

# Introduction to the Economics of Development

## D0E32A

Luke Heath Milsom, KU Leuven, 2024/25<sup>1</sup>

This document details the main concepts and readings for each week/ question. Students are expected to read the introduction to each of the main papers before the lecture (but are not expected to understand it all!). It is advised that students also read the additional reading, but this is not mandatory. This course does not have a textbook, but students are encouraged to consult the texts under general resources for background reading.

### **Organisation.**

- Lecturer: [Luke Heath Milsom](#)
- TA: Justin Mutambeshya
- Lectures: Tuesday, 4pm-6pm, MSI1 00.28, and, Friday, 11am-1pm, AGOR 00.E20
- Office houses: After lectures
- Content and administrative questions: [justin.mutambeshya@student.kuleuven.be](mailto:justin.mutambeshya@student.kuleuven.be)

### **General resources.**

- *Poor Economics*, Duflo and Banerjee (2011).
- *Understanding Poverty*, Banerjee et al. (2006).
- *Mostly Harmless Econometrics*, Angrist and Pischke (2008).
- [Word Bank blogs](#), [Something a bit more heterodox](#), [VoxDev](#), [IGC](#)

### **W1 Introduction**

- [Organization slides](#). [The scale of inequality slides](#). [How to do economics slides](#).
- [Dr Ameye's project writing slides](#).
- Our World In Data link [here](#).
- Introductory readings: [Handbook chapter](#), [MIT open courseware intro lecture with Esther Duflo](#)

### **W2 Why do people stay poor?**

- Main paper(s): [Balboni et al., \(2022\)](#).
- Theory: Poverty traps, and misallocation.
- Econometrics: Identification, endogeneity, RCTs.
- Additional reading: [Barrett and Swallow \(2006\)](#), [Kraay and McKenzie \(2014\)](#), [Turnbull et al. \(2024\)](#).
- [Lecture 1 slides](#), [Lecture 2 slides](#).

### **W3 Are natural resources a solution or a trap?**

- Main paper(s): [Sachs and Warner \(2001\)](#), [Jensen and Watchekon \(2004\)](#).
- Theory: Political economy of development, Dutch disease.

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<sup>1</sup> These notes are heavily indebted to Hannah Ameye's previous versions of this course. In addition I have taken inspiration from the teaching material of Clément Imbert (Sciences Po/ Warwick), Supreet Kaur (Berkeley), Imran Rasul (UCL), Esther Duflo (MIT), and Simon Quinn (Oxford).

- Econometrics: Selection on observables.
- Additional reading: [Gollin et al. \(2016\)](#), [van der Ploeg \(2011\)](#), [Corden and Neary \(1982\)](#).
- Lecture 1 slides, Lecture 2 slides.

#### **W4 Can we manufacture prosperity?**

- Main paper(s): [Rodrik \(2016\)](#).
- Theory: Structural transformation, International trade.
- Econometrics: Shift share designs.
- Additional reading: [Edmonds et al. \(2010\)](#) [Herrendorf, Rogerson, and Valentinyi \(2014\)](#).
- Lecture 1 slides, lecture 2 slides.

#### **W5 Are institutions key?**

- Main paper(s): [Acemoglu et al. \(2001\)](#), [Glaeser et al. \(2004\)](#), [Albouy \(2012\)](#).
- Theory: Institutions.
- Econometrics: Instrumental variables, measurement error.
- Additional reading: Why Nations Fail (book) Acemoglu and Robinson.
- Lecture 1 slides, lecture 2 slides.

#### **W6 Are credit constraints constraining development? (half)**

- Main paper(s): [Duflo et al. \(2013\)](#), [Egger et al. \(2023\)](#).
- Theory: General Equilibrium effects.
- Econometrics: RCT.
- Additional reading: [Meager \(2019\)](#), [Banerjee et al. \(2024\)](#).
- Lecture 1 slides, lecture 2 slides.

#### **W7 Humanities greatest invention? Is urbanisation the only route to development?**

- Main paper(s): [Bryan et al. \(2020\)](#), [Bryan et al. \(2014\)](#).
- Theory: Urban Economics.
- Econometrics: Inference.
- Additional reading: Triumph of the City (Book, Glaeser), [Harari \(2020\)](#).
- Lecture 1 slides, lecture 2 slides.

#### **W8 How will climate change interact with the development challenge?**

- Main paper(s): [Jedwab et al. \(2023\)](#).
- Theory: Quantitative spatial economics.
- Econometrics: Difference in differences.
- Additional reading: [Gollin and Wolfersberger \(2024\)](#).
- Lecture 1 slides, lecture 2 slides.

#### **Schedule**

|            |   |
|------------|---|
| W1 (24.9)  | Introduction and big facts.                             |
| W1 (27.9)  | How to answer questions like a (development) economist. |
| W2 (1.10)  | Why do people stay poor?                                |
| W2 (4.10)  | Why do people stay poor?                                |
| W3 (8.10)  | Are natural resources a solution or a trap?             |
| W3 (11.10) | Are natural resources a solution or a trap?             |

W4 (15.10) Can we manufacture prosperity?  
W4 (18.10) Can we manufacture prosperity?  
W5 (22.10) Are institutions key?  
W5 (25.10) Are institutions key?  
W6 (29.10) Are credit constraints constraining development?  
W6 (1.11) Holiday  
W7 (5.11) Humanities greatest invention? Is urbanisation the only route to development?  
W7 (8.11) Humanities greatest invention? Is urbanisation the only route to development?  
W8 (12.11) How will climate change interact with the development challenge?  
W8 (15.11) How will climate change interact with the development challenge?  
W9-12 Small group project.