

Economic Development II
Economics EC3325A-001
Department of Economics
Western University

September 2018

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Office Hours: T 12:00 – 1:00, TH 12:00 – 1:00, or by appointment
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Course website: owl.uwo.ca
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Registration

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 student.uwo.ca. If you notice a problem, please contact your home Faculty Academic Counsellor immediately.

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.

Course Objectives:

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.

Course 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.

Textbook:

There is no required textbook for this course. The course will be organized around a set of readings listed below. You are responsible for all material covered in lectures, as well as articles and other materials that are made available on the course website. Note that I do not supply class notes or lecture slides.

While there is no assigned textbook, the following books cover some topics of the course and may provide background helpful in understanding. These books, however, are not substitutes for the material that will be covered in class. They are available on reserve in Weldon Library.

- "A Farewell to Alms: a Brief Economic History of the World," Gregory Clark
- "Economic Growth," David N. Weil
- "Introduction to Modern Economic Growth," Daron Acemoglu (graduate level)

Grading:

Two Homeworks	20% (10% each)
Midterm Exam 1	15%
Midterm Exam 2	25%
Final Exam	40%

Homeworks: There will be two homework assignments, due October 2 and November 13. The homework assignments must be submitted by the START of the class period in which they are due. Late submissions, including assignments turned in once class has started, will not be accepted. Assignments will not be accepted by email unless a student misses the class due to sickness or other acceptable excuses with an official document justifying the absence. Email submissions of the assignment with acceptable excuse also must be sent by the START of the class period in which they are due.

Examinations: There will be two midterm exams held during the regular class time, October 4 and November 15. The second midterm exam will focus on material covered since the first midterm but can be cumulative. The final exam is cumulative, and its date and time will be TBA. The exams will be closed book and closed note, and electronics free. If a student misses an exam due to sickness or other acceptable excuses the student must contact me as soon as possible and present an official document justifying the absence to have a make-up exam. In cases of lack of justification for the absence, a grade of zero will

be attributed to that exam. Refer 'Policy Regarding Makeup Tests and Final Examinations' below for further information.

Important Dates

September 6	First class meeting
October 2	Homework Assignment 1 due (by the START of the class)
October 4	Midterm Exam 1
October 9 & 11	No class meeting (Reading Week)
November 13	Homework Assignment 2 due (by the START of the class)
November 15	Midterm Exam 2
December 6	Last class meeting
December 10 – 21	Final exam period (the date and time is TBA)

Class Conduct:

1. If you miss class, get notes from a classmate. Do not come to office hours for a repeat lecture.
2. The syllabus and your class notes are full of information. Please consult these for answers to frequently asked questions.
3. Please, no pictures during the class.
4. Check the course website regularly for announcements and course materials.

Tentative Outline:

This outline is subject to changes. Please check any announcements in the course website regarding supplement materials and reading lists.

1. Introduction to the Class

2. Introduction to Growth - Facts

- "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

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.)
- "In Dusty Archives, a Theory of Affluence," Wade, *The New York Times*, August 7, 2007.
- *NPR Planet Money* Podcast Episode 621: "When Luddites Attack" [n.pr/1KMkTou](https://www.npr.org/2013/05/13/224111111-when-luddites-attack)
- "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

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 Economic 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 2018-2019

Remember that the University expects all students to take responsibility for their own Academic Programs. Students should also check their registration to ensure they 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://www.uwo.ca/univsec/pdf/academic_policies/exam/administration.pdf.
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 an official academic transcript, suspension or expulsion.
4. **Plagiarism:** Students must write their essays and assignments in their own words. When taking an idea/passage from another author, it must be acknowledged with quotation marks where appropriate and referenced with footnotes or citations. Plagiarism is an academic offence (see Scholastic Discipline for Undergraduate Students in the Western Calendar at http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryId=1&SelectedCalendar=Live&ArchiveID=#Page_20).

Western University uses software to check for plagiarism and students may be required to electronically submit their work. Those found guilty will be penalized as noted in point 3.

5. It is a Department of Economics policy that **NO** assignments be dated, stamped or accepted by staff. Students must submit assignments in class or to the instructor during office hours.
6. When appealing a mark, students should refer to the Student Academic Appeals section in the current Western Academic Calendar at:
http://westerncalendar.uwo.ca/PolicyPages.cfm?Command=showCategory&PolicyCategoryId=1&SelectedCalendar=Live&ArchiveID=#Page_14.

Please note the relevant deadlines.

The Department will not consider an appeal unless an attempt has been made to settle the matter with the instructor first. Students who remain dissatisfied with the outcome may proceed with a written appeal (e-mails are not acceptable) to the Undergraduate Director in Economics, stating the reasons for their appeal. A checklist is provided at:
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:

Deadline to add a first term half course:

Friday September 14, 2018

Deadline to drop a first term half course:

Monday November 12, 2018

9. Faculty of Social Science policy states that oversleeping or misreading an exam schedule is NOT grounds for a makeup. This rule applies to midterm and final exams in the Department of Economics.

Policy Regarding Makeup Tests and Final Examinations

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

Students who proceed to write a test or examination must be prepared to accept the mark. Rewriting tests or examinations, or having their value reweighted on a retroactive basis, is **not** permitted. Students must also book travel arrangements AFTER final exam dates have been posted as they must not conflict with test or final exams.

Unless medically incapable of doing so, students must notify their instructor prior to the test date or at least within **24 hours** when requesting a makeup exam. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. Students should also set up an appointment as soon as possible to meet with their instructor. If the instructor is not available, send an email message, copying the Undergraduate Coordinator at econugrd@uwo.ca. **Notifying instructors of a missed exam does not automatically entitle students to a makeup.**

Students who seek a makeup exam must also provide supporting medical or other relevant documentation that their absence from a scheduled test or exam is beyond their control. Documentation should be submitted to the Academic Counselling Office of the student's *home* Faculty **as soon as possible (preferably within 24 hours of the scheduled test)**. Failure to follow this procedure may result in denial of academic accommodation and a grade of zero. If the documentation submitted is not acceptable, students will receive a zero for the missed test.

For personal illness, students may consult Student Health Services and request a Student Medical Certificate from the physician. If assessed by an off-campus doctor, students must obtain a certificate from his/her office at the time of the visit. The off-campus medical certificate form must also be used and can be found at:

http://www.uwo.ca/univsec/pdf/academic_policies/appeals/medicalform.pdf.

Notes stating "For Medical Reasons" are not considered sufficient.

For religious or compassionate circumstances, students should ask their Academic Counsellor what documentation to provide. If 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 exams). Once students have this form, they must contact their instructor as soon as possible to make arrangements. Even if approved by their Academic Counsellor, there is no guarantee that students will be allowed to write the makeup test/exam.

For final examinations, students need to seek permission from their *home* Faculty Counsellor, Instructor, and the Department Undergraduate Director. Failure to follow this procedure may result in a grade of zero. Students 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. If approved, makeup examinations will be written within one month of the end of the exam period.

Policies Regarding Academic Accommodation

The Faculty of Social Science's policies regarding academic accommodation is found at http://counselling.ssc.uwo.ca/procedures/having_problems/index.html.

"Academic Rights and Responsibilities" are also outlined in the Western Calendar at <http://westerncalendar.uwo.ca/PolicyPages.cfm?PolicyCategoryID=1&command=showCategory&SelectedCalendar=Live&ArchiveID=>. 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 the instructor deems a student's class attendance as unsatisfactory, that student may be prohibited from writing the final examination. If there is intent to make use of this University policy, the student will be notified in writing.

Statement on Mental Health and Support Services

Students under emotional/mental distress should visit http://uwo.ca/health/mental_wellbeing/ for more information and a complete list of resources on how to obtain help.