

## Winter Term 2013/14

### Development Economics I: Macro Issues in Development Economics

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Lecture: Tuesday 8:30-10:00, ZHG 003

Tutorials: (Beginning in the second week): Tuesday 14-16 (VG 3.103), Wednesday 16-18 (Theologicum 0.136), Thursday 14-16 (VG 1.104).

This course is providing an overview of development economics issues, with particular emphasis on macro issues in economic development. The most important topics to be covered are the measurement and meaning of economic development, theoretical and empirical growth research, trade and development, population and development, inequality and development, development and the environment, and aid and capital flows.

This lecture is part of a three course cycle on development economics (Development Economics I-III). For students in the MA Development Economics, the first 2 are required and third is optional. For student in the MA International Economics, it is recommended to take at least I or II if they would like to follow a specialization in development economics.

#### Texts:

Debraj Ray (1998). Development Economics. Princeton University Press  
Perkins, Radelet, Lindauer: Economics of Development 6<sup>th</sup> edition (2006).  
Todaro, Michael: Economic Development, 9th edition (2006) or 10<sup>th</sup> edition (2009)  
Meier: Leading Issues in Economic Development 6<sup>th</sup> (1995) und 7<sup>th</sup> (2000) und 8<sup>th</sup> (2005) Edition.

Additional material is placed in the studip system. The literature with an \* are required, the others recommended.

### **Exam and Credits**

There will be a 90 minute exam at the end of the course. Students will earn 6 credits for the course.

### **1. What is Development**

- Overview
- Conceptual approaches to development
- Measurement and indicators
- Income and non-income approaches
- Alternative measures of development: HDI, MPM

Readings:

1. Sen, A. 'The Concept of Development' in Chenery und Srinivasan (Hrsg) Handbook of Development Economics (1988)\*
2. United Nations: The Millenium Development Goals. Available at <http://www.developmentgoals.org/>\*
3. GRSGR 6th edition: Kapitel 2 (davon 31-39\*)
4. Todaro and Smith (10th ed.), 14-34, 39-56.\*
5. Ray: S. 7-33.\*
6. Meier (8<sup>th</sup> edition): 5-33\*.
7. Human Development Report 2010, 215-222.\*
8. Sen, Amartya: Development as Freedom, ch. 1, 2
9. Gruen, C. und S. Klasen. Growth, inequality, and welfare: Comparisons across space and time, Oxford Economic Papers (2008).
10. Harttgen, K. and S. Klasen. (2011). A Household-Based Human Development Index. World Development (in press).

### **2. History of Underdevelopment and History of Development Economics**

- Trends in incomes across the world from A.D. 1-2010
- The big divergence 1820-1950
- Selective convergence 1950-2010
- The rise, fall, and re-emergence of development economics

Readings:

1. Hirschmann, Albert: The Rise and Decline of Development Economics, in Hirschmann (Hrsg). Essays in Trespassing.\*
2. E. L. Jones: The European Miracle Introduction\*, 1\*, 2, 12
3. Findlay, Ronald: The Triangular Trade and the Origins of the Atlantic Economy.
5. Meier 8<sup>th</sup> edition, 81-100, 118-131
6. Ray: Kapitel 11
7. Maddison: Contours of the World Economy 2007, Statistical Appendix A, 375-383\*, 116-177
8. E.L. Jones: Growth Recurring, Kapitel 11 (Introduction and chs. 1-2)
9. Landes, D. The Wealth and Poverty of Nations, Introduction, ch. 1-3

### **3. -5. : Growth Theory and Growth Empirics**

- Harrod-Domar Model
- Solow Growth Model
- New Growth Theory
- Growth Accounting
- Empirical Growth Regressions
- Growth Policies

Readings:

GRL (6th edition): Kapitel 4

Ray: Kapitel 3\*, 4\*

Asian Development Bank: Emerging Asia, Kapitel 2 (61-82\*) und S. 328-333\*.

Young (1995): The Tyranny of Numbers: Confronting the Statistical Reality of East Asia's Economic Growth, Quarterly Journal of Economics

Mankiw, Roemer, and Weil: A Contribution to the Empirics of Economic Growth\*, Quarterly Journal of Economics May 1992

### **6. and 7. Trade and Development**

- Ricardo's model of comparative advantage
- Heckscher-Ohlin Model
- New trade theories
- Empirical relevance of trade models
- Trade Policy: reliance on primary products vs. import substitution vs. export-orientation
- Trading blocs: advantages and problems

Readings:

GRL: Kapitel 19

Ray: Kapitel 16\*, 17\*, 18

Todaro: Kapitel 12

Meier: Kapitel III.A (139-150)\*

Sapsford and Balasubramanyam: The Long-Run Behaviour of the Relative Price of Primary Commodities, World Development.

Lipsey, R. Quality Change and other Influences on Measures of Export Prices of Manufactured Goods and the Terms of Trade between Primary Products and Manufacture, NBER Working Paper (1994).

Haddas, and Williamson, Terms of trade shocks and economic performance. Economic Development and Cultural Change, 51:629-656, April 2003

### **8. Development and Inequality**

- Measurement of inequality
- Kuznets-Hypothesis and its empirical relevance
- Interlinkages inequality, growth, welfare

Lektüre:

Ray: Kapitel 6\*, 7\*

Bruno, Ravallion, and Squire: Equity and Growth in Developing Countries (World Bank, 1997)

Deininger and Squire: New Ways of Looking at Old Issues: Inequality and Growth (1998), Journal of Development Economics (57): 259-287\*

GPL: 6th edition: Kapitel 6

Todaro: Kapitel 5

Grün and Klasen (2003)\*: Growth, Inequality, and Well-Being: Intertemporal and Global Comparisons. CESifo Economic Studies 49:617-649.

Klasen: Low Schooling for Girls, slower Growth for All? World Bank Economic Review 16:345-373

Forbes: A Reassessment of the Relationship between Inequality and Growth. American Economic Review Sept. 2000.

Klasen: In Search of the Holy Grail: How to Achieve Pro-Poor Growth. In Kolstad, Stern and Tungodden (eds.) Towards Pro-Poor Policies: Aid, Institutions, and Globalisation. New York: Oxford University Press (2003).

## **9. Population and Development**

- Demographic Trends in Developing Countries

- Theories of demographic change

- Malthusian pessimism versus Boserupian optimism

Readings:

Ray: Kapitel 9\*

Boserup (1965): Population and Technological Change (Kapitel 1-3).

Todaro: Kapitel 6

PRL (6<sup>th</sup> edition): Kapitel 7

Kremer (1995): Population Growth and Technological Change: One Million BC to 1990.

Quarterly Journal of Economics\*

Bloom and Williamson: Demographic Change and Economic Miracles in Asia. World Bank Economic Review\*

Klasen und Nestmann (2006): Population, Population Density, and Technological Change. Journal of Population Economics

## **9. Development and the Environment**

- Key environmental challenges in developing countries

- The Environmental Kuznets Curve: Theory and Evidence

- Climate change

- Measurement of sustainable development

Lektüre:

Weltbank: World Development Report 2003, Kap. 2 (15-18\*), 8\* available at:

<http://econ.worldbank.org/wdr/wdr2003/text-17926/>

Weltbank: World Development Report 1992, Overview\*, Kapitel 1\*,2\*

Todaro Kapitel 10

PRL (6th edition): Kapitel 20\*

Meier (8th edition): S. 599-621

Grossman and Krueger (1994): Economic Growth and the Environment, QJE 110: 353-377.\*

Panayatou, Peterson, und Sachs: Is the Environmental Kuznets Curve Driven by Structural Change?

CAER Discussion Paper No. 80 (2000). Erhältlich unter:

<http://www.hiied.harvard.edu/caer2/htm/content/papers/paper80/paper80.pdf>

Martinez-Zarzoso, I.: A general framework for estimating global CO2 emissions. Mimeographed, University of Göttingen (2008)

## **10. Aid and Capital Flows**

- Capital flows and aid
- Theories of aid
- Volume and allocation of aid
- Types of aid
- Aid effectiveness

Lektüre:

Todaro, Kapitel 14

PRL (6th edition): Kapitel 14 (darunter 536-561\*)

World Bank: Global Development Finance 2008, Kapitel 2, available at:

[http://siteresources.worldbank.org/INTGDF2008/Resources/gdf\\_ch02\\_033-080\\_web.pdf](http://siteresources.worldbank.org/INTGDF2008/Resources/gdf_ch02_033-080_web.pdf)

Alesina and Dollar (2000): Who gives Foreign Aid and Why? *Journal of Economic Growth*\*

World Bank. Assessing Aid. 1998. Overview\*, Kap. 1\*, 3\* available at:

<http://www.worldbank.org/research/aid/aidtoc.htm>

Dollar and Burnside: Aid, Policies, and Growth. *AER* September 2000.

Hansen and Tarp: Aid and Growth Regressions (2001). *Journal of Development Economics*

Dreher, Axel, Rainer Thiele and Peter Nunnenkamp, Does Aid for Education Educate Children? Evidence from Panel Data, *World Bank Economic Review* (2008).