Syllabus: Development Economics (MA)
Julia Schwenkenberg

Description: This course covers macro and micro development models and issues. Starting from an overview of growth theories and their empirical evaluation we move to institutional explanations of slow growth and underdevelopment. Next, we discuss theories of market failure in credit and insurance markets, and how the lack of financial markets affects households and firms in developing countries. The Microfinance “revolution” is covered subsequently. Before people can trade, invest and be productive workers they need to have enough to eat, be free of disease and be sufficiently educated: we move on to problems of providing adequate nutrition, health services and education. And I provide an introduction to the econometric evaluation of development programs. Finally, we will discuss foreign aid and the controversy surrounding it.

The course provides an overview of the field for students planning to enter PhD programs and it gives a well-rounded coverage of issues in economic development for students on their way to public and private sector employment.

Grading: Class Participation: 20%, Homeworks: 20%, Short Paper: 20%, Final Exam: 40%
There will be two homework assignments: one on macro-development models (growth) and the other on micro-development models (informal institutions, financial markets).
Short Paper (10 pages): choose a specific subtopic/problem

Overview:

Growth
- Convergence, neoclassical theory, growth accounting
- Technology, and population
- Divergence, poverty traps

Institutions
- Colonial origins
- Formal institutions
- Informal institutions

Financial markets
- Credit, savings and insurance markets in developing countries
- Micro-credit

Issues of Econometric Evaluation

Human Development
- Nutrition, health
- Education

Foreign Aid
Books:  
(assigned reading)  
Assigned Readings are *starred in the course outline; all assigned papers are either made available or are available online. Material taken from the books will be covered in the lectures. You do not need to purchase any of the books for required readings. The Course Outline gives additional literature for background and further reading, which could also be used in your short paper.

Textbooks:


Philippe Aghion and Peter Howitt, The Economics of Growth, The MIT Press, 2009


Fafchamps, Marcel, Market Institutions in Sub-Saharan Africa, MIT Press, 2004


Further Readings on Development:


David Landes The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor


Jeffrey Sachs, The End of Poverty: Economic Possibilities for Our Time

Muhammad Yunus, Banker To The Poor: Micro-Lending and the Battle Against World Poverty


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<thead>
<tr>
<th>Week</th>
<th>Description and Readings (* required)</th>
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<tbody>
<tr>
<td>1</td>
<td><strong>Introduction and Overview</strong></td>
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<td>world income distribution, trends</td>
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<td>human development report (UN)</td>
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<td>2</td>
<td><strong>Growth I: Convergence</strong> (neoclassical growth theory, convergence)</td>
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<td></td>
<td>Chapter 1 and 5, Philippe Aghion and Peter Howitt, <em>The Economics of Growth</em></td>
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<td>3</td>
<td><strong>Growth II: Technology, Population</strong></td>
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<td>Chapter 3,4, 7, 10 Philippe Aghion and Peter Howitt, <em>The Economics of Growth</em></td>
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4 Growth III: Divergence
(Traps, Complementarities, Multiple Equilibria and the Big Bush)


Chapter 11, Philippe Aghion and Peter Howitt, The Economics of Growth

C Azariadis, J Stachurski, Poverty traps, Handbook of Economic Growth, 2005


5 Institutions I: Colonial Origins
( the role of history )


Stanley L. Engerman, Kenneth L. Sokoloff, Miguel Urquiola and Daron Acemoglu, Factor Endowments, Inequality, and Paths of Development among New World Economies,


Institutions II: Formal Institutions
(Property rights, Governance, Corruption)


Markus Goldstein and Christopher Udry, The Profits of Power: Land Rights and Agricultural


Abhijit Banerjee, Dilip Mookherjee, Kaivan Munshi, and Debraj Ray, Inequality, Control Rights, and Rent Seeking: Sugar Cooperatives in Maharashtra
Journal of Political Economy 2001 109:1, 138-190


**Institutions III: Informal Institutions**
(contract enforcement through networks and social capital)

*Fafchamps, Marcel,"Networks, Communities, and Markets in Sub-Saharan Africa: Implications for Firm Growth and Investment", Journal of African Economies*
http://www.economics.ox.ac.uk/members/marcel.fafchamps/homepage/netcom.pdf


http://www.economics.ox.ac.uk/members/marcel.fafchamps/homepage/venicexb.pdf


**Financial Markets I**
(theories why markets fail in implications in the developing world)

Debraj Ray, Credit Chapter 14, Insurance 15, Development Economics


**Financial Markets II: Microfinance**


**Econometric Evaluation**


**Human Development I: Health and Nutrition**

Debraj Ray, chapter 8.


**Human Development II: Education**


Chaudhury, Nazmul, Jeffrey Hammer, Michael Kremer, Karthik Muralidharan, and F. Halsey Rogers "Missing in Action: Teacher and Health Worker Absence in Developing Countries," *Journal of Economic Perspectives*—Volume 20, Number 1, Winter 2006, Pages 91–116
Foreign Aid:

UN Millennium Project, Jeffrey D. Sachs, Director, Investing in Development: A Practical Plan to Achieve the Millennium Development Goals, January 2005 (http://unmp.forumone.com/)

William Easterly, Can the West Save Africa?, Journal of Economic Literature, September 2008

Dambisa Moyo, Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa


Barro, Robert and Jong-wha Lee, “IMF Lending: Who is chosen and what are the effects?,” Journal of Monetary Economics (2005)


14 Review

paper due