

We recognize with respect the WSA NEC (Saanich), Wyomilth (Esquimalt), and Lkwungen (Songhees) peoples on whose territories the University of Victoria stands and whose relationships with this land remain profound today.

Course Outline
Econ 520-A01
Economic Development (CRN: 31306)
Summer 2024

Instructor: Alok Kumar

Office: BEC 334

Class: Tuesday, Wednesday and Friday. 10:30 -12:20, BEC 363

Office Hours: Monday, 11:00-13:00, BEC 334

Tel: 721-8543

Email: kumara@uvic.ca

Developing countries are characterized by high incidence of poverty and low schooling attainment. In many of these countries, there is serious gender inequality in access to schooling and a significant proportion of children work. This course will cover topics such as interrelations among poverty, child labor, gender inequality and schooling, the role of schooling in the development process, business cycle and schooling, and micro and macro-economic effects of public policies on schooling. Students will be introduced to current theoretical models both micro and macro and empirical methods used to analyze these topics. They will learn to develop, numerically solve and simulate dynamic stochastic general equilibrium (DSGE) models. This course is aimed at graduate students who would like to write their M.A. essay/thesis or doctoral thesis in development economics. It will focus on developing skills and competencies required to pose and address original research questions in development economics.

Recommended Textbooks and Other Material:

Development Economics, Debraj Ray, Princeton University Press, 1998. This is a standard graduate level text-book for development economics.

Structural Macroeconometrics, David DeJong and Chetan Dave, Princeton University Press, 2007. An excellent treatment of estimation techniques, calibration and simulation of DSGE models for graduate students.

Open Economy Macroeconomics in Developing Countries, Carlos A. Vegh, MIT Press, 2013. A comprehensive graduate text-book focussed on the macroeconomics of developing countries.

We will use DYNARE software for simulating DSGE models, which is widely used in macroeconomics. This software is installed in the Economics Computer Lab (BEC 317). It is freely available and can be downloaded from <https://www.dynare.org/> for your personal use. Students can also access, user guide, manual, program codes, and a number of working papers related to calibration, simulation and estimation of DSGE models. DYNARE works with MATLAB or OCTAVE. If you do not already have MATLAB, then as a registered student of UVIC you can download it for free from <https://matlab.engr.uvic.ca/>. You can download OCTAVE for free from: <http://www.gnu.org/software/octave/support.html>.

Dynare Programs Computer codes used to solve DSGE models used in Lecture notes will be posted on **Brightspace**.

Grading :

Grading will be based on two assignments, one referee report and one project. Weights: Assignments – 30% (15% each), Referee Reports – 10%, Project – 60%.

Referee Report: Date Assigned: Friday, 26th July. Due: Friday 2nd August in class. A referee's report is a critical assessment of a paper with suggestions for improvements. A typical report is no longer than four double-spaced pages. Reports usually start by briefly describing the paper (research questions, approach, methodology and its main results) and evaluating its contribution to the literature. Then the report lists both major and minor changes that would improve the paper.

Project: Project has two parts: (i) Project Proposal (15%) and (ii) Project Report (45%). More information about the project is available on the course web-page (project report guidelines).

Important Remark:

1. Assignments, referee report, project proposal and project report must be typed. Project proposal and project report must follow the guidelines posted on the course web-page.

2. Late submissions will not be marked.
3. The use of AI is not permitted for doing assignments. Should you violate this rule, you will have violated UVic's Policy on Academic Integrity available at https://www.uvic.ca/calendar/future/grad/index.php#/policy/BJujesM_E and a complaint against you under this policy will be filed accordingly.
4. The university reserves the right to use a plagiarism software to detect violations of academic integrity.
5. In order to pass this course students must submit the project proposal and project report.

Due Dates: Assignments and Project

Assignment 1 Given: 5th July Due: 19th July in class.

Assignment 2 Given: 2nd August Due: 9th August in class.

Project Proposal Due: Friday, 26th July in class.

Project Report Due: Friday, 16th August in class.

Topics

1. Schooling Investment by Households, Child Labor, and Gender Inequality

Part A. Theory:

Lecture 1

Baland, J. M. and Robinson, J. A. (2000), "Is Child Labor Inefficient?", *Journal of Political Economy*, Vol. 108, No. 4, pp. 663-679.

Horowitz, A. W. and Wang, J. (2004), "Favorite Son? Specialized Child Laborers and Students in Poor LDC Households", *Journal of Economic Development*, Vol. 73, No. 2, pp. 631-642.

Kumar, A. (2013), "Preference Based vs. Market Based Discrimination: Implications for Gender Differentials in Child Labor and Schooling", *Journal of Development Economics*, 105, 64-68.

Part B: Empirical Evidence:

Lecture 2

International Labour Organization (2017), “Global Estimates of Child Labour: Results and Trends, 2012-16”, Geneva, available at https://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/documents/publication/wcms_575499.pdf.

Basu, K., S. Das, and B. Dutt (2010), “Child Labor and Household Wealth: Theory and Empirical Evidence of an Inverted U”, *Journal of Development Economics*, 91, 8-14.

Bhalotra, S. and C. Heady (2003), “Child Farm Labor: The Wealth Paradox”, *The World Bank Economic Review*, 17, 197-227.

Edmonds, E. and N. Pavcnik (2005), “The Effect of Trade Liberalization on Child Labor”, *Journal of International Economics*, 65, 401-419.

Edmonds, E. V. (2007), “Child Labor” in *the Handbook of Development Economics*, Vol. 4, Ch 57, 3607-3709, Ed. Schultz, T. and J. Strauss.

Edmonds, E. and N. Pavcnik (2005), “Child Labor in the Global Economy”, *Journal of Economic Perspectives*, 19, 199-220.

Orazem, P. and E. King (2007), “Schooling in Developing Countries: The Roles of Supply, Demand and Government Policy”, in *the Handbook of Development Economics Vol 4.*, Ch 55, Ed. Schultz, T. and J. Strauss.

Hahn, Y., Islam, A., Nuzhat, K., Smyth, R. and Yang, H.-S. (2018), “Education, Marriage, and Fertility: Long-Term Evidence from a Female Stipend Program in Bangladesh”, *Economic Development and Cultural Change*, 66(2), 383-415.

Kumar, Alok (2015), “One More Year of Schooling or Work: Grade-Transition and Child Labor in Rural Bangladesh”, *Journal of Developing Areas*, 49(3), 27-48.

Kumar, Alok and Najmus Saqib (2017), “School Absenteeism and Child Labor in Rural Bangladesh”, *Journal of Developing Areas*, 51(3), 299-316.

Musaddiq, T and F. Said (2023), “Educate the Girls: Long Run Effects of Secondary Schooling for Girls in Pakistan” *World Development*, Volume 161, January 2023, 106115

Rosati, F. C. and M. Rossi (2003), “Children’s Working Hours and School Enrollment: Evidence from Pakistan and Nicaragua”, *The World Bank Economic Review*, 17 17, 283-295.

Zapata, D., D. Contreras and D. Kruger (2011), “Child Labor and Schooling in Bolivia: Who’s Falling Behind? The Roles of Domestic Work, Gender, and Ethnicity”, *World Development*, 39, 588-599.

2. Schooling and Growth

Benhabib, J. and M. Spiegel (1994), “The Role of Human Capital in Economic Development: Evidence from Aggregate Cross-Country Data”, *Journal of Monetary Economics*, 34, 143-173.

Hanushek, E. and D. Kimko (2000), “Schooling, Labor-Force Quality, and the Growth of Nations”, *American Economic Review*, 90, 1184-1208.

Hanushek, E. and L. Woessmann (2021), “Education and Economic Growth”, available at <https://hanushek.stanford.edu/sites/default/files/publications/Hanushek%20Woessmann%202021%20OxfResEncEcoFin.pdf>.

Kumar, Alok and B. Kober (2012), “Urbanization, Human Capital, and Cross Country Productivity Differences”, *Economics Letters*, 117, 14-17.

Kumar, Alok and W. Chen (2013) “Education, Health, and the Dynamics of Cross-Country Productivity Differences”, *Applied Economics Letters*, 20(12), 1160-64.

Mankiw, G., D. Romer, and D. Weil (1992), “A Contribution to the Empirics of Economic Growth”, *The Quarterly Journal of Economics*, 107 (2), 407-437.

Rossi, F. (2020), “Human Capital and Macroeconomic Development: A Review of the Evidence”, *The World Bank Research Observer*, 35, 227-262.

3. Modeling Macro-Economies with Applications to Developing Countries: The DSGE Framework

Part A: DSGE Modelling

Lecture 3

Part B: Data Preparation, Calibration and Business Cycle in Developing Countries

Lecture 4

Aguiar, M. and G. Gopinath (2007), “Emerging Market Business Cycles: The Cycle is the Trend”, *Journal of Political Economy*, 115 (1), 69-102.

Chang, R. and A. Fernandez (2013), “On the Sources of Aggregate Fluctuations in Emerging Economies”, *International Economic Review*, 54(4), 1265-1293.

Garcia-Cicco, J., R. Pancrazi, and M. Uribe (2010), “Real Business Cycles in Emerging Countries”, *American Economic Review*, 100, 2510-2531.

Naoussi, C. and F. Tripier (2013), “Trend Shocks and Economic Development”, *Journal of Development Economics*, 103, 29-42.

Part C: Schooling in the DSGE Framework

Lecture 4

DeJong, D. and B. Ingram (2001), “The Cyclical Behavior of Skill Acquisition”, *Review of Economic Dynamics*, 4(3), 536-561.

Perli, R., and P. Sakellaris (1998), “Human Capital Formation and Business Cycle Persistence”, *Journal of Monetary Economics*, 42, no. 1: 67–92.

4. The Macroeconomic Effects of Public Expenditure on Schooling

Atolia, M., B. Li, R. Marto and G. Melina (2021), “Investing in Public Infrastructure: Roads or Schools”, *Macroeconomic Dynamics*, 25, 1892-1921.

Kararach, G., J. Oduor, E. Sennoga, W. Odero, P. Rasmussen and L. Balma (2022), “Public Investment Efficiency, Economic Growth and Debt Sustainability in Africa”, *Working Paper Series No. 365*, African Development Group available at <https://www.afdb.org/en/documents/working-paper-365-public-investment-efficiency-economic-growth-and-debt-sustainability-africa>.

Kumar, Alok (2024), “Public Expenditure on Schooling, Informality and Distributional and Macro-Economic Outcomes”, Mimeo.

Some Important Comments

1. **Grade Concerns:** Students who have questions or concerns regarding their grade should discuss with me during office hours. **All concerns must be brought to my attention no later than one week after the graded material was returned.** After one week, any assigned grade is final.

2. **Failing Grade:** If you fail the course, no extra work can be done to improve your grade.

3. **Plagiarism and Cheating:** Students must abide by UVic academic regulations and observe standards of scholarly integrity (no plagiarism or cheating). Students who are found to have engaged in unethical academic behavior are subject to penalty by the University. The Library web-site has an excellent description of plagiarism which you may wish to consult <http://library.uvic.ca/site/lib/instruction/cite/plagiarism.html>.

4. **Policy on Inclusivity and Diversity:** The University of Victoria is committed to promoting, providing and protecting a positive and safe learning and working environment for all its members.

5. **Travel Plans:** Students are advised not to make travel plans until after the examination timetable has been finalized. Students who wish to finalize their travel plans at an earlier date should book flights that depart after the end of the examination period (see the University Calendar). There will be no special accommodation if travel plans conflict with the examination.

6. **Letter Grading:** Numerical score (%) equivalencies used in the Department are as follows:

A+ \geq 90%	B+ 77-79%	C+ 65-69%	F < 50%
A 85-89%	B 73-76%	C 60-64%	
A- 80-84%	B- 70-72%	D 50-59%	

For the grading scale and expectations, please see <http://web.uvic.ca/calendar2017-05/undergrad/info/regulations/evaluation.html#>.

7. **Academic Concession for work that will be completed before course grades are submitted by the instructor:** A student whose academic performance is affected by injury, family or personal affliction, or illness should immediately consult with University Counseling Services, University Health Services or another health professional and may request directly from the course instructor the deferral of assignments, project report and other works which are due during the term. A student wishing the deferral must fill and submit the **in-course concession form** and email it to me at kumara@uvic.ca. This request should normally be submitted to within 3 days of the deadline. The in-course concession form is available at https://www.uvic.ca/students/academics/academic-concessions-accommodations/request-for-academic-concession/forms/uvic_undergraduate_request_for_course_extension.pdf. All work for which a Concession is approved must be completed before course grades are submitted by the instructor.

8. **DEF Grade:** Students who have not completed all course requirements at the time of grade submission are advised to obtain a *Request for Academic Concession* form for a DEF grade.

9. **Course Policies:** The University and the Departmental course policies can be found at

<https://www.uvic.ca/socialsciences/economics/undergraduate/undergraduate-courses/course-policies-4x/index.php>.

This document summarizes departmental and university policies on academic concessions, academic integrity (plagiarism and cheating), attendance, grading, inclusivity and diversity, late adds, late assignments, repeating courses, review of an assigned grade, students with a disability, term assignments and debarment from exams, end-of-term travel plans, waitlists, and sexualized violence prevention and response.

10. **E-Mails:** Emails should be limited to critical matters, such as inability to attend class, an exam, or prolonged illness, and should include the course name and number in the subject line. Questions on course material should be asked during classes or office hours. The standard format for writing a letter must be used. This means it should start off with a salutation (e.g. Dear) include full sentences and conclude with a signature that includes your name (e.g. Sincerely, your full name). Text message lingo should not be used.

11. It is the responsibility of students to check their registration status and keep it up to date.

12. **Sexualized Violence Prevention and Response:** UVIC takes sexualized violence seriously, and has raised the bar for what is considered acceptable behaviour. Students are encouraged to learn more about how the university defines sexualized violence and its overall approach by visiting www.uvic.ca/svp . If you or someone you know has been impacted by sexualized violence and needs information, advice, and/or support please contact the sexualized violence resource office in Equity and Human Rights (EQHR). Contact svpcoordinator@uvic.ca.

13. From time to time there will be other announcements and they will be posted on BRIGHTSPACE. It is the responsibility of students to visit BRIGHTSPACE regularly.

Important Note: I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in

the future. When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to <http://ces.uvic.ca>. You will need to use your UVic NetLink ID to access the survey, which can be done on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

1. What strengths did your instructor demonstrate that helped you learn in this course?
2. Please provide specific suggestions as to how the instructor could have helped you learn more effectively.
3. Please provide specific suggestions as to how this course could be improved.