

Centre for International Trade and Development
School of International Studies

Course title:	Economic Development II
Course code:	IE 509
Course instructors:	Bharatee Bhusana Dash & Ajeet Kumar Sahoo
Course type:	Optional (Winter Semester)
Credits:	4
Contact hours:	4 hours per week

Course Objectives

This course provides an introduction to some selected critical issues in development economics. The course covers topics on new political economy aspects of development as well as the impact of international aid on development. For the application of cover topics, empirical evidence particularly from developing and underdeveloped economies will receive more attention.

Learning Outcomes

In this course students can expect to learn:

- Theories that help us to understand development traps ensuing from self-fulfilling prophecy and history.
- Basic theories of *political economy*: sources of conflict and development, and the role of state, democracy and development.
- Theoretical framework of foreign aid, its role in development and consequences.

Evaluation

Evaluation of students will be based on the assignments/term-papers and examinations (mid-semester and end-semester).

Course Content

1. **Development traps – Self-fulfilling prophecies and the role of history:** Complementarities and multiple equilibriums, self-fulfilling prophecy and development, history and multiple steady-states, history and development.
2. **Political economy of conflict and development:** Economic prosperity and conflict, opportunity costs, state capacity and conflict, polarization, fractionalization and conflict.
3. **Democracy and development:** Role of state, democratic institutions and economic outcomes, representation and government accountability, electoral competitiveness, measurement of electoral competitiveness.
4. **Foreign Aid and development:** Theoretical perspectives on foreign aid and development; the determinants of foreign aid, sustainable development goals

(SDGs), Dependency theory and critiques of foreign aid, environmental and social impacts of aid projects, emerging trends and future of foreign aid.

Suggested Reading (For modules 1-3)

- Acemoglu, D., S. Naidu, P. Restrepo, and J. Robinson (2019). Democracy does cause growth. *Journal of Political Economy* 127: 47-101.
- Banerjee, A. and L. Iyer (2005). History, institutions, and economic performance: The legacy of colonial land tenure systems in India. *American Economic Review* 95: 1190-1213.
- Bardhan, P (2016). State and development: The need for a reappraisal of the current literature. *Journal of Economic Literature* 54: 862-892.
- Becker, G. (1958). Competition and democracy. *Journal of Law and Economics* 1: 105-109.
- Becker, G. (1983). A theory of competition among pressure groups for political influence. *Quarterly Journal of Economics* 98: 371-400.
- Dash, B., S. Ferris and S. Winer (2019). The measurement of electoral competition, with application to Indian states. *Electoral Studies* 62: 102070.
- David, P. (1985). Clio and the economics of QWERTY. *American Economic Review* 75: 332-337.
- Esteban, J., L. Mayoral and D. Ray (2012). Ethnicity and conflict: Theory and facts. *Science* 336: 858-865.
- Mitra, A. and D. Ray (2014). Implications of an economic theory of conflict: Hindu-Muslim violence in India. *Journal of Political Economy* 122: 719-765.
- Nunn, N. (2008). The long-term effects of Africa's slave trades. *Quarterly Journal of Economics* 123: 139-176.
- Nunn, N. (2020). The historical roots of economic development. *Science* 367: eaaz9986.
- Olson, M. (1993). Dictatorship, democracy, and development. *American Political Science Review* 87: 567-576.
- Przeworski, A. and F. Limongi (1994). Political Regimes and Economic Growth. *Journal of Economic Perspectives* 7: 51-69.
- Ray, D. (1998). *Development Economics*. Oxford University Press.
- Ray, D. and J. Esteban (2017). Conflict and development. *Annual Review of Economics* 9: 263-293.
- Stigler, G. (1972). Economic competition and political competition. *Public Choice* 13: 91-106.
- Wittman, D. (1989). Why democracies produce efficient results. *Journal of Political Economy* 97: 1395-1424.

Suggested Reading (For module 4)

- Alesina, A. and D. Dollar (2000). Who gives foreign aid to whom and why? *Journal of Economic Growth*, 5(1), 33-63.

- Birdsall, N., Kharas, H., & Sinding, S. (Eds.). (2010). *The Quality of Official Development Assistance (QuODA): Assessing the Effectiveness of Aid for Education*. Center for Global Development.
- Clemens, M. A., Radelet, S., Bhavnani, R. R., & Bazzi, S. (2012). counting chickens when they hatch: timing and the effects of aid on growth, *The Economic Journal*, 122(561), 590-617.
- Devarajan, S., & Ravi, K. (2008). Aid and Growth: What does the cross-country evidence really show?, *The Review of Economics and Statistics*, 90(4), 643-665.
- Djankov, S & Montalvo, J., & Reynal-Querol, M. (2008). The Curse of Aid. *Journal of Economic Growth*. 13, 169-194.
- Easterly, W. (2003). Can Foreign Aid Buy Growth? *Journal of Economic Perspectives*, 17(3), 23-48.
- Jakob Svensson. (2003), Why conditional aid doesn't work and what can be done about it?, *Journal of Development Economics*, 70 (2), 381-402.
- Riddell, R. C. (2007). *Does Foreign Aid Really Work?* Oxford University Press.