



Course information 2011–12

DV3044 Economics of development

This course extends and deepens students' understanding and application of microeconomic and macroeconomic principles from the Foundation course EC1002 Introduction to economics. It equips students with the theories and principles which are necessary to analyse problems of economic development, introduces students to relevant empirical work and analyses policy issues in the light of both economic theory and empirical evidence. It thus enables students to understand the main controversies concerning the process of economic development.

Prerequisite

If taken as part of a BSc degree, courses which must be passed before this course may be attempted:

EC2065 Macroeconomics *and*
MN3028 Managerial economics *or* EC2066
Microeconomics

Aims and objectives

The aims of this course are to:

- provide students with a basic knowledge of the key structural features of developing countries
- enhance students' understanding of the contribution which economic analysis can make in examining the key problems of developing countries
- enhance students' understanding of the main economic models and key indicators from which development policies are derived, and offer a critique of underlying theories
- develop understanding of policy issues faced by developing economies
- equip students with the analytical tools needed for this purpose.

Assessment

This course is assessed by a three hour unseen written examination.

Learning outcomes

At the end of this course and having completed the essential reading and activities students should be able to:

- outline the main theories and concepts in development economics
- recall the relevant empirical evidence on the important economic issues related to economics of development
- discuss the major policy issues and problems in developing countries
- apply economic theory to the analysis of theoretical, policy and empirical issues important in the economics of development.

Essential reading

For full details please refer to the reading list.

Basu, K. *Analytical Development Economics: The Less Developed Economy Revisited*. (Cambridge: MIT Press)

Murphy, K.M., A. Scheifer and R. Vishny, 'Income Distribution, Market Size and Industrialization', *Quarterly Journal of Economics* 104(3) 1989, pp. 537–564.

Ray, D. *Development Economics*. (Princeton NJ: Princeton University Press)

Thirlwall, A.P. *Growth, and Development with Special Reference to Developing Economies*. (Basingstoke: Palgrave Macmillan)

Todaro, M.P. and S.C. Smith *Economic Development*. (London: Pearson)

Syllabus

This is a description of the material to be examined, as published in the *Regulations*. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading.

Concepts and measurements of economic development and the characteristics of developing countries; models of growth and development (Harrod–Domar, Neoclassical model and growth accounting, Lewis dual sector, endogenous growth and their variants); gender and development.

Mobilising domestic resources; domestic savings, private capital markets and financial intermediation; rural informal capital markets; insurance; tax policy; monetary policy; inflation.

Mobilising foreign resources; foreign capital requirements; multi-national corporations; foreign aid and private foreign investment; external debt.

Planning: planning models, project appraisal and social cost-benefit analysis.

Human dimensions of development: population growth, determinants of fertility; son preference; employment and unemployment; rural-urban migration and the informal sector; child labour; nutrition and efficiency wages; education and human capital; poverty; inequality and famines.

Agriculture: role in development; resource allocation and producer rationality; price responsiveness; land reform and tenural relationships; technical change and Green Revolution.

International Trade: role in development; infant industry protection; the terms of trade; export earnings instability.

Balance of payment and development: balance of payment and exchange rates; international financial crises industrialization by import substitution and export promotion.

The environment and development: sustainable development; market failure; common properties.

Students should consult the *Programme Regulations for degrees and diplomas in Economics, Management, Finance and the Social Sciences* that are reviewed annually. The Prerequisites, Exclusions, and Syllabus are subject to confirmation in the *Regulations*. Notice is also given in the *Regulations* of any courses which are being phased out and students are advised to check course availability.