

Lecturer: Dr. Kumar Aniket

Course Materials and Coverage

Development has been one of the most lively and thought provoking areas in the Economics. Over the past two decades there have been advances in econometric methods and economic theory, which have allowed Development Economics to reformulate some age-old questions. This course will introduce you to these advances and give you a feel of the lively and stimulating debate that has ensued.

This course will take you through an exciting journey that will acquaint you with new ideas and new ways of answering fundamental questions about economic development. These are the very ideas that have enriched our understanding of the processes that ultimately engender economic development. The course has a broad reach and is relevant as an introduction to the subject for continuing students as well as to people who work in the world of policy and business. It is designed to equip you with the *theoretical* and *applied* tools that will allow you to analyse the problems faced by *deprived communities* across the world in a systematic and analytical way.

Format

The course will explore twelve important topics in the field of Economic Development. We will devote a lecture and a class to each topic. Each *lecture* would be based on a set of readings and is intended to give you an overview of the topic as well as acquaint you with current research in the area. Each *class* focusses on a particular journal article and is designed to help you to explore the topic in greater detail. It is crucial that you read the relevant article carefully and attempt to answer the questions set out in the class exercise sheet before attending the class. There are also *further readings* in nine topics. These are relatively advanced texts, which would allow you to pursue the topic further.

Reference Text

The main textbook for the course is:

Ray, D. (1998). *Development economics*. Princeton University Press.

We will also use Deaton, A. (1997). *The Analysis of Household Surveys: A Microeconometric Approach to Development Policy*, Johns Hopkins University Press, as a reference text in Lecture 9. For students less familiar with econometrics, it would be useful to look through an introductory econometric text (like Dougherty, C. (1992). *Introductory Econometrics*. Oxford University Press) before the start of the course.

Background Articles: The following articles would also help familiarise the students with the econometric techniques discussed in the course:

Duflo, E., Glennerster, R & Kremer, M. (2006). Using Randomization in Development Economics Research: A Toolkit. <http://www.aniket.co.uk/teaching/devt2009/duflo2006.pdf>

Donaldson, D. and Mueller, H. (2005). Some Notes on the Intuition behind popular econometric techniques. <http://www.aniket.co.uk/teaching/devt2009/Donaldson2005.pdf>


Angrist and Krueger (Autumn, 2001). Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments *The Journal of Economic Perspectives*, Vol.15, No.4, pp. 69-85. <http://econ-www.mit.edu/files/18>


Course Outline & detailed reference list:



Lecture 1: Introduction: Redistribution, Growth and Welfare

Chapters 1 & 2 of Ray (1998)

Besley, T. and Burgess, R. (2003). Halving Global Poverty. *The Journal of Economic Perspectives*, 17(3):3–22. 


Basu, K. and Maertens, A. (2007). The pattern and causes of economic growth in India. *Oxford Review of Economic Policy*, 23: 143–167. 


Banerjee, A.V. and Duflo, E. (2007). The Economic Lives of the Poor. *The Journal of Economic Perspectives*. 21(1):141–167. 


- ▶ **Class based on** Dasgupta, P. and Weale, M. (1992). On measuring the quality of life. *World Development*, 20(1):119–131. 
- and** Besley, T. and Burgess, R. (2003). Halving Global Poverty. *The Journal of Economic Perspectives*, 17(3):3–22. 


- ♣ Further Reading: Sen, Amartya. (1988). The Concept of Development. Chapter 1 in *Handbook of Development Economics* (1988), Vol. I, edited by Chenery, H. & Srinivasan, T. N.

References mentioned in the Lectures:

Dasgupta, P. and Weale, M. (1992). On Measuring the Quality of Life, *World Development* 20, pp. 119-131. 

Collier, P. and Gunning, J. (1999). Why Has Africa Grown Slowly? *Journal of Economic Perspectives*, 13:2, Summer. pp. 3-22. 

Collier, P. and Gunning, J. W. (1999). Explaining African Economic Performance. *Journal of Economic Literature*, Vol. 37, No. 1 (Mar., 1999), pp. 64-111 

Williamson, O.E. (2000). The New Institutional Economics: Taking Stock, Looking Ahead *Journal of Economic Literature*, Vol. 38(3), Sep., pp. 595-613. 


Lecture 2: Economic Growth: The Neo-classical and Endogenous story

Chapters 3 & 4 of Ray (1998).

Aniket's Lecture Notes on Economic Growth.

Lucas Jr, R.E. (1990). Why Doesn't Capital Flow from Rich to Poor Countries? *American Economic Review*. 80(2): 92-96. 

Jones, C. (1997). On The Evolution of the World Income Distribution. *Journal of Economic Perspectives*, vol. 11, pp. 19-36. 

- ▶ **Class based on** Jones, B. & Olken, B. (2005). Do Leaders Matter? National Leadership and Growth since World War II. *Quarterly Journal of Economics*, 120(3):835–864. 


- ♣ Further Reading: Lucas, R. E. (2004). *Lectures on Economic Growth*. Harvard University Press

Lecture 3: Economic Growth: Education and Human Capital


Chapters 5 of Ray (1998)

Duflo, E. (2001). Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment. *American Economic Review*, 91(4): 795–813. 

Galor, O. and Zeira, J. (1993). Income Distribution and Macroeconomics. *Review of Economic Studies*, 60(1): 35–52. 

Chaudhury, N. Hammer, J. Kremer, M. Muralidharan, K. & Rogers, H., (2006). Missing in Action: Teacher and Health Worker Absence in Developing Countries. *Journal of Economic Perspectives*, Winter 2006, pp 91–116. 

Lucas Jr, R.E. (1993). Making a Miracle. *Econometrica*, 61(2): 251–272. 


- ▶ **Class based on** Mankiw, N.G., Romer, D. and Weil, D. (1992). A Contribution to the Empirics of Economic Growth. *Quarterly Journal of Economics*, Vol. 107 (2) May, pp. 407–437. 


- ♣ **Further Reading:** Acemoglu, Johnson and Robinson (2004). Institutions as the Fundamental Cause of Long-Run Growth. *Handbook of Economic Growth*.


Occupational Choice Literature:


Banerjee, A.V., Newman, A., (1993). Occupational choice and the process of development. *Journal of Political Economy* 101 (2), 274–298.
 Piketty, T. (1997). The dynamics of wealth distribution and the interest rate with credit rationing. *Review of Economic Studies* 64 (2), 173–189.
 Aghion, P., Bolton, P. (1997). A trickle-down theory of growth and development with debt overhang. *Review of Economic Studies* 64 (2), 151–172.
 Aghion, P., Banerjee, A., Piketty, T., (1999). Dualism and macroeconomic volatility. *Quarterly Journal of Economics* 114 (4), 1359–1398.
 Ghatak, M., Morelli, M., Sjöström, T., (2001). Occupational choice and dynamic incentives. *Review of Economic Studies* 68 (4), 781–810.
 Ghatak, M., Morelli, M., Sjöström, T., (2007). Entrepreneurial Talent, Occupational Choice, and Trickle Up Policies, *Journal of Economic Theory*, Volume 137, No. 1, November 2007.

Lecture 4: Media and Policy

Besley, T. and Burgess, R. (2001). Political agency, government responsiveness and the role of the media. *European Economic Review*. 45(4-6):629–640. 

Djankov, S., McLiesh, C., Nenova, T., and Shleifer, A. (2003). Who owns the media? *Journal of Law and Economics*, XLVI. 

Reinikka, R. and Svensson, J. (2004). The power of information: Evidence from a newspaper campaign to reduce capture of public funds. *World Bank, Mimeo*. 


- ▶ **Class based on** Besley, T. and Burgess, R. (2002). The political economy of government responsiveness: Theory and evidence from India. *Quarterly Journal of Economics*, 117(4):1415–1451. 


References mentioned in the Lectures:

Fafchamps, M. (1999). Ethnicity and Credit in African Manufacturing. *Journal of Development Economics*. Vol. 61(1). Feb., pp 205–235. 
 Marianne Bertrand, Simeon Djankov, Rema Hanna, Sendhil Mullainathan (2008). Corruption in Driving licensing process in Delhi. *Economic Political Weekly*. 
 Marianne Bertrand, Simeon Djankov, Rema Hanna, Sendhil Mullainathan (2007) Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption. *Quarterly Journal of Economics* Vol. 122, No. 4, Pages 1639–1676. 

Lecture 5: Property Rights


Chapters 11 & 12 of Ray (1998)

Acemoglu, D., Johnson, S., and Robinson, J. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *The American Economic Review*. Vol. 91(5), pp. 1369–1401 

Banerjee, A., Gertler, P., and Ghatak, M. (2002). Empowerment and Efficiency: Tenancy Reform in West Bengal. *Journal of Political Economy*, 110(2):239–80. 


Lin, J. (1992). Rural Reforms and Agricultural Growth in China. *The American Economic Review*, 82(1):34–51.


- ▶ **Class based on** Nunn, N. (2008). The Long Term Effects of Africa's Slave Trades. *Quarterly Journal of Economics*, Vol. 123, No. 1, February. pp. 139-176. 


- ♣ Further Reading: Besley, T. and Ghatak, M. (2009). Property Rights and Economic Development, forthcoming in D. Rodrik and M. Rosenzweig (eds) *Handbook of Development Economics V*, North Holland. 

References mentioned in the Lectures:

Acemoglu, D. and J. Robinson (2006). *Economic Origins of Dictatorship and Democracy*. Cambridge University Press. Chapters 1, 2, 3 and 6.1-6.6.

Besley, T. and Ghatak, M. (2009). The de Soto Effect, Mimeo, LSE. 


Coase, R.H. (1960). The Problem of Social Cost, *Journal of Law and Economics*, 3 (1), 1–44. 

Banerjee, A. and Iyer, L. (2005). History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India. *The American Economic Review*, Vol. 95, No. 4 Sep., pp. 1190-1213 


Levitt, S.D. (2004). Understanding Why Crime Fell in the 1990s: Four Factors That Explain the Decline and Six That Do Not *The Journal of Economic Perspectives*, Vol. 18(1) Winter, pp. 163-190 


Lecture 6: Land Redistribution

Chapters 11 & 12 of Ray (1998)

Banerjee, A., Gertler, P., and Ghatak, M. (2002). Empowerment and Efficiency: Tenancy Reform in West Bengal. *Journal of Political Economy*, 110(2):239–80. 

Burgess, R. (2004). Mao's Legacy: Access to Land and Hunger in Modern China. Mimeo. Department of Economics and STICERD, LSE. 

- ▶ **Class based on** Besley, T. and Burgess, R. (2000). Land Reform, Poverty Reduction, and Growth: Evidence from India. *The Quarterly Journal of Economics*, 115(2): 389–430. 


- ♣ Further Reading: Ghatak, M. and Roy, S. (2007). Land reform and agricultural productivity in India: A review of the evidence. *Oxford Review of Economic Policy*. 

References mentioned in the Lectures:

Paul Krugman. (1991). History Versus Expectations *The Quarterly Journal of Economics*, Vol. 106, No. 2 (May), pp. 651-667 

Lecture 7: Health

Chapter 8¹ & 13² of Ray (1998)

Burgess, R. and Zhuang, J. (2002), *Modernisation and Son Preference*. Mimeo, LSE. 

¹Section on the *Functional Impact of Nutrition*

²Section on the *Poverty, Nutrition and Labour Market*

Subramanian, S. and Deaton, A. (1996). The Demand for Food and Calories. *Journal of Political Economy*, 104 (1). [↕](#)

- ▶ **Class based on** Thornton, R. (2008). The demand for, and impact of, learning hiv status. *The American Economic Review*, 98(5):1829–1863. [↕](#)

References mentioned in the Lectures:

Sen, Amartya (1992). Missing Women. *British Medical Journal*, 1992, 304, 587588. [↕](#)
 Jensen, R. and Oster, E. (2009) The Power of TV: Cable Television and Women's Status in India (with Robert Jensen) *Quarterly Journal of Economics*, August. [↕](#)
Emily Oster's response to Das Gupta (2005) "Explaining Asia's Missing Women – A New Look at the Data" *Population and Development Review*, May 2006. [↕](#)
 Chen, Gang, Oster, Emily et. al. Hepatitis B Does Not Explain Male-Biased Sex Ratios in China *Economics Letters*, forthcoming. [↕](#)
 Jensen, R. and Oster, E. (2005) Hepatitis B and the Case of the Missing Women *Journal of Political Economy*, December 2005. [↕](#)

Lecture 8: Credit, Saving and Insurance

Chapters 12 & 14 of Ray (1998)

Ghosh, P., Mookherjee, D., & 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 Mookherjee, D. & Ray, D., London: Blackwell, pages 383–301. [↕](#)

Burgess, R., and R. Pande (2005). Do rural banks matter? Evidence from the Indian social banking experiment. *American economic review* 95, 3:780–795. [↕](#)

Aniket, K. (2006). Does Subsidising the Cost of Capital Really Help the Poorest? An Analysis of Saving Opportunities in Group Lending. Mimeo. [↕](#)

- ▶ **Class based on** Burgess, R., and R. Pande (2005). Do rural banks matter?: Evidence from the Indian social banking experiment. *American economic review* 95, 3:780–795. [↕](#)

- ♣ Further Reading: Besley, T (1995). Savings, credit and insurance. Chapter 36 in *Handbook of Development Economics*, vol. 3 edited by Behrman, J. & Srinivasan, T.N.

References mentioned in the Lectures:

Aniket, K. (2006) Self Help Group Linkage Programme: A case-study. Mimeo. [↕](#)
 Sappington, D.E.M. (1991). Incentives in Principal-Agent Relationships. *The Journal of Economic Perspectives*, Vol. 5, No. 2 (Spring), pp. 45-66. [↕](#)

Lecture 9: Microfinance

Chapters 14 & 15 of Ray (1998).

Aniket's Lecture Notes on Microfinance. [↕](#)

Morduch, J. (1999). The microfinance promise. *Journal of Economic Literature*, 37(4):1569–1614. [↕](#)

Aniket, K. (2006). Sequential group lending with moral hazard. Mimeo.

- ▶ **Class based on** on Lecture Notes on Microfinance [↕](#)

- ♣ Further Reading: Armendariz de Aghion, B. & Morduch, J. (2007). *The Economics of Microfinance*. MIT Press.

Lecture 10: Social Networks and Social Capital

McMillan, J. and Woodruff, C. (1999), Inter-firm Relationships and Informal Credit in Vietnam. *Quarterly Journal of Economics*, 114, Nov. 1999, 1285–1320.

Banerjee, A. and Duflo, E. (2000). Reputation Effects And The Limits Of Contracting: A Study Of The Indian Software Industry. *Quarterly Journal of Economics*, 115(3):989–1017.

- ▶ **Class based on** Miguel, E. and Gugerty, M. (2005). Ethnic diversity, social sanctions, and public goods in Kenya. *Journal of Public Economics*, 89(11-12):2325–2368.

- ♣ Further Reading: Goyal, Sanjeev. (2007). *Connections: An Introduction to the Economics of Networks*. Princeton University Press.

References mentioned in the Lectures:

William Dalrymple (1998). *From the Holy Mountain: A Journey In The Shadow of Byzantium*. Flamingo.

William Dalrymple (1999) *City of Djinns: A Year in Delhi*. Flamingo.

Alesina, A. Baqir, R. Easterly, W. (1999). Public Goods and Ethnic Divisions *Quarterly Journal of Economics* Vol. 114, No. 4, pp 1243-1284.

Mauro, P. (1995). Corruption and growth. *The Quarterly Journal of Economics*.

Lecture 11: Decentralisation and Public Good Provisions

Besley, T. and Ghatak, M. (2004). Public Goods and Economic Development. Mimeo, Department of Economics, LSE.

Miguel, E. (2004). Tribe or Nation? Nation Building and Public Goods in Kenya versus Tanzania. *World Politics*, 56(3):327–362.

Shliefer, A. and Vishny, R. (1993). Corruption. *Quarterly Journal of Economics*, 108(3):599–617.

- ▶ **Class based on** Besley, T., Pande, R. and Rao, V. (2005), Political Selection and the Quality of Government: Evidence from South India. mimeo, Department of Economics, LSE.

- ♣ Further Reading: Besley, T. (2007). *Principled Agents?: The Political Economy of Good Government* (Lindahl Lectures). Oxford University Press.

References mentioned in the Lectures:

Besley, T. and Ghatak, M. (2005). Competition and Incentives with Motivated Agents. *The American Economic Review*, Vol. 95, No. 3 (Jun), pp. 616-636.

Camerer, C.F. and Loewenstein, G. Rabin, M. (2003). *Advances in Behavioral Economics*. Princeton University Press.

Sappington, D.E.M. (1991). Incentives in Principal-Agent Relationships *The Journal of Economic Perspectives*, Vol. 5, No. 2 (Spring), pp. 45-66.

Lecture 12: Regulation and Development

Djankov, S., La Porta, R., Lopez-De-Silanes, F., and Shleifer, A. (2002). The Regulation Of Entry. *The Quarterly Journal of Economics*, 117(1): 1–37.

Besley, T. and Burgess, R. (2004). Can Labor Regulation Hinder Economic Performance? Evidence from India. *Quarterly Journal of Economics*, 119(1).

- ▶ **Class based on** Djankov, S., La Porta, R., Lopez-De-Silanes, F., and Shleifer, A. (2002). The Regulation Of Entry. *The Quarterly Journal of Economics*, 117(1):1–37.

- ♣ Further Reading: Laffont, Jean-Jacques. (2005). *Regulation and Development* (Federico Caff Lectures). Cambridge University Press.

References mentioned in the Lectures:

Krugman, Paul. Incidents from my career. ▣

Krugman, P. (2009). The increasing returns revolution in trade and geography. *American Economic Review*. ▣