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Class meets: **Sat. 9:00-10:50 am in Whitehead 206**
Office hours: **after class or by appointment**
Section: **SV9** Code: **3012**

Analysis of Developed Areas (ECO 730) **Brooklyn College – Spring 2007**

Why do some countries have higher per capita incomes than others? Why do some countries have faster rates of per capita income growth than others? Do differences in economic policy generate these disparities in per capita income? Or do differences in institutions (formal organizations and/or culture, habits and customs) cause the disparities?

Why do some people have higher incomes than others? Do differences in education levels cause economic inequality? Does inequality foster economic growth or does it hinder growth? Is there a vicious cycle of poverty causing malnutrition, which in turn perpetuates poverty?

Do countries that trade more have higher levels of per capita income? If an underdeveloped country opens itself to international trade will its citizens see an improvement in their standard of living?

Does redistribution of land from landlords to the farmers who work the land increase per capita income? Are the agricultural policies of the United States and the European Union responsible for poverty in developing countries?

How has foreign aid affected the development of the world's poorest countries? Does the provision of small loans to the poorest of the poor break the vicious cycle of poverty?

How will the AIDS pandemic affect economic growth in Sub-Saharan Africa (where over 11 percent of the adult population is infected with the HIV virus)?

What was Communism? What reforms were undertaken to convert the Soviet-style economies to market economies? Which reforms enabled some post-Soviet economies to grow faster than others?

Objectives of this Course

This course has two sets of objectives: practical and academic. The academic objectives aim to answer the questions listed above. The practical objectives aim to teach you how to apply mathematics and econometrics to economic problems. Specifically, I hope that this course develops your logical thinking skills, enables you to apply mathematics to economic problems and teaches you how to test the theoretical relationships between dependent and independent variables.

Course Requirements

Your final grade will be determined by a weighted average of a mid-term exam (35 percent), a final exam (45 percent) and the quality of your class participation (20 percent). The exams will consist of a set of problems and a set of short essays.

In evaluating the quality of your class participation, I will consider:

1. your attitude towards the course material,
2. how well you demonstrate an understanding of the required readings and homework assignments and
3. how often you ask intelligent questions in class.

Saying “I don’t understand” and explaining what you don’t understand and why you don’t understand it is one of the most intelligent things you can do. It demonstrates curiosity and interest in the course material. By contrast, sitting in silence when you don’t understand is one of the dumbest things you can do.

One Cigarette Rule

Two hours is a long time to sit and listen to me talk. To keep you fresh, I will give you a break about halfway through the class session. The break will be just long enough to run downstairs, smoke ONE cigarette and come back.

Do not smoke two cigarettes. Do not go to McDonald’s. Do not come back late.

Attendance Policy

Come and go as you please, but keep in mind that the lectures are an important part of the course. If you’re not here, it’s going to be a lot harder to understand the course material. Poor attendance will also adversely affect my evaluation of your class participation.

For example, if you never come to a single class, but somehow manage to ace both exams (which is highly unlikely), your final grade would be a B-plus – that’s 80 percent of an A (4.0).

Exam Make-Up Policy

Any student who is either unable to attend class on the day of the exam or simply doesn’t feel like coming to class on the day of the exam, doesn’t have to come. There’s no need to contact me or explain the reason for your absence. Just don’t come.

If you miss the mid-term exam, you will be expected to submit a take-home examination within two weeks of the class immediately following the mid-term exam. No exceptions.

If you miss the final exam, you will have to make it up during departmental exams next semester.

In deciding whether or not to come to class on the day of the exam, keep in mind that I see absolutely no reason why the difficulty of the take-home exam or the departmental exam should be comparable to that of the in-class exam.

If I were in your shoes, I would come to class on the day of the exam.

Instant Replay Rule

If you do not do well on an exam and would like to improve your grade by doing the make-up exam, I’ll look very favorably upon your efforts.

For those of you who would like to improve your grade by haggling with me over points, we’ll play by the “Instant Replay Rule.” If your complaint has merit, I’ll fix your grade. If your complaint does not have merit, it will cost you one whole letter grade.

Email at your Own Risk

Any take-home assignment (such as a make-up exam) should be submitted to me during regular class hours. If you cannot attend class that day, ask a friend to submit it for you.

I will also accept assignments submitted to me by email or left in my box at the Economics Department Office (Whitehead 217).

Keep in mind however that email does not always work perfectly. There is a low (but not insignificant) probability that the email will not be delivered to me. There is also a low (but not insignificant) probability that an assignment left in my box will disappear.

I will not be held accountable for vanishing emails. Nor will I be held accountable for assignments devoured by the mailbox gremlin. You assume ALL of the risk associated with email and/or mailbox submissions. If I don't receive it, it's your problem, not mine.

Policy on Cheating

Don't even think about it. I will catch you and I will pursue the harshest penalty that the college allows.

What you should think about is the reputation of your school. If Brooklyn College were to develop a reputation for tolerance of cheating, then potential employers would consider completion of a degree at Brooklyn College to be a trivial accomplishment and your investment of time, money and energy at this school will have been squandered.

Use of notes during an in-class exam is cheating. Don't do it. Copying material from a website on a take-home exam is cheating. Don't do it.

If you think I won't know if you copied material from a website on a take-home exam, you're wrong.

What to Expect

I have an easy-going attitude, but don't expect an easy A. I work hard and I expect the same from you.

I'll give you all the help you need, but don't expect me to spoon-feed you the answers. This is college. Come prepared to ask me questions. Don't waste my time.

You are expected to read ALL of the assigned material. I have not cluttered the syllabus with hundreds of articles. Instead I have assigned a short list, so that I can reasonably expect you to develop a strong comprehension of each chapter, article, etc.

I don't see things in black and white. I am incapable of answering a question with a simple "yes" or "no." I look for the complexity in an issue and seek to understand it.

If you get impatient with someone who takes their time to answer a question or goes into too much detail, then I'm probably not the professor for you.

On the other hand, if you want to learn how to analyze an issue and come to a well-reasoned conclusion, then you're in the right place.

Course Material and BlackBoard

The readings are drawn primarily from academic journals. In an attempt to stimulate discussion, I've selected articles that offer differences of opinion (wherever possible). I've also added a few magazine articles to lighten the reading load and to provide a context for discussion of the academic material.

There are no required textbooks for this course. I recommend that you purchase a copy of the following books, but they are not required:

Ray, Debraj (1998). *Development Economics*. Princeton University Press. 978-0-691-01706-8

Pearce, David W. ed. (1992). *The MIT Dictionary of Modern Economics*. MIT Press. 0-262-66078-4

Because almost all of the readings come from academic journals, it would be convenient to obtain those articles from a single source (instead of searching the library's databases for each article). That convenient source is BlackBoard. (The articles are copyrighted, so I cannot legally post them to my website).

- So go to: <http://www.cuny.edu>
- At the bottom of the orange column on the left-hand side is a "Log-in" link. Click there.
- On the next page ... If you already have a Portal Login, just enter your username and password.

If you don't have a Portal Login yet, then click the "Register Now!" link and the system will verify your status by using your last name, Social Security Number, date of birth, etc.

- After you have logged in, you'll see a "My Page" window with a whole bunch of bubbles. In the bubble in the upper left ("SSO Applications for Faculty and Staff"), there is a link to "BlackBoard." Click on that link.
- On the next page, you'll be asked to choose your CUNY school. Select the Brooklyn College link and you'll be taken to another screen with a whole bunch of bubbles.
- In the "My Courses" bubble, you'll see a link to the course. Click on that link and you'll finally be in BlackBoard.
- All of the files for the course are in the "Course Documents" page, which you can get to by clicking on the "Course Documents" link in the green column on the left-hand side.

class schedule begins on the next page ...

Class Schedule

Lecture 1: the Neo-Classical Growth Model

Besley, Timothy and Robin Burgess (2003). "Halving Global Poverty." *Journal of Economic Perspectives*. Summer 2003, vol. 17, no. 3, p. 3-22.

Solow, Robert M. (1956). "A Contribution to the Theory of Economic Growth." *Quarterly Journal of Economics*. Feb. 1956, vol. 70, no. 1, p. 65-94.

Mankiw, Romer and Weil (1992). "A Contribution to the Empirics of Economic Growth." *Quarterly Journal of Economics*. May 1992, vol. 107, no. 2, p. 407-37.

Duflo, Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment" *American Economic Review*. Sept. 2001, vol. 91, no. 4, p. 795-813.

Romer, David (1996). *Advanced Macroeconomics*.
read: chaps. 1 and 3B

"Does population matter?" (2002). *Economist*. 5 Dec 2002

Doviak, Eric. *Lecture Notes on Economic Growth and Fluctuations*. <http://www.doviak.net>
read: Lectures 5, 6 and 7



Lecture 2: Institutions

Acemoglu, Daron (2003). "Root Causes: A historical approach to assessing the role of institutions in economic development" *Finance and Development*. June 2003, vol. 40, issue 2, p. 26-30.

Acemoglu, Daron, Simon Johnson and James A. Robinson (2001). "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review*. Dec. 2001, vol. 91, no. 5, p. 1369-1401.

Engerman, Stanley L. and Kenneth L. Sokoloff (2002). "Factor Endowments, Inequality, and Paths of Development among New World Economies." *Economia*. Fall 2002, vol. 3, no. 1, p. 41-109.

Glaeser, Edward, Rafael La Porta, Florencio Lopez-de-Silanes and Andrei Shleifer (2004). "Do Institutions Cause Growth?" *Journal of Economic Growth*. Sept. 2004, vol. 9, no. 3, p. 271-303.



Lecture 3: Inequality

Becker, Gary S. and Barry Chiswick (1966). "Education and the Distribution of Earnings." *American Economic Review*. Mar. 1966, vol. 56, no. 1/2, p. 358-69.

Chiswick, Barry R. (1971). "Earnings Inequality and Economic Development." *Quarterly Journal of Economics*. Feb. 1971. vol. 84, no. 1, p. 21-39.

Forbes, Kristin J. (2000) “A reassessment of the relationship between inequality and growth,” *American Economic Review*. Sept. 2000, vol. 90, no. 4, p. 869-87.

Duflo, Esther and Abhijit Banerjee (2003). “Inequality and Growth: What Can the Data Say?” *Journal of Economic Growth*. Sept. 2003, vol. 8, no. 3, p. 267-99.
http://econ-www.mit.edu/faculty/download_pdf.php?id=445



Lecture 4: Health

“Feeding the hungry” (2004). *Economist*. 6 May 2004.

Dasgupta, Partha and Debraj Ray (1986). “Inequality as a Determinant of Malnutrition and Unemployment: Theory.” *Economic Journal*. Dec. 1986, vol. 96, no. 384, p. 1011-1034.

Dasgupta, Partha and Debraj Ray (1987). “Inequality as a Determinant of Malnutrition and Unemployment: Policy.” *Economic Journal*. Mar. 1987, vol. 97, no. 385, p. 177-188.

Subramanian, Shankar and Angus Deaton (1996). “The Demand for Food and Calories.” *Journal of Political Economy*. Feb. 1996, vol. 104, no. 1, p. 133-162.

“An imprecise catastrophe” (2004). *Economist*. 20 May 2004.

Young, Alwyn (2005). “The Gift of the Dying: The Tragedy of Aids and the Welfare of Future African Generations.” *Quarterly Journal of Economics*. May 2005, vol. 120, issue 2, p. 423-66.



Lecture 5: Land and Agriculture

Besley, Timothy and Robin Burgess (2000). “Land Reform, Poverty Reduction, and Growth: Evidence from India.” *Quarterly Journal of Economics*. May 2000, vol. 115, no. 2, p. 389-430.

Banerjee, Abhijit V., Paul J. Gertler and Maitreesh Ghatak (2002). “Empowerment and Efficiency: Tenancy Reform in West Bengal.” *Journal of Political Economy*. April 2002, vol. 110, no. 2, p. 239–280.



Lecture 6: Trade, Trade Policy and Foreign Direct Investment

Bardhan, Pranab (2006). “Does Globalization Help or Hurt the World’s Poor?” *Scientific American*. April 2006, p. 84-91.

IFPRI (2003). “How Much Does it Hurt?: Measuring the Impact of Agricultural Trade Policies on Developing Nations.”
<http://www.ifpri.org/media/trade/trade.pdf>

Dornbusch, Rudiger (1992). "The Case for Trade Liberalization in Developing Countries." *Journal of Economic Perspectives*. vol. 6, no. 1. Winter 1992. p. 69-85.

Graham, Edward M. and Erika Wada (2000). "Domestic Reform, Trade and Investment Liberalization, Financial Crisis, and Foreign Direct Investment in Mexico." *World Economy*. June 2000, vol. 23 issue 6, p. 777-97.



Lecture 7: post-Soviet Economies

Aslund, Anders (2002). *Building Capitalism: The Transformation of the Former Soviet Bloc*.

read: introduction and chaps. 1, 2, 3, 4, 8 and 11



Lecture 8: Foreign Aid vs. Microfinance

Easterly, William (2002). "The Cartel of Good Intentions." *Foreign Policy*. July-Aug. 2002. Issue 131. p. 40-49.

Svensson, Jakob (2000). "Foreign aid and rent-seeking." *Journal of International Economics*. Aug. 2000, vol. 51, issue 2, p. 437-61.

Easton, Tom (2005). "Survey of Microfinance." *Economist*. 5 November 2005.

Morduch, Jonathan (1999). "The Microfinance Promise." *Journal of Economic Literature*. Dec. 1999, vol. 37, no. 4, p. 1569-1614.



Lecture 9: Violence

Grossman, Herschell I. (1991). "A General Equilibrium Model of Insurrections." *American Economic Review*. Sep. 1991, vol. 81, no. 4. p. 912-21.



Final Exam dates and times (pick one):

Sat.	19 May	9:00 to 11:00 am	in Whitehead 206
Tues.	22 May	6:00 to 8:00 pm	in Whitehead 408
Thurs.	24 May	8:30 to 10:30 pm	in Whitehead 408