

# **ECON410: Economic Development**

Professor Lakshmi K. Raut

Fall 1997, *M,W:12:30-1:45, Room: Porteus 541*

Office hours Tuesdays 2:00PM-2:00PM, Room Porteus 533

## **EXAMS AND GRADING:**

There will be a few homework assignments which will not be graded, but you should do them all to understand the material. There will be two in-class mid-term exams each of which will carry 25% of the final grade. The final examination will carry 40% of the final grade. The class participation and quizzes will carry 10% of the final grade. I strongly recommend you to attend all the classes. If you must miss a class, arrange with your class-mate to make available to you the material you missed. Some of the lectures notes will be kept in the soft reserve, details of which will be announced in the class. There will be no make-up examination under any circumstances.

**MID-TERM EXAMS:** the First Mid-Term: Wednesday, October 1, 1997, the Second Mid-term Wednesday November 5, 1997.

**FINAL EXAM:** As scheduled by the University.

**CONTENTS** The materials for sections 2-4 below will be developed in the class and partial notes will be kept in the soft reserve. Some of the topics in section 7 may not be covered if time does not permit.

### **1. Introduction: Nature of Development problems(Todaro Chapter 2)**

- Structures of Developing economies
- Measurement of living standards, and comparison of living standards of a few selected countries
- Other indicators

### **2. Representation of technology by production function, class notes**

- Production function, technological change
- Potential *vs* Actual Output
- Trend in potential and actual output and business cycles

### **3. Measurement of Growth**

- Linear and exponential growth rates
- Computation of Catching up time and Double up time
- Growth Rates of functions
- Computation of growth Rates

### **4. Sources of Growth**

- Capital: *household savings, government budget deficit and foreign capital flows*
- Labor: *population, hours of work, and education*
- Knowledge and productivity growth: *R&D, technology import, direct foreign investment*

## 5. Macro Evidence on Sources of Growth

- (a) U.S., Korea and Japan (Class notes)
- (b) \*An international Comparison: Korea, Japan, U.S., Canada, Belgium, Denmark, France, West Germany, Italy, Norway, U.K. (Denison, 1962)

## 6. Basic Descriptive Models of Growth and Development

- Stylized Facts about a few macro variables: Kaldor's findings on U.S.
- Harrod-Domar Model: no factor substitution and Knife-edge instability
- Solow model: factor substitutions and stability
- Solow model with Harrod-neutral technological change
- Lewis Dual Economy Growth Model

## 7. Sources of growth and Development in details:

- **A. Human Resources:** Labor, Population, and Human Capital (Todaro Ch.6, 7, 11)
- **B. International factors:** International Trade, International Capital flows (Todaro Ch. 12, 13, 14, 15).

## Required readings:

- (1) Todaro, M. "Economic Development" Sixth Edition, Addison-Wesley Pub. Co.
- (2) Denison, [1962], "Sources of Postwar growth in nine western countries", American Economic Review.