SS462: Economic Growth and Development

Course Description:

This course provides an overview of major topics in the study of economic development. The course combines a discussion of relevant economic theories with a review of empirical work on determinants of growth and development. The goal is not to provide exhaustive coverage of all relevant topics, but instead to expose cadets to current issues and debates in the field of development economics.

The course is organized into several blocks. In the first block, cadets will understand basic indicators to measure growth and development, compare these across countries, and delve into the evolution of current economic growth theory. In the second, empirical methods block, cadets will (re)visit the key tools of causal inference, be able to identify the assumptions underlying each empirical strategy, and be able to evaluate applied research using these designs. In the third block, cadets will apply their theoretical and empirical knowledge to macro-economic topics, including the interplay of population growth and development, the effectiveness of foreign aid, the historical and geographical foundations of Institutions, and structural change and migration. In the fourth block, students will apply theory and empirical methods to a broad set of microeconomic development questions, including how to improve health, education, credit, insurance and savings, and institutions. We will also devote special attention to the economics of conflict, including economic theories of conflict and empirical attempts to causally validate these theories as well as important interventions. The final block will discuss development practice beyond academia, in NGOs and other relevant organizations, and finally, in the Army itself.

Course Objectives:

By the end of this course, cadets should:

1. Be familiar with standard indicators of growth, poverty, inequality, and human development
2. Understand fundamental theories in economic development and assess them in light of available empirical evidence
3. Be able to read, understand, and critique current empirical research in economic development
4. Think innovatively about how to link theory and empirical evidence with policy design
5. Know how to implement, monitor, collect data, and conduct impact evaluation as a future decision-maker

Required Texts:

Graded Requirements: Instructor evaluation of cadet performance is built upon several graded course requirements (listed below). The specific objectives of each graded assignment may vary, but the overarching goal is to assess cadet understanding of course material and ability to apply course principles beyond the classroom environment.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percent of Final Grade</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper Presentation</td>
<td>10%</td>
<td>Will vary</td>
</tr>
<tr>
<td>Group Project and Presentation</td>
<td>15%</td>
<td>Final Presentation and Project due 4 Dec</td>
</tr>
<tr>
<td>Assignments</td>
<td>15%</td>
<td>5 assignments, due at start of class 1 Sep, 16 Sep, 2 Oct, 29 Oct, 17 Nov</td>
</tr>
<tr>
<td>WPR</td>
<td>20%</td>
<td>8 Oct</td>
</tr>
<tr>
<td>TEE</td>
<td>30%</td>
<td>During assigned TEE period</td>
</tr>
<tr>
<td>Reading Quizzes and In Class Participation</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

Paper Presentation. Cadets, organized into pairs, will have a 15 minute presentation slot during the relevant class period to present the results of a current, empirical development paper. Cadets should aim for 4 slides: the first covering the question the paper addresses and why this is important, the second covering the empirical strategy emphasizing the key assumptions underlying the authors’ approach, the third slide(s) covering the main results of the paper, and the final slide concluding with a critical assessment of what we have learned (and not learned) from the paper.

Group Project and presentation. You should form groups of 3 members each at the beginning of the semester. Each group should select a developing country to focus on for their project. The first part of the project should provide a macroeconomic and historical perspective on development trends in the chosen country over the past few decades, using various development indicators from reputable sources and historical narratives. It should identify one or two key areas that would benefit most from additional development. In the second part, you will use your knowledge of the academic literature we have studied to propose a policy intervention. The policy intervention must be based on research and must be carefully designed so that it can be credibly, and causally, evaluated. You will present your proposal in the second to last class, when you will also turn in a paper of around 10-15 pages (12 point, single-spaced, including references, but not tables/figures).
Assignments. There will be 5 homework assignments/problem sets. These will be posted on Teams along with due dates. These will reinforce and apply the concepts from each class and should be worked on regularly, following each class. They will serve as preparation for the exams as well as an opportunity to study concepts that will be relevant for the final project. I strongly encourage you to work through the problems independently before working together as a group. Assignments are due at the beginning of class – please submit them on time.

WPR. This midterm will cover readings and lecture material from the first half of the course. I will provide a sample exam before the first midterm so that you know what to expect. In addition to keeping up with the readings and attending every lecture, I suggest that you take thorough notes during the lectures and integrate them with the required readings, homework, and sample exam.

TEE. The final exam will cover readings and lecture material from the entire semester.

Student Expectations and Responsibilities

1. Lesson Preparation. Cadets are expected to complete all reading assignments and homework prior to attending each lesson. In the syllabus, each lesson includes individual lesson objectives that support the broader Core Curriculum and Course Goals and are used to guide discussion and preparation for graded events. At the conclusion of each lesson, cadets should be able to understand each lesson objective — if not, they are strongly encouraged to seek additional instruction. **This course is designed as a seminar with the expectation of adequate preparation and spirited class discussion.**

2. Absences. Cadets are required to notify their instructor *at least 48 hours in advance* of any conflict that will prevent them from attending class. Cadets are required to notify their instructor *at least 72 hours in advance* if a conflict arises that will prevent the completion of a graded requirement, in or out of class. The cadet and instructor will then make arrangements to complete the exam outside of class. **Responsibility for this coordination belongs to the Cadet!**

3. Remote Learning Expectations. Cadets are expected to come to class on time and to always have their videos on (but sound muted unless speaking). Classes will be started within your private H2 or I2 channel on Microsoft Teams. Cadets should use the “raise hand” feature to ask and respond to questions. If I have not noticed that your hand is raised, please feel free to unmute and interject. Active participation is expected. Furthermore, when we pause so that you have time to work on a problem or complete a task, it is expected that you take this seriously and work on it (as opposed to doing something else).
4. Letter Grade Scale. The course consists of 1000 total points. Letter grades will be awarded based on the percentage of maximum points earned. There will be no forced distribution.

<table>
<thead>
<tr>
<th>Grade Earned</th>
<th>Points Earned</th>
<th>Percentage Earned</th>
<th>Quality Points</th>
<th>Subjective Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>970 - 1000</td>
<td>97.0 - 100.0</td>
<td>4.33</td>
<td>Mastery of concepts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Can apply concepts to new situations.</td>
</tr>
<tr>
<td>A</td>
<td>930 - 969</td>
<td>93.0 - 96.9</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td>A-</td>
<td>900 - 929</td>
<td>90.0 - 92.9</td>
<td>3.67</td>
<td></td>
</tr>
<tr>
<td>B+</td>
<td>870 - 899</td>
<td>87.0 - 89.9</td>
<td>3.33</td>
<td>Solid understanding of concepts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Strong foundation for future work.</td>
</tr>
<tr>
<td>B</td>
<td>830 - 869</td>
<td>83.0 - 86.9</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>B-</td>
<td>800 - 829</td>
<td>80.0 - 82.9</td>
<td>2.67</td>
<td></td>
</tr>
<tr>
<td>C+</td>
<td>770 - 799</td>
<td>77.0 - 79.9</td>
<td>2.33</td>
<td>Acceptable understanding.</td>
</tr>
<tr>
<td>C</td>
<td>730 - 769</td>
<td>73.0 - 76.9</td>
<td>2.00</td>
<td>Questionable foundation for future work.</td>
</tr>
<tr>
<td>C-</td>
<td>700 - 729</td>
<td>70.0 - 72.9</td>
<td>1.77</td>
<td>Doubtful understanding.</td>
</tr>
<tr>
<td>D</td>
<td>670 - 699</td>
<td>67.0 - 69.9</td>
<td>1.00</td>
<td>Weak foundation for future work.</td>
</tr>
<tr>
<td>F</td>
<td>0 - 670</td>
<td>&lt; 67.0</td>
<td>0.00</td>
<td>Definitely failed to demonstrate understanding.</td>
</tr>
</tbody>
</table>

5. Course Completion Requirements. To pass SS462 a cadet must receive a passing grade of 67% or greater in total course points (670 points out of 1000 points possible) and achieve a passing grade on at least one of the four exams. Furthermore, any cadet that does not achieve a passing grade (67%) on the TEE is subject to course failure at the discretion of the Social Sciences Department Head.

6. Re-Grades. The Department of Social Sciences seeks to evaluate all graded requirements fairly and ensure cadets understand why their work earned the grade they received. If a cadet does not agree with a grade for a major requirement, the cadet should discuss the concerns with the instructor within one week of receiving notice of the grade in question. After discussing the grade with the instructor, cadets who still feel the work deserves a higher grade can request a re-grade of the submission by another Economics Instructor. The cadet will receive the average of the two re-grades.

7. Late Submissions. Timely submission of academic requirements is a duty. Late submissions require consideration of both disciplinary action and academic penalty. In the absence of extenuating circumstances, instructors may take both actions in response to late submission of homework. The minimum penalty for late submission is one letter grade (10%) per day.

8. Original Work. All work for this course must be completed during this semester. Cadets may not turn in assignments that were completed for other classes nor in previous iterations of this course. Cadets should speak with their instructor for any further clarification.

9. Documentation of Written Work. IAW the Documentation of Written Work, all graded assignments must be accompanied by an acknowledgement statement.
<table>
<thead>
<tr>
<th>Lesson</th>
<th>Date</th>
<th>Topic/Event</th>
<th>Covered Material</th>
<th>Learning Objectives</th>
<th>Readings (Bold = Assigned) (italic = reference)</th>
<th>Deadlines</th>
</tr>
</thead>
</table>
| 1      | 18-Aug| Measuring Development I
What is economic development and how do we measure it? | GDP, GNP and other measures of well-being | • Understand Traditional Measures of Development (GDP/GNP) and know some basic facts about today’s world
• Access the strengths and limitations of traditional measures
• Know some alternative measures of development | DR CH 3 (part 1) | Course Syllabus and Description: Should be read and covered today |
| 2      | 20-Aug| Measuring Development II
How do measure economic growth, poverty, and inequality? How are they related? How does growth affect inequality and vice-versa? | History of Economic Growth, Measuring Poverty and Inequality; Relationship Between Poverty and Growth; Relationship Between Inequality and Growth | • Describe basic facts pertaining to economic growth over time
• Know the pitfalls we want inequality measures to satisfy.
• Describe what the data tells us about whether these hold or not
• Be familiar with efforts to “endogenize” the Solow Model
• Understand poverty traps and the big push | TS 5.1-5.4 | |
| 3      | 24-Aug| Measuring Development III (Continued from Above) | | | | |
| 4      | 28-Aug| Economic Growth I
What causes economic growth? Can we model growth? | Harrod-Domar Model and intro to Solow Model | • Derive the Harrod-Domar model and describe its implications for the level of GDP per capita (steady state) and the growth rate of GDP per capita | DR CH 3 (part 1) | |
| 5      | 1-Sep | Economic Growth II | Solow Model | • Derive the Solow model and describe its implications for the level of GDP per capita (steady state) and the growth rate of GDP per capita | DR CH 3 (part 2) | |
| 6      | 3-Sep | Economic Growth III | Solow Model Continued; Other Models of Underdevelopment; Poverty Traps and the Big Push | • Understand the empirical implications of the Solow Model (unconditional and conditional convergence)
• Be familiar with efforts to “endogenize” the Solow Model
• Understand poverty traps and the big push | BD Forward, CH3 (Read if you are into it and want to get ahead) | Assignment 1 Due (midnight) |
| 7      | 9-Sep | Empirical Methods I
How do we identify causal effects? | Correlation vs Causation, what is a Regression, RCTs | • Understand what a correlation is and why correlation does not imply causation
• Understand what a regression is and how to read/interpret regression results and understand why these cannot be assigned a causal interpretation
• Understand how RCTs are the gold standard of causal evaluations. Know their strengths and limitations | SS CH 4-5 pgs 147-165 | |
| 8      | 11-Sep| Empirical Methods II | Diff in Diffs, RDs, and IVs | • Explain the assumptions behind a Diff-in-Diff and what, ideally, it estimates
• Explain the assumptions behind an RD design and what, ideally, it estimates
• Be able to interpret and critique papers that use these identification strategies | SS CH 4-5 pgs 165-168 | |
| 9      | 16-Sep| Empirical Methods III (Continued from Above) | | | |
| 10     | 18-Sep| History, Geography, and Institutions I
How do initial conditions and historical events shape modern institutions and patterns of development? | Understand how history, geography, and initial endowments can shape institutions and development today | • Understand the relationship between geography and growth
• Understand AFR's Reversal of Fortunes Argument
• Understand and evaluate Engerman and Sokoloff's "initial endowments" argument
• Understand important historical institutions (e.g. colonization) might have affected GDP growth
• Understand and critically assess AFR's colonial origin paper | BBM CH 2 and 3
| 11     | 22-Sep| History, Geography, and Institutions II | Understand how history, geography, and initial endowments can shape institutions and development today | • Identify how important historical institutions (e.g. colonialism, slavery and forced labor) might have affected GDP growth
• Understand and critically assess Durlauf and Dore's colonial paper
• Understand and critically assess Durlauf and Dore's colonial paper
21 28-Sep  
Structural Change and Migration  
How does the structure of the economy change with development? How does migration impact the development process? 
Facts about Structural Change and the Lewis Model  
- Know some basic facts about the structure of economies and structural change over the development process  
- Derive Lewis’ seminal dual-economy model of structural change  
- Understand how policy could impact structural change and assess whether it should  
MR 10.1-10.2  

22 3-Nov  
Insurance, Savings  
- How do the poor invest against risk?  
- Why do (don’t) people save?  
Risk and Insurance, Savings  
- Understand why formal insurance markets fail and the informal substitutes that develop  
- Develop models of credit and credit rationing  
- Interpret the evidence on Aid effectiveness  
- Assess recent attempts to causally identify the effects of aid on growth  
- Understand the micro-macro paradigm of aid  

23 2-Oct  
Fertility and Population Growth  
- Why do (or don’t) people migrate to better opportunities?  
Rural-Urban Migration and the Harris-Todaro Model  
- Understand why rural-urban migration flows in Africa presented a puzzle to economists  
- Understand and derive the Harris-Todaro Model  
- Understand how policy can impact migration flows and assess whether it should  
MR 10.3-10.4  
"Assignment 3 Due  

24 13-Oct  
W/M  
- Lessons 1-15  

25 15-Oct  
Health 1  
- Why do (or don’t) people invest in health?  
Global Health Overview and key challenges; Investment in Preservative Care; Health Interventions I  
- Develop an understanding of current health indicators and challenges  
- Be able to explain the underconsumption of preventative care and the prevalence of traditional medicine  
- Assess whether or not the government should or should not intervene and if so how?  
- Understand lessons from mass deworming efforts  
Best of BD CH 6 and 8  
"Assignment 4 Due  

26 20-Oct  
Education 1  
- What are the returns to schooling?  
Returns to Schooling Estimates, a Human Capital Investment Model  
- Develop a basic educational indicators  
- Interpret estimates of the return to schooling and its effect on development  
- Know how to write down and solve a simple two period human capital investment model  
- Assess what the model implies for policies wishing to increase education  
Best of BD CH 2-3  
"Assignment 5 Due  

27 27-Oct  
Education 2  
- Which interventions work? Which are cost-effective?  
Key issues in Education, Education Policies  
- Know some examples of successful education interventions and critically assess associated causal evidence (e.g., selective drivers, deworming, bed nets, malaria eradication)  
- Understand why there is so little R&D into cures/vaccines for tropical diseases  
- Appreciate Future Health Challenges  
Best of BD CH 4  
"Assignment 6 Due  

28 4-Nov  
Credit and Microfinance  
- Why is credit important? Why don’t people have access to credit? What is microfinance and do people need it?  
Financial Access, Models of Credit, Microfinance: Theory and Evidence  
- Understand why formal credit markets might fail and understand the types of informal substitutes that develop  
- Describe key features of rural credit markets  
- Develop models of credit and credit rationing  
- Understand the theoretical benefits of microfinance  
- Assess the observed effects of microfinance  
"Assignment 7 Due  

29 11-Nov  
Insurance, Savings  
- How do the poor invest against risk?  
- Why do (don’t) people save?  
Risk and Insurance, Savings  
- Understand why formal insurance markets fail and the informal substitutes that develop  
- Develop models of credit and credit rationing  
- Interpret the evidence on Aid effectiveness  
- Assess recent attempts to causally identify the effects of aid on growth  
- Understand the micro-macro paradigm of aid  
"Assignment 8 Due  

30 18-Nov  
Aid  
- Does Aid encourage growth?  
- Facts about U.S. Foreign Aid, Historical Aid Growth Debate; Current Research on Foreign Aid  
- Know basic facts about U.S. foreign aid  
- Understand the macro aid growth debate and it’s some of the key players  
- Understand some potentially unintended negative consequences of Aid  
- Interpret the evidence on Aid effectiveness  
- Assess recent attempts to causally identify the effects of aid on growth  
- Understand the micro-macro paradigm of aid  
Dr).

31 25-Nov  
Rural-Urban Migration  
- Why do (or don’t) people migrate to better opportunities?  
Rural-Urban Migration and the Harris-Todaro Model  
- Understand why rural-urban migration flows in Africa presented a puzzle to economists  
- Understand and derive the Harris-Todaro Model  
- Understand how policy can impact migration flows and assess whether it should  
MR 10.3-10.4  
"Assignment 3 Due  

32 2-Dec  
Assignment 4 Due  

33 9-Dec  
Insurance, Savings  
- How do the poor invest against risk?  
- Why do (don’t) people save?  
Risk and Insurance, Savings  
- Understand why formal insurance markets fail and the informal substitutes that develop  
- Develop models of credit and credit rationing  
- Interpret the evidence on Aid effectiveness  
- Assess recent attempts to causally identify the effects of aid on growth  
- Understand the micro-macro paradigm of aid  
"Assignment 7 Due  

34 16-Dec  
Assignment 8 Due  
23  5-Nov  
**Conflict I**
What are the issues and consequences of conflict in poor countries?

**Causes and Consequences, Empirical Papers**
- Analyze the interplay between Conflict and Development: effects of conflict on development and development on conflict
- Understand economic theories of Conflict and Civil War, in particular the effects of incomes on conflict (opportunist cost, state price, state capacity)
- Critically evaluate empirical evidence in favor/against each theory


24  10-Nov  
**Conflict II**
How can empirical evidence help us understand what triggers and limits conflict?

**Conflict and Aid, Winning Hearts and Minds, Understanding Insurgent Electoral Violence**
- Understand the complex relationship between development Aid and Conflict
- Understand what the empirical evidence says about hearts and minds and national building


25  13-Nov  
**Gender**
What types of development reduce gender discrimination?

**Sex Selection, Gender Discrimination, and Missing Women**
- Economic Forces and Gender Discrimination
- Policies to promote Gender Equality


26  17-Nov  
**Micro Institutions, Corruption, Governance, and Political Economy**
How do political, social, economic, and institutional factors interact with development?

**Micro Institutions, Corruption, Governance, and Political Economy**
- Micro Institutions, Corruption, Governance, and Political Economy
- BD CH 10

GROUP PROJECT DEADLINE II

27  20-Nov  
**Development efforts outside of Academia: NGOs, IOs, and in the Military**

**Development Organizations, NGOs, and IDGs**
- Know the key agencies, multinationals, NGOs, and players in development today and their primary roles
- Explain why a theory of change, monitoring, and evaluation matter
- Understand the role of the DOD in development and how it interacts with other development organizations


28  24-Nov  
**Guest Speaker(s) In Class Case Study**

**Development Aid Outside Academia (e.g. World Bank) and in the Military**
- Know the key agencies, multinationals, NGOs, and players in development today and their primary roles
- Explain why a theory of change, monitoring, and evaluation matter
- Understand the role of the DOD in development and how it interacts with other development organizations


29  27-Nov  
**TEE REVIEW**

30  3-Dec  
**In class Presentations of Group Project**

Final Written Group Project Due