

ECON 5420: Development Economics
Spring 2021-22
Hong Kong University of Science & Technology
Course website: <http://canvas.ust.hk>

Class meetings Tue & Thu 1:30 – 2:50 pm LSK 1027 / Zoom [965-7129-5723](https://ust.hk/join/96571295723)

Instructor

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Course description

It could be argued that the primary subject of the economics discipline is development. Certainly governments all over the world worry about their countries' development, and most individuals are concerned about their economic and social wellbeing. So, for economists and indeed all interested citizens, it is useful to understand how economies grow, what it means for an economy to be developed, and what barriers individuals and countries face in achieving development.

We will work through a set of topics that will all contribute to this understanding. Questions we will be thinking about include the following:

- What is “development”, and how is it different from economic growth? How should a country’s development be evaluated?
- How do agricultural households make decisions? What role does the agricultural sector play in growth?
- How does the structure of an economy change as it grows? What drives rural-to-urban migration?
- How do credit market frictions affect economic activity? Can they lead to poverty traps?
- How does microcredit help to alleviate credit market frictions? What are the drawbacks of traditional microcredit models?

Course Intended Learning outcomes (CILOs)

Students who complete this course successfully will be able to:

1. define different metrics of development, compare their pros and cons, and illustrate how they can be measured
2. explain the theoretical and empirically observed relationship between economic growth and poverty reduction
3. analyse the economic decisions of agricultural households and explain why agricultural growth is critical to economic growth
4. analyse the relationship between the agricultural sector and manufacturing and explain how structural transformation takes place
5. describe credit market imperfections in the developing economy agrarian context and explain why they may impede efficiency
6. evaluate the role of microcredit contract design in credit access for the poor
7. distinguish between correlation and causality, and explain the merits and demerits of different empirical methods
8. critically evaluate empirical research papers and interpret their results

Prerequisites

You must have taken ECON 5130 (Microeconomic Analysis) and ECON 5140 (Macroeconomic Analysis) successfully to enrol in this course.

I will assume that you know core concepts in calculus and microeconomics. Please review these if you feel uncertain.

Learning environment

While we are required to hold classes online, we will meet via Zoom meeting ID [965-7129-5723](#). The meeting is passcode-protected and requires HKUST authentication to join. Please click through “Zoom meeting” on our Canvas website.

Your active participation is essential to make our classes a success. Barring temporary technical problems, I encourage and expect you to join with both audio and video.¹ Group chat will be on for the first few minutes so we can discuss any connection problems. However for most of the meeting, the chat function will be turned off. This helps to avoid parallel conversations that may distract other students.

You are always welcome to ask questions or make comments related to the material we are discussing. To do this, please “raise your hand” in the Zoom

¹If you have privacy concerns, please contact me and we can discuss them.

meeting, and I will call on you. I may also ask a question and ask for volunteers to answer, or ask a specific question to a specific student. We may also use Zoom polls as a way to check understanding. It is important that you are actively participating throughout!

If/when in the future the university changes to “mixed-mode” our meeting arrangements may change. I will keep you informed through the course website.

Learning resources

- When I lecture, I will show presentation slides as well as make notes on the whiteboard. Presentation slides will be uploaded to Canvas ahead of time.
- All class meetings will be recorded, and links will be provided through the course website.
- The TA and I will use the [course website](#) for announcements and to post quizzes and quiz scores and to receive your team exercise submissions. Please check it regularly.
- We will read a few chapters each from the books listed below. All are available through the HKUST library. If you are unable to use the library website directly, you may need to use ITSC’s [Virtual Barn](#) to access the e-books through the library website.
 - **T&L:** *Essentials of Development Economics* (2015) by J. Edward Taylor and Travis J. Lybbert.
 - **R:** *Development Economics* (1998) by Debraj Ray.
 - **A&M:** *The Economics of Microfinance* (2005) by Beatriz Armendariz de Aghion and Jonathan Morduch.
- In addition we will read some journal articles. The reading list is below. *Readings marked with a star (*) are required reading.* A [hyperlink](#) is provided for the others. **Please contact the TA if you have trouble locating any of the reading material.**

Reading List

1. What is Development Economics About?

*T&L, “What Development Economics is All About”, Ch. 1, pp. 1-22.

2. Empirical Methods in Development Economics

*T&L, “What Works and What Doesn’t”, Ch. 2, pp. 23-66.

Deaton, Angus (2010), “[Instruments, Randomization and Learning About Development](#)”, *Journal of Economic Literature*, Vol. 48, June, pp. 424-455.

3. Poverty & Inequality

*T&L, “Poverty”, Ch. 4, pp. 90-109.

*T&L, “Inequality”, Ch. 5, pp. 110-131.

4. Economic Growth & Poverty Reduction

*Dollar, David and Aart Kraay (2002), “[Growth is Good for the Poor](#)”, *Journal of Economic Growth*, Vol. 7, No. 3, pp. 195-225.

*Ravallion, Martin (2001), “[Growth, Inequality and Poverty: Looking Beyond the Averages](#)”, *World Development*, Vol. 29, No. 11, pp. 1803-1815.

Dollar, David, Tatjana Kleineberg and Aart Kraay (2013), “[Growth Still Is Good for the Poor](#)”, World Bank Policy Research Working Paper 6568.

5. Nutrition & Health

*Ye, Xiao and J. Edward Taylor (1995), “[The Impact of Income Growth on Farm Household Nutrient Intake: A Case Study of a Prosperous Rural Area in Northern China](#)”, *Economic Development and Cultural Change*, Vol. 43, No. 4, pp. 805-819.

(TE1) Chen, Yuyu and Li-An Zhou (2007), “[The Long-Term Health and Economic Consequences of the 1959-1961 Famine in China](#)”, *Journal of Health Economics*, Vol. 26, No. 4, pp. 659-681.

6. Agriculture & Information

*T&L, “Agriculture”, Ch. 9, pp. 214-243.

(TE2) Jensen, Robert (2007), “[The Digital Divide: Information \(Technology\), Market Performance, and Welfare in the South Indian Fisheries Sector](#)”, *Quarterly Journal of Economics*, Vol. 122, No. 3, pp. 879-924.

Mitra, Sandip, Dilip Mookherjee, Maximo Torero and Sujata Visaria (2018), “[Asymmetric Information and Middleman Margins: An Experiment with Indian Potato Farmers](#)”, *Review of Economics and Statistics*, Vol. 100, No. 1, pp. 1-13.

Zhang, Xiaobo and Dinghuan Hu (2014), “[Overcoming Successive Bottlenecks: The Evolution of a Potato Cluster in China](#)”, *World Development*, Vol. 63, November, pp. 102-112.

7. Structural Transformation

*R, “Rural and Urban”, Ch. 10, 353-388.

8. Market Imperfections Agrarian Economies

*R, “Markets in Agriculture: An Introduction”, Ch. 11, pp. 403-414.

9. Credit Markets

*R, “Credit Markets”, Ch. 14.

*R, “Inequality, Capital Markets and Development”, Section 7.2.8, pp. 226-237.

10. Microcredit

*A&M, “Roots of Microfinance: ROSCAs and Credit Cooperatives”, Ch. 3, pp. 57-68.

*A&M, “Group Lending”, Ch. 4, pp. 85-96, 108-118.

(TE3) Cai, Shu, Albert Park & Sangui Wang (2020), “[Microfinance Can Raise Incomes: Evidence from a Randomized Control Trial in China](#)”, HKUST Business School Research Paper No. 2020-006.

Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan (2015), “[The Miracle of Microfinance? Evidence from a Randomized Evaluation](#)”, *American Economic Journal: Applied Economics*, Vol. 7, No. 1, pp. 22-53.

Maitra, Pushkar, Sandip Mitra, Dilip Mookherjee, Alberto Motta and Sujata Visaria (2017), “[Financing Smallholder Agriculture: An Experiment with Agent-intermediated Microloans in India](#)”, *Journal of Development Economics*, Vol. 127, pp. 306-337.

Assessment scheme

Class Participation 14%

Your participation score will depend on your active participation in the class meetings. This will be evaluated through your attendance in the class meetings, and participation in the Zoom polls that will be conducted from time to time. Students who actively ask questions, answer questions and make comments will also receive extra credit.

Assignments/Quizzes 30%

- There will be two assignments. They will show up on Canvas as quizzes. They will be conducted through Canvas and will test your understanding of material that has been discussed in class or in your readings.

- Assignments will include both problems and long-answer questions. You may be expected to submit graphs (which can be hand-drawn, or drawn on a computer or tablet) in the form of pdf files. If hand-drawn, we strongly recommend scanning the image to maximise contrast and resolution, and minimise file size.² This will help ensure you can upload the file smoothly.
- Assignments will occur outside class times and you will be able to complete them on your own time. Each quiz have a stated deadline and must be submitted before the deadline is up. Late submissions are generally not possible. See exact dates in the schedule.

Team Exercises 36%

There will be three team exercises. For each team exercise I will assign you to a team of students, and you will work with them to create a 10-15 slide presentation about a particular research article. The three research articles are indicated in the reading list. You will submit your presentation slides through Canvas. In the following class meeting, we will discuss the paper together and each team will guide the discussion of specific sub-topics with the help of their slides. Each team exercise will be worth 12% of your grade.

Final Paper 20%

Each student will be required to work **individually** and submit a 7-page paper discussing and critically reviewing **one** of the three research articles you worked on for the team exercise. This paper will be due on Friday 20 May 2022, by 9 pm. Please note that you must be careful not to plagiarise in this paper. Your submission will be checked for plagiarism through turnitin.com, and penalties will incur.

Academic honesty

Academic dishonesty is immoral and unfair, and I take a very serious view of it. You must be aware of [HKUST's policy on academic integrity](#), and abide by its provisions. I will report all cases of suspected misconduct to the Dean's Office, and their decision will be final and binding.

Please be especially careful not to plagiarise. Many students plagiarise without realizing it. The Writing Center at the University of North Carolina Chapel Hill has a very useful [handout on plagiarism](#). *Please read it, and discuss with me any concerns you may have about your own writing BEFORE you submit it.*

When you submit your individual exercise it will be checked for plagiarism through turnitin.com, and a high similarity score will raise flags. Plagiarised assignments will be penalised.

²We recommend [TinyScanner](#) for Android devices and [CamScanner](#) for Apple devices.

Table 1: Course Schedule

Class	Date	Topics	Events
L1-4	Feb 8-17	Questions and Methods in Development Economics	
L5-9	Feb 22-Mar 8	Poverty & Inequality	Quiz 1 due Mar 3
L10-11	Mar 10-15	The Link between Growth & Poverty Reduction	
L12-13	Mar 17-22	Nutrition & Health	TE 1 due Mar 19; Present Mar 22
L14-16	Mar 24-31	Structural Transformation	
L17-18	Apr 7-12	Agriculture & Information	TE 2 due Apr 9; Present Apr 12
L19-22	Apr 19-28	Market Imperfections & Credit Markets	Quiz 2 due Apr 28
L23-25	May 3-10	Microcredit	TE 3 due May 7; Present May 10
	May 20	Individual Paper	Paper due May 20

The course schedule is tentative. Exact dates, topics or readings may change. Please keep an eye out for course announcements.