



**FIRST SEMESTER 2022-2023**

**29.08.2022**

**Course Handout (Part-II)**

In addition to part-I (General Handout for all courses appended to the timetable) this portion gives further specific details regarding the course

**Course No.** : ECON F313  
**Course Title** : ISSUES IN ECONOMIC DEVELOPMENT  
**Instructor-in-Charge** : Durgesh Chandra Pathak

**1. Course Description:**

Income and Growth; Facets of Underdevelopment; Structural Features; contemporary models of development and underdevelopment, poverty, inequality, and development, population and economic development, urbanization and rural-urban migration, education and health in economic development, environment and economic development, trade and economic development, FDI and economic development, infrastructure and economic development; Sustainable development.

**2. Scope and objective of the course:**

**Course Rationale:**

The course deals with the principal issues of economic development and emphasizes on economy-wide aspects of economic development, with special references to international dimensions of national development policy making. Economic development is treated as a multidimensional concept, thus focusing not only on problems of economic growth and income-poverty reduction, but also on how economic policy can contribute to the improvement of human and social conditions. Topics include: the way economists' approaches to leading economic development issues have evolved to the present; and leading issues in economic development, including sources of economic growth, the role of population, human capital and innovation, infrastructure development, labour and migration, international trade and foreign aid, and strategies for sustainable economic development.

The basic approach is to present the relevant theory, examine the empirical validity of alternative models and draw out their policy implications. There is also emphasis on the 'Newly Industrializing Countries' and other Third World developing countries. As an integral part of the course, an attempt will be made to train students to collect and interpret data on these economies.

**Specific Objectives:**

- Describe the characteristics of and the special challenges facing developing nations.
- To explain students alternative perspectives in economic development theory and how these have policy implications;
- To examine and evaluate the strengths and weaknesses of alternative growth and development strategies in light of country experience



- To explore the knowledge of structural change, dual economies, poverty and income inequality, migration, health and education, agriculture and production, technical and Institutional change, trade, infrastructure, environment and sustainable development
- To give students opportunities to understand and use different growth and development concepts, tools and strategies in analysis and problem solving and to prepare students for doing empirical research in different issues of economic Development.

The course uses the fundamental concepts of economic growth and development, major theoretical paradigms and debates on growth and development, and policy issues and theoretical knowledge backed up by knowledge of country experiences.

**3. Text Book:** Todaro & Smith (2017): *Economic Development*, 12/e, Pearson Addison Wesley.

**Reference Books:**

**R1:** Meier & Rauch (2012): *Leading Issues in Economic Development*, 8/e, Oxford University Press.

**R2:** Banerjee, A. & Roland Benabou & Dilip Mukherjee (eds): *Understanding Poverty*, Oxford University Press.

**R3:** Agarwala & Singh (eds) (1992): *The Economics of Underdevelopment*, Oxford University Press.

**R4:** Griffin, K. (1999): *Alternative Strategies for Economic Development*, 2/e, St. martin's Press Inc.: New York.

**R5:** Brueckner, Jan K (2003): *Lectures on Urban Economics*, The MIT Press.

**4. Course Plan:**

Topic	Lecture No.	Learning Objective(s)	Topics to be covered	Chapter in the Text Book
	<b>I</b>	<b>Introduction:</b>		
<b>1</b>	<b>1</b>	▪ Introduction to Economic Growth and Development; Overview of the course, Economic Models	Economic Growth and Development- Introduction: Scope and Coverage; NHDI, Income and Happiness	Class Notes +TB Ch. 1
<b>2</b>	<b>2-3</b>	▪ Diverse structure and classification of countries according to economic and social indicators, an overview of the common development problems faced by many developing countries, few case studies of the developing countries	The structural Diversity of Developing Nations and Characteristics	Ch. 2 of TB
	<b>II</b>	<b>Theories and Models of Economic Growth and Development</b>		
<b>3</b>	<b>4-9</b>	▪ Classic theories of economic growth and development	The four approaches to economic development: a. Development as growth and linear-stages theories: Rostow model b. Structural-change models: Chenery model c. International-dependence	Ch. 3 of TB+ Class Notes



			revolution, Centre-periphery models d. Neo-classical revolution: Challenging the Statist Model: Free Markets, Public Choice, and Market-Friendly Approaches	
4	10-13	▪ Contemporary Theories of Development & underdevelopment	Underdevelopment as coordination failure; Multiple equilibria; Starting economic development; O-ring theory; The Hausmann-Rodrik-Velasco growth diagnostic framework	Ch. 4 of TB
<b>III Issues in Economic Development – Domestic</b>				
5	14-16	▪ Poverty, Inequality and Development	The poverty-inequality scenario in world; Some advanced topics in poverty analysis: <ul style="list-style-type: none"> <li>• Growth versus income distribution,</li> <li>• Growth elasticity of poverty and Pro-poor growth,</li> <li>• Policies to reduce income inequalities and poverty: Microfinance</li> </ul>	Ch. 5 of TB + Class notes
6	17-20	▪ Urbanization and Rural-Urban Migration: Theory and Policy	Economic Theory of Rural - Urban Migration; Urbanization and the Informal sector Scale economies, Agglomeration Economies, Transport costs and firm location, Interaction of agglomeration economies and transport costs; Retail agglomeration and economics of Shopping centers	Ch. 7 of TB + Ch. I of R5+ Class notes
7	21-22	▪ Theoretical and practical issues involved with child labour	Child labour: theoretical framework and policy options	Ch. 8 of TB
8	23-27	▪ Agriculture and Development	A. Designing an Agricultural Strategy B. Microeconomics of Rural Sector	Ch. 9 of TB+ Ch. 7 of R1
<b>IV Issues in Economic Development – International &amp; Macro</b>				
9	28-31	▪ How Trade affects Development?	A. Trade: Natural Resource Abundance, International Trade and Economic Growth; Import-substitution; Infant Industry Argument B. Terms of Trade and the Prebisch-Singer Thesis	Ch. 12 of TB Ch. 3.A and B of R1



			C. Foreign Contact and Technology Transfer	
10	32-34	▪ Balance of Payments	Balance of payments, Developing-Country Debt, and the macroeconomic Stabilization Controversy	Ch. 14 of TB
11	35-37	▪ Foreign Aid and Development	Foreign finance, Investment and Aid: Controversies and Opportunities	Ch. 15 of TB
	V	<b>Other Issues in Economic Development</b>		
12	38-41	▪ Development Policymaking and the Roles of Market, State, and Civil Society	Nature and Rationale for Development Planning; The crisis in Planning; The Market Economy; Development Political economy;	Ch.11 and 16 Class Notes

## 5. Learning Outcomes:

### Topic 1: Introducing Economic Development

Economics is concerned with people and how best to provide them with the material means to help them realize their full human potential. But what constitutes the good life is a perennial question, and hence economics necessarily involves values and value judgments. The very concern with promoting development represents an implicit value judgment about good (development) and evil (underdevelopment). But development may mean different things to different people. Therefore, the nature and character of development and the meaning we attach to it must be carefully spelled out and this is discussed in this topic. How the developed and underdeveloped world live is discussed. One learns about role of values, capability and happiness in development and what constitutes millennium development goals.

### Topic 2: Comparative Economic Development

The most striking feature of the global economy is its extreme contrasts. This topic deals with the developing world and describing how development is measured so as to allow for quantitative comparisons across countries. Average income is one, but only one, of the factors defining a country's level of economic development. This topic describes different ways to compare countries on the basis of different yardsticks. One will learn about the key differences between conditions in today's developing countries and those in now developed countries at an early stage of their development, and we examine the controversy over whether developing and developed countries are now converging in their levels of development.

### Topic 3: Classic Theories of Economic Growth and Development

The historical and intellectual evolution in scholarly thinking about how and why development does or does not take place is discussed here. We do this by examining few major and often competing development theories. You will see that each offers valuable insights and a useful perspective on the nature of the development process. Approaches to the analysis of economic growth are discussed throughout this review of alternative theories of development.

### Topic 4: Contemporary Models of Development and Underdevelopment



In this topic, we review a sample of some of the most influential of the new models of economic development. In some ways, these models show that development is harder to achieve, in that it faces more barriers than had previously been recognized. But greater understanding itself facilitates improvements in development strategy, and the new models have already influenced development policy and modes of international assistance. The topic discusses a framework for appraising the locally binding constraints on the ability of a developing nation to further close the gap with the developed world. The new research has broadened considerably the scope for modeling a market economy in a developing-country context. One of its major themes is incorporating problems of coordination among economic agents, such as among groups of firms, workers, or firms and workers together. Other key themes, often but not always in conjunction with the coordination problem, include the formal exploration of situations in which increasing returns to scale, a finer division of labor, the availability of new economic ideas or knowledge, learning by doing, information externalities, and monopolistic competition or other forms of industrial organization other than perfect competition predominate.

### **Topic 5: Poverty, Inequality, and Development**

After reviewing and revising the evidence on the extent of poverty and inequality in the developing world and their measures, we discuss some advanced topics in poverty-inequality debate. Some important principles of effective poverty policies are considered, with a special emphasis on Microfinance as a poverty reduction measure, together with some examples of programs that have worked well in practice.

### **Topic 6: Urbanization and Rural-Urban Migration: Theory and Policy**

This topic discusses the trends and prospects for overall urban population growth. We examine the potential role of cities—both the modern sector and the urban informal sector—in fostering economic development. We then turn to a well-known theoretical model of rural-urban labor transfer in the context of rapid growth and high urban unemployment. We also evaluate various policy options that governments in developing countries may wish to pursue in their attempts to moderate the heavy flow of rural-to-urban migration and to ameliorate the serious unemployment problems that continue to plague their crowded cities.

### **Topic 7: Theoretical and practical issues involved with child labour**

We examine the critical issue of child labour and why policymakers find it difficult to tackle it. We will study the theoretical framework to understand the child labour and also the policies adopted by various agencies to tackle the issue.

### **Topic 8: Agricultural Transformation and Rural Development**

We discuss the broad trends in agriculture and then examine the basic characteristics of agrarian systems in Latin America, Asia, and Africa. Although there is considerable diversity among developing nations, as well as within developing countries, each region tends to have a number of characteristics in common. We will identify the various challenges facing each group of countries and look at countries that are typical of their region and some countries and districts that deviate from the pattern. Over two-thirds of the world's extreme poor are involved in agricultural activities. We will therefore examine the economics of peasant subsistence agriculture and discuss the stages of transition from subsistence to commercial farming in developing nations. Our focus is not only the economic factors but also the social, institutional, and structural requirements of small-farm modernization. We will then explore the meaning of integrated rural development and review alternative policies designed to raise levels of living in rural areas.



### **Topic 9: International Trade Theory and Development Strategy**

Over the past several decades, the economies of the world have become increasingly linked, through expanded international trade in services as well as primary and manufactured goods, through portfolio investments such as international loans and purchases of stock, and through direct foreign investment, especially on the part of large multinational corporations. At the same time, foreign aid has increased much less in real terms and has become dwarfed by the now much larger flows of both private capital, and remittances. These linkages have had a marked effect on the developing world. But developing countries are importing and exporting more from each other, as well as from the developed countries, and in some parts of the developing world, especially East Asia but also notably Latin America, investments have poured in from developed countries such as the United States, the United Kingdom, and Japan. We shall review how developing countries have been affected by these trends and examine theories of the effects of expanded international linkages for the prospects for development.

### **Topic 10: Balance of Payments, Debt, Financial Crises, and Stabilization Policies**

After looking at a country's balance of payments accounts and recent trends in developing-country trade balances, we examine the dimensions and effects of debt crises in developing countries. Our initial focus will be on how major debt crises emerged during the 1980s and why debt has remained a serious impediment to growth in Africa years after the crisis hit, how the crisis was addressed first in Latin America and much later in Africa, and who bore the burden of stabilization and adjustment programs induced by the International Monetary Fund (IMF). The 1980s crisis is of importance because of its scope, its impact on slowing development progress of dozens of developing nations, and the years of careful study of this experience. We next examine some of the international crises that emerged in developing-countries over the subsequent two decades, primarily the East Asian crisis of the late 1990s, and consider how adverse impacts of international debt crises on developing country citizens might be minimized or prevented. We conclude with a review of the 2008 international financial crisis that began in the United States but has had major impacts on all developing regions.

### **Topic 11: Foreign Finance, Investment, and Aid: Controversies and Opportunities**

We examine the international flow of financial resources, which takes three main forms: (1) private foreign direct and portfolio investment, consisting of (a) foreign "direct" investment by large multinational (or transnational) corporations, usually with headquarters in the developed nations, and (b) foreign portfolio investment (e.g., stocks, bonds and notes) in developing countries' credit and equity markets by private institutions (banks, mutual funds, corporations) and individuals; (2) remittances of earnings by international migrants; and (3) public and private development assistance (foreign aid), from (a) individual national governments and multinational donor agencies and, increasingly, (b) private nongovernmental organizations (NGOs), most working directly with developing nations at the local level. We also examine the nature, significance, and controversy regarding private direct and portfolio investment and foreign aid in the context of the changing world economy.

### **Topic 12: Development Policymaking and the Roles of Market, State, and Civil Society**

We examine the roles and limitations of planning and development policymaking as practiced in developing nations, consider the problems of economic transition to more competitive market economies, and ask fundamental questions as to the proper role of the state and how public and private economic activity can best be made mutually supporting. We start with a brief review of the nature of development planning and a summary of general planning issues. After examining the main arguments for and against the role of planning in developing societies and briefly reviewing



different models of planning and project appraisal, we examine the requirements of economic transition to market economies and evaluate the arguments for and against the role of the state in contemporary developing nations. In particular, we examine the once-dominant “Washington consensus” on development policy and its limitations and discuss ongoing progress toward an emerging new consensus. Then we examine some recent theories of development policy formulation, including studies of the impact of political processes on the quality of policy decisions. We next examine three important trends in governance and reform: tackling the problem of corruption, implementing decentralization, and encouraging broad-based development participation. Finally, we examine the nature of the third sector—the civil society or citizen sector, encompassing NGOs—and its growing role in economic development.

#### 6. Evaluation scheme:

Component	Duration	Weightage (%)	Date and Time	Nature of Component
Mid-semester test	90 minutes	25	03/11 1.30 - 3.00PM	OB
Assignment/Presentation		15		OB
Quizzes	--	20	--	CB
Comprehensive Examination	3 hrs	40	26/12 AN	CB

**7. Chamber Consultation Hour:** To be announced in class

**8. Notices:** Shall be displayed on LTC notice board and CMS.

**9. Make-up Policy:** Make-up will be granted only on genuine grounds and if prior permission is taken through official email only. Request for make up after the test/exam would not be entertained at all.

**10. Academic Honesty and Integrity Policy:** Academic honesty and integrity are to be maintained by all the students throughout the semester and no type of academic dishonesty is acceptable.

**Instructor-in-Charge  
ECON F313**

