



## **The Alliance for Global Education, Pune Program Spring 2012**

### **ECDE 390: Development Economics**

*Prof. Gayatri Khedkar*

#### **Course Description:**

There is an economic struggle going on in today's world in which rich nations like USA & European countries are trying to tackle their problems of debt, unemployment & unequal distribution of income. On the other hand, "emerging markets" like India & China are trying to increase their income levels as fast as possible, making new experiments in their economy all the time. And still there are African countries who are dealing with basic problems of hunger, poverty & AIDS. In short we can say, all the countries are trying for "development" at their own level.

Development economics is a fascinating course which tries to explain all these varied situations in the following manner:

1. What are the indicators of development?
2. What are the essential factors creating the economic problems?
3. What are its possible solutions and do they really seem to work?
4. Who is working in the field of development around the globe? Their success & failure stories & some lessons to be learnt.

India itself is a very interesting case of development with high technology, expanding trade, vibrant entrepreneurship and a highly-skilled workforce co-existing with widespread poverty, social inequality and critical gaps in health care, education and infrastructure. Hence, we will be referring to the Indian case for development from time to time as well.

The course intends to provide various theories of development economics to create awareness about the critical factors in development & the essential logic behind the development process. But we also intend to check the empirical evidence for the solutions provided & what are the ground realities in development field.



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At the end of the course students are expected to

1. be equipped with the analytical tools to check reality
2. understand various perspectives of the development process
3. put forth their own argument for current development related issues

### **Course Requirements:**

The lectures will be both informative and analytical, with a lot of scope for discussion. No mathematical pre-requisites are required, and while a basic understanding of both microeconomic and macroeconomic theory would be preferred, it is not mandatory.

### **Attendance Requirements:**

Class attendance is mandatory. As this is an intensive program, it is essential that students participate fully in coursework and all required academic activities. Excused absences may only be approved by the Resident Director, and students are expected to make up any missed work. Students may not make up for unexcused absences, and will be given a grade of zero for any missed work.

### **Evaluation:**

- |   |     |
|---|-----|
| 1) 2 Research Assignments, Short Response Essays                    | 50% |
| □ given on 03-Feb-12, due on 10-Feb-12                              |     |
| □ given on 09-March-12, due on 13-March-12                          |     |
| 2) Class presentation in group of two                               | 25% |
| Topic given on 17-Feb-12, presentations on 24-Feb-12                |     |
| 3) Group discussion in group of four                                | 25% |
| Topic & group making on 28-Feb-12, group discussions on 05-March-12 |     |



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### **Reading material:**

Todaro, Micheal P. and Stephen C. Smith. Economic Development, 8/E. Addison- Wesley, 2009, and references given below

### **Course Syllabus:**

#### **Session 1: An Introduction to Development Economics: 23- Jan- 12, Monday**

- a) Why study development economics?
- b) What does this course contain?
- c) Introduction to the pedagogy, required reading for this course
- d) What would you want this course to contain?
- e) What should you expect to know at the end of this course?

#### **Required Reading/Viewing:**

Partha Dasgupta: Economics, A Very Short Introduction, Introductory Chapter

**Session 2 to 6 will be based on basics of development economics & will focus on developing analytical tools with the help of theories.**

#### **Session 2: Economics, institutions & development: A global perspective: 27-Jan-12, Friday.**

- a) Nature of development economics
- b) What do we mean by development?

#### **Required Reading/Viewing:**

- a) Chapter 1 of the recommended text : pages 42 to 56
- b) A. P. Thirlwall: Growth & development with special reference to developing economies: chapter 1: pages 19 & 20



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### **Session 3: Diverse structures & common characteristics of developing nations 30-Jan-12, Monday**

- a) Distinguishing between developed & developing countries
- b) An overview of the great diversity that exists among developing countries
- c) Common characteristics of developing nations

#### **Required Reading/Viewing:**

- a) Chapter 2 of the recommended text – pages 69 to 105
- b) World bank data on various development indicators
- c) Graphs on gapminder.org illustrating difference between developed & developing world & showing common characteristics of developing countries

### **Session 4: Essential factors of growth & historical experience: 31-Jan-12, Tuesday**

- a) An overview of factors essential for growth
- b) A discussion on the relevance of the historical experience of the developed countries for the less developed countries

#### **Required Reading/Viewing**

- a) Chapter 3 of the recommended text
- b) End of poverty: Jeffrey Sachs, chapter 3: why some countries fail to thrive

### **Session 5: Classic Development Theories: 03-Feb-12, Friday**

Historical overview of the classic development theories put forth in the past 50 years. The key features of each theory are presented, along with a discussion of the major contributions and limitations of each theory. It is emphasized that while the theories are often competing in nature, each offers valuable insight into the development process. The main theories discussed are:

1. Rostow's Theory
2. Harrod-Domar Model



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3. Lewis Model
4. Neoclassical Growth Theory

### **Required Reading/Viewing**

- a) Chapter 4 of the recommended text (Note: There is some, fairly elementary, mathematics used in these chapters. However, feel free to skip the math if you so wish)

### **Session 6: Recent Advances in Development Theory: 06- Feb-12, Monday**

This session presents the most influential newer models of economic development. The classic models are insufficient, and so have been refined or replaced by new ideas. The general goal of the session is to demonstrate that development may be more difficult to accomplish than has been previously understood.

- a) Endogenous growth theory
- b) Big push theory
- c) O ring model

### **Required Reading/Viewing**

Chapter 5 of the recommended text (There is some, fairly elementary, mathematics used in these chapters. However, feel free to skip the math if you so wish)

### **Session 7 to session 15 discuss major development problems in detail.**

### **Session 7: Meaning & measurement of inequality & poverty: 07-Feb-12, Tuesday**

- a) Meaning of inequality & its measurement
- b) Meaning of absolute poverty & its measurement
- c) Empirical evidence of inequality & poverty in the world

### **Required Reading/Viewing**

- a) Chapter 6 of the recommended text pages 229 to 243



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- b) Mead Over's take on the Multidimensional Poverty Index, which is supposed to supplant the FGT formula
- c) world bank indicators for poverty & inequality
- d) Poverty & inequality indicators on gapminder.org

### **Session 8: Policy options for addressing poverty and inequality: 10-Feb -12, Friday**

Following policy options are considered:

- a) Remove factor price distortions.
- b) Redistribution of asset ownership, such as land reform.
- c) Progressive income and wealth taxes to reduce income inequality.
- d) Direct transfer payments and public provision of goods and services to reduce the extent of poverty.
- e) Indian experience of poverty alleviation
- f) New ways- microfinance

#### **Required Reading/Viewing –**

- a) Chapter 6 of the recommended text pages 269 to 279
- b) End of poverty : Jeffrey Sachs, chapter 9 & 12
- c) MNAREGA
- d) Microfinance focus
- e) Mexico's Oportunidades program

### **Session 9: Population and Its Challenges: 13-Feb-12, Monday**

This session examines how the population situation in many developing countries affects their chances of becoming more economically developed, and conversely, how economic



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development affects population growth. The first part of the session explores historical and recent population trends and the changing geographic distribution of the world's people. Interesting statistics include world population data, distribution by region, and fertility and mortality rates. Key concepts include:

- a) The dependency burden.
- b) The hidden momentum of population growth.
- c) The demographic transition.
- d) Gender equality

### **Required Reading/Viewing-**

- a) Chapter 7 of the recommended text
- b) World bank- data visualizer
- c) Gender equality

### **Session 10: Urbanization & rural-urban migration: 14-Feb-12, Tuesday**

The session discusses the related problems of urbanization and migration. Key topics include:

- a) Urbanization trends and projections
- b) The role of cities and of the informal sector of the economy
- c) Urban unemployment
- d) Todaro's migration model
- e) Policy options for limiting rural-urban migration

### **Required Reading/Viewing**

- a) Chapter 8 of the recommended text
- b) A McKinsey report on India's urbanization
- c) JNNURM



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### **Session 11: Problems of the Rural Economy: 17 -Feb-12, Friday**

This session discusses the economic stagnation that has occurred in the rural sector of many less developed countries and emphasizes that a country's development strategy must include plans for achieving agricultural progress and rural development. The major topics addressed in the session include:

- a) How to increase per capita agricultural output and productivity in order to benefit the average rural dweller and provide a sufficient supply of food for the country?
- b) How to transform traditional low productivity agriculture into high productivity Commercial agriculture?
- c) An explanation of why the decisions of peasant farmers are rational
- d) An explanation of the role of economic and price incentives in increasing output.
- e) An explanation of the economic role of women in Third World agriculture
- f) An explanation of the exact meaning of rural development

### **Required Reading/Viewing**

- a) Chapter 10 of the recommended text
- b) Indian minimum support price system

### **Session 12: Presentations in the groups of two: 24- Feb-12, Friday**

Based on experience sharing of the tribal visit: on the predefined topics

### **Session 13: Human Capital: 27-Feb-12, Monday**

The session addresses the critical role of education and health in the development process. These are seen as determinants of growth and development as well as objectives of the development process.

- a) Trends in education and in health since 1970
- b) The human capital approach
- c) Child labor



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- d) Women and education

### **Required Reading/Viewing**

- a) Chapter 9 of the recommended text
- b) [Gapminder.org](http://Gapminder.org)

### **Session 14: Climate Change and Development: 28-Feb-12, Tuesday**

The session is divided into three distinct topics, which illustrate the continued increase in global interdependence:

- a) Global environmental problems: greenhouse gases and ozone depletion.
- b) Resource management and the impact on the global poor
- c) Role of Kyoto protocol & concept of CDM

### **Required Reading/Viewing**

- a) Chapter 10 of the recommended text
- b) [UNFCCC & Kyoto protocol](#)
- c) [CO2 emissions according to GDP](#)

### **Session 15: Group Discussion: 05-March-12, Monday**

Students will be divided into groups of 4 and each group will be given 15 min to discuss. Students need to come in the front & discuss on the given development issues using the knowledge they have gained from the course, their own research & experiences from their stay in India. The session will be concluded by teacher summarizing the learning from the discussion.

**In session 16 to session 19, development process in open economy and challenges & opportunities coming along with that are discussed.**

### **Session 16: A Non-Autarkic World and the Development Process: 06-March-12, Tuesday**

The impact of international trade on development is examined in terms of the effects on growth, income distribution, poverty, and employment.



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The major topics addressed include:

- a) Encouraging the export of primary products.
- b) Encouraging industrialization via the import substitution strategy.
- c) Encouraging industrialization via the export promotion strategy.
- d) The trade optimist-trade pessimist debate.
- e) Encouraging South-South trade and economic integration.

### **Required Reading/Viewing**

- a) Chapters 13 of the recommended text

### **Session 17: The Big Questions in an Open Economy: 09-March-12, Friday**

This session moves away from examining international commodity trade and instead focuses on international monetary and macroeconomic issues. The major topics are:

- a) Understanding the balance of payments accounts
- b) Identifying recent trends in LDC balance of payments accounts
- c) Understanding the causes and effects of the debt crisis
- d) Evaluating the controversy about the IMF policy of macroeconomic stabilization

### **Required Reading/Viewing**

- a) Chapter 14 of the recommended text

### **Session 18: International Capital Flows and Aid: 12-March-12, Monday**

This session examines the international flow of financial resources, and weighs the pros and cons of the different forms of those financial resources:

- a) Private foreign direct investment and portfolio investment: Direct investment by multinational corporations, and stocks and bonds in LDC emerging credit and equity markets are discussed.
- b) Foreign aid: Both government and non-government aid is discussed.



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### **Required Reading/Viewing**

- a) Chapter 15 of the recommended text

### **Session 19: Role of international organizations in development: 13- March-12, Tuesday**

Various international organizations are playing a crucial role by deciding development objectives and its path & by providing aid to developing countries. No country today can ignore the role of these institutions in their development. Following institutions role is introduced-

- a) WTO
- b) UNDP
- c) World bank

### **Required reading/ viewing:**

- a) understanding the WTO
- b) Millennium development goals by UNDP
- c) World bank

### **Session 20: Winding Up: 16-March-12, Friday**

- a) What did you learn in the course?
- b) What else would you have wanted to learn?
- c) Doubt Clearance

### **Required Reading/Viewing**

- a) Mercifully, nothing!

### **Books:**

#### **Recommended Text**

Economic Development, 8/e (Paperback), by Michael P. Todaro, Stephen C. Smith

#### **Other Texts**

The End of Poverty, by Jeffrey Sachs

Economics: A Very Short Introduction, by Partha Dasgupta



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### **Additional list of online blogs/websites -**

1. Centre for global development
2. Aid thoughts
3. CGAP
4. UNISEF
5. TED
6. Portfolios of the poor
7. Chris Blattman
8. Room to read
9. Acumen fund
10. Wise geek
11. Featured blogs on world bank
12. Freakonomics
13. The economist
14. IMFR