



**SECOND SEMESTER 2019-20**

Course Handout (Part II)

Date: 06/01/2020

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

**Course No. : ECON F244**

**Course Title : Economics of Growth and Development**

**Instructor-in-charge: Dr. Sudatta Banerjee**

**1. Scope and objective:**

This course is designed to focus on developing a foundation relevant to an understanding of the mechanism of Economic growth process through various dynamic models. The course gives a theoretical understanding of the growth processes and some empirical applications too. Some basic concepts of economic development are also analyzed.

**The course aims to:**

- Understand how growth models have developed and changed over time;
- Know about the theoretical developments in the analysis of economic growth;
- Be introduced to current debates on evidence and policy relevant to the growth performance of both developed and developing economies.

**2. Text Book :**

1. Devraj, Ray, "Development Economics, OUP, Delhi, 2010

**3. Reference Books:**

1. M.P.Todaro and S.C. Smith, "Economic Development", Addison Wesley, Pearson Edition, 2009
2. Barro, R. J. and Sala-i-Martin, X, Economic Growth, MIT Press, 2004, 2<sup>nd</sup> Edition.
3. Thirlwall, A P, "Growth and Development", Macmillan Ltd., Sixth Edition, 1999.

**4. Course Plan :**

Module	Lecture No.	Learning objectives	Topics	Chapter in the Text Book
1	1-2	Introducing the concept of growth in economics	Economic Growth: Development, Planning, Income & Growth, and other Growth factors	Chap-2, TB-1, R-1 & R-2 and class notes
	3-4	Brief overview of the concept of economic development	Economic development and its indicators	Chap-2,

				TB-1; R-3
2	5-7	Modeling economic growth, Identifying the conditions and Problems associated with steady state growth	Harrod – Domar Model of Economic Growth	Chap-3, TB-1; R-1 and R-2 and notes
	8-12	To derive the fundamental equation, and propositions of economic growth. To compare it with earlier theories and discuss the extensions	The Neo-classical One sector Model of Growth- Solow Model	Chap-3, TB 1 and R-2
3	13-17	Additional factors & advances in growth modeling	Human capital Technical progress (Hicks) AK Model Romer Model	Chap-4, TB-1; Ch 9- R 1, R-2 and notes
4	18-20	To investigate the properties of momentary equilibrium & stability of Balanced Growth path	Two Sector Models of Economic Growth	Chap.4, TB-1 , R-2, R-3 and notes
5	21-22	Introducing the concept of development in economics	Development- Introduction: Scope and Coverage	R-1
6	23-25	Incorporating the problem associated with different income group and social class and analysing economic Growth	Economic Inequality Kaldor's Model of Income Distribution	Chap-6, TB-1, Notes
	26-28	Basis of inequality & its measurement	Context of inequality, Methods of measurement	Chap.6, TB-1 and class notes
	29-31	Interconnections between inequality and poverty	Theory of relationship between inequality, income & growth	TB-1 Chap-7
	32-34	Under-nutrition and development	Principles, observations & impact of poverty	TB-1 Chap-8
7	35-37	To understand the structural Population problem. Evaluate the impact of high fertility on economic Growth. Microeconomic Theory of Fertility	Population Growth and Economic Development	Ch-9, TB-1; Chapter2 R-3
8	38-41	To understand the relationship between environmental degradation and development	The Environment and Development	R-1 Ch. 11

## 5. Learning Outcomes:

### Module 1: Economic growth and development

In this module we learn about the definition of economic growth, the determinants of economic growth, the disparity of growth rate across countries and the features and progression of economic growth. Further we discuss about economic development and how it differs with economic growth. We learn about the various indicators of economic development.

### Module 2: Keynesian and neo-classical growth theories

In this module we learn about two important growth models. A model helps to explain how growth has occurred and how it may occur again in the future. The Harrod–Domar model is a classical Keynesian model of economic growth. This model shows the importance of saving and investment in a developing economy. The growth of an economy is positively related to its savings ratio and negatively related to the capital-output ratio. We study about the knife-edge instability problem of the model and the evolution of Solow’s model from that point. The Solow–Swan model is an economic model of long-run economic growth set within the framework of neoclassical economics. It attempts to explain long-run economic growth by looking at capital accumulation, labor or population growth, and increases in productivity, commonly referred to as technological progress.

### Module 3: New growth theories

In the mid-1980s it became increasingly clear that the standard neoclassical growth model was theoretically unsatisfactory as a tool to explore the determinants of long-run growth. We shall see in the models given in the previous module, that the models without technological change predicts that the economy will eventually converge to a steady state with zero per capita growth. The fundamental reason is the diminishing returns to capital. One way out of this problem was to broaden the concept of capital, notably to include human components, and then assume that diminishing returns did not apply to this broader class of capital. Another view was that technological progress in the form of the generation of new ideas was the only way that an economy could escape from diminishing returns in the long run. Thus it became a priority to go beyond the treatment of technological progress as exogenous and, instead, to explain this progress within the model (endogenous). In this context we shall discuss about the AK model of growth. The key property of this class of endogenous-growth models is the absence of diminishing returns to capital. We discuss further a new model by Romer which considers complementarity across industries with help of spillovers.

### Module 4: Balance growth- two sector models

It explains the growth of a developing economy in terms of a labour transition between two sectors, the capitalist sector and the subsistence sector. One of the main models we shall study is the Lewis Model, which envisages the capital accumulation in the modern industrial sector so as to draw labour from the subsistence agricultural sector. Further we shall discuss the extension of this model by Kaldor which discussed about equal growth of agricultural sector, parallel to industry.

### Module 5: 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.

### **Module 6: Inequality, poverty and under-nutrition**

In this module we study about what is economic inequality, recent trends, criteria for measurement of inequality, Lorenz curves and complete measures of inequality. Further we discuss how inequality, income and growth are related and thus study the inverted-U hypothesis. The relationship between inequality and savings and political redistribution will also be discussed. We then introduce the concept of poverty, measures of poverty, empirical observations. Further we discuss the relationship between undernutrition and poverty.

### **Module 7: Population growth**

We here discuss about some basic concepts of population like birth rates, death rates and age distribution. Then we study about demographic transition to study the relationship between population growth and development and further discuss about Malthusian theory of population.

### **Module 8: Environment and development**

The livelihood of more than half of the economically active population in the developing world directly depends in whole or part on the environment through agriculture, as well as animal husbandry, hunting, fishing, forestry, and foraging. This alone underscores the importance of the seventh Millennium Development Goal: to “ensure environmental sustainability.” Environmental quality affects, and is affected by, economic development. In recent years, economists have increasingly focused on the important implications of environmental issues for the success of development efforts. It is clear that classic market failures lead to too much environmental degradation. Interaction between poverty and environmental degradation can lead to a self-perpetuating process in which, as a result of ignorance or economic necessity, communities may inadvertently destroy or exhaust the resources on which they depend for survival. Rising pressures on environmental resources in developing countries can have severe consequences on self-sufficiency, income distribution, and future growth potential. We here cover the above issues by elaborating concepts like sustainable development, environmental accounting, relationship of environment with population, poverty, growth, rural & urban development and global environment. Further we discuss about policies that the developed and developing countries must follow to reduce degradation.

### **6. Evaluation Scheme:**

<b>Component</b>	<b>Duration</b>	<b>Weight age (%)</b>	<b>Date and Time</b>	<b>Nature of Component</b>
Mid-sem	90 mts	25	7/3 9.00 - 10.30AM	<b>CB</b>
Quizzes- (02)	-	7.5+7.5		<b>CB</b>
Assignment (02) (written + oral)	Take home	10+10		<b>OB</b>
Comprehensive Examination	3 hrs	40	14/05 FN	<b>CB</b>

### **7. Chamber Consolation Hour:** To be announced in the class



**8. Notices:** Notices, if any, would be put on CMS

**9. Make-up Policy:**

- Make-up will be granted only on genuine grounds and if prior permission is taken.
- No application will be accepted in the Exam Hall.
- Make-up will be given only on Doctor's/Warden's recommendation and with prior (at least 01 day before the test/exam) permission of the Instructor-in-Charge/Instructor.
- Make-up application via sms/messages is not acceptable.
- **No make-up will be given for quizzes.**

**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 F 244**

