

Università degli Studi di Roma Tor Vergata
PhD in Economics, Law and Institutions
PhD in Economics and Finance

Development Economics

2018-19 Session

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Course Outline

The course introduces some key topics in Development Economics. It first presents growth models with multiple equilibria, where a discrete development effort (a *big push*) may be required in order to move the economy away from a low-income, low-growth trap. It then examines the dual structure of labour markets in developing countries, and explains migration as a response to the imbalance between different sectors or regions. The course finally considers non-ergodic development models, where the long-run growth path of the economy depends on the initial distribution of income and wealth.

1. Growth in Developing Countries

Growth in developing countries. The notion of vicious circle. Externalities and multiple equilibria. Industrialization and the big push.

Murphy, K.M., A. Shleifer and R. Vishny (1989), "Industrialization and the Big Push", *Journal of Political Economy*, Vol. 97, pp. 1003-1026.

Kline, P., and E. Moretti (2014), "Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority", *Quarterly Journal of Economics*, Vol. 129, Issue 1, February, pp. 275–331.

Basu, K. (1997), chapters 2, 3.

Ray, D. (1998), chapters 2, 3, 4, 5.

Acemoglu, D. (2009), chapter 21, section 21.5.

2. Migration, technology transfers and growth

The structure of a dual economy. The main features of labour markets in developing countries. The Lewis model. Migration in developing countries. The Harris-Todaro model. Heterogeneity and migration. Network externalities and endogenous moving costs. Technology transfers and the brain drain.

Harris, J.R., and M.P. Todaro (1970), "Migration, Unemployment and Development: A Two-Sector Analysis", *American Economic Review*, Vol. 60, pp. 126-142.

Carrington, W.J., E. Detragiache and T. Vishwanath (1996), "Migration with Endogenous Moving Costs", *American Economic Review*, Vol. 86, pp. 909-930.

Bencivenga, Valerie R., and Bruce D. Smith (1997), "Unemployment, Migration and Growth", *Journal of Political Economy*, Vol. 105, No. 3, June, pp. 582-608.

Docquier, F., and H. Rapoport (2012), "Globalization, Brain Drain, and Development", *Journal of Economic Literature*, Vol. 50, No. 3, pp. 681-730.

Chaney, Thomas (2014), "The Network Structure of International Trade", *American Economic Review*, Vol. 104, No. 11, November, pp. 3600-3634.

Borjas, G. J. (2015), "Immigration and Globalization: A Review Essay", *Journal of Economic Literature*, Vol. 53, No. 4, pp. 961-974.

Peri, Giovanni (2016), "Immigrants, Productivity, and Labor Markets", *Journal of Economic Perspectives*, Vol. 30, No. 4, Fall, pp. 3-30.

Pekkala Kerr, Sari, William Kerr, Çağlar Özden, and Christopher Parsons (2016), "Global Talent Flows", *Journal of Economic Perspectives*, Vol. 30, No. 4, Fall, pp. 83-106.

Parsons, Christopher, and Pierre-Louis Vézina (2018), "Migrant Networks and Trade: The Vietnamese Boat People as a Natural Experiment", *Economic Journal*, Vol. 128, No. 612, July, pp. F210-F234.

Basu, K. (1997), chapters 7, 8, 9.

Ray, D. (1998), chapter 3.

Bardhan, P., and C. Udry (1999), chapters 4, 5.

Acemoglu, D. (2009), chapter 21, section 21.3.

3. Inequalities, human capital accumulation and growth

Galor, Oded, and Joseph Zeira (1993), "Income Distribution and Macroeconomics", *Review of Economic Studies*, Vol. 60, Issue 202, January, pp. 35-52.

Aghion, Philippe, and Patrick Bolton (1997), "A Theory of Trickle-Down Growth and Development", *Review of Economic Studies*, Vol. 64, pp. 151-172.

Basu, K. (1997), chapter 3, section 3.4.

Acemoglu, D. (2009), chapter 21, section 21.6.

Main textbooks

Acemoglu, Daron (2009), *Introduction to Modern Economic Growth*, Princeton and Oxford, Princeton University Press.

Basu, Kaushik (1997), *Analytical Development Economics. The Less Developed Economy Revisited*, Cambridge (MA) and London (UK), MIT Press.

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

Ray, Debraj (1988), *Development Economics*, Princeton, Princeton University Press.

Background readings

Sen, Amartya (1999), *Development as Freedom*, Oxford, Oxford University Press.

Hoff, Karla, and Joseph E. Stiglitz (2001), "Modern Economic Theory and Development", in Gerald M. Meier and Joseph E. Stiglitz (eds.), *Frontiers of Development Economics: The Future in Perspective*, New York, Oxford University Press, pp 389-485.

Banerjee, Abhijit V., and Esther Duflo (2011), *Poor Economics. A Radical Rethinking of the Way to Fight Global Poverty*, New York, PublicAffairs.

Acemoglu, Daron, and James A. Robinson (2012), *Why Nations Fail. The Origins of Power, Prosperity and Poverty*, London, Profile Books.