Ec428: Development and Growth – Michaelmas Term 2018-2019

Background Reading

For the empirical methods used in this course, a very good basic background reading is the textbook by Joshua D. Angrist & Jörn-Steffen Pischke called Mostly Harmless Econometrics: An Empiricist's Companion, Princeton University Press, 2009.

Some articles that discuss the pros and cons of using the method of randomized control trials in development economics are:

- Angus Deaton and Nancy Cartwright (2018): “Understanding and Misunderstanding Randomized Controlled Trials”, Social Science & Medicine, Volume 210, August 2018, Pages 2-21. (This is a special issue of the journal that is on the topic of Randomized Controlled Trials and Evidence-based Policy: A Multidisciplinary Dialogue, with several other useful articles).

Links to various useful internet resources on writing papers, accessing and analysing data, preparing for presentation:
http://personal.lse.ac.uk/ghatak/Guides_for_Economists.htm

Broader perspectives on the state of the field can be found in:


See also the symposium on The Agenda for Development Economics - Journal of Economic Perspectives Volume 24, Number 3, Summer 2010: Articles by Deaton, Acemoglu, Ray, Rodrik, and Rosenzweig.
Here are some blogs that carry good informal pieces on development topics:

http://voxdev.org/
https://blogs.worldbank.org/impactevaluations/
http://www.ideasforindia.in/

**Reading List**

**Topic 1: Introduction & Some Stylized Facts**

We discuss some concepts relating to development and how it relates to economic growth. We then look at some stylized facts at the aggregate (country or regional) level to motivate the theoretical and empirical analysis of growth that we cover in the first part of the term.


Acemoglu, Daron (2009): Chapter 1 in *Introduction to Modern Economic Growth*, Princeton University Press. You can download from the manuscript posted on IGC website *Introduction to Modern Economic Growth*.


Piketty, T. and E. Saez (2014): “Inequality in the long run”, Science, Special Section on the Science of Inequality, 23 MAY 2014 • VOL 344 ISSUE 6186


**Topic 2: Economic Growth**

In this topic we review the Solow and Neoclassical models, carry out some simple calibration exercises, and apply the framework on recent debates about inequality and growth in response to the work of Piketty.


**Topic 3: Poverty Traps – Theory & Evidence**

We examine some mechanisms of the vicious cycle of poverty. In the presence of transactions costs leading to financial market imperfections, an economy may fail to converge to the efficient steady state, and remain trapped in poverty. The initial wealth distribution may play a crucial role in governing the future trajectory of the economy.


* Clare Balboni, Oriana Bandiera, Robin Burgess, Maitreesh Ghatak and Anton Heil (2018) “Why do people stay poor?” Work in Progress. (Slides only)


**Topic 4: Coordination Failure & Sorting**

We briefly discuss some mechanisms by which history can matter. In the presence of externalities and complementarities in actions of individuals, there can be multiple equilibria. Two identical economies can end up at very different levels of development depending on initial conditions.


Financial markets play a crucial role in economic development by allowing those who have talents and skills but not money, to undertake investments by using the surplus savings of others. If this market is subject to frictions, then worthwhile projects may not be undertaken for lack of money, thereby depressing national income below its potential. We study theoretical models of frictions in financial markets, and empirical evidence on their importance.


**Topic 6: Credit Markets in Developing Countries II: Theory and Evidence on Impact of Micro Finance**

Microfinance has been a popular instrument of development policy. We look at theoretical models of how microfinance works as a mechanism, and empirical studies of its impact.


**Topic 7: Land & Property Rights - Theory**

Property rights are at the heart of a market economy and some trace the problem of underdevelopment as a problem of imperfect property rights. In this topic we examine various mechanisms through which property rights affect economic efficiency.


**Topic 8: Land & Property Rights and Productivity - Evidence**

Agriculture occupies a central place in less developed economies. We study the effect of changes in property rights on productivity.
