

**6SSPP333 Development Economics**  
**Syllabus: Autumn Term 2023-2024**

**Module Leader:** Amrita Dhillon

Office: Bush House 9.02

Office Hours (Autumn term): TBA

Book at: <https://amritadhillon.youcanbook.me>

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Office Hours (Autumn term):

**Aims and Objectives:**

The aims of this course are to:

Understand the use of formal microeconomic modelling in development.

Understand the links between formal models and empirics.

Gain knowledge of the seminal debates in development.

**Learning Outcomes:**

By the end of this module, students should be able to:

Use existing models to get some insights about a specific problem.

Be able to provide succinct summaries of existing literature.

Be able to establish a persuasive argument in favour of or against a suggested policy, using formal models and/or credible evidence.

**Employability skills:**

Analytical thinking

Group work

Presentation skills

Knowledge of policy debates relevant for jobs in the development sector.

**Structure:**

**Lectures:**

1 hour lecture each week.

**Seminar:**

1 hour seminar every week. Please read the **Seminars: General Instructions** document in the Seminars section of the Keats's page to find out how the seminars work and what is required from you

**Attendance in seminars is mandatory** (College policy).

**Assessment:**

Online Final Exam which needs to be completed within 3 hours.

Formative assessment similar to final exam will be given just after reading week. You will have 3 hours to do the exam.

**Readings:**

The main references for the module are:

Debraj, Ray (1998) *Development Economics*. Princeton University Press. (DR)

Todaro, M.P. and Smith, C.S. (2015) *Economic Development*. 12th Edition.

We will not cover all the material in these books.

Supplementary texts (for your interest only, lectures will give detailed readings):

Bannerjee, A. and Duflo, E. (2011) *Poor Economics*. New York, NY: PublicAffairs (BD)

Bannerjee, A., Benabou, R., and Mookherjee, D. (2006) *Understanding Poverty*. Oxford: Oxford University Press (BBM)

Deaton, A. (2013), *The Great Escape: Health, Wealth and the Origins of Inequality*, Princeton, NJ: Princeton University Press.

Bardhan, P., and C. Udry. (1999) *Development Microeconomics*. Oxford: Oxford University Press, (more difficult, graduate level but useful nevertheless)

Collier, P., 2007, *The Bottom Billion*, Oxford: Oxford University Press.

Acemoglu, D. and Robinson, J. (2012) [\*Why Nations Fail: The Origins of Power, Prosperity, and Poverty\*](#), London: Crown Publishers.

Additional readings are indicated below but this may change as lectures progress, so readings are indicative.

**Lecture 1:** Overview, Leading development indicators, measuring GDP, relationships between per capita income and other development indicators. Historical growth comparisons.

References:

DR Chapter 2,  
TS Chapter 1 and 2.

**Lecture 2:** Growth Theories (based on factor accumulation)

References:

DR Chapter 3,  
TS Chapters 2 and 3.

**Lecture 3:** Solow model with technical progress and the convergence debate.

References:

DR Chapter 3.  
Rodrik, D. (2011) NBER WP, "The future of economic convergence". Available at:  
<https://drodrik.scholar.harvard.edu/files/dani-rodrik/files/future-economic-convergence.pdf?m=1435006479>

**Lecture 4:** Institutions vs Geography to explain growth

References (available on KEATS):

Acemoglu D., Johnson, S., and Robinson, J. (2001) "The colonial origins of comparative development: An empirical investigation", *American Economic Review*, 91(5), 1369-1401. Available at:

<https://economics.mit.edu/sites/default/files/publications/The%20Colonial%20Origins%20of%20Comparative%20Development%20-%20.pdf>

Acemoglu D., Johnson, S., and Robinson, J. (2002) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution", *The Quarterly Journal of Economics*, 117 (4), 1231-1294

Available at: [https://scholar.harvard.edu/files/jrobinson/files/jr\\_ROFQJEversion.pdf](https://scholar.harvard.edu/files/jrobinson/files/jr_ROFQJEversion.pdf)

McCord, G., and Sachs, J. (2013) NBER WP, "Development, Structure and Transformation: Some evidence on Comparative Economic Growth". Available at:

[https://www.nber.org/system/files/working\\_papers/w19512/w19512.pdf](https://www.nber.org/system/files/working_papers/w19512/w19512.pdf)

Critique of AJR theory by D.K. Levine. Available at:

<http://www.dklevine.com/general/aandrreview.pdf>

**Lecture 5:** Structural Change models: the Lewis model and the Harris Todaro model

References:

DR Chapter 10,

TS Chapter 3.3.

FT article: "China at the turning point" on KEATS.

TS Chapter 7.

Leeson, P.F. (1979) "The Lewis Model and Development Theory", *The Manchester School*, 47(3), 196-210. Available at:

[https://personalpages.manchester.ac.uk/staff/nicholas.j.weaver/ECON20321/Leeson\\_LEWIS.pdf](https://personalpages.manchester.ac.uk/staff/nicholas.j.weaver/ECON20321/Leeson_LEWIS.pdf)

**Lecture 6:** Growth and inequality.

References (available on KEATS):

DR Chapters 6 and 7,

TS Chapter 5.

FT article [Inequality and Growth](#)

Quartz [Is income inequality always a bad thing?](#)

William, E. (2007) "Inequality does cause underdevelopment: Insights from a new instrument", *Journal of Development Economics*, 84(2), 755-776. Available at:

[https://www.depfe.unam.mx/actividades/11/desarrollo-crecimiento/11-2\\_catcdejr\\_06\\_easterly\\_2007.pdf](https://www.depfe.unam.mx/actividades/11/desarrollo-crecimiento/11-2_catcdejr_06_easterly_2007.pdf)

**Lecture 7:** Credit markets in developing countries

Problems of credit markets - information asymmetries, enforcement problems.

References (available on KEATS):

## DR Chapter 14.

Ghosh, P., Mookherjee, D., and Ray, D. (2000) "[Credit Rationing in Developing Countries: An Overview of the Theory](#)", Chapter 11 in Readings in the Theory of Economic Development, edited by D. Mookherjee and D. Ray, London: Blackwell, pages 383—301.

Karlan, D. and J. Zinman, 2009. "Observing Unobservables: Information Asymmetries With a Consumer Credit Field Experiment" *Econometrica*, 77(6), 1993-2008, Available at: [https://paulseabright.com/wp-content/uploads/2014/08/Karlan\\_Zinman\\_2009.pdf](https://paulseabright.com/wp-content/uploads/2014/08/Karlan_Zinman_2009.pdf)

### **Lecture 8:** Microfinance: Theory and Practice.

#### References (available on KEATS):

##### General:

Ghatak, M. and Guinnane, T.W. (1999): "The Economics of Lending with Joint Liability: Theory and Practice," *Journal of Development Economics*, 60(1), 195-228. Available at: <https://personal.lse.ac.uk/ghatak/jde2.pdf>

##### For groups vs individual liability:

Gine, X., and Karlan, D.S. (2014) "Group versus individual liability: Short and long term evidence from Philippine microcredit lending groups", *Journal of Development Economics*, 107, 65-83. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S030438781300165X>

##### For mass defaults:

Gine, X., Krishnaswamy, K., and Ponce, A. (2011) "Strategic Default in joint liability groups: Evidence from a natural experiment in India". Summary available at: <http://www.cgap.org/blog/what-caused-mass-defaults-karnataka-india>

##### For influence of social connections on repayment rates:

Karlan D. (2007) "Social Connections and Group Banking", *The Economic Journal*, 117(517), 52-84. Older Working Paper version available at: [http://www.econ.yale.edu/growth\\_pdf/cdp913.pdf](http://www.econ.yale.edu/growth_pdf/cdp913.pdf)

##### For weekly repayments:

Field, E., Pande, R., Papp, J., Park, J., and Rigol, N. "Microfinance Repayment Schedules in West Bengal, India". Available at: <https://www.povertyactionlab.org/evaluation/microfinance-repayment-schedules-west-bengal-india>

## **Lecture 9:** Behavioural Development Economics.

### References (available on KEATS):

#### General:

Banerjee, A. and Duflo, E. "The Economic Lives of the poor", *Journal of Economic Perspectives*, 2007, 21(1), 141-167. Available at:  
<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2638067/>

Kremer, M., Rao, G. and Schilbach, F. (2019), Chapter 5, Handbook of Behavioural Economics, Vol.2.

#### The psychology of poverty

Mani, M., Mullainathan, S., Shafir, E., and Zhao, J. (2013) "Poverty impedes cognitive function", *Science*, 341(6149), 976-980. Available at:  
<https://pubmed.ncbi.nlm.nih.gov/23990553/>

Mullainathan, S. (Unpublished Manuscript) "Development Economics through the lens of psychology".

Redden, Joseph P. (2007), "Hyperbolic Discounting", in Encyclopedia of Social Psychology, ed. Roy F. Baumeister and Kathleen D. Vohs, Thousand Oaks, CA: Sage.