

Econ 461: The Economics of Development

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Office Hours: Mon & Wed. 11:00 – 12:00

Course Description

This course covers a broad range of topics in the economics of development. Throughout the course we will attempt to answer interesting questions such as the following. Why are some countries rich and some poor? Can poor countries become rich? Do the presence of poverty and inequality inhibit growth? Is GNP per capita a reliable indicator of overall development? If not, what is? What does microfinance mean? Can it improve development? How do AIDS and Malaria affect growth? Is foreign aid useful? Etc.

The midterm exam will be given in class on **Thursday, October 18th**. Assignments will be collected in the class. Please note that there will be no make-up exams and no late homework unless you provide a medical report. In the class, I strongly encourage you to participate in the discussions and express your opinions. In borderline cases, oral participation in lecture will tip the balance. In the exams you will be responsible from both the lecture notes and the assigned readings.

Grades

Homework (10%)
Midterm exam (40%)
Final Exam (50%)

Course Prerequisites

ECON 401 with a grade of at least C-; or Graduate standing.

Required Text

Development Economics, by Debraj Ray, Princeton University Press, 1998

Recommended Text

The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics, by William Easterly, MIT Press, 2001

Topics (Tentative)

1. Introduction to Economic Development

Required reading:

Ray, Development Economics, Chapter 2

Recommended reading:

Easterly, The Elusive Quest for Growth, Chapter 1

2. Theories of Economic Growth

Required reading:

Ray, Development Economics, Chapter 3

Recommended readings:

Easterly, The Elusive Quest for Growth, Chapters 2 and 3

Mankiw, Romer, and Weil (1992), "A Contribution to the Empirics of Economic Growth"

3. New Growth Theories

Required reading:

Ray, Development Economics, Chapter 4

4. Economic Inequality

Required reading:

Ray, Development Economics, Chapter 6

5. Inequality and Development

Required reading:

Ray, Development Economics, Chapter 7

Recommended reading:

World Development Report 2006: Equity and Development

6. Poverty

Required Reading:

Ray, Development Economics, Chapter 8, (Appendix is not included)

Recommended Reading:

World Development Report 2000/2001, Attacking Poverty, The World Bank, Washington, D.C.: Oxford University Press., pp. 117 – 131.

7. Credit

Required Reading:

Ray, Development Economics, Chapter 14

8. Mechanisms behind Microfinance

Required Reading:

Ray, Development Economics, Chapter 14, pages 578-584

Recommended Readings:

Morduch and Armendariz, "Economics of Microfinance," MIT Press

Morduch (1999), "The Microfinance Promise," Journal of Economic Literature

9. Informal Insurance

Required Reading:

Ray, Development Economics, Chapter 15

Recommended Reading:

Townsend, R. (1994), "Risk and Insurance in Village India", *Econometrica*, Vol. 62, No. 3, 539-591

10. Foreign Aid

Recommended reading:

Easterly, *The Elusive Quest for Growth*, Chapters 6, 7

11. Globalization

This is a class discussion.

12. Millennium Development Goals: Dream or Reality

This is a class discussion.

13. Does inequality help or hurt growth?

This is a class discussion.

14. Is microfinance effective?

This is a class discussion.