

AAEC 5244  
RURAL DEVELOPMENT  
Spring 2007  
Tuesday and Thursday 12:30 – 1:45  
304 McBryde Hall

**Instructor:**

Bradford Mills  
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Office Hours: W 2:30-3:30 p.m., TH 9:00-10:00 a.m., and by appointment.

**Description:**

The objective of the course is to explore major trends, goals, constraints, and potential interventions associated with rural economic development. Qualitative and quantitative methods of economic analysis will be introduced in the context of specific rural development issues.

Specifically, the course will examine:

- 1) Definitions of rural;
- 2) Economic trends in rural areas;
- 3) Alternative goals of economic development;
- 4) Regional models of economic development;
- 5) Micro-level constraints to economic development (land, labor, capital markets);
- 6) The potential role of Federal, State, and Local government in rural economic development.

The course is structured to sequentially address these six issues.

**Requirements:**

Students are expected to take an active role in the discussion of materials. Specific course requirements are:

- 1) In-class **mid-term** on class and reading material. (25 percent of the final grade).
- 2) **Homework**. Students will be given a series of exercises building on class presentations and discussion. (25 percent of final grade).
- 3) **Class participation** (10 percent)
- 4) **Final exam**. Each student will be asked to provide potential questions for the final exam. A list of potential questions will then be developed and circulated the last

week of class, based on student suggestions and instructor input. The final examination will be conducted in-class at the scheduled time. The final exam questions will be chosen from the list of potential questions (no surprises). (40 percent of the final grade).

## **Syllabus:**

\* Indicates non-required reading

### 1. Definitions of rural

Measuring rurality

What is rural? New census definitions for 2003  
[www.ers.usda.gov/briefing/rurality](http://www.ers.usda.gov/briefing/rurality)

### 2. Empirical Trends in Rural Areas

Economic Research Service. "Rural America at a Glance." United States Department of Agriculture. Rural Development Research Report No.(RDRR100) 6 pp. (July 2004).  
<http://www.ers.usda.gov/publications/rdr100/>

Economic Research Service. "Rural America at a Glance." United States Department of Agriculture. Economic Information Bulletin No.(EIB-18) 6 pp. (August 2006).  
<http://www.ers.usda.gov/publications/eib18/eib18.pdf>

Reardon, T. "Using Evidence of Household Income Diversification to Inform Study of Rural Non-Farm Labor." *World Development* 25:5 (May 1997): 735-47. [I]

deJanvry, A. and E. Sadoulet. "Income Strategies Among Rural Households in Mexico: The Role of Off-farm Activities." *World Development* 29:3 (2001): 467-480. [I]

Bardhan, P. and C. Udry, "Household Economics." Chapter 2 of *Development Microeconomics*. Oxford University Press: New York. (1999).

### 3. What is development? Economic Development Goals and Rural Areas

a) Growth

McCombie, J. S.L., "A Synoptic View of Regional Growth and Unemployment: I - The Neoclassical Theory." *Urban Studies*, 25 (1988): 267-281. (ECONLIT)

Harberger, A., "A Vision of the Growth Process." *American Economic Review*, 88:1 (March 1998), 1-32. (JSTOR)

\*Solow, Robert M., "A Contribution to the Theory of Economic Growth." *Quarterly Journal of Economics*, 70:1 (February 1956): 65-94. (JSTOR)

\*Romer, Paul M., "The Origins of Endogenous Growth." *Journal of Economic Perspectives*, 8: 1 (Winter 1994), 3 -22. (JSTOR)

b) Efficiency

van Kooten, G.C. "The Theory of Welfare Measurement." *Chapter 3 - Land Resource Economics and Sustainable Development*. University of British Columbia Press: Vancouver. (1993).

Mills, B.F. and M. Kamau. "Methods for Prioritizing Research Options." Chapter 5 in *Agricultural Research Priority Setting*. International Service for National Agricultural Research: The Hague. (1998).

Bardhan, P. and C. Udry, "Technological Progress and Learning." Chapter 12 of *Development Microeconomics*. Oxford University Press: New York. (1999).

\* Harberger, A. C. "Three Basic Postulates for Applied Welfare Economics: An Interpretive Essay." *Journal of Economic Literature*, 9 (September 1971): 785-97. (JSTOR)

\*Willig, R.O. "Consumer Surplus without Apology." *American Economic Review*, 66 (September 1976): 589-97. (JSTOR)

c) Equity

Bourguignon, F. and C. Morrisson. "Inequality among World Citizens: 1820-1992." *American Economic Review*, 92:4 (2002): 727-743. (JSTOR)

Harberger, A.C. "Basic Needs versus Distributional Weights in Social Cost-Benefit Analysis." *Economic Development and Cultural Change*. 3:3 (1984): 455-474.

Thorbecke, E. "Conceptual and Measurement Issues in Poverty Analysis." UNU-WIDER Discussion Paper No. 2004/04.  
<http://www.wider.unu.edu/publications/dps/dps2004/dp2004-004.pdf>

(S) Besley, T. and R. Burgess. "Halving Global Poverty," *Journal of Economic Perspectives*, 17:3 (Summer 2003): 3-22.

(S) Jalan, J. and M. Ravallion. "Is Transient Poverty Different? Evidence for Rural China." *Journal of Development Studies*. 36:6 (August 2000): 82-99.

(S) Bolwes, S. and H. Gintis, "The Inheritance of Inequality." *Journal of Economic Perspectives*. 16:3 (Summer 2002): 3-30.

d) Sustainability

De Janvry, A., E. Sadoulet, and B. Santos, "Project Evaluation for Sustainable Rural Development: Plan Sierra in the Dominican Republic," *Journal of Environmental Economics and Management*. 28:2 (March 1995): 135-54. (ECONLIT)

\* Batie, S. S. "Sustainable Development: Challenges to the Profession of Agricultural Economics." *American Journal of Agricultural Economics*. (1989): 1083-1101. (JSTOR)

e) Stability

Fafchamps, M., "Solidarity Networks in Preindustrial Societies: Rational Peasants with a Moral Economy." *Economic Development and Cultural Change*, 41:1 (October 1992): 147-74.

Bardhan, P. and C. Udry, "Risk and Insurance in an Agricultural Economy." Chapter 8 of *Development Microeconomics*. Oxford University Press: New York. (1999).

4. Regional Models of Economic Development

a) Input/ Output models

Chang, A., "Section 5.7 – Leontief Input-Output Models." *Fundamental Methods of Mathematical Economics*. (1984).

Sadoulet, E. and A. deJanvry (1995), Chapter 10. *Quantitative Development Policy Analysis*. Baltimore: Johns Hopkins University Press.

(S) Adelman, I., J. Taylor, and S. Vogel, "Life in a Mexican Village: A SAM Perspective." *Journal of Development Studies*. 25:1(October 1988): 7-24.

5. Intersectoral Complementarities

Krugman, P. Lectures 1 and 2 (plus Appendices A and C). *Geography and Trade*. Cambridge Massachusetts: M.I.T. Press. (1991).

Bardhan, P. and C. Udry, "Intersectoral Complementarities and Coordination Failures." Chapter 16 of *Development Microeconomics*. Oxford University Press: New York. (1999).

6. Labor, Land, and Capital Markets

Bardhan, P. and C. Udry, "Fragmented Markets: Labour." Chapter 4 of *Development Microeconomics*. Oxford University Press: New York. (1999).

(S) Darity, W.A. and P.L. Mason, "Evidence of Discrimination in Employment: Codes of Color, Codes of Gender." *Journal of Economic Perspectives*, 12:2 (Spring 1998): 63-90. (JSTOR)

(S) Bertrand, M. and S. Mullainathan, "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review*. 94:4 (September 2004): 991-1013.

Bardhan, P. and C. Udry, "The Rural Land Market." Chapter 6 of *Development Microeconomics*. Oxford University Press: New York. (1999).

Bardhan, P. and C. Udry, "Fragmented Credit Markets." Chapter 7 of *Development Microeconomics*. Oxford University Press: New York. (1999).

(S) Morduch, J. "The Microfinance Promise," *Journal of Economic Literature*. 37(4) (December 1999): 1569-1614. (JSTOR)

## 7. Role of the State

Samuelson, P.A. "The Pure Theory of Public Expenditure". *Review of Economics and Statistics*. (1954): 387-389. (JSTOR)

Tiebout, W. "A Pure Theory of Local Expenditures". *Journal of Political Economy*. 64 (1956). (JSTOR)

Buchanan, J.M. "An Economic Theory of Clubs". *Economica*. (February 1965): 1-14. (JSTOR)

Bardhan, P. and C. Udry, "Institutional Economics and the State in Economic Development." Chapter 17 of *Development Microeconomics*. Oxford University Press: New York. (1999).

Instructions on how to access articles electronically through JSTOR and ECONLIT.

(a) To find articles in JSTOR,

1. Go to the VT library web page. Under the heading "FIND..." click on "articles/databases" (it is the second item in the first menu of items).
2. In the databases page, scroll down to "Databases by Title" and select the letter "J".
3. JSTOR will be the second database under "J". Click on JSTOR, then click on search. I recommend searching by author AND one or two of the words in the title. Remember to select "Economics" in the list of disciplines.
4. All articles, once located are readily downloadable in PDF format.

(b) Finding articles in ECONLIT .

1. Go to the VT library web page. Under the heading “FIND...” click on “articles/databases” (it is the second item in the first menu of items).
2. In the databases page, scroll down to “Databases by Title” and select the letter “E”.
3. ECONLIT is the third database under “E”. Clicking on ECONLIT will directly take you to the search page. Again I recommend searching by author AND one or two words in the title.
4. Once the article is located, click on the title, and that takes you to an information page. In that page click on the link “View Full Text Options”, and follow the instructions for download. ECONLIT relies on a number of other databases so the downloading instructions vary depending on the article.

Both databases are accessible either through a campus computer, or if you are off campus, you need to Proxy-Login.