



ECDE 390 Development Economics
**The Alliance for Global Education Contemporary India: Development,
Environment, Public Health Program, Fall 2009**
Professor Pradeep Apte

Course Description:

Development economics brings social, political, and historical factors together with economic tools to think through the development process in the context of India. The Indian economy serves as a complex, fascinating example of high technology, expanding trade, vibrant entrepreneurship, and a highly-skilled workforce, co-existing in sometimes tenuous balance with widespread poverty, social inequality, and critical gaps in health care, education, and infrastructure.

How will India reconcile these disparities? How has India negotiated the transition from a mostly socialist economic policy to privatization, deregulation, and liberalization, and how has this affected its vast and diverse population? How do economic factors intersect and influence the social, political, and educational currents shaping India, what challenges does this rapidly transforming economy face, and what are its most promising strategies for success?

This course will explore these questions in their global contexts, giving students the analytical and intellectual tools to approach them in a sophisticated and nuanced manner.

Course Requirements / Evaluation:

The lectures will be both informative and analytical, with a lot of scope for discussion. The number of lectures specified for each section may change depending on the discussions in the classroom.

Evaluation will be done as follows:

Research Assignments, Short Response Essays	30%
Mid-Term (exam or paper)	20%
Final (exam or paper)	30%
Class presentation	10%
Participation	10%

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.

Reading material:

Todaro, Micheal P. and Stephen C. Smith. **Economic Development, 10/E.** Addison- Wesley, 2009.

Course Syllabus:

Session 1

Principles and Concepts, Statistical techniques

Session 2 - 5

Economics, Institutions, and Development: A Global Perspective

The major topics include:

- A classification of countries according to economic and social indicators
- An overview of the great diversity that exists among developing countries
- An overview of the common development problems faced by many developing countries
- A discussion on the relevance of the historical experience of the developed countries for the less developed countries
- A discussion of comparative development experience

Session 6

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 theories discussed are the:

- Rostow's Theory
- Harrod-Domar Model
- Lewis Model
- Structural Change and Patterns of Development
- Neoclassical Dependence Model
- False Paradigm Model
- Dualistic Development Thesis
- Neoclassical Market Orientation Model
- Neoclassical Growth Theory

Session 7

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.

Contemporary models of development attempt to incorporate one or more of the following ideas:

- Problems of coordination among agents
- Increasing returns to scale
- Finer divisions of labor
- New economic ideas of information
- Learning by doing
- Imperfect competition, such as monopolistic competition

Session 8

This session takes up the question of growth versus income distribution. The session examines five questions:

- What is the extent of relative inequality and poverty in LDCs?
- What are the economic characteristics of the poor?
- Who benefits from economic growth?
- Are economic growth and more equitable income distributions compatible objectives?
- What policies will reduce absolute poverty?

The concepts of size and functional income distribution are defined as common measures of income distribution. Within this section, the following topics are covered:

- A review of Lorenz curves and measures of inequality.
- A discussion of functional income distributions and the role of labor supply and demand in determining wages.

Session 9

The issue of measuring poverty is tackled next. Headcount indices and poverty gap measures are discussed first, and then the Foster-Greer-Thorbecke poverty measure and the Human Poverty Index are described.

Policy options for addressing poverty and inequality while maintaining growth are considered:

- Remove factor price distortions.
- Redistribution of asset ownership, such as land reform. This topic is discussed further in Session 13.
- Progressive income and wealth taxes to reduce income inequality.

- Direct transfer payments and public provision of goods and services to reduce the extent of poverty.

Session 10

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

- The dependency burden.
- The hidden momentum of population growth.
- The demographic transition.

The causes of high fertility in LDCs are explained using the Malthusian and Household models.

Session 11

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

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

Session 12

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.

Subjects include:

- Trends in education and in health since 1970
- The human capital approach
- Child labor
- Women and education

Policy options for how to make the educational and health systems more relevant for development needs is discussed. The text emphasizes the complementary nature of investments in health and investments in education. Mexico's PROGRESA program and microcredit programs in general are cited as examples of innovative strategies.

Session 13

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:

- 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?
- How to transform traditional low productivity agriculture into high productivity commercial agriculture?
- An explanation of why the decisions of peasant farmers are rational
- An explanation of the role of economic and price incentives in increasing output.
- An explanation of the economic role of women in Third World agriculture
- An explanation of the exact meaning of rural development.

Session 14

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

The major topics addressed include:

- Encouraging the export of primary products.
- Encouraging industrialization via the import substitution strategy.
- Encouraging industrialization via the export promotion strategy.
- The trade optimist-trade pessimist debate.
- Encouraging South-South trade and economic integration.

A section on foreign exchange rates, exchange controls, and the devaluation decision reviews the concept of an exchange rate market, and discusses the options available for maintaining the official exchange rate. Overvalued exchange rates, dual exchange rate systems, and currency devaluation are discussed.

Session 15

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

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

Session 16

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

- 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.
- Foreign aid: Both government and non-government aid is discussed.

Session 17 - 18

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

- Global environmental problems: greenhouse gases and ozone depletion.
- The economic crisis in sub-Saharan Africa.
- Globalization of international trade and finance.