

ECON B225: ECONOMIC DEVELOPMENT

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Introduction to Development Economics

Agenda

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- **About me!**
- **Introduction to Development Economics as a sub-discipline of economics**
- **Outline for the class**
 - ▣ Syllabus review
 - ▣ Questions

About Me

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□ **Education**

- ▣ PhD, Applied Economics, University of Minnesota
- ▣ MA, Development Economics, Tufts University
- ▣ BA, Oberlin College

□ **Prior work experience**

- ▣ Peace Corps Volunteer 2008-2010, Cameroon
- ▣ Former analyst and project manager for One Acre Fund, Kenya and Malawi
- ▣ Other work experience for Millennium Challenge Corporation, Mali

□ **Current research**

- ▣ See <https://www.sebastiananti.com/>

Development Economics

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□ **Broadest level**

- The study of how economies (rich, middle-income, and poor) change, evolve, and contract

□ **In practice**

- Focus on poor and “emerging” countries
- Why is there poverty and wealth?
- How do people and places become wealthy or poor?
- Focus on the “developing world” or “Global South” (see note on next slide)

□ **Large emphasis on effects of policy**

- How have interventions designed to promote growth worked out?
 - Studying these provides stronger evidence of causal relationships

A Note on the use of the term “Development”

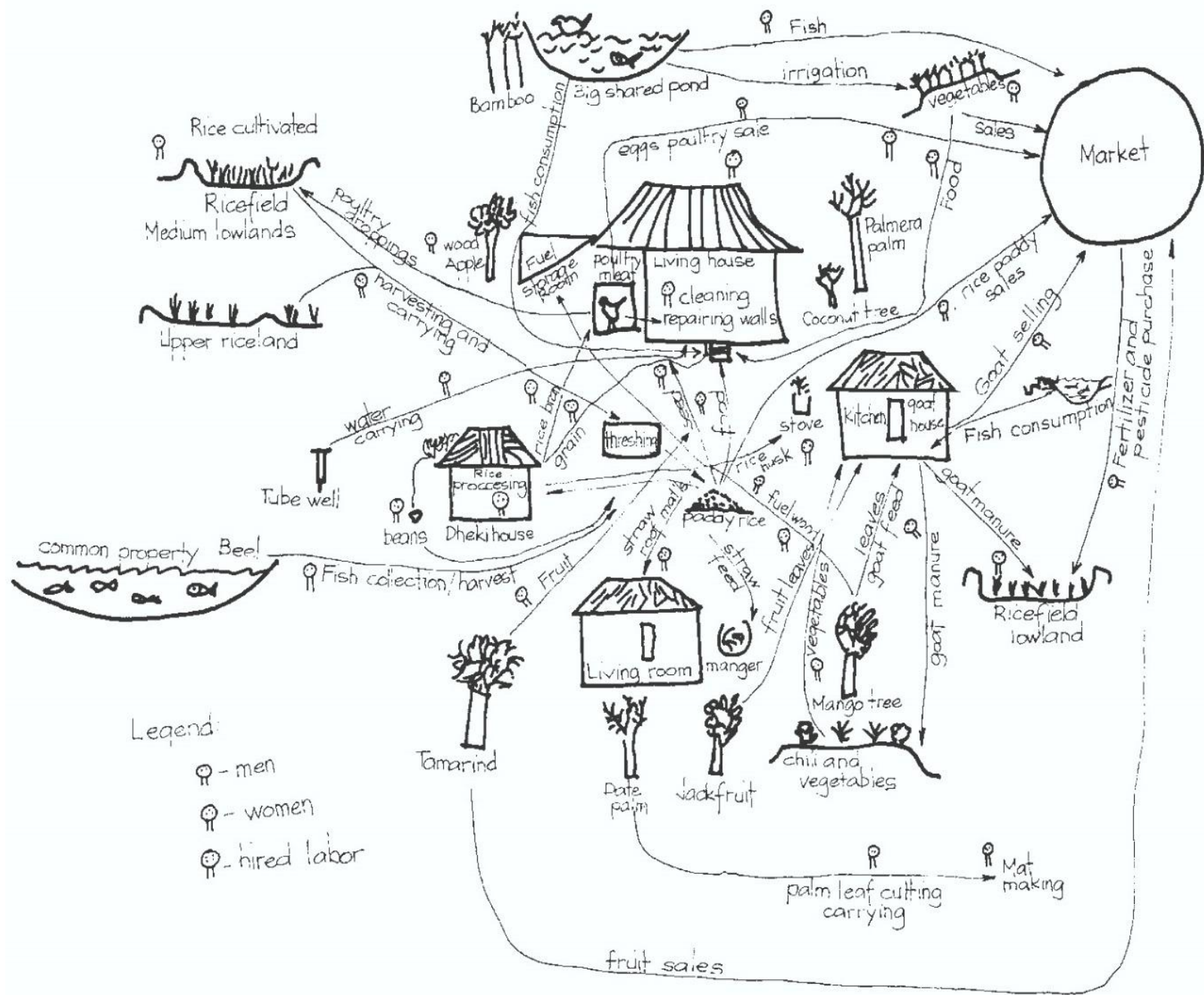
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- **The term “developing country” is still common in economics**
 - ▣ Although it is becoming less accepted in other social sciences
 - ▣ Still very common in policymaking circles
- **Implies an evolution towards the endpoint**
 - ▣ Suggests a hierarchy among countries and people
- **Conundrum: Is it really okay to use this term?**
 - ▣ Other options for Developed and Developing: “Rich country”, “Poor country”, “Global South”
 - ▣ Or “low-income” country works

Why Focus on Low-Income and “Emerging” Countries?

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- **There are phenomena in these places that take on a distinct form compared to rich countries. Examples:**
 - ▣ Subsistence farming
 - ▣ Rural-urban migration and informal settlements
 - ▣ Lack of access to basic healthcare
 - ▣ Food insecurity and malnutrition
 - ▣ Lack of access to modern technologies or abstaining from using them
- **Some of these phenomena are present in high-income countries, but they differ in major ways**
- **3 billion rural people in LICs among 475 million households (FAO)**



What Makes Development Economics Exciting

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- **Engages big questions about how the world is structured.**
Examples:
 - ▣ Why is the US so rich (on average) while so much of sub-Saharan Africa is so poor (on average)?
 - ▣ How have some countries grown so fast and others haven't?
 - ▣ How do specific phenomena (technology, education, land rights, etc.) relate to growth?
- **Focuses on the poor and the marginalized and centers them in the work**
 - ▣ Especially the case in the microeconomics of development
- **Research findings are directly relevant to policy makers and decision makers**
 - ▣ World Bank, UNDP, UNEP, USAID, DFID, DANIDA, MCC, IMF, USDA, FAO, OECD, Oxfam, MercyCorps, among many others

Development Economics and International Development Policy

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- **These policy making institutions can be controversial, but they are undeniably influential in the world**
 - ▣ This class takes no position on them and their role in the world. That is for you to determine
 - ▣ If you are interested in understanding how they make decisions (for better or for worse), then understanding development economics is essential
 - ▣ Often of academic interest because their actions lead to important academic insights

Layout of the Field

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- **Typical distinctions between micro and macro perspectives**
 - ▣ Macro: How and why do countries grow, stagnate, or contract?
 - ▣ Micro: How and why do poor households or rural farmers make decisions? How does an intervention affect people at the micro level?
- **Huge recent advancements in empirical (econometric) testing of development interventions using micro data**
 - ▣ Nobel Prize in Economic Sciences for 2019 was awarded for this!



Figure 2: Abhijit Banerjee, Esther Duflo and Michael Kremer. Recipients of the 2019 Nobel Prize in Economic Sciences.
Source: Business Insider

Layout of the Field

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- **Typical distinctions between micro and macro perspectives**
 - ▣ Macro: How countries grow and shrink?
 - ▣ Micro: How do poor households or rural farmers make decisions? How does an intervention affect people at the micro level?
- **Where am I (your instructor) in this landscape?**
 - ▣ I am an applied econometrician – I find data and quasi-experimental variation to measure how development policy affects people
- **Where does this class fit into this landscape?**
 - ▣ Exposure to common measures of macro development (Modules I and III)
 - ▣ Exposure to classic macro models for development and contraction (Module I)
 - ▣ Exposure to empirical analysis focused on macro and micro questions (Module III)
 - Micro theory of development is left out. Need calculus for much of this

Introduction to the Class

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□ **Summary of Objectives:**

- Provide theoretical frameworks to analyze phenomena of interest to development economists
- Develop ability to critically analyze influential empirical papers in the discipline
- Produce one writing product allowing for deeper exploration of the material

□ **Prerequisites:**

- ECON B105 or equivalent

Introduction to the Class

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□ Divided into three modules

1. Measuring development and Macroeconomic theoretical perspectives (~6 weeks)
2. Econometric literacy training (1 week)
3. Empirical evidence for development drivers (~6 weeks)

□ Assignments

1. Two exams (one after Module 1, one after Module 3)
2. One policy memo
3. One article brief (with partner)
4. One problem set

Details in the Exams

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- **First exam will cover everything in Module 1**
 - ▣ The problem set should help you prepare for this

- **Second exam will cover everything in Module 2**
 - ▣ Focus on:
 1. Critically analysis of research articles and
 2. Your understanding of the current state of the literature in the topics covered in Module III
 - ▣ Allows 1 sheet of paper with any information you want written on it during the exam!
 - ▣ Class-sourced briefs will be a resource in preparation

- **The midterm is graded out of 100. The final is graded out of 150 (b/c it's 50% longer). I take points off according to a schedule provided in your syllabus**

Details on the Memo

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- **This is your chance to go in depth on a topic that interests you**
- **A chance to practice “professional writing”**
 - ▣ The type of writing common in professional world
 - ▣ Related to academic writing, but distinct
- **Topic will be on a development policy “intervention” of your choice in a particular place**
 - ▣ Example on an upcoming slide

Details on the Memo

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- **Your memo's text will be exactly five pages double spaced.**
- **You will include an appendix with unlimited space for references and supporting material. Realistically, you're appendix will be at least five pages long.**
- **Successful memos will achieve the following:**
 - ▣ Explain precisely what the intervention is/was and why the policy/intervention is of interest to your chosen audience
 - ▣ Explain the theoretical effects of the policy/intervention in every relevant dimension
 - ▣ Explain the empirical evidence for these effects
 - ▣ Make an assessment (argument) regarding what the policy maker needs to know about the effects of the intervention (positive, negative, and neutral)
 - ▣ Explain clearly any gaps in the knowledge that you've identified in your research
 - ▣ Make an argument for what risks these knowledge gaps entail for policymakers
 - ▣ Provide advice to policy makers
 - Either suggestions on actions to implement policy to mitigate these risks and negative consequences, and/or suggestions for necessary further research

Details on the Memo

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- **This is a lot to accomplish in five pages, but writing professionally often requires this type of efficiency.**
This is an opportunity for practice
- **Often you will need to relegate important pieces of information to the appendix** to save space in the text
 - ▣ Determine what the audience needs to read in the text to understand your point and put this in the text. Put the explanation and details in the appendix notes
 - ▣ Do not neglect the appendix. It is a valuable way to make sure your argument is supported but not overburden your audience with detail in the main text. If you make a claim in the memo that requires further explanation, supporting citations, or evidence and it is not in the text or the appendix, you will be penalized

(More) Details on the Memo

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- **This is not a report.** You are making an argument to the policy maker
- **A policy maker from the country you are studying has commissioned a study on the topic you've chosen.** Write for this audience. Do not waste their time
- **You should be citing and interpreting any relevant research that has been done on your topic**
 - ▣ Special focus should be on theoretical economics, and empirical economics, (see following slides) but qualitative work from other social science, and anecdotal stories from the popular media should make it into your memo if relevant

Important Economics Journals Typically Covering Topics in this Class

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□ **The Big Five:**

- *Quarterly Journal of Economics (QJE)*
- *Journal of Political Economy (JPE)*
- *American Economic Review (AER)*
- *Econometrica*
- *Review of Economic Studies (RE Stud.)*

□ **Other “General Interest” Journals**

- *Review of Economics and Statistics (RE Stat.)*
- *Economic Journal (EJ)*
- *American Economic Journal: Applied Economics (AEJ Applied)*

Important Development Economics Journals Typically Covering Topics in this Class

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- **These are called “Field Journals”. In rough order of importance/prestige/perceived quality:**
 - ▣ *Journal of Development Economics (JDE)*
 - ▣ *World Bank Economic Review (WBER)*
 - ▣ *World Development*
 - ▣ *Economic Development and Cultural Change (EDCC)*
 - ▣ *Journal of African Economies*
 - ▣ *Journal of Development Studies*
 - ▣ *Review of Development Economics*

Important Other Economics Field Journals Typically Covering Topics in this Class

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- **Agricultural Econ Field:**

- *American Journal of Agricultural Economics*
- *Agricultural Economics*
- *Food Policy*

- **Environmental and Resource Economics Field:**

- *Journal of Environmental Economics and Management (JEEM)*
- *Journal of the Association of Environmental and Resource Economists (JAERE)*

- **International Development Studies Field:**

- *Journal of Development Effectiveness*
- *Journal of International Development*

- **Health Econ Field:**

- *Journal of Health Economics*

- *Many many others covering topic specializing in gender, migration, energy, international economics, trade, conflict, economic history, etc.*

Opportunities for Feedback on the Memo

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- **No intermediate submissions before the final submission**
 - ▣ Besides sending me basics on your policy intervention and intended audience (example in a couple slides)
 - ▣ I don't require an outline, list of sources, or rough draft before the final submission
- **BUT, I invite you to send me a draft at any point (semi complete is fine). I will read it and provide structured feedback to you in office hours**
 - ▣ This opportunity is optional, but
 - ▣ I highly encourage you take advantage of this
 - ▣ It will likely significantly improve your work

Evaluating Development Interventions

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- **“Interventions” and policies can have negative and positive outcomes (or no effect) for people**
 - ▣ This is the reason I ask you to consider various dimensions of what you are studying in your paper
- **Development agencies and governments often cause harm to their “beneficiaries”**
- **“Philanthropies” can do much harm against the people they are supposedly serving**
- **Generally, these institutions also have tremendous power over people’s lives, and it’s important to attempt to understand them and their actions from a position of objectivity and skepticism**

Evaluating Development Interventions

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- **As scholars and researchers, we should be approaching every research topic from this position**
- **Your memos should not set out to validate development policy or promote institutions and their actions**

A Last Piece of Advice and Some Motivation

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- **Do not waste valuable space in the memo with generic descriptions of the country**
 - ▣ For example, if your memo is about Mali, there should be no statement like “Mali is a francophone country in West Africa”
 - Remember for your audience, this would of course be common knowledge for a policymaker in Mali
- **Graduating college, employers often want to see writing samples**
 - ▣ Long academic papers are generally not helpful b/c these are not the type of writing that one actually does outside of academia
 - ▣ If you take this assignment seriously, you will end up with a good writing sample to send to employers (and it will expose you to a rich academic literature related to your interests)

Next Steps on the Paper

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- **Immediate Task:** Research development policies in countries and sectors of interest to you. Decide on a specific policy intervention in a specific place to research. Decide on a policy maker(s) that would conceivably commission a memo of this kind.
- ▣ Send me the country and policy intervention you will write on along with the recipient(s) of the your memo
 - Do this before February 14
- ▣ Come to office hours to talk if you struggle at all with this

Example

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- **Background:** The *Office du Niger* is a large irrigation system operated by the Government of Mali about the size of Rhode Island
- **Intervention:** The Government of Mali is expanding the irrigation network by 800,000 hectares with its partner the US Government's Millennium Challenge Corporation (MCC)
- **Audience/Memo Recipient(s):** Mohamed Ould Mahmoud (Minister of Agriculture, Mali), Mamadou Baré Coulibaly (Director General of the *Office du Niger*), Mark Sundberg (MCC Chief Economist), Alicia Robinson-Morgan (MCC Managing Director for Africa), Heather Hanson (MCC Managing Director for Infrastructure, Environment and the Private Sector)

Details on the Article Brief

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- You will be responsible for one brief on articles assigned in the third module of the course
- Due 24 hours before the start of the class for which the reading is assigned (by email)
- I will provide a template as a guide
- You will work with a partner I assign
- These will be available to the entire class in order to study for the exams
 - ▣ So you have a responsibility to your classmates to do well on these
- These should be no more than 1 page in length

Grading Exams, Memo, and Article Brief

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- **For exams I grade out of 100 and take off points according to a schedule in the syllabus**
- **Memo criteria will come later in a rubric**
- **Article brief is not graded, but...**
 - ▣ Late submissions results in -4 from your final exam grade, and no submission results in a -8 from your final exam grade
 - ▣ Remember your classmates are relying on you to do a good job on these!

Grading on Problem Sets

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□ **Graded on a Zero, Check minus, check, check plus basis:**

- ▣ **Zero:** failed to turn in, mostly incorrect or incomplete, little skill development shown. No credit.
- ▣ **Check minus:** Semi-complete. Limited ability with concepts demonstrated. Limited skill building. 50% in the grade book.
- ▣ **Check:** Complete set of answers. Mostly correct. Adequate ability demonstrated. 100% in the grade book.
- ▣ **Check Plus:** Complete set of answers: Almost all correct. Exceptional work. 100% in the grade book.

More on Problem Sets

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- **Note that this grading scheme means I will be giving checks (100% credit) to work that is not 100% correct.**
 - ▣ It would be a mistake to interpret a check, or even a check plus, as a reason to not study the suggested answers for problem sets
- **I will highlight the general location of mistakes in your work so you know what to focus on when you go to look at the answer key**
- **I will not provide much feedback beyond this**
- **It is your responsibility to study the suggested answers that I provide to the problem sets to correct your errors**
 - ▣ You have the following resources
 - Me in office hours
 - Review session before midterm
 - Your peers

Policy on Late Work

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- Handling late work puts an extra administrative burden on instructors and takes away from the quality of instruction, feedback, and organization of the class
- Therefore, I do not accept late exams, problem sets, and memos unless there is a truly unforeseen (usually medical) situation that causes the lateness
 - ▣ In other words: Late work receives an automatic zero
- Deadlines are made clear weeks and months in advance so that you can plan ahead and avoid turning work in late

Assignment Weights in Final Grade

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- **Exams: 60% Total**
 - ▣ Midterm: 30%
 - ▣ Final Exam: 30%
- **Problem Set: 10%**
- **Memo: 30%**

Next steps

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- **Read syllabus carefully on your own at home**
 - ▣ I wasn't able to cover everything here. You are responsible for knowing the details
- **I have office hours from 10:30 AM to 12:00 PM Tuesday and Friday. Sign up on the Calendly link provided in the syllabus**

Some Clarifications

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- **This is an economics class. Traditional emphasis on:**
 - ▣ Understanding theoretical models
 - ▣ Understanding empirical literature
 - ▣ Understanding how this literature influences the world beyond the academy through its use by policy makers
- **Not interested in advocating for or against the international development system or its constituent organs (World Bank, USAID, etc.)**

Questions?

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