

DEVELOPMENT ECONOMICS

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Course Material Developed by Department of Economics,
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Syllabus

The main topic of the course is applied growth theory. We are focusing during the whole semester on the determining factors of economic growth and development. Theory and application has to be underlined: while discussing a subject, we start from models as structured, logical constructs without ignoring that are used to describe and explain some specific features of certain countries.

As the course is dealing with those special features of the economic growth models that are valid for developing countries, we cannot avoid normative statements and recommendations regarding economic policy. We will find far more practical “to-do-lists”, receipts and moral dilemmas than in standard macroeconomic models.

During the course we get an overview of theories, frameworks and empirical analyses focusing especially on describing the characteristics of developing countries, examining their problems and the suggested solutions for them.

The highly detailed issues include the analysis of economic backwardness and its consequences, the inequality of income and wealth and its effect on development and on catching-up and the description of phenomena caused by the disproportionality among sectors and the underdevelopment of financial markets.

We also pay attention to the specificities of international economic relationships of developing countries, the effects of globalization on them and the problems of effective foreign aid.

Prerequisites for the course are the knowledge of basic micro- and macroeconomic models, and the solid comprehension of English textbooks.

Given that we integrate case studies and empirical analyses, some basic knowledge of statistics and econometrics is also required.

Literature:

Debraj Ray [1998]: *Development Economics*, Princeton University Press, Princeton, New Jersey.

Chenery, H.–Srinivasan, T. N. (Eds.) [1988]: *Handbook of Development Economics*. North Holland, Amsterdam (excerpts)

William Easterly [2002]: *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. MIT Press, Cambridge, Mass.

William Easterly [2007]: *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. Penguin Press.

Balázs Zoltán–Szilágyi Katalin (Eds.) [2008]: *Globalizáció és kapitalizmus*. Századvég, Budapest (excerpts)

Banerjee, A.– E.Duflo [2008]: *The experimental approach to development economics*. NBER Working Paper No. 14467

Weekly curriculum:

1. Economic development: concepts and measures. Difficulties of measurement, economic and non-economic indicators. Stylized facts about economic development. Income inequalities: difficulties of measurement. Indicators of inequality in developed and developing countries: theory and experiences.
2. Economic growth: theory I. From the Harrod–Domar model to the neoclassical theory of growth. The Solow model and its consequences. The convergence debate. Conditional and non-conditional convergence: empirical results.

3. Economic growth: theory II. Endogenous growth theory. Human capital and growth. Technological change.
4. Endogenous growth theory and empirics. Case study: East Asia, Asia's Tigers
5. The role of institutions in growth. Historical embeddedness, path dependence and growth. Colonial past and institutions.
6. History and institutions: empirical analysis. Institutional economics and empirics.
7. "Curse of the treasures". The role of natural resources in growth. The Dutch disease, dual development and the curse of the treasures. Rent seeking. Empirical findings.
8. Foreign aid and growth. Theory. Models of aid of the first, second and third generation, normative consequences of current growth theory. Experiences in aid. Econometric researches and case studies. The medicine model vs. the role of institutions.
9. International trade. International economic relations, comparative advantage, the benefit of trade.
10. International trade policy. The Heckscher–Ohlin model. Instruments of trade policy and recommendations. The effects of trade liberalization on welfare.
11. Credits in developing countries. The demand on credits. Models of informal lending, the institutions of formal lending. Micro-credits and the Grameen model.
12. Opening the capital markets. Financial liberalization. International cash-flows and their effect on welfare. Theory and empirics.
13. Class-room presentations.