

Università degli Studi di Roma Tor Vergata

PhD in Economics and Finance

Development Economics

2024-25 Session

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Course Outline

The course introduces some key topics in Development Economics. It first discusses 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. We shall consider non-ergodic development models, where the long-run growth path of the economy depends on the initial distribution of income and wealth. We shall finally study whether weak states can act as a barrier to economic development.

1. Growth in Developing Countries

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

2. Migration, technology transfers and growth

The structure of a dual economy. Labour markets in developing countries. Labour coercion. Migration in developing countries. Heterogeneity and migration. Network externalities and endogenous moving costs. Skilled migration and technology transfers: brain drain or brain gain?

3. Inequalities, human capital accumulation and growth

Inequalities in the distribution of income and wealth. Intergenerational links and bequests. The role of human capital investment. Imperfections in capital markets and persistence of inequalities.

4. Political economy of weak states

Weak states as a barrier to economic development. The emergence of despotic and inclusive states. State capacity and economic development: a network approach.

Main textbooks

Acemoglu, Daron, and Simon Johnson (2023), *Power and Progress*, Basic Books, 2023.

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

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

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.