

Part IIB Paper 8: The Economics of Developing Countries

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Content

This paper aims to provide a framework to discuss contemporary economic problems and policy issues in poor countries, and on interpreting quantitative empirical findings on these issues. The paper covers both the macroeconomics and microeconomics of development. The aim is to use the tools of economics (such as microeconomic theory and econometrics) to understand contemporary issues in economic development.

Please note that Part IIA Paper 4 (Economic Development) is not a prerequisite to taking this paper.

Objectives

By the end of this paper, students should have acquired a knowledge and understanding of the core conceptual tools and theoretical debates, and their empirical application to the contemporary development experience of modern poor countries.

The course will focus on how individuals, households and firms in low-income settings make decisions and the constraints they face in doing so. Lectures will cover areas such as growth, poverty, inequality, demography, education, health, intra-household allocation, contractual arrangements in land, credit and insurance, technology adoption, labour markets and firms.

Courses

The lecture courses which constitute the lectures for this paper are as follows:

Themes in Development Economics (Dr. Sriya Iyer, 16 lectures, weeks 1-8, Michaelmas Term)

The Microeconomics of Economic Development (Dr. Gabriella Santangelo, 16 lectures, weeks 1-8, Lent Term)

Reading

The course will draw on selected research papers and textbooks such as:

P. Bardhan and C. Udry, Development Microeconomics (Oxford University Press, 1999);

A. Banerjee, R. Benabou and D. Mookherjee, Understanding Poverty (Oxford University Press, 2006);

M. Todaro, M. and S. Smith, Economic Development (Pearson, 2011).

Supervisions

There will be 8 supervision topics provided for this paper. Four of these will be covered by the Faculty Teaching Fellow. College Directors of Studies remain responsible for making arrangements to cover the remaining 4 supervision topics. A suggested list of

Supervisions will be made available to all supervisors at the start of each term.

Examination

The examination consists of a choice of questions in a single section.

Sample Question 1.

How does nutrition affect work capacity? In this context, how can we get poor people out of poverty traps?

Sample Question 2.

- a. Briefly review the mechanisms through which the nature of property rights can affect agricultural productivity.
- b. A researcher collects data from farmers and observes that profits are higher for farmers with more secure land tenure. The researcher concludes that a tenancy reform that improves property rights would lead to higher farm productivity. Discuss this statement.
- c. Consider two districts, A and B. Suppose that, at a given point in time, district A implemented a tenancy reform program, while district B did not. Can we use this reform to obtain an estimate of the effect of tenure security on farm productivity? What strategy would you propose and under which conditions would it be valid?