

# Syllabus for Economic Problems of Developing Areas AAE 474/Econ 474

Spring 2022

## 1 Administrative details

Course meets: TuTh, 1:00-2:15 pm, BioChem 1125  
Instructor: Dr. Paul Castañeda Dower  
Office: 411 Taylor Hall  
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E-mail: [pdower@wisc.edu](mailto:pdower@wisc.edu)  
Office hours: Wednesdays, 2:30-3:30pm  
Credit Hours: 3 Credits  
Course URL: [canvas.wisc.edu/courses/277676/](https://canvas.wisc.edu/courses/277676/)

This course is a three credit course, meeting twice a week. The course consists of lectures, discussions, homework, group projects, quizzes and exams. The course calendar (below) indicates when topics are covered and assignments are due. I expect that you will read the corresponding readings before each class (these readings are listed in italics) and be prepared to discuss questions related to the readings. Lecture slides will be posted before each class.

Based on the UW-Madison Credit Hour Policy, the class is organized based on an expected time investment of 45 hours of work per credit hour. One credit is the learning that takes place in at least 45 hours of learning activities, which include time in lectures or class meetings, in person or online, exams, presentations, tutorials, reading, writing, studying, preparation for any of these activities, and any other learning activities.

## 2 Purpose of course

One out of ten people on this planet lives on less than \$1 per day and a quarter of the world lives on less than \$3 per day. The intention of this course is to explore the causes and correlates of global poverty, and discuss policies used to address it. The approach of the course is microeconomic,

meaning that we focus on individual and household behaviors, as well as market failures which lead to sub-optimal choices by these individuals. We will learn about the measurement of poverty and inequality, the role of health and education in poverty, problems in credit and insurance markets, the causes and effects of migration, corruption, and institutions. We will also discuss current development programs intended to address these issues.

The learning goals of this course are:

- CL01** Use current research in development economics to explain cases, identify areas that policy can influence, and evaluate the outcomes of development programs (mock magazine, policy presentations, class discussions)
- CL02** Calculate basic measures of poverty and inequality (homework)
- CL03** Differentiate empirical methods used to analyze poverty and poverty alleviation and their limitations (exams)
- CL04** Explain how economic models relate to causes of poverty (exam short answers, policy presentations)
- CL05** Use economic models and empirical methods to evaluate development policy (policy presentations, exams, homework, small group discussions)
- CL06** Assemble analyses of policy design directly related to themes of the course (mock magazine, policy presentations, case analyses)
- CL07** Collaborate with others in the analysis of economic behaviors, policies, and program outcomes (small group discussions, mock magazine, policy presentation)

Although we will discuss the role of institutions and geography, this course will not cover macroeconomic topics such as growth in any depth. Trade and globalization are also not covered in this class. This is not because these are not important topics, but rather because there are other courses at UW which are entirely dedicated to them. For students interested in those topics I recommend AAE 373 and 374, and Econ 364, 365, 464, and 475. There are also area studies classes focusing on Latin America (AAE/Econ 462), Africa (AAE/Econ 477), and East and Southeast Asia (AAE/Econ 473).

### 3 Prerequisites

The prerequisite for this course is one of the following introductory economics courses: Econ 101, Econ 111 or AAE 215. Economic models and econometric tools are frequently used to provide a coherent explanation for some issues, but you do not have to have taken an econometrics course to be successful in this course.

## 4 Materials

You are required to purchase one book for this class. It is entitled *Poor Economics* by Abhijit Banerjee and Esther Duflo, published by Public Affairs Press in 2011. You can buy it in the bookstore or wherever else you would like. It is a little bit cheaper if you purchase it in electronic form. All other reading materials will be posted on Learn@UW.

## 5 Assessments

### 5.1 Participation

Lectures in this course will include opportunities for you to stop and think about examples and ideas, to learn with and from others, and to share your ideas orally and through CANVAS and other digital platforms. We will regularly use small-group learning activities to advance our analysis of cases, readings, concepts, and economic models. Sometimes, these activities will take place in your project groups (see 5.3 below); other times, I will ask you to form impromptu groups. Your task will be to be in class prepared to learn from your classmates and to contribute to their learning. In-class individual and small-group learning activities will often generate a “deliverable” that will be submitted for assessment. Often, these deliverables will be posted to CANVAS so that the rest of the class can benefit from your thinking. These deliverables will count toward your final grade as class participation.

### 5.2 Assignments

There will be multiple homework assignments over the course of the semester. Homework assignments will include a variety of written and numerical exercises. Anything that you hand in to me should contain grammatically correct, complete sentences (this is also true for email). These assignments will be posted well before they are due. Due dates for assignments are listed below, but may be subject to change depending on the pace of the course. Homework must be handed in through Canvas by 11:59pm on the date that it is due or, if a hard copy, at the beginning of class on the date that it is due. If you choose not to turn in an assignment on time, you will lose 20% of the total points that you earn on the assignment for each day that it is late.

### 5.3 Group Projects

There will be two group projects:

1. Program evaluation presentation: Throughout the course, we will have student-led presentations of NGO or government-led development projects. On these class days, we will hear from two groups. Each group presentation will be about 15-20min and then we will have 5min for discussion of the project. Please consult the file on the course website for what should be included in your presentation. Then, as a class, we will compare and contrast the two projects. You will be randomly assigned to a group/project. I expect you to come prepared on your day with a professional looking presentation. At least one person in your group should be the

spokesperson that gives the presentation. If no one wants to be the spokesperson then each of you will take a turn to present on one of the aspects of the project.

2. Program evaluation assessment :

Together with your group, you will do an in-class program evaluation on March 24th. You will be given materials in advance to review and prepare. You will then need to complete your group evaluation and submit it during class and an individual critique of the program that you should submit by 11:59pm on March 27th. Your grade will depend on both the individual and group components of this assessment. Details will be provided on the course website.

## 5.4 Final Project

The assignment is to write an article for an online magazine styled after *The Economist*.

The article should include at least three components: 1) highlight and discuss recent academic literature in the field of development economics (published in the past five years) 2) present and discuss quantitative evidence on a relevant policy issue and 3) descriptive material on an actual development policy that has been implemented recently. The relevant policy issue should fit under one of the broad themes covered in BD chs. 2-9. Your article also must conform to an article length of no more than 1500 words. See the assignment description and grading rubric on the course website.

## 5.5 Exams and Quizzes

1. Quizzes: There will be regular quizzes throughout the semester. They will cover material covered in lectures. You will be expected to complete the quiz online before 11:59pm on Sunday during the week that it is due. Quizzes will be weighted equally, and the two lowest scores will be dropped when calculating your average score.
2. Exams: There will be two exams. The first exam will be in class on February 17th. This exam will cover the analytical tools that we will use during the rest of the course. The first exam will cover material up to Feb. 10th. You will have an opportunity to revise your exam for additional but not full credit.

The second exam will be held on the last day of class on May 5th and will focus on material from Feb. 22nd up to April 28th. The knowledge gained throughout the first part of the course will be helpful for this exam, but you will not be tested directly on this material.

## 5.6 Grading

The distribution of points for the semester will be as follows:

Assessment	Percent of final grade
<b>Participation</b>	<b>10%</b>
<b>Home Assignments</b>	<b>20%</b>
-Data Analysis assignments	12%
-Problem set assignments	8%
<b>Group Projects</b>	<b>25%</b>
-Program Evaluation Presentation	15%
- In-class Program Evaluation Assessment	10%
<b>Final Project</b>	<b>15%</b>
<b>Exams and Quizzes</b>	<b>30%</b>
-Quizzes	5%
-Exam 1	10%
-Exam 2	15%

Final grades are assigned in the following manner: the top five scores from the class are averaged. This average is subtracted from 100, and the remainder added to everyone's score (naturally, this means that 2 or 3 people receive "more than" 100%). Final grades are then assigned using the following scale:

$\geq 93\%$	: A
$< 93 \ \& \ \geq 88 \%$	: AB
$< 88 \ \& \ \geq 83 \%$	: B
$< 83 \ \& \ \geq 78\%$	: BC
$< 78 \ \& \ \geq 68$	: C
$< 68 \ \& \ \geq 55$	: D
$< 55$	: F

## 6 Important things to note

- If you have a conflict with either of the exams or any of the homework due dates, please advise me of this during the first two weeks of class, and we will make alternate plans.
- THERE IS NO EXTRA CREDIT IN THIS CLASS.
- Do not respond to email, surf the internet, or otherwise engage with your electronic devices other than for class-related activities. This type of behavior can be very distracting to people sitting around you.

- Cheating will not be tolerated. If you are caught cheating, you will fail the course and appropriate University Conduct Code sanctions will be taken against you.

## 7 Other information

**Plagiarism:** Plagiarism is a serious offense. All sources and assistance used in preparing your papers must be precisely and explicitly acknowledged. Ignorance of what constitutes plagiarism or academic misconduct is not a defense. It is your responsibility to be sure. The web creates special risks. Cutting and pasting even a few words from a web page or paraphrasing material without a reference constitutes plagiarism. If you are not sure how to refer to something you find on the internet, you can always give the URL. It is generally better to quote than to paraphrase from material on the web, because in the absence of page numbers it can be hard to find passages that are paraphrased rather than quoted. For more information on writing and source citation, the following may be helpful <http://writing.wisc.edu/Handbook/Documentation.html>

**Academic Integrity:** By enrolling in this course, each student assumes the responsibilities of an active participant in UW-Madison's community of scholars in which everyone's academic work and behavior are held to the highest academic integrity standards. Academic misconduct comprises the integrity of the university. Cheating, fabrication, plagiarism, unauthorized collaboration, and helping others commit these acts are examples of academic misconduct, which can result in disciplinary action. This includes but is not limited to failure on the assignment/course, disciplinary probation, or suspension. Substantial or repeated cases of misconduct will be forwarded to the Office of Student Conduct & Community Standards for additional review. If you have any questions about what constitutes academic misconduct, please read the following information <http://students.wisc.edu/doso/acadintegrity.html> or come talk with one of the instructors.

**Accommodations for students with disabilities:** The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA. <http://mcburney.wisc.edu/facstaffother/faculty/syllabus.php>

## AAE 474 Course Calendar

Date	Topic and Required Reading	Work Assigned	Work Due
<b>UNIT 1 Getting Started</b>			
<b>Module 1</b>	<b>Introduction to Development.</b> <i>What is economic development and why is it important?</i>		
Jan. 25	Why study development? <i>BD Ch. 1 "Think again, again"</i> <i>Banerjee &amp; Duflo (2007)</i>	Final Project	
Jan. 27	Development policy: Aims and approaches <i>Sen (1994)</i>		
Feb. 1	Introduction to development theory		
<b>Module 2</b>	<b>Measures of Development and Policy Impact.</b> <i>How do we assess whether a development program is working?</i>		
Feb. 3	Poverty measures <i>Haughton &amp; Khander (2009)</i>	Assignment 1	
Feb. 8	Inequality measures <i>Haughton &amp; Khander (2009)</i> <i>World Development Report (2006)</i>		
Feb. 10	RCTs and regression analysis <i>Sykes (1992)</i>		
<b>Module 3</b>	<b>Assessment. Mastering the Tools</b>		
Feb. 15	Group Work Day		
Feb. 17	Exam 1		
<b>Module 4</b>	<b>Health.</b> <i>Is the relationship between health and poverty driven by limited access to or low demand for health services?</i>		
Feb. 22	Theory and concepts <i>BD Ch. 2 "A Billion Hungry People"</i> <i>BD Ch. 3 "Low-Hanging Fruit . . ."</i>	Assignment 2	Assignment 1
Feb. 24	Policy presentations and analysis		
<b>Module 5</b>	<b>Education.</b> <i>What are the returns to education for the poor?</i>		
Mar. 1	Theory and concepts <i>BD Ch. 4 "Top of the Class"</i>		
Mar. 3	Policy presentations and analysis		
<b>Module 6</b>	<b>Population &amp; Migration.</b> <i>Why do countries go through a demographic transition?</i>		
Mar. 8	Theory and concepts: Population <i>BD Ch. 5 "Pak Sudarno's Big Family"</i> <i>Ch. 11, de Janvry and Sadoulet (2016)</i>	Assignment 3	Assignment 2
Mar. 10	Theory and concepts: Migration <i>"Migration and development." The Economist (2004)</i> <i>Ch. 12, de Janvry and Sadoulet (2016)</i>	Program Evaluation Information Packet	Final project topic proposal
<b>Spring Break</b>			
Mar. 22	Policy presentations and analysis		
<b>Module 7</b>	<b>Assessment.</b> <i>Making sense of development policy</i>		
Mar. 24	Program Evaluation Assessment		
<b>UNIT 3 Markets</b>			
<b>Module 8</b>	<b>Insurance.</b> <i>How do the poor insure against risk?</i>		
Mar. 29	Theory and concepts	Assignment 4	Assignment 3

## AAE 474 Course Calendar

Date	Topic and Required Reading	Work Assigned	Work Due
	<i>BD Ch.6 "Barefoot Hedge-Fund Manager"</i> Ch. 15, Ray (1998)		
Mar. 31	Policy presentations and analysis		
<b>Module 9</b>	<b>Credit and Savings.</b> <i>Why do moneylenders charge high interest rates? Why don't the poor save more?</i>		
Apr. 5	Theory and concepts: Credit <i>BD Ch. 7 "The Men from Kabul . . ."</i> Morduch, J. (1999)		
Apr. 7	Theory and concepts: Savings <i>BD Ch. 8 "Saving Brick by Brick"</i>		
Apr. 12	Policy presentations and analysis		
<b>Module 10</b>	<b>Entrepreneurship.</b> <i>Who is an entrepreneur? And why does it matter?</i>		
Apr. 14	Theory and concepts <i>BD Ch. 9 "Reluctant Entrepreneurs"</i>		
Apr. 19	Policy presentations and analysis		
<b>UNIT 4</b>	<b>Institutions</b>		
<b>Module 11</b>	<b>Deep determinants of development.</b> <i>Why do nations fail?</i>		
Apr. 21	Theory and concepts <i>Acemoglu et al (2003)</i>	Assignment 5	Assignment 4
<b>Module 12</b>	<b>Corruption.</b> <i>Is corruption good or bad for economic growth?</i>		
Apr. 26	Theory and concepts <i>BD Ch. 10 "Policies, Politics"</i> <i>Olken, B.A. and R. Pande (2012)</i>		Final Project
Apr. 28	Policy presentations and analysis		
<b>UNIT 5</b>	<b>Conclusions</b>		
May 3	Reflections <i>BD Conclusion "in Place of Sweeping Conclusions . . ."</i>		Assignment 5
May 5	Exam 2		



## Readings

Required readings are in italics on the course calendar. There is an online copy of the required text, *Poor Economics* (BD) by recent Nobel Prize winners A. Banerjee and E. Duflo, available through the library. Additional readings are listed below in the order that we will cover them and are available on the course website.

1. Banerjee & Duflo (2007) “The Economic Lives of the Poor” *Journal of Economic Perspectives*
2. Sen (1994) “The Concept of Development” in *Handbook of Development Economics*
3. Haughton and Khander (2009) “Measuring Poverty”, *Handbook on Poverty and Inequality*, chapter 4, The World Bank Institute.
4. Haughton and Khander (2009) “Measuring Inequality”, *Handbook on Poverty and Inequality*, chapter 6, The World Bank Institute, pp. 101-106.
5. World Development Report (2006), “Equity and Development, Overview,” 1-18.
6. Sykes (1992) “An Introduction to Regression Analysis” *The Inaugural Coase Lecture*
7. de Janvry and Sadoulet (2016) Chapter 11 in *Development Economics: Theory and Practice*
8. “Migration and Development” *The Economist*, 2004
9. de Janvry and Sadoulet (2016) Chapter 12 in *Development Economics: Theory and Practice*
10. Morduch, J. (1999), “The Microfinance Promise,” *Journal of Economic Literature* 37(4), 1569-1614.
11. Ray (1998) “Insurance” chapter 15, excerpts
12. Acemoglu et al (2003) “Reversal of Fortune: Geography and Institutions in the Making of Modern World Income Distribution” *Quarterly Journal of Economics*
13. Olken, B.A. and R. Pande (2012), “Corruption in Developing Countries,” *Annual Review of Economics* 4, 479-509.