. There will be no make-up quizzes. If a student misses a quiz due to sickness or other acceptable excuse the student must present an official document justifying the absence and the weight of that quiz will be added to the final exam. In cases of lack of justification for the absence, a grade of zero will be attributed to that quiz. If a student takes all 3 quizzes, the lowest score will be dropped and replaced by the average of the two remaining quiz scores.

**Homework:** There will be four homework assignments, due September 22, October 13, November 10, and December 6. The homework assignments must be submitted by the START of the class period in which they are due. Assignments turned in once class has started will not be accepted. Assignments will not be accepted by email. The lowest score will be dropped.

**Participation:** Your grade will depend on your presence in class and participation in discussions when they occur.

**Final Exam:** The final exam date and time is TBA.

## **Class Conduct:**

1. Please turn off and put away all electronic devices during class. You will get much more out of this course if your attention is on the lecture, and students who are multitasking are a distraction to me.
2. Please, no pictures during class.
3. Attendance does not directly play a role in your grade. However, students who are not in class cannot participate. If you miss class, get notes from a classmate. Do not come to office hours for a repeat lecture, or help with material you missed in class.
4. The syllabus and your class notes are full of information. Please consult these for answers to frequently asked questions.

**Registration Note:** You are responsible for ensuring you are registered in the correct courses. If you are not registered in a course, the Department will not release any of your marks until your registration is corrected. You may check your timetable by using the Login on the Student Services website at <https://student.uwo.ca>. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

## **Preliminary Outline:**

1. Introduction to the Class
2. Introduction to Growth - Facts
  - Lec2TablesFigures.pdf
  - “On the Evolution of the World Income Distribution,” Jones, *Journal of Economic Perspectives*, Summer, 1997, pp. 19-25.
  - “Divergence, Big Time,” Pritchett, *Journal of Economic Perspectives*, Summer, 1997, pp. 3-17.
3. Malthusian Model
  - popvwage.pdf
4. Theories of the Industrial Revolution
  - “Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England,” North and Weingast, *Journal of Economic History*, December, 1989.
  - “The Industrial Revolution Past and Future,” Lucas, *The Region*, May, 2004.
  - “Population Growth and Technological Change: One Million B.C. to 1990,” Kremer, *Quarterly Journal of Economics*, 1993 (Just read the introduction, up to start of Section 1.)
  - endogenous growth.pdf

- “In Dusty Archives, a Theory of Affluence,” Wade, *The New York Times*, August 7, 2007.
- Planet Money podcast on the Luddites:  
<http://www.npr.org/player/embed/404805568/404807971>
- “Your Brain on Poverty: Why Poor People Seem to make Bad Decisions,” Thompson, *The Atlantic*, November 22, 2013.
- “The Science of Scarcity: A behavioral economist’s fresh perspectives on poverty,” Feinberg, *Harvard Magazine*, May-June 2015.

## 5. Demographic Transition and Modeling Fertility

- Figure 1 from “Explaining International Fertility Differences,” Manuelli and Seshadri, *Quarterly Journal of Economics*, May 2009.
- Figure 1 from “Mortality, Fertility, and Saving in a Malthusian Economy,” Boldrin and Jones, *Review of Economic Dynamics* 5, 2002.
- Figure 7 from “The Great Escape: The Industrial Revolution in Theory and in History,” Clark, September 2003.
- Figures 1, 3, 4, 5, and 6, and text up to Figure 6 from “An Economic History of Fertility in the U.S.: 1826-1960,” Jones and Tertilt, *NBER Working Paper No. 12796*, December 2006.
- Use as a resource: “Fertility Theories: Can They Explain the Negative Fertility-Income Relationship?,” Jones, Schoonbroodt, and Tertilt, Chapter in NBER book *Demography and the Economy*, 2011.

## 6. Solow Model

- Solowfigures.pdf

## 7. Solow Model with Human Capital

- Use as a resource: “Why do Some Countries Produce so Much More Output per Worker Than Others?,” Hall and Jones, *Quarterly Journal of Economics*, February 1999.
- Use as a resource: “How Important is Human Capital for Development? Evidence from Immigrant Earnings,” Hendricks, *American Economics Review*, 2002, 92.
- Read the introduction of: “Education Quality and Development Accounting,” Schoellman, *Review of Economic Studies*, 2012, 79.

## 8. Other Models of Cross-country Human Capital Differences - Borrowing Constraints

- “Education for all. A welfare-improving course for Africa?,” Caucutt and Kumar, *Review of Economic Dynamics*, 2007, 10.

- Use as a resource: “Intergenerational Persistence of Earnings: The Role of Early and College Education,” Restuccia and Urrutia, *American Economic Review*, 2004, 94.
- Read the introduction of: “Early and Late Human Capital Investments, Borrowing Constraints, and the Family,” Caucutt and Lochner, working paper, 2012.
- “How Important is Human Capital: A Quantitative Theory Assessment of World Income Inequality,” Erosa, Koreshkova, and Restuccia, *Review of Economic Studies*, 2010, 77.

## 9. Institutions and Development

- “Political Economy, Governance, and Development - Political Losers as a Barrier to Economic Development,” Acemoglu and Robinson, *AEA Papers and Proceedings*, May 2000.
- “Institutions as a Fundamental Cause of Long-Run Growth,” Acemoglu, Johnson, and Robinson, In *Handbook of Economic Growth, Volume 1A*, 2005.

**Please Note**  
**Department Policies for 2016 – 2017**

Remember that the University expects all students to take responsibility for their own academic Programs. Also remember to check your registration to make sure you are enrolled in the correct courses.

1. Guidelines and policies for the Faculty of Social Science and the Department of Economics are posted online in the current Western Academic Calendar at <http://westerncalendar.uwo.ca>.
2. Students must familiarize themselves with the “Rules of Conduct for Examinations” <http://westerncalendar.uwo.ca/2016/pg136.html>.
3. **Cheating as an academic offence:** Students are responsible for understanding what it means to “cheat”. The Department of Economics treats cheating incidents very seriously and will investigate any suspect behavior. Students found guilty will incur penalties that could include a failing grade or being barred from future registration in other economics courses or programs. The University may impose further penalties such as a notation on your official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. Whenever students take an idea or a passage from another author, they must acknowledge it by using quotation marks where appropriate and referencing with footnotes or citations. Plagiarism is a major academic offence (see Scholastic Offence Policy in the current UWO Academic Calendar at <http://westerncalendar.uwo.ca/2016/pg113.html>).

The University of Western Ontario uses software to check for plagiarism and students may be required to submit their written work in electronic form. Those found guilty will have penalties imposed as noted in point 3.

5. It is Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students are responsible for submitting assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the University’s Procedures in the current UWO Academic Calendar (<http://westerncalendar.uwo.ca/2016/pg112.html>). Please note the relevant deadlines.

The Department will not consider any appeal unless an attempt has been made to settle the matter first with your instructor. If after this discussion you remain dissatisfied with a grade or other decision, you may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for your appeal. A useful form and checklist is provided at ([http://economics.uwo.ca/undergraduate/program\\_counselling/responsibilities\\_policies.html#appeals](http://economics.uwo.ca/undergraduate/program_counselling/responsibilities_policies.html#appeals)).

7. Systematic adjustments of a class grade distribution (either up or down) can occur in Economics courses. The fact that grades have been adjusted is **not** grounds for an appeal.

8. Note the following add and drop deadlines:

Last day to **add** a first term half course:  
**Friday, September 16<sup>th</sup>, 2016**

Last day to **drop** first term half course without academic penalty:  
**Monday, November 7<sup>th</sup>, 2016**

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is not an excuse for a make-up. This rule applies to all mid-term tests and final exams in the Department of Economics.

### **Policy Regarding Makeup Tests and Final Examinations**

*Academic accommodation will **not** be granted automatically on request. You **must** demonstrate by documentation that there are **compelling** medical or compassionate grounds before academic accommodation will be considered.*

If you decide to write a test or an examination, you must be prepared to accept the mark you earn. Rewriting tests or examinations, or having the value of the test or examination reweighted on a retroactive basis, is **not** permitted. Book airline flights after you know the dates of your final examinations. Airline flights must not conflict with test or final exams.

If you are requesting a makeup test for a midterm or a final examination, unless medically incapable, notify your instructor by email or phone, preferably prior to the scheduled date of the test, but definitely within **24 hours** of the date of the test or exam. Failure to follow this procedure may result in denial of a request for academic accommodation or result in a grade of zero. Set up an appointment as soon as possible to meet personally with your instructor. If the instructor is not available, you may send an email message, copying the Undergraduate Coordinator at [econugrd@uwo.ca](mailto:econugrd@uwo.ca) (Social Science Room 4075). **Notifying your instructor of a missed test or exam does not automatically entitle you to a makeup test.**

Students who seek a makeup test or examination must provide medical or other relevant verification that their absence from a regularly scheduled test or examination is beyond their control. Documentation must support your reasons. Medical documentation should be given to the Academic Counselling Office of your *home* Faculty **as soon as possible (preferably within 24 hours of the test)** if you know you may not be able to write your final examination on the scheduled day and time. Failure to follow this procedure, or to provide supporting documentation, may result in denial of a request for academic accommodation or result in a grade of zero. If your documentation is not acceptable, you will be given a zero for the missed test.

For personal illness, if you consult Student Health Services regarding your illness or personal problem, you should request a Student Medical Certificate from the physician. If you were seen by an off-campus doctor, obtain a certificate from his/her office at the time of your visit. The off-campus medical certificate form must be used and can be found at: [http://www.uwo.ca/univsec/pdf/academic\\_policies/appeals/medicalform.pdf](http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf). Notes stating "For Medical Reasons" are not considered sufficient.

For any other circumstances, if you are not sure what documentation to provide, ask your Academic Counsellor. If your documentation is judged sufficient, the Academic Counsellor will issue a Recommendation for a Special Examination (a single form for midterms or a triple color form for final examinations). Once you have this form, contact your instructor as soon as possible to make arrangements. Even if approved from your home faculty Academic Counsellor, there is no guarantee that you will be allowed to write the makeup test and exam.

For final examinations, you need permission from your *home* Faculty Counsellor, your instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in an examination grade of zero. You must ensure that the Special Examination form has been signed by the instructor and Department Undergraduate Director and that the form is returned to the Academic Counselling Office for approval without delay. Make-up final examinations, if permitted, will be written within one month of the end of the exam period.

### **Policies Regarding Academic Accommodation**

Information about the Faculty of Social Science's policies regarding academic accommodation is found on its website at <http://counselling.ssc.uwo.ca/procedures/havingproblems.asp> or in Social Science Room 2105. Your "Academic Rights and Responsibilities" are also outlined in the current UWO Calendar at <http://westerncalendar.uwo.ca/2016/pg111.html>. Claiming that "you didn't know what to do" is not an acceptable excuse for not following the stated procedures.

### **Policy Regarding Class Attendance**

If your instructor views your class attendance as unsatisfactory, you can be prohibited from writing the final examination. If there is intent to make use of this University policy, you will be notified in writing.

### **Statement on Mental Health and Support Services**

If you or someone you know is experiencing emotional/mental distress, there are several resources here at Western to assist you. Please visit <http://www.uwo.ca/uwocom/mentalhealth/> for more information and a complete list of resources, as well as how to obtain help.