

McGill University
Department of Economics

ECON314-002: Economic Development 2
Winter 2020
Preliminary Outline

Instructor Contact Information:

Prof. Franque Grimard
Leacock, room 417 Telephone: 398-4717
e-mail: Franque.grimard@mcgill.ca (Please see my e-mail policy below)
Virtual Office hours: Friday: 13:00-14:30 on Zoom starting on January 8th

Regular Classes:

Times: Tuesday and Thursday: 1:05 p.m. to 2:25 p.m.
Room: Zoom via MyCourses

TAs : To be announced

Conferences: They will take place on specific weeks. Please consult MyCourses for more details.

Instructor and TA e-mail policy: Short e-mails that can be answered by a yes or a no are more likely to be answered quickly. Long e-mails or e-mails requiring long responses may or may not be answered. If your question is long or requires a complex answer, please go to see the TA or the professor during office hours.

Prerequisites: ECON 208 and either ECON 209 or one development course.

Course Description:

Theories of economic development and empirical evidence on macro trends and special topics. Not open to students who have taken ECON 313D. This is a three (3) credit course.

Course Evaluations:

Midterm 1 (25%): February 11th
Midterm 2 (25%): March 25th
Make-up Midterm (50%) April 1st (**only** if you missed Midterm 1 **AND** Midterm 2)
Final examination (50%) Date TBA (set by University)

Grading Scheme:

Your grade = $[0.25 \times \text{Midterm1} + 0.25 \times \text{Midterm2} + 0.50 \times \text{Final}] \times 100$

- If you miss either midterm 1 **OR** midterm 2, the weight of the missed exam will be placed on your final exam (which will be worth 75%). No medical note is required.
- Only if you miss both midterms, then you will write a cumulative make-up midterm worth 50% of the course grade on April 1st.

- In case of absence at the final exam for medical reasons, please refer to the University Regulations Concerning Final Examinations. This is entirely out of my jurisdiction
- The examinations may consist of some multiple choice questions (midterms and final), short answer questions, short problems and/or essay questions.
- The supplemental examination is worth 100% of your final grade.
- Mid-terms will be accessible for 180 minutes within a 48 hour window up to the due date/time (due at the end of scheduled class – so 4:00pm on Feb 11th and March 25th, respectively. Similarly, the make-up midterm, only for students who have not completed Midterms 1 and 2, will be accessible for 360 minutes within a 48 hour window due at 4:00pm on April 1st.
- All exams are open book but individual – Communicating with anyone other than the instructor or TAs about the exam is strictly prohibited.

In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

Instructional Methods:

- Since I teach two sections of the same course, (001 and 002), I am trying to figure out with McGill IT what would be the appropriate way of integrating a combination of asynchronous (pre-recorded) material and synchronous sessions that would be accessible to both sections, while maintaining a degree of differentiation for some sessions for each section. However, we are not yet in position to properly assess the feasibility of this scheme. If this is indeed feasible, please see an updated syllabus where the scheme will be explained.
- If it turns out that it is not technically possible, then the instructional model will be: All lectures will take place during scheduled time (synchronous) and will be recorded and uploaded in MyCourses.
- Lecture sessions will include derivation and description of models as well as some problem solving.
- The analytical level of this course is designed to accommodate both specialists and non-specialists. That said, the course will draw heavily on **graphical approaches** to economic models. Occasionally, some **basic algebra** will be employed to illustrate key concepts. Basic high school math knowledge should suffice here.
- This course draws on cross-country comparisons of major economic development indicators.
- Continuous attendance in Zoom is strongly encouraged, and any points raised in class but not covered in the text are just as likely to end up in the examinations.

Teaching Assistants and Conferences:

The Teaching Assistants (TA) will help you with the course materials by holding office hours and conferences. For instance, we will post on *myCourses* sample problems for discussion. The TAs will discuss them during the conferences as well as reviewing class concepts. The conferences are not mandatory, but it is your responsibility to attend them. In addition, conferences will be held before the written work is due. The TAs and conferences are there to help you understand the material through revisions of class material and discussions.

myCourses:

- This course utilizes MyCourses for course management and posting of relevant materials. Please check the website on a regular basis for announcements.
- **It is your responsibility to stay well-informed of course management and announcements on MyCourses.**
- Students are required to check *myCourses* weekly to download any materials that shall be used in class, **prior to lectures**. For instance, I will often bring in data and graphs to class and it would be useful for students to have downloaded and printed any relevant graphs or tables in order to take notes.
- **Detailed lecture outlines (but not complete lectures) will be placed on myCourses:** I will be placing detailed outlines of my lecture presentations on-line before the lecture. If you so wish, you can print them off or download them before the lecture, and add to them during class.
- A discussion page will be made available for you to communicate with your classmates. The purpose of this page is to let you debate the issues that we discuss in class amongst each other outside of class time and conferences. While we (the instructor and TAs) will be monitoring the discussion from time to time, we will neither be participating, nor responding to questions or comments in this forum.

Teaching Assistants:

TBA

Office hours : TBA

TA e-mail policy : The TA e-mail policy is similar to the Professor's e-mail policy (see 2nd last page): Short e-mails that can be answered by a yes or a no are more likely to be answered quickly. Long e-mails or e-mails requiring long responses may or may not be answered. If your question is long or requires a complex answer, please go to see the TA or the professor during office hours.

Conferences: TBA on MyCourses

*Note: please do not attend all – only attend the one that best suits your schedule.

PRELIMINARY COURSE OUTLINE:

Week	Date:	Topic:	Readings:
	Jan 7 th	Welcome	
1	Jan 12 th , Jan 14 th	Introduction Macro and Growth	Chp 1, T&S 1 Chp 4, T&S 4
2	Jan 19 th , Jan 21 st	Structural Transformation	Chp 5, T&S 3
4	Jan 26 th , Jan. 28 th	International trade and Development	Chp 6 T&S 12, 13
5	Feb 2 nd Feb 4 th ,	International trade and Development	Chp 6 T&S 12, 13
6	Feb 9 th	Fiscal Institutions and Taxation	Chp 8, Chp 10 T&S 11, 15

	Feb 11th	MIDTERM 1	
7	Feb 16 th Feb 18 th	Fiscal Institutions and Taxation	Chp 10 T&S 11, 15
8	Feb 23 rd Feb 25 th	Corruption	Chp 19, T&S 11
	Mar 2nd Mar 4th	MARCH BREAK	
9	Mar 9 th Mar 11 th	Corruption	Chp 19, T&S 11
10	Mar 16 th , Mar 18 th	Foreign Aid (Intro): <i>Prof. Jamal Saghir</i> Foreign Aid (SDGs)	p 5 T&S 14
11	Mar 23 rd , Mar 25th	Foreign Aid (Financing) MIDTERM 2	Chp 5, T&S 14
12	Mar 30 th Apr 1 st	Foreign Aid (Financing): <i>Prof. Christian Novak</i> COVID-19 : some issues	Chp 5, T&S 14 See detailed list below
	Apr. 1st	MAKE-UP MIDTERM *	
13	Apr 6 th Apr 8 th	COVID-19: some issues	See detailed list below
	Apr 13 th	COVID 19: some issues	

- Notes:**
1. Topics might spill over from one week to the next if necessary.
 2. Due to time constraints, it is possible that some topics will not be covered or some topics added. I maintain discretion regarding changes in this outline. Any changes will be discussed in class and/or announced on MyCourses.
 3. I may be involved (conferences, fieldwork...) on some dates. I will be announcing in class and on MyCourses any changes that would be related to this work.
 4. We will have guest lectures from McGill ISID's Professors of Practice, Profs Saghir and Novak. They will be announced on mycourses when the dates are confirmed and the syllabus will be modified accordingly.
 - 5 * only for students who have missed both midterm 1 and midterm 2.

Key dates: Jan 22nd : Add/Drop

Mar 9th: Last date for withdrawal (without refund)

Apr 13th: Last day of class for T/Th sequence

Required Textbook:

Roland, G. Development Economics, Pearson Education, 2014.

You can access this e-textbook for free from the McGill Library website. The ProQuest version allows for 9 students to simultaneously access the ebook and the Ebsco version allows for 3

people to simultaneously access it. I would encourage you to download the chapter you want as a pdf and then close the ebook. If you find that all the copies are being used at once, check back after about 15 minutes.

Alternatively, can purchase online access to the ebook on this website:

<https://www.vitalsource.com/en-ca/products/development-economics-gerard-roland-v9781315510552>

Other required readings: In addition to the required text chapters underlined references in the table above and with asterisks in the reading list below are also required. These online sources provide additional materials to help illustrate some of the key concepts and help push the debate further

Complementary Sources: Any undergraduate textbook in introductory & intermediate microeconomics and macroeconomics provide good sources for the material covered in class.

Many of the topics covered by Roland are also covered in Todaro, M. and S. Smith, Economic Development, Twelfth Edition, Addison Wesley, 2012. This is the **T&S** reference in the preliminary outline above. Should you use this text, it is your responsibility to ensure that you are covering the right materials and are aware of the errata in earlier editions. This text is also available at the library's reserve desk.

Optional readings: We will discuss these in class, and you will be responsible for the material covered in the lectures related to these readings. Additional complementary sources may be added over the course of the term.

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DETAILED (PRELIMINARY) READING LIST:

The reading list is as follows, * **indicating compulsory (required)**. The articles are hyperlinked and are free of charge through the McGill Library, but you need to be connected via McGill VPN or be on campus to access the articles from the McGill library.

Topic I: Introduction

* Roland Chp 1 (entire chapter)

<https://ourworldindata.org/a-history-of-global-living-conditions-in-5-charts>

<https://www.imf.org/external/pubs/ft/fandd/2019/09/pdf/satellite-images-at-night-and-economic-growth-yao.pdf>

Topic : Macro Theories

* Roland Chp 4. (entire chapter)

* Ravallion, M. 2004. "[Pro-Poor Growth: A Primer](#)" *World Bank Policy Research Working paper* 3242.

* Rodrik, D. 2017. "[Rescuing Economics from Neoliberalism](#)" *Boston Review* Nov. 6, 2017

Topic Structural transformation

* Roland (Chapter, 5)

Topic : International trade and Development

Roland (Chapters 4 and 6).

Pinelopi Goldberg, [The Future of Trade](#), FINANCE & DEVELOPMENT, JUNE 2019, VOL. 56, NO. 2

Topic : Fiscal Institutions and taxation

*Roland (Chapters 8 and 10)

*S. Fischer and W. Easterly, (1990), "The Economics of the Government Budget Constraint," *The World Bank Research Observer*, Vol. 5, No. 2, pp. 127-144.

Topic : Corruption

- Roland (Chapter 19)
- Shleifer, Andrei and Robert Vishny. "[Corruption](#)." *Quarterly Journal of Economics* Vol. 108(3) (Aug 1993): 599-617.
- Mauro, Paolo. "[Corruption and Growth](#)." *Quarterly Journal of Economics* Vol. 110 (3) (Aug 1995): 681-712.
- Benjamin A. Olken and Rohini Pande, 2012, Corruption in Developing Countries, *Annu. Rev. Econ.* 2012. 4:479–509
- Paolo Mauro, Paulo Medas, and Jean-Marc Fournier, [The Cost Of Corruption](#) , FINANCE & DEVELOPMENT, SEPTEMBER 2019, VOL. 56, NO. 3
https://www.imf.org/external/pubs/ft/fandd/2019/09/the-true-cost-of-global-corruption-mauro.htm?utm_medium=email&utm_source=govdelivery
- Gita Bhatt, [Illuminating Dark Corners](#) , FINANCE & DEVELOPMENT, SEPTEMBER 2019, VOL. 56, NO. 3
<https://www.imf.org/external/pubs/ft/fandd/2019/09/illuminating-dark-corners-letter.htm>
- Nicholas Shaxson, Tackling Tax Havens, FINANCE & DEVELOPMENT, SEPTEMBER 2019, VOL. 56, NO. 3
<https://www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm>

Topic : Foreign Aid

- Roland (Chapter 5)
- Homi Kharas. 2007. "[The New Reality of Aid](#)" Wolfensohn Center for Development at Brookings, briefing paper 2007
- Nancy Qian. 2015, Making Progress on Foreign Aid *Annu. Rev. Econ.* 2015. 7:277–308

<http://www.oecd.org/dac/>

<http://www.oecd.org/dac/dachighlevelmeeting2017.htm>

<http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/blended-finance.htm>

<https://www.brookings.edu/topic/development-financing/>

<https://www.brookings.edu/topic/sustainable-development-goals/>

Topic : COVID-19: Some issues

The pandemic spread worldwide but its short-term impact on developing countries has been quite heterogeneous: some countries, perhaps due to inadequate testing, seemed to have been less affected than others, though one now realizes that the longer-term impacts will be quite important. We will use COVID-19 to reflect on issues of macroeconomic performances of developing countries, of fiscal issues, of corruption as well as what it may imply for foreign aid, but in the short run (in terms of programming) as well as in the long-run (i.e. debt).

For this discussion, we will use several articles from the preliminary list below. As new papers are available and as new elements may arise, we will add new articles and links to the list below. The required readings and the optional readings will be identified in early March.

Dell, M., Jones, B. F., & Olken, B. A. (2014). What do we learn from the weather? The new climate-economy literature. *Journal of Economic Literature*, 52(3), 740-98.

Amit Prakash, Boiling Point, Finance & Development, September 2018, vol. 55, no. 3

https://www.imf.org/external/pubs/ft/fandd/2018/09/southeast-asia-climate-change-and-greenhouse-gas-emissions-prakash.htm?utm_medium=email&utm_source=govdelivery

Pierpaolo Grippa, Jochen Schmittmann, and Felix Suntheim, Climate Change and Financial Risk FINANCE & DEVELOPMENT, DECEMBER 2019, VOL. 56, NO. 4

<https://www.imf.org/external/pubs/ft/fandd/2019/12/climate-change-central-banks-and-financial-risk-grippa.htm>

Ian Parry, FINANCE & DEVELOPMENT, JUNE 2019, VOL. 56, NO. 2 What Is Carbon Taxation?

<https://www.imf.org/external/pubs/ft/fandd/2019/06/what-is-carbon-taxation-basics.htm>

Kenneth Gillingham, Carbon Calculus, FINANCE & DEVELOPMENT, DECEMBER 2019, VOL. 56, NO. 4

<https://www.imf.org/external/pubs/ft/fandd/2019/12/the-true-cost-of-reducing-greenhouse-gas-emissions-gillingham.htm>

Security issues:

Harari, M., & La Ferrara, E. (2018). Conflict, climate and cells: A disaggregated analysis. *Review of Economics and Statistics*,

Fjelde, H. (2015). Farming or fighting? Agricultural price shocks and civil war in Africa. *World Development*, 67, 525-534

Foreign aid

<https://www.worldbank.org/en/topic/climatechange/overview>

Overview chapter of Hallegatte, Stephane, Mook Bangalore, Laura Bonzanigo, Marianne Fay, Tamaro Kane, Ulf Narloch, Julie Rozenberg, David Treguer, and Adrien Vogt-Schilb. 2016. *Shock Waves: Managing the Impacts of Climate Change on Poverty*. Climate Change and Development Series. Washington, DC: World Bank.
<https://openknowledge.worldbank.org/bitstream/handle/10986/22787/9781464806735.pdf>

ACADEMIC POLICIES:

- **Academic Integrity:** McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr for more information).
En français: L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site www.mcgill.ca/students/srr).
- **A Note about the final exam:** According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the Calendar, section 4.7.2.1, General University Information and Regulations at www.mcgill.ca.
- **Copyright of course materials:** © Instructor generated course materials (e.g., handouts, notes, summaries, exam questions, etc.) are protected by law and may not be copied or distributed in any form or in any medium without explicit permission of the instructor. Note that infringements of copyright can be subject to follow up by the University under the Code of Student Conduct and Disciplinary Procedures.
- **In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded.**
En français: "Conformément à la Charte des droits de l'étudiant de l'Université McGill, chaque étudiant a le droit de soumettre en français ou en anglais tout travail écrit devant être noté (sauf dans le cas des cours dont l'un des objets est la maîtrise d'une langue)."
- If you have a disability please contact the instructor to arrange a time to discuss your situation. It would be helpful if you contact the Office for Students with Disabilities at 398-6009 before you do this.
- Additional policies governing academic issues which affect students can be found in the [McGill Charter of Students' Rights](#)

Recording of sessions:

Please read the Guidelines on Remote Teaching and Learning [<https://www.mcgill.ca/tls/instructors/class-disruption/strategies/guidelines-remote>] and

the course outline for this course in myCourses. You will be notified through a 'pop-up' box in Zoom if a lecture or portion of a class is being recorded. By remaining in sessions that are recorded, you agree to the recording, and you understand that your image, voice, and name may be disclosed to classmates. You also understand that recordings will be made available in myCourses to students registered in the course.

My e-mail policy: I will try to reply to your e-mail within 48 hours. However, given the large number of students in my classes, this will not always be possible. Also, please keep the e-mails short and simple:

Short e-mails to which I can answer 'yes' or 'no' will be answered more quickly.

Long e-mails that require long answers may or may not be answered, and are likely to take longer to answer. If your query is that involved, please stop by during office hours (Thursdays from 11:00 to 1:00, on Zoom).

Please check the FAQs and the discussion page first, before you e-mail, to see if your question or concern is answered there.

- I will also be holding extra office hours a day or two before the midterms and final (times TBA). Please note that **under no circumstances will I answer questions pertaining to the examination the day of the exam.** If you have questions pertaining to the exam, I will gladly answer them on other days and especially during the special office hours that are dedicated for that purpose.

My Re-read policy:

We understand that mistakes occasionally happen. We do our very best to ensure fair grading and to minimize errors. Nevertheless, if you disagree with the grade you have received in your mid-term exam, you may opt to have your exam re-read. Before you do, please make sure you first carefully compare your answers to the solutions we provide you. To request a re-read, you must submit to me (the instructor, not the TAs) your exam with a written justification for the re-read, specifying the question which you felt was incorrectly graded. I will then re-read and reassess the answer. Please note your grade may go up, down, or stay the same. I may also review the entire exam. This written request for re-read must be submitted within 7 days of receiving the exam. Policies on final exam re-reads are determined by the Faculty of Arts.

Important Miscellanea:

Please note that this is a very large class with over 200 students and thus there are several ground rules to follow to maximize your learning environment and experience.

1) Expectations for Class participation:

- It is important for you to attend the fixed lectures, even though they will be recorded and put on MyCourses.
- I will attempt to use the Chat function, but note that it is difficult to monitor this while presenting. You may also use the raise hand function.
- While I encourage you to keep the camera on if you are comfortable doing so, I would request that you make sure you are muted at all times except when you are asking a question or making a comment in class.
- Because of the class size, it will not always be possible to take up all of your questions. (There are venues for your unasked question to be heard – see below)

- 2) **'Hot topics'**: Most of the topics that we will cover are associated with many different points of view. We will be covering many 'hot topics', some of which may be controversial to some, if not many. Many of these 'hot topics' are ideal for open class-room debate. However, we will not always have the time or the resources to open the debate to the class-room in its fullest extent. We will nonetheless attempt to approach the subjects as objectively and scientifically as possible. That said, there are numerous venues for you to further the debate: you can (and should!) use the instructor and TA office hours, the conferences, and the Discussion Page on *MyCourses*.
- 3) **Frequently Asked Questions**: during the course of the semester, I will undoubtedly receive Frequently Asked Questions. I will maintain an FAQ page on *MyCourses*.
- 4) **Have any more questions, now or during the semester?** There are a number of places for you to go to have them answered. Use the instructor's and the TAs office hours – they are there for you!