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|---|---|---|---|
| **Course title:** Development Economics | | | |
| **Course code:** MPE 184 | **No. of credits:** 4 | **L-T-P:** 58-0-4 | **Learning hours:** 60 |
| **Pre-requisite course code and title (if any):** MPE 131 **(**Microeconomics) or equivalent | | | |
| **Department:** Department of Policy and Management studies | | | |
| **Course coordinator:** Dr Priyanka Arora | | **Course instructor:** Dr. Priyanka Arora | |
| **Contact details:** Priyanka.arora@terisas.ac.in | | | |
| **Course type:** Core | | **Course offered in:** Semester 2 | |

**Course description:**

This course introduces the students to challenges of economic development in India and the rest of the world. The introductory module offers a foundation for the course. The course offers an understanding of both historical trends and the present status of poverty, inequality and well-being in developing countries with an emphasis on empirical challenges in the estimation of these indicators. It also offers a microeconomic perspective of aspects that enable (or act as barriers) to economic development broadly categorized into functioning of markets (of the factors of production), political and social institutions. In each module, the students will examine the relevant theories, empirical validity of the theories (especially in the context of the Indian economy) and the associated policy implications.

**Course objectives:**

1. To introduce the students to theoretical and empirical issues pertaining to economic development.
2. To expose students to data and measurement issues of development indicators.
3. To enable students in analysing constraints to economic development.
4. To develop an understanding on India's economic development challenges.
5. To equip the students with tools and techniques used in the research in economic development.
6. To develop capacity among the students for research in policy domain.

**Course contents**

| Module | Topic | L | T | P |
|---|---|---|---|---|
| 1 | **Introduction** | | | |
| | Evolution of development economics | 2 | | |
| | Understanding the economic lives of the poor | 2 | | |
| | Development Analysis: Selected issues pertaining to data and causal inference. Practical: Introduction to development data in India, with a focus on national level household surveys like NSSO, IHDS, etc. Understanding data documentations, identifying methodology of survey and compilation of data and assessing the limitations of the data. | 6 | | 4 |
| 2 | **Outcomes of the Development Process** | | | |
| | Conceptualizing well-being and poverty; measurement of poverty; debates on assessment of poverty in India; Anti-poverty programs. | 8 | | |
| | Understanding Inequality; Measurement of Inequality; Inequality in India | 6 | | |
| 3 | **Markets and Market Failures** | | | |
| | Employment and wage determination in developing countries; mobility of labour; informal labour markets. | 6 | | |
| | Rural land markets, property rights, tenancy contracts. | 6 | | |
| | Role of financial capital markets in developmental process; credit and insurance markets in agrarian economies; evaluation of microfinance model as an alternate to traditional banking. | 6 | | |
| 4 | **Institutions and Development** | | | |
| | Government failure as barrier to development: case studies of corruption and ineffective provisioning of public goods | 6 | | |
| | Social institutions as barrier to development: social discrimination; impact of caste, religion and gender discrimination on developmental outcomes in India. | 4 | | |
| | Social institutions as enablers of development: social networks | 4 | | |
| 5 | **Way Forward** | 2 | | |

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|---|---|---|---|---|
| | **Total (in hours)** | **58** | | **4** |

**Evaluation Criteria**

Test 1: Empirical Exercise 20%

a. Task: Replication of empirical analysis of any existing literature on any topic in groups of 3 or 4 students
b. Structure of submission: A report that consists of the summary of the existing literature; outline of empirical method; data sources; interpretation of the results; class presentation and discussion.
c. Indicators of assessment: content (all items outlined in (b) above), structure and quality of the report (weightage: 75%); content and quality of presentation of the report in the class (weightage: 25%).

Test 2: Critical Review of Literature 30%

a. Task: Undertake a critical appraisal of literature on any topic listed in the syllabus.
b. Structure of submission: A paper that consists of introduction; summary of the literature; critique of the literature with supportive evidence; synthesis and conclusion
c. Indicators of assessment: selection of appropriate literature (weightage: 5%); clear and concise summaries (weightage: 30%); critique that is supported by evidence using author's calculations or by literature (weightage: 40%); effective introduction and conclusion (weightage: 10%); well-structured essay with no grammatical errors (weightage: 10%); and appropriate format of citations and references (weightage: 5%).

Test 3: Written examination 30%

Test 4: Policy Brief 20%

a. Task: Carry out a comprehensive literature survey on any topic with policy relevance; identify policy suggestions from the literature; evaluate the applicability of the policy suggestions in India's context; assess potential risks of the policy; draft a policy brief for a non-technical audience.
b. Structure of submission: policy brief that outlines the developmental challenge; policy gaps in India; policy suggestions based on evidence in the literature, expected outcomes, an assessment of potential risks of implementation of the policy, conclusion.
c. Indicators of assessment: content and quality of policy brief (weightage 75%); depth of literature survey (weightage 25%)

Note: Same topics may not be selected for Test1, 2 and 4

**Learning outcomes:**

At the end of this course, students will be able to

1. Conceptualize the developmental challenges in India and other developing nations. (Evaluation: All components)
2. Understand theories and empirics in Development Economics. (Evaluation: All components)
3. Understand data and empirical methods used in development analysis (Evaluation: Empirical Exercise)
4. Critically appreciate the literature in Development Economics (Evaluation: Critical Review of Literature)
5. Synthesize Evidence for Policy (Evaluation: Policy Brief Assignment)
6. Demonstrate Soft skills: written and verbal communication; critical thinking; team work

**References (* = compulsory readings)**

**Books**

*Textbooks*

*Bardhan, Pranab and Christopher Udry. 1999. *Development Microeconomics*, Oxford: Oxford University Press. (BU henceforth)

Ray, Debraj, (1998) *Development Economics,* Princeton: Princeton University Press. (DR henceforth)

Ghate, Chetan ed. 2012. *The Oxford Handbook of the Indian Economy*, New York: Oxford University Press (CG henceforth)

*Others*

Banerjee, Abhijit, Roland Benabou and Dilip Mookherjee (2006), eds. *Understanding Poverty*, New York: Oxford University Press.

**Suggested Readings (module-wise)**

***1. Introduction***

*Evolution of Development Economics*

a. DR – Ch 1
b. BU – Ch 1
c. *Bardhan, Pranab. 1993. "Economics of Development and the Development of Economics." *J. Econ. Perspectives,* 7(2): 129-42.

d. *Banerjee, Abhijit, and Esther Duflo. 2006. "Economic Lives of the Poor." *Journal of Economic Perspectives* 21(1): 141-167.
e. Banerjee, Abhijit, and Esther Duflo. 2008. "What is Middle Class About the Middle Classes Around the World?" *Journal of Economic Perspectives* 22(4): 3-28.

*Data and Methods for Development Economics*

a. *Deaton, Angus. 1997. *The Analysis of Household Surveys: Microeconomic Analysis for Development Policy*. Baltimore: Johns Hopkins University Press for the World Bank.
b. Ravallion, M. 2001. "The mystery of the vanishing benefits: An introduction to impact evaluation." *World Bank Economic Review*, vol 15(1) :115-140. http://wber.oxfordjournals.org/content/vol15/issue1/index.dtl.
c. Duflo, Esther, Rachel Glennerster, and Michael Kremer. 2008 "Using Randomization in Development Economics Research: A Toolkit." In *Handbook of Development Economics*, Vol. 4.. Edited by T. Schultz and John Strauss, Amsterdam: North Holland.
d. Deaton, Angus, and Nancy Cartwright. 2018. "Understanding and misunderstanding randomized controlled trials." *Social Science & Medicine, in press.* https://www.sciencedirect.com/science/article/pii/S0277953617307359?via%3Dihub.
*e.* Esther Duflo. 2005. "Field Experiments in Development Economics." *BREAD Policy Paper 12.*
f. Basu, Kaushik. 2014. "Randomization, Causality and the Role of Reasoned Intuition," *Oxford Development Studies*, 42(4): 455-472. DOI: 10.1080/13600818.2014.961414.
g. Athey, S., & Imbens, G. 2017. "The State of Applied Econometrics: Causality and Policy Evaluation." *The Journal of Economic Perspectives*, 31(2): 3-32. Retrieved from http://www.jstor.org/stable/44234997.

## 2. Outcomes of the Development Process

*Poverty and Inequality*

a. DR – Chapters 6, 7, 8.
b. BU – Chapter 11.
c. *Haughton, Jonathan; Shahidur R Khandker. 2009 *Handbook on Poverty and Inequality*. Washington, DC: World Bank. https://openknowledge.worldbank.org/handle/10986/11985 License: CC BY 3.0 IGO.
d. *Stephen P. Jenkins and Philippe Van Kerm. 2011 "The Measurement of Economic Inequality" In *The Oxford Handbook of Economic Inequality*. Edited by Brian Nolan, Wiemer Salverda, and Timothy M. Smeeding. Oxford: Oxford University Press DOI: 10.1093/oxfordhb/9780199606061.013.000.
e. *Dreze, J and Deaton, A. 2002. "Poverty and Inequality in India: A Re-examination." *Economic and Political Weekly*, Vol. 37(36): 3729-3748.
f. *Himanshu and Sen, K. 2014. "Revisiting the Great Indian Poverty Debate: Measurement, Patterns, and Determinants" *BWPI Working Paper 203.* http://www.bwpi.manchester.ac.uk/medialibrary/publications/working_papers/bwpi-wp-20314.pdf
g. Deaton, A. and V. Kozel, 2005. "Data and Dogma: The Great Indian Poverty Debate." *The World Bank Research Observer* 20 (2): 177-200. http://www.princeton.edu/~deaton/downloads/deaton_kozel_great_indian_poverty_debate_wbro_2005.pdf
*h.* *Martin Ravallion. 2008. "Evaluating Anti-Poverty Programs" In *Handbook of Development Economics*, Vol. 4. Edited by T. Schultz and John Strauss, Amsterdam: North Holland.
i. *Alkire, Sabine and Suman Seth, 2015. "Multidimensional Poverty Reduction in India between 1999 and 2006: Where and How?" *World Development* 72: 93-108. Also published as OPHI Working Papers 60, 2013.
j. Borooah, Vani and Amaresh Dubey. 2007. "Measuring Regional Backwardness: Poverty Gender and Children in the districts of India." *Margin: The Journal of Applied Economic Research*, Vol 1(4): 403 – 440.
k. Chancel, L. and Picketty, T. 2017 "Indian income inequality, 1922-2015: From British Raj to Billionaire Raj?" *WID.world Working Paper Series N° 2017/11*. Available at: http://wid.world/document/chancelpiketty2017widworld/.

**3. Markets and Market failures**

*Labour Markets*

a. BU – Chapter 4, 5
b. DR – Chapter 10, 13
c. *Mark R. Rosenzweig. 1995. "Labor Markets in Low-Income Countries: Distortions, Mobility and Migration." *Handbook in Development Economics* (Alternate version: http://www.rrojasdatabank.info/edc87-05.pdf )
d. *Freeman R. (2009) "Labor Regulations, Unions, and Social Protection in Developing Countries: Market Distortion or Efficient Institutions." In: *Handbook of Development Economics.* Amsterdam: North Holland (Alternate version: http://www.nber.org/papers/w14789.pdf)
e. Gordon Hanson (2008) "International Migration and Development." *Commission on Growth and Development Working Paper #42* http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Working_Paper_42_International_Migration_Development.pdf
f. Yang, Dean. 2008. "International Migration, Human Capital, and Entrepreneurship: Evidence from Philippine Migrants' Exchange Rate Shocks." *The Economic Journal*, Vol. 118 (April): 591-630.
g. *Deshingkar, Priya and Shaheen Akter. 2009. "Migration and Human Development in India." *MPRA Paper 19193*, University Library of Munich, Germany.
h. Nandi, Tushar Kanti and Saibal Kar. 2015. "Short-term Migration and Intergenerational Persistence of Industry in Rural India." *IZA Discussion Papers 9283*, Institute for the Study of Labor (IZA).
i. Czaika, M. (2012) "Internal and international migration as a response of double deprivation: some evidence from India." *Asian Population Studies*, 8(2), pp. 125–149
j. *Mitra, Arup and Dibyendu Maity. 2010. "Skills, Informality and Development." *IEG working paper #WP306*, http://iegindia.org/upload/publication/Workpap/wp306.pdf
*k.* Kanbur, Ravi. 2009. "Conceptualising Informality: Regulation and Enforcement." *Cornell University, Department of Applied Economics and Management, Working Paper 09-11*
l. CG – Chapter 9
m. Marjit, Sugata and Saibal Kar. 2012. "Informal Sector and Developing World: Relating Theory and Evidence to India" in: Ghate, Chetan ed. *The Oxford Handbook of the Indian Economy*, New York: Oxford University Press

*Land*

a. *BU – Chapter 6
b. DR – Chapter 12
c. Besley, T. and R. Burgess. 2000. "Land Reform, Poverty Reduction, and Growth: Evidence from India." *Quarterly Journal of Economics*, vol. 115(2): 389-430.
d. *Banerjee, A., P. Gertler, and M. Ghatak. 2002. "Empowerment and Efficiency: Tenancy Reform in West Bengal." *Journal of Political Economy*, 110(2): 239-280. doi:10.1086/338744.
e. Galiani, Sebastian and Ernesto Schargrodsky. 2010. "Property rights for the poor: Effects of land titling." *Journal of Public Economics*, vol. 94(9-10): 700-729.
f. Binswanger-Mkhize, Hans P.,Camille Bourguignon and Rogier van den Brink. 2009. "Agricultural Land Redistribution: Toward Greater Consensus." World Bank Publications, The World Bank, https://openknowledge.worldbank.org/handle/10986/2653.
g. *Besley, Timothy and Maitreesh Ghatak,. 2010. "Property Rights and Economic Development." *Handbook of Development Economics*, Elsevier. (alternate version: Besley, Timothy and Maitreesh Ghatak. 2009. "Property rights and economic development." LSE Research Online Documents on Economics 25428, London School of Economics and Political Science, LSE Library.)
h. *Binswanger, Hans, P. Deininger, Klaus and Feder, Gershon (1995) "Power, distortions, revolt, and reform in agricultural land relations", *Handbook of Development Economics*, Elsevier (alternative version: http://documents.worldbank.org/curated/en/304261468764712147/pdf/multi-page.pdf).

*Capital, Credit, Insurance*

a. *BU – Chapter 7, 8
b. DR – Chapter 14, 15
c. CG – Chapter 5, 6.
d. Eswaran, Mukesh, and Ashok Kotwal. 1989. "Credit as Insurance in Agrarian Economies." *Journal of Development Economics* 31(1):37–53.

e. Jonathan Morduch. 2002. "Between the State and the Market: Can Informal Insurance Patch the Safety Net?" *World Bank Research Observer,* 14, no. 2, 187–207.
f. *Karlan, D. and Morduch J. 2010. "Access to Finance." in *Handbook of Development Economics*. Also available at: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.205.6947&rep=rep1&type=pdf.
g. *Besley, B. 1995. "Savings, Credit and Insurance." *Handbook of Development Economics*, Vol 3A. Also available at: https://www.princeton.edu/rpds/papers/Besley_Savings_Credit_and_Insurance_HDE1995.pdf.
h. *Maitra, Pushkar, Sandip Mitra, Dilip Mookherjee, Alberto Motta and Sujata Visaria, (2014) "Financing Smallholder Agriculture: An Experiment with Agent-Intermediated Microloans in India" *NBER Working Paper No. 20709* http://www.nber.org/papers/w20709.
i. *Field, Erica, Rohini Pande, John Papp, and Natalia Rigol. 2013 "Does the Classic Microfinance Model Discourage Entrepreneurship among the Poor? Experimental Evidence from India." *American Economic Review* 103(6): 2196-2226.
j. Pande, Rohini, and Burgess, Robin. 2005. "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review,* 95(3): 780-794.

***4. Institutions and Development***

*Political Institutions*

a. *Banerjee, A. , L. Iyer and Somanathan. R. (2008) "Public Action for Public Goods" *Handbook of Development Economics,* Vol. 4, *Ch II.1*. Edited by T. Schultz and John Strauss, Amsterdam: North Holland.
b. *Pande, Rohini. (2008) "Understanding Political Corruption in Low Income Countries" *Handbook of Development Economics*. Vol. 4. *Ch II.2*. Edited by T. Schultz and John Strauss, Vol. 4. Amsterdam: North Holland.

*Social Discrimination and Social Networks*

*a.* *Basu, Kaushik. 2015. "Discrimination as a Coordination Device: Markets and the Emergence of Identity." *World Bank Policy Research Working Paper 7490.*
*b.* Vegard Iversen. 2012. "Caste and Upward Mobility." In *The Oxford Handbook of the Indian Economy*, edited by Ghate, Chetan. New York: Oxford University Press.
*c.* *Munshi, Kaivan and Mark Rosenzweig (2009) "Why is Mobility in India so Low? Social Insurance, Inequality and Growth," *NBER Working Paper No. 14850.*
*d.* *Madheswaran, S and P. Attewell. 2007. "Caste Discrimination in the Indian Urban Labor Market: Evidence from the National Sample Survey", *Economic & Political Weekly,* vol. 42(41): 4146–4153.
*e.* Field, E., S. Jayachandran, and R. Pande. 2010. "Do Traditional Institutions Constrain Female Entrepreneurship? A Field Experiment on Business Training in India." *The American Economic Review,* Vol. 100(2):125-129 http://www.jstor.org/stable/27804976.
*f.* Munshi, K. 2007 "From Farming to International Business: The Social Auspices Of Entrepreneurship In A Growing Economy." *NBER Working Paper – 13065* http://www.nber.org/papers/w13065.
*g.* Singh, Prerna and Dean Spears. 2017. "How status inequality between ethnic groups affects public goods provision: Experimental evidence on caste and tolerance for teacher absenteeism in India." *WIDER Working Paper Series 129*, World Institute for Development Economic Research (UNU-WIDER).
*h.* *Kaivan Munshi and Mark Rosenzweig. 2006 "Traditional Institutions Meet the Modern World: Caste, Gender, and Schooling Choice in a Globalizing Economy." *American Economic Review*, American Economic Association, vol. 96(4): 1225-1252.
*i.* Greif, Avner. 1993. "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition." *American Economic Review,* 83(3): 525-548.

***5. Way Forward***

a. Kotwal, A. 2012. "What more do we want to know about the Indian Economy" In *The Oxford Handbook of the Indian Economy*, edited by Ghate, Chetan, New York: Oxford University Press.
b. Banerjee, Abhijit Pranab Bardhan, Kaushik Basu, Ravi Kanbur and Dilip Mookherjee. 2005. "New Directions in Development Economics: Theory or Empirics? A Symposium in Economic and Political Weekly, http://www.arts.cornell.edu/poverty/kanbur/NewDirectionsDevEcon.pdf

**Pedagogical Approach:**

- Classroom teaching
- Emphasis on reading and questioning empirical literature in Development Economics

**Additional information (if any):** Suggested journals--Journal of Economic Perspectives, Journal of Development Economics, Indian Economic Review.

**Student responsibilities:** Attendance, feedback, discipline: as per university rules.

**Course reviewers:**

1. Prof. Bharat Ramaswamy, Indian Statistical Institute, Delhi Center, 7, S. J. S. Sansanwal Marg, New Delhi, Delhi. 110016.
2. Prof. Tridip Ray, Indian Statistical Institute, Delhi Center, 7, S. J. S. Sansanwal Marg, New Delhi, Delhi. 110016.