

Development Economics

Allievi and Master in Economics Programmes Second Term 2010/11

Lecturer: Esteban Jaimovich

Office Hours: Mondays 4pm-5pm

Synopsis: The course is mainly aimed at reviewing modern theories of development economics, with special emphasis on the long run effects of different types of market failures. It is very important for the student to be familiar with the concepts of moral hazard and adverse selection, which will be widely used in the first half of the course. In the second part of the course, a few empirical papers will also be reviewed, which requires from the student some knowledge of econometrics methods.

Topic 1: Quick review on the Neoclassical Growth Theory (Solow model)

- Barro R. and Sala-i-Martin X. (1995): *Economic Growth*, McGraw Hill. Chapter 1.
- Acemoglu D. (2008): *Introduction to Modern Economic Growth*, Princeton Univ. Press. Chapter 1 -- this chapter is available on line at: <http://press.princeton.edu/chapters/s8764.pdf>

Topic 2: Coordination Failures and Technological Non-Convexities

- Murphy K., Shleifer A. and Vishny R. (1989): Industrialization and the Big Push, *Journal of Political Economy* 97, 1003-1026.
- Acemoglu D. and Zilibotti F. (1997): Was Prometheus Unbound by Chance? Risk, diversification and growth, *Journal of Political Economy* 105, 709-751.
- Basu K. (1997): *Analytical Development Economics*, MIT press. Chapter 2

Topic 3: Credit Market Imperfections and Poverty Traps

- Banerjee, A. and Newman, A. F. (1993): Occupational Choice and the Process of Development, *Journal of Political Economy* 101, 274-298.
- Ghatak, M. and Jiang, N. (2002): A Simple Model of Inequality, Occupational Choice, and Development, *Journal of Development Economics* 69, 205-226.
- Galor, O. and Zeira, J. (1993): Income Distribution and Macroeconomics, *Review of Economic Studies* 60, 35-52.

Topic 4: Group Lending and Microcredit

- Ghatak, M. (1999): Group Lending, Local Information and Peer Selection, *Journal of Development Economics* 60, 27-50.
- Ghatak, M. and Guinnane, T. (1999): The Economics of Lending with Joint Liability: theory and practice, *Journal of Development Economics* 60, 195-28.
- Chowdhury, R. (2005): Group-lending: Sequential financing, lender monitoring and joint liability, *Journal of Development Economics* 77, 415-39

Topic 5: The Rural Economy and Modernisation

Theory

- Acemoglu D. (2008): *Introduction to Modern Economic Growth*, Princeton Univ. Press. Chapter 21.
- Matsuyama, K. (2002): Agricultural Productivity, Comparative Advantage, and Economic Growth, *Journal of Economic Theory*, 58, 317-334.

Empirics

- Townsend, Robert (1994): Risk and Insurance in Village India. *Econometrica* 62, 539-591.
- Morduch, Jonathan (2002): Consumption Smoothing Across Space, UN Discussion Paper.

Topic 6: Institutions, Property Rights and Corruption

Theory

- Besley, T. and Ghatak, M. (2009): Property Rights and Economic Development, in *Handbook of Development Economics*.
- Caselli, F. and Morelli, M. (2004): Bad Politicians, *Journal of Public Economics* 88, 759-782.

Empirics

- Acemoglu, A., Johnson, S. and Robinson, J.A. (2001): The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review*, 91, 1369-1401.
- Goldstein, M. and Udry, C. (2008): The Profits of Power: Land Rights and Agricultural Investment in Ghana.

Evaluation Method

There will be a mid-term exam covering the material in Topics 1, 2, 3 and 4; this exam will count for 60% of the final mark. The remainder 40% will be the result of a final assignment, which will cover the material in Topics 5 and 6.

Problem Sets

For Topics 1-4 I will regularly prepare problem sets, intending to approximately reflect the types of questions to be expected in the mid-term exam. Students are strongly advised to work in groups of 2 (or max. 3) when solving them. Upon their own will, students may choose to return their assignments to me for (mock) grading as feedback. Expectably, though, these (mock) grades will count just *nothing* in the final grade.