Ec428: Development and Growth (MSc)

Prof. Maitreesh Ghatak

London School of Economics

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.

I have posted some introductory notes on empirical and theoretical tools used in the course on Moodle. 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/

This is a website that has some lecture notes on Development Economics (focusing mainly on theory) by Debraj Ray, Dilip Mookherjee, Andrew Newman, Ethan Ligon and myself.

https://teaching.devecon.org

Sources of working papers:

https://cepr.org/publications/programme_area/area?proarea=DE
http://ibread.org/bread/papers
https://www.nber.org/papersbyprog/DEV.html
http://thred.devecon.org/
For review articles, the following journals are the standard references in Economics, with the last two being on Development issues:

https://www.annualreviews.org/loi/economics
https://www.aeaweb.org/journals/jel
https://www.aeaweb.org/journals/jep
https://academic.oup.com/wber
https://academic.oup.com/wbro

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, both at the aggregate (country) level as well as from household surveys that tell us how the poor live, with special focus on their consumption and income generation.


*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


Dylan Matthews (2018: “The global top 1 percent earned twice as much as the bottom 50 percent in recent years”, Vox.com.


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.


* Acemoglu, Daron (2007): Chapters 2 and 3 in *Introduction to Modern Economic Growth*, Manuscript posted on IGC website


**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.


**Topic 4: Coordination Failure, Sorting, and Multiple Equilibria**

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.


**Topic 5: Credit Markets in Developing Countries I: Theory and Evidence on Credit Market Imperfections**

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.


Parikshit Ghosh, Dilip Mookherjee and Debraj Ray: "Credit Rationing in Developing Countries: An Overview of the Theory", by, Chapter 11 in Readings


**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, & Agricultural Productivity - 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, & Agricultural Productivity - Evidence**

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


**Topic 9: Direct Transfer Policies**

In this section we discuss the issues involved in designing transfer programmes directed at the poor in the context of a developing country. Some of the questions we will study are as follows: should these be conditional or unconditional cash transfers or in-kind transfers? How much should one worry about bureaucratic costs of targeting vs empowering the poor to decide what do they want to do with the transfers? We will also discuss issues on the supply side (namely, implementation through bureaucracy) of delivery of these programmes.


