

**South Asian University  
Faculty of Economics**

**Monsoon Semester 2018**

**Development Economics I**

**Anirban Dasgupta  
Snehashish Bhattacharya**

**Course Description:**

This course is the first in a sequence of two compulsory courses on economic development in the program. This course will focus on major theoretical issues that propel contemporary research in this field. The course will cover selected topics from both ‘macro’ and ‘micro’ perspectives. The course will begin with an overview of comparative development in the world and then move on to specific theories exploring the determinants of economic development.

Some familiarity with undergraduate development economics as well as basic micro and macro theory is highly desirable. Course readings will often require familiarity with mathematical models. Students without such background should supplement their course readings with relevant chapters from undergraduate textbooks, some of which are suggested below.

- Thirlwall, A.P. *Growth and Development*. Palgrave MacMillan.
- Todaro, M.P. and S.C. Smith. *Economic Development*. Pearson Education.
- Ray, D. *Development Economics*. Oxford University Press.
- Lipsey, R. G. and K. A. Chrystal. 2007. *Economics*. Oxford University Press.
- Basu, K.. *Analytical Development Economics: The Less Developed Economy Revisited*. Oxford University Press.
- Meier, G.M. and J.E. Rauch. *Leading Issues in Economic Development*. Oxford University Press.

**Evaluation:**

The final grades will be based on a mid-term (50%) and a final in-class exam (50%).

## Topics and Readings:

1. *Overview of the World Economy: Indicators of development, international comparisons of countries*
  - Pritchett, Lant. 1997. "Divergence, Big Time", *Journal of Economic Perspectives*, 11(3):3-17
  - Kenny, Charles. 2005. "Why Are We Worried About Income? Nearly Everything that Matters is Converging", *World Development*, 33(1):1-19
  - Maddison, Angus. 2003. *The World Economy Historical Statistics*, OECD.
  - *World Development Report, Human Development Report, Millennium Development Goals Report*, Latest volumes.
  
2. *Growth, Poverty and Inequality: Definitions, Measurements and Interrelationships*
  - Blackwood, D. L., and R. G. Lynch (1994) "The measurement of inequality and poverty: A policy maker's guide to the literature." *World Development* 22.4: 567-578.
  - Fosu, Augustin (2011). "Growth, inequality, and poverty reduction in developing countries: recent global evidence." *Brooks World Poverty Institute Working Paper* 147
  - Kanbur, Ravi (2004). "Growth, inequality and poverty: Some hard questions." *Cornell University Working paper* 2004-02
  - Ray, Debraj (1997) *Development Economics*. Oxford University Press. Chapters 6 & 7 (relevant pages)
  
3. *Fundamental Causes of Growth: Proximate versus fundamental causes of growth, the reversal of fortune, Geography, History and Culture and how they affect economic performance through institutions.*
  - Acemoglu, Daron, Simon Johnson and James A. Robinson. 2005. "Institutions as a Fundamental Cause of Long-Run Growth" in Philippe Aghion and Steven Durlauf (edited) *Handbook of Economic Growth. Vol 1A*. Elsevier.
  - K.L Sokoloff and S.L. Engerman, S.L., 2000. "Institutions, factor endowments, and paths of development in the new world", *Journal of Economic Perspectives* 14: 217–232.
  - Nunn, Nathan. 2009. "The Importance of History for Economic Development". *Annual Review of Economics*. 1: 65-92.
  - Banerjee, Abhijit and Lakshmi Iyer. 2005. "History, Institutions, and Economic Performance: The Legacy of Colonial land Tenure Systems in India", *The American Economic Review*, 95(4): 1190-1213

4. *Dualism, surplus labor, and industrialization: The traditional-modern dualism--Lewis model and rural-urban migration, Formal-Informal Dualism*
  - Lewis, W. A. 1954. "Economic Development with Unlimited Supplies of Labour" *Manchester School*, 28.
  - Bardhan, Pranab and C. Udry. 1999. *Development Microeconomics*. Oxford University Press. Ch.15
  - Ranis, Gustav and Frances Stewart. 1999. "V-Goods and the role of the Urban Informal Sector in development", *Economic Development and Cultural Change*, 47(2): 259-288.
  - Hymer, Stephen and Stephen Resnick. 1969. "A Model of an Agrarian Economy with Nonagricultural Activities", *The American Economic Review*, 59(4): 493-506.
  
5. *History, expectations and development: "Big push" model—importance of increasing returns, multiple equilibria and coordination failures, path-dependence*
  - Bardhan, Pranab and C. Udry. 1999. *Development Microeconomics*. Oxford University Press. Ch.16
  - David, Paul A. 1985. "Clio and the Economics of QWERTY". *American Economic Review*, 75(2): 332-337
  - Krugman, Paul. 1991. "History versus Expectations." *Quarterly Journal of Economics* 106 (May): 651-67.
  - Ray, Debraj. 2009. "Notes for a course in development economics" Chapter 3 available at <http://www.econ.nyu.edu/user/debraj/Courses/GrDev09/Notes/09dnote.pdf>
  
6. *Capabilities and Development: From economic development to human development, growth –development divergence, development as freedom*
  - Sen, A.K. 1983 'Development: Which Way Now?' *Economic Journal* 93: 745-62; reprinted in his book *Resources, Values and Development*, Cambridge, MA: Harvard University Press, 1984, pp. 485-508
  - Sen, A. K. 2004. "Capabilities, Lists and Public Reason: Continuing the Conversation", *Feminist Economics*, 10(3): 77-80.
  - Nussbaum, M. C. 2003. "Capabilities as Fundamental Entitlement: Sen and Social Justice", *Feminist Economics*, 9(2-3):33-59.
  - Robeyns, Ingrid. 2005. "The Capability Approach: a theoretical survey", *Journal of Human Development*, 6(1): 93-114

7. *Environment and development—growth-environment linkage, property rights and natural resource, Tragedy of The Commons*

- Dinda, Soumyananda. 2004. "Environmental Kuznets Curve Hypothesis: A Survey", *Ecological Economics* 49: 431–455
- Bardhan, Pranab and C. Udry. 1999. *Development Microeconomics*. Oxford University Press. Ch. 13
- Weitzman, Martin L. 1974. "Free Access vs Private Ownership as Alternative Systems for Managing Common Property", *Journal of Economic Theory*, 8: 225-234
- Arrow, Kenneth, Partha Dasgupta, Lawrence Goulder, Gretchen Daily, Paul Ehrlich, Geoffrey Heal, Simon Levin, Karl-Göran Mäler, Stephen Schneider, David Starrett and Brian Walker. 2004. "Are We Consuming Too Much?" *The Journal of Economic Perspectives*, 18( 3): 147-172

8. *Human Capital and Growth: O-Ring theory, investment in human capital and development*

- Weil, David N., "Accounting for the Effect of Health on Economic Growth", *The Quarterly Journal of Economics*, 2007
- Theodore Schultz, "Capital Formation by Education," *Journal of Political Economy* 68(6), December 1960, 571-583.
- Abhijit Banerjee and Esther Duflo, "Addressing Absence", *Journal of Economic Perspectives* 20(1), May 2005, 117-132.
- Kremer, Michael. 1993. "The O-Ring Theory of Economic Development", *The Quarterly Journal of Economics*, 108 (3): 551-575.