

Paper 20: DEVELOPMENT THEORY AND EXPERIENCE - I

Course Description

This is the first part of a two-part course on economic development. The course begins with a discussion of alternative conceptions of development and their justification. It then proceeds to aggregate models of growth and cross-national comparisons of the growth experience that can help evaluate these models. The axiomatic basis for inequality measurement is used to develop measures of inequality and connections between growth and inequality are explored. The course ends by linking political institutions to growth and inequality by discussing the role of the state in economic development and the informational and incentive problems that affect state governance.

Course Outline

1. Conceptions of Development

Alternative measures of development, documenting the international variation in these measures, comparing development trajectories across nations and within them.

2. Growth Models and Empirics

The Harrod-Domar model, the Solow model and its variants, endogenous growth models and evidence on the determinants of growth.

3. Poverty and Inequality: Definitions, Measures and Mechanisms

Inequality axioms; a comparison of commonly used inequality measures; connections between inequality and development; poverty measurement; characteristics of the poor; mechanisms that generate poverty traps and path dependence of growth processes.

4. Political Institutions and the Functioning of the State

The determinants of democracy; alternative institutional trajectories and their relationship with economic performance; within-country differences in the functioning of state institutions; state ownership and regulation; government failures and corruption.

Readings

1. Debraj Ray, *Development Economics*, Oxford University Press, 2009.
2. Partha Dasgupta, *Economics: A Very Short Introduction*, Oxford University Press, 2007.
3. Abhijit Banerjee, Roland Benabou and Dilip Mookerjee, *Understanding Poverty*, Oxford University Press, 2006.
4. Kaushik Basu, 2012, editor, *The New Oxford Companion to Economics in India*, Oxford University Press.
5. Amartya Sen, *Development as Freedom*, Oxford University Press, 2000.
6. Daron Acemoglu and James Robinson, *Economic Origins of Dictatorship and Democracy*, Cambridge University Press, 2006.
7. Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton University Press, 1994.

**UNIVERSITY OF DELHI
DELHI SCHOOL OF ECONOMICS
DEPARTMENT OF ECONOMICS**

Minutes of Meeting

Subject	:	B.A.(Hons.) Economics – Fifth Semester (2013)
Course	:	16 Development Theory and Experience I
Date of Meeting	:	29.07.2013 (Monday), 2.00 P.M.
Venue	:	Department of Economics, Delhi School of Economics, University of Delhi
Convenor	:	Prof. Rohini Somanathan
Attended by	:	

1. Deepti Taneja, DCAC
2. Basanti Nayak, Satyawati College (M)
3. Meeta Kumar, Miranda House
4. Meenakshi Sharma, Sri Venkateswara College
5. Rita Rani, DRC
6. Kamlesh Aggarwal, SPM
7. Megha Yadav, SRCC
8. Shirin Akhter, ZHC
9. Parul Gaur, KNC
10. Indranil Choudhury, PGDAV(M)
11. Aumi Gupta, Miranda House
12. Dolly Menon, LSR
13. Puja S.Nigam, Hindu College
14. Pragya Atri, ARSD
15. Rekha Sharma, SGGSCC
16. Shikha Gupta, JDM
17. Saachi Bhutani, Kalindi College
18. Dr.Suman Rani, College of Vocational Studies
19. Neha Mathur, SGGSCC

Purpose: This is the first year this course is being taught under the 3-year semester system. The topic-wise readings were discussed and are inserted in the relevant sections of the syllabus which is reproduced below. The last two books listed in the syllabus were not included this year since both of these are new to the course and were still unfamiliar to those teaching it. The 2013 Human Development Report has does not have a technical appendix with the new formulae for calculating the HDI. These are available on the HDR website and are also being made available in pdf format to all those teaching the course.

Topic-wise readings

Books used for multiple topics:

- 1) Debraj Ray, *Development Economics*, (DE) Princeton University Press, 1998.
- 2) Partha Dasgupa, *Economics: A Very Short Introduction*, (AVSI), Oxford University Press, 2007.
- 3) Abhijit Banerjee, Roland Benabou and Dilip Mookerjee ed. *Understanding Poverty* (UP), OUP, 2006.

1. Conceptions of Development

- i) AVSI, pages 1-29: Characteristics of Development
- ii) DE, chapter 2: Some historical explanations for differences in development indicators.
- iii) *Human Development Report*, relevant tables from latest edition, plus technical report with HDI formulae and examples
- iv) Pranab Bardhan, *Awakening Giants, Feet of Clay: Assessing the Economic Rise of China and India*, OUP, 2010, Chapters 2 and 10.

2. Growth Models and Empirics

DE, chapters 3 and 4.

3. Poverty and Inequality: Definitions, Measures and Mechanisms

- i) DE, chapter 6 on inequality measurement, chapter 8 on poverty measures and correlates (8.1, 8.2, 8.3 and appendix for FGT measures)
- ii) Angus Deaton, "Measuring Poverty", chapter 1 in UP (on defining poverty lines)
- iii) Amartya Sen, "Poverty as Capability Deprivation," chapter 4 in *Development as Freedom*, OUP, 2000.
- iv) Thomas Piketty, "The Kuznet's Curve, Yesterday and Tomorrow", UP, chapter 4.
- v) Joseph Stiglitz, *The price of inequality: how today's divided society endangers our future*, W.W. Norton, 2012, Chapter 1. "America's 1 percent problem."

4. Political Institutions and the Functioning of the State

The determinants of democracy; alternative institutional trajectories and their relationship with economic performance; within-country differences in the functioning of state institutions; state ownership and regulation; government failures and corruption.

For the 100 marks paper, there would be

- 75 marks : University Exam
- 25 marks : Internal Assessment (*5 marks are for attendance and 20 marks for two class tests of 10 marks each*)

State and the Market

- i) AVSI, Chapters 2 (Trust), 3 (Communities) and 4 (Markets) (pages 30-89)
- ii) Thomas C. Schelling, *Micromotives and Macrobehavior*, chapter 1,
- iii) Mancur Olson, Jr. “ Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor “, *Journal of Economic Perspectives*, volume 10, number 2, pages 3-24, 1996.
- iv) Albert O. Hirschman, *Rival Views of Market Society and Other Essays*, chapter 1 : “A Dissenter's Confession: The Strategy of Economic Development Revisited “and chapter 3: “Linkages in Economic Development”
- v) Dani Rodrik, “Fifty Years of Growth (and lack thereof): An Interpretation” (Chapter 1 of *One Economics, Many Recipes: Globalization, Institutions and Economic Growth*).
- vi) Jean Jacques Laffont, “Corruption and Development “, chapter 11 in UP
- vii) Andre Shleifer and Robert W. Vishny, “Corruption”, *Quarterly Journal of Economics*, 108(3), 1993, pp 599-617.

