
Course Outline

EE 461 Development Economics: Theory and Policy/ EE 565 Development Economics: Selected Topics 1 (Theory and Policy)

Semester:	2/2011 (January 9 – May 20, 2012)
Instructor:	Dr. Pimnara Hirankasi
Time:	Saturdays, 13.00 – 16.00 hrs.
Room:	203, Faculty of Economics

EE461 Development Economics: Theory and Policy (Curriculum 2004)
Prerequisite: EE312

EE565 Development Economics: Selected Topics 1 (Theory and Policy) (Curriculum 2009)
Prerequisite: By lecturer's consent

Aims

The aim of this course is to understand the basic concepts of development economics such as determinants of economic growth, as well as explanations for the disparity of income at different levels.

Objectives

The main objective of this course is to apply economic theory to understand and interpret empirical observations on issues regarding development economics. Consequently, by the end of this course the students should have a basic knowledge of the main facts characterizing the developing economies over time and across countries, as well as the ability to use theoretical models to develop explanations for these facts. In addition, the student should gain an understanding of the limitations and failings of current theories relative to the empirical facts. The first part of the course will initially focus on the neoclassical growth model. Later on, growth models with additional features such as human capital, endogenous technological progress, and human capital will be introduced. We will move on to income distribution and poverty afterwards. The last few lectures will be devoted to some important special issues relating the question of development. These include rural-urban migration, micro-financing, and politics.

Teaching and Assessment

Class will be conducted through lecture. Assignments will mostly contain problem sets. We strongly encourage group study, so feel free to consult your fellow classmates on the problem sets. However, **you still need to submit your problem sets individually**. So far it is very easy to detect whether you have copied your friend's assignment or last year's solution. To tackle those issues, I have imposed a few conditions on the grading mechanism, so try it at your own risk. If you prefer group project, we can change this part into class paper only with the class consent. Each assignment must be submitted in hard-copy **precisely one-week** after it was assigned. Unless special permission is granted, you need to submit your assignments in hard copy. Electronic submission is risky and thus strongly discouraged, again, unless under special circumstance. Class participation (not just attendance) will also count towards your final grade. There will be 2 written examinations for the course. The grade distribution is as follows:

Assignments	20%
Participation	10%
Mid-term	30%
Final	40%

Remarks:

♦ Second semester begins	Jan. 9, 2012
♦ Period of withdrawal without "W"	Jan. 9-23, 2012
♦ Mid-Term Examination	Feb. 27 – March 3, 2012
♦ Last day of withdrawal with "W"	March 21, 2012
♦ Last day of class	Apr. 29, 2012
♦ Final Examination	May 4 - 20, 2012

Exam Dates

Midterm exam:	Saturday 3 March 2012, 13.00-14.30.
Final exam:	Saturday 12 May 2012, 09.00-12.00.

These exam dates are set by the Faculty of Economics and we have no flexibility in adjustment on individual basis. No make-up exam will be given. Students must check their schedule and plan accordingly.

Contact Information

The easiest way to get in contact with me if you have any questions is via e-mail. My address is pim.hirankasi at gmail dot com. Please begin the subject of your email with "EE461:", otherwise your email could easily slip my eyes into the junk mail folder. Trust me, it actually happened in the past.

Readings and Mathematical Preliminaries

Lectures are pooled from various resources. Here is a list of recommended books. You do not need to purchase all of them. Some special readings will be distributed in the class.

- Ray, Debraj. *Economic Development*, Princeton University Press (Oxford International), 1998. (Probably is still the best textbook available for this level development economics. Highly recommended readings for students.)
- Easterly, William. *The Elusive Quest for Growth*, MIT Press, 2001. (An excellent and easy bedtime/vacation reading. Almost all big economists have read this book once.)
- Sen, Amartya. *Development As Freedom*, Anchor/Oxford, 1999. (Amartya Sen knocked some senses back into economics profession. This book is another great vacation reading. You will be able to say extraordinarily smart things after you finished reading it.)
- Fields, Gary S. *Distribution and Development*, MIT Press, 2001. (This book is excellent for students deeply interested in measurement and empirics of income inequality and poverty. Some parts are a bit technical at this level.)
- Basu, Kaushik. *Analytical Development Economics,* MIT Press, 1997. (This book is highly stylized. It is recommended for students interested in more algebraic works.)

Students should have no trouble with basic calculus (differentiating, maximizing a function with and without constraint, etc.) and be able to handle excel spreadsheets rather well. Some basic understanding of simple regression (e.g. multivariable OLS) is a plus. The exposition of the course will require some knowledge of both macroeconomics and microeconomics.

Topics

The following is a preliminary list of topics for the course. Please note that some adjustment might be made along the way.

1. Overview of development economics and some related issues
    - How do we define and measure development?
    - How can we achieve those objectives?
2. Early development models
    - Vicious cycle of poverty: The Big-Push and The O-Ring Theory
    - Dual Economy: Lewis Model
    - Harrod-Domar Model
3. Neoclassical growth model
    - Solow model
    - Endogenous growth model (Technological progress, human capital, natural resources)
    - Growth with R&D
    - Convergence or divergence?
4. Population growth and economic growth
    - Facts on population growth: from the stone age to modern world
    - Theories on effect of population growth on economic growth (Malthusian Theory, Revisionist theories)
    - Theories on effect of economic growth on population growth (Transition Theory, labor supply, determinants of birth rate)
5. Income distribution
    - Kuznets and inverted-U hypothesis
    - Finding evidence for/against Kuznets
    - Inequality & Growth: the missing links
6. Rural-Urban migration and development
    - Dual economy: recap the Lewis Model
    - Harris-Todaro: The reminiscence of Lewis
7. Poverty
    - What is poverty?

- Measuring poverty
- Problems of being poor
- Poverty alleviation

8. Credit Markets & Microfinancing
    - Rural credit markets
    - Theories of informal credit markets
    - Interlinked transactions
9. Microinsurance: The Next Best Thing?
    - Insurance and uncertainty: what can we insure?
    - A need for a creative solution
10. Politics and development
    - Modeling politics with game theory
    - Democracy and development

Disclaimer:

By registering for this class, you agree to accept all course requirements, deadlines, exam dates, and other procedures outlined in this syllabus, and in class discussions. There will be no discussions, pleas, or arguments about these aspects of the administration of the course under any circumstances. Failure to be present at the exams could result in an F, so please double check your exam dates.