

Development Economics
Spring 2007
City University

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At the end of this course, I hope you will be convinced that economists have a variety of interesting things to say about development. The first part of the course will be macroeconomics-based, with the study of the determinants of economic growth; then, we will look at development issues from a more microeconomic perspective.

The rules:

This is a 10 week course (January 22 till March 26), with 2 hours of lecture and 1 hour of small class each week. (so 30 hours total).

The 10 lectures will cover the topics listed below.

There will be one problem set per week, starting on week 2 (January 29), and we will discuss solutions together during small classes. I won't grade these problem sets, but strongly advise you to attempt to solve them before the class, since they are meant to prepare you for the mid term and final exams (where there will be the exact same type of questions)

The first part of the lecture on week 6 (Monday 26 February, 2 - 2.50pm) will be devoted to a short mid term exam, so you all have to be there that day. The grade will account for 20% of the final grade (the remaining 80% being your final exam in May). The mid term will be made of short questions, based on material covered in problem sets and lectures up to February 19.

As required by the school, you will also be provided a mock exam and model answers (but this is also precisely the purpose of small classes to provide you with that weekly).

Lecture notes and problem sets will be posted on the course webpage.

References:

The main textbook I will draw upon is Development Economics, by Debraj Ray.

You do NOT have to buy it (textbooks can be pretty expensive and you have lots of courses): I will make sure you get everything you are expected to know for the exams during the lectures and classes. (of course, if you really like development economics and would like to work in development when you graduate, it can't hurt to read as much as you can)

In addition to these main references, other readings, often freely accessible online, will be mentioned throughout the course.

Topics to be covered:
(see course website for lecture notes and problem sets)

NB: if you read Debraj Ray's textbook, you'll see that we are not covering all the sections in the chapters mentioned below. Just look for the sections of interest based on the lecture notes, and of course, you can also look at other things based on your own interests.

Topic 1:

Introduction: what is economic development?

Economic growth: Harrod Domar model, Solow model

Sources: Debraj Ray chapter 3; The Elusive Quest for Growth (William Easterly); The End of poverty (Jeffrey Sachs)

Topic 2:

Institutions and growth/ geography and growth

sources: « Institutions and growth » in Handbook of economic growth (Acemoglu, Johnson and Robinson); Geography and development (Gallup, Sachs, and Mellinger); Debraj Ray, chapter 5.

Topic 3:

Measuring inequality; growth and inequality

Sources: Debraj Ray chapters 6 and 7

Topic 4:

Gender inequality and development

Sources: Debraj Ray chapter 9; Gender equality in development (Esther Duflo); Sibling rivalry and the gender gap (Garg and Morduch)

topic 5:

Rural/Urban dichotomy

Sources: Debraj Ray chapter 10.

Topic 6:

Credit markets 1: adverse selection and moral hazard on the credit market.

Sources: Debraj Ray chapter 14; « The economic of Microfinance » (by Armendariz De Aghion and Morduch)

Topic 7:

Credit markets 2: The group lending methodology: how it attempts to solve adverse selection and moral hazard problems.

Sources: « The economic of Microfinance » (by Armendariz De Aghion and Morduch)

topic 8:

International trade and development

Sources: Debraj Ray chapters 16 and 17

topic 9:

« The economics of international aid » (based on paper by Ravi Kanbur)