

## Econ333-07: Economic Development

Professor Lakshmi K. Raut

Fall 2002, M: 7:00-9:45 PM, Room: EC-034, phone: (714) 278-5481

Office hours M, W: 1:30-2:30 PM, 5:15-6:15 PM, Room #LH 408A

E-mail: [lrout@fullerton.edu](mailto:lrout@fullerton.edu) Home page: <http://business.fullerton.edu/lrout>

The internet site for this course: go to the above page and then follow the link to

Teaching->Fall 2002 at CSUF->Econ333.

You **MUST** establish your password to be able to download and view most of the course materials and to get the self-graded homework graded.

### 1 Course objective

As you know almost five out of six billion people of the world live in poorer countries. Many of them live in absolute poverty, on incomes less than a-dollar-a-day. A large number of children in these countries do not have much human capital in terms education and other social skills, and most of them suffer from bouts of AIDS, malaria, measles and other childhood diseases from which they either die before reaching age five, or they acquire poor health status and learning disabilities. Their prospects of getting out of poverty disappear right in front their eyes in their early childhood. The adults generally have low human capital and productivity level and thus earn low income. While life expectancy is generally low due to low health and nutritional status, those who live up to their old-age are generally thrown to live at the mercy of others since they did not accumulate enough resources for their old-age, there are no formal social security program, and there are too few adults to take care of the elderly. The poverty problem is further accentuated in these economies because poorer households lack collateral to borrow money to invest in productive activities and to invest in their children's education. Generally, these economies export primary products whose market deteriorates over time, and due to poor skill composition of the labor force and poor infrastructure, these economies are unable to attract skill intensive foreign physical capital such as factories through multinational companies, and due to poor governance and underdeveloped institutions (corruption, under-developed legal systems, under-developed financial systems) not much international financial capital flows into these countries. In this course, we will examine the living conditions of the people in poorer countries and examine some of the factors (along the above lines) that explain why some countries are poor and the others are rich; why within a country, some people are struck in absolute poverty while others prosper from economic growth; and also examine the role of international trade and capital flows in the development process.

**Note: This course meets the General Education (G.E.) requirement in category III.C.2. Implications, Explorations, and Participatory Experience in the Social Sciences. It includes the following goals for student learning: a. To understand broad, unifying themes in the Social Sciences from cross-disciplinary perspectives, b. To solve complex problems that require social scientific reasoning, c. To relate the social sciences to significant social problems or to other related disciplines. The course includes a significant writing component with evaluations offering opportunities for students to improve their writing.**

TEXT: I will provide you with extensive set of lecture notes which will cover 80% of the course materials. Remaining 20% materials will be drawn from the text book. What will come from where are indicated in the course outline section of the course site. You do not have to read many parts of the book. If you feel you are getting confused by reading the book, read only the parts that you are asked to read. Text book: Today, M.P., "Economic Development", Addison-Wesley Longman, Seventh Edition

**Academic Dishonesty:** Academic dishonesty of any kind will not be tolerated. It will lead to a grade of F and will be reported to the administration for further action.

### 2 Course requirements

Mid Term Exam 1 (20%), Mid-term Exam 2 (20%), Graded Homework (10%), Paper and Presentation (10%), class participation and rolls (random days and times) (5%) and Final Exam (35%).

**Paper and Presentation:** Choose a less developed country and write about its development experience, talk about its development problems and suggest what kind of policies the country should follow. Your choice of country should be approved by me.

I will present some case studies to guide you prepare for your paper and presentation. Starting There will be mandatory meetings between you and me during which you are to get your chosen country and the general issues that you like to discuss approved by me. Failure to do so will lead to non-acceptable paper and presentation. If two papers or presentations look alike or if it becomes apparent that someone else has written the paper for you, it becomes a case of academic dishonesty and will be dealt with as mentioned above.

| Week of                   | Planned class activities  |
|---------------------------|---|
| August 26 and September 9 | <b>1. Introduction: Nature of development problems</b> (Todaro Chapters 1, 2 and class notes) <ul style="list-style-type: none"> <li>• A (magic school bus) tour to see the living conditions of people around the globe.</li> <li>• Structures of Developing economies</li> <li>• Measurement of living standards: per capita income (GNP per capital), Physical Quality of Life Index (PQLI), Human Development Index (HDI).</li> <li>• Comparison of Living standards</li> </ul> HW 1 due online by 11:59PM Thursday September 11.   |
| September 9, and 16       | <b>2. Accounting for Observed Growth (class notes, and articles)</b> <ul style="list-style-type: none"> <li>• Representation of National Income by Production Function. Technological change;</li> <li>• Measurement of Growth (Linear and exponential growth rates; Computation of Catching up time and Double up time; Growth Rates of functions; Computation of growth Rates)</li> </ul> <b>Main sources of growth:</b> <ul style="list-style-type: none"> <li>• Capital: <i>household savings, government budget deficit and foreign capital flows</i></li> <li>• Labor: <i>population, hours of work, and education, health status</i></li> <li>• Knowledge and productivity growth: <i>R&amp;D, technology import, direct foreign investment</i></li> </ul> HW 2 due online by 11:59PM Thursday September 19. |
| September 23              | <b>3. Poverty and Income Distribution:</b> Todaro Chapter 5<br>HW 3 due online by 11:59PM Thursday September 26.  |
| September 30              | <b>4. Basic Descriptive Models of Growth and Development.</b> <ul style="list-style-type: none"> <li>• Stylized Facts about a few macro variables: Kaldor's findings on U.S. (<b>class notes</b>)</li> <li>• Harrod-Domar Model of growth and development (class notes, &amp; Todaro pp.80-83)</li> <li>• Lewis Dual Economy Growth Model (class notes &amp; Todaro, pp:84-90)</li> </ul> HW 4 due online by 11:59PM Thursday October 3.  |
| October 7                 | <b>First Mid-Term Exam</b>  |
| October 14,21             | <b>5. Population Growth and Economic Development</b> <ul style="list-style-type: none"> <li>• The Demographic Transition (Todaro, pp.222-224)</li> <li>• Malthusian Population Trap Model (class notes &amp; Todaro, pp. 224-229)</li> <li>• Microeconomic Household Theory of Fertility (class notes &amp; Todaro pp.230-234)</li> </ul> HW 5 due online by 11:59PM Thursday October 25.   |
| October 28                | <b>6. Labor Market (Human capital theory of earnings distributions and social mobility).</b> <ul style="list-style-type: none"> <li>• Investment in Education (Class Notes)</li> <li>• Investment in early childhood development (class Notes)</li> </ul> HW 6 due online by 11:59PM Thursday October 31.   |
| November 4                | <b>Second Mid-term, and case studies</b>  |
| November 11               | <b>7. Trade Theory and Development Experience,</b> Todaro ch. 12<br><b>Homework due Nov 21.</b>   |
| November 18               | <b>8. The Trade Policy Debate: Export Promotion, Import Substitution and Economic Integration,</b> Todaro ch. 13 and class notes.   |

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|             | <u>HW 7 due online by 11:59PM Thursday November 21.</u><br>(* mandatory meeting with the professor about paper and presentation begins) |
| December 2, | Paper presentation begins<br><u>HW 8 due online by 11:59PM Thursday December 5.</u>   |
| December 9  | Paper presentation and final review.  |