

## **Development Economics (2<sup>nd</sup> Semester)**

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### **Section 1. General information about the course**

The course outlines major economic issues pertaining to incentivizing growth and fostering various structural changes of the economy. Along with examining common economic problems of the low and middle-income countries, the course will focus on the current economic concerns of the developed countries: decreasing inequality across individuals and companies, developing the technology economy, promoting energy efficiency and the use of environmentally friendly technologies, the positive and negative effects of the cultural factors in political economy and corporate governance, and retransformation of economic systems. The course will draw upon the innovative experience of the US and Japan, and will examine economic changes in the BRICS countries, with an emphasis on the technology and energy policy in Russia.

### **Section 2. Course goals, learning objectives, expected learning outcomes**

The purpose of the course is to focus on the key economic problems of the low and middle-income countries, as well as to outline major issues of fostering economic growth. The students will learn the causes and consequences of poverty and inequality, the models for economic growth and technological change, the approaches to economic analysis of the policy changes in various countries, the examples of policy interventions and the determinants of their success.

A special attention will be given to the development of the research and analytical skills: a critical review of the existing literature, a formulation of the independent research agenda and research hypotheses, the search for theoretical and empirical techniques, and for the empirical data in order to investigate the validity of the proposed hypotheses.

Prerequisites: Introductory econometrics, Introductory microeconomics, Introductory macroeconomics, Public economics (desirable).

### **Section 3. Course Outline**

№	Topic/Focus/Activity	Week	Course format:				Readings and assignments
			lectures,	seminars,	consultations,	workshops, etc. (in hours)	
1	Contemporary issues in development economics, poverty and inequality	1	4 L				Besley, T. (2016) <i>Contemporary Issues in Development Economics</i> . International Economic Association. Palgrave. Ray, D. (2014). <i>Development Economics</i> . Princeton University Press. Soderbom, M. et al. (2015) <i>Empirical Development Economics</i> . Routledge Advanced Texts in Economics and Finance.
2	Growth through technological change	2	4L	2W			Ray, D. (2010) Uneven growth: A framework for research in development economics. <i>Journal of Economic Perspectives</i> , 24(3), 45-60. Aghion, P, Howitt, P. (2005) Growth with quality-improving innovations: an integrated framework. Ch.2 In: <i>Handbook of Economic Growth</i> , Vol.1, pages 67-110
3	Environment and sustainable development	3	4L	2W			Acemoglu, D., Akcigit, U., Hanley, D., Kerr, W. (2016) Transition to clean technology. <i>Journal of Political Economy</i> , 124(1), 52-104. <i>Handbook of Energy and Resource Economics</i> . Edited by Partha Dasgupta, Subhrendu K. Pattanayak, V. Kerry Smith. Vol.4, 2018. <i>Environmental Economics and Management: Theory, Policy and Applications</i> . Scott J. Callan, Janet M. Thomas. Thompson South-Western, 2010.
4	Human capital: health, labor and productivity	4	4L	2W			Ray, D. (2014). <i>Development Economics</i> . Princeton University Press. Soderbom, M. et al. (2015) <i>Empirical Development Economics</i> . Routledge Advanced Texts in Economics and Finance.

5	Political economy of innovation	5	4L				Klette, T. J., Kortum, S. (2004) Innovating firms and aggregate innovation. <i>Journal of Political Economy</i> , 112(5), 986-1018.
6	Transformation of economic systems	6	4L				Hayami, Y., Godo, Y. (2005) <i>Development Economics: From the Poverty to the Wealth of Nations</i> . Oxford University Press. Dasher, R, Harada, N., Hoshi, T., Kushida, K., Okazaki, T. (2015) Institutional Foundation for Innovation-Based Economic Growth. National Institute for Research Advancement. <a href="http://nira.or.jp/pdf/e_1503report.pdf">http://nira.or.jp/pdf/e_1503report.pdf</a>
7	Presentations of the essays	7		2W			<i>Handbook of Development Economics</i> . Edited by Dani Rodrik, Mark Rosenzweig. Volume 5 (2010), Edited by T. Paul Schultz, John A. Strauss, Volume 4 (2007). Elsevier.
8	Presentations of the essays	8		2W			<i>Handbook of Development Economics</i> . Edited by Dani Rodrik, Mark Rosenzweig. Volume 5 (2010), Edited by T. Paul Schultz, John A. Strauss, Volume 4 (2007). Elsevier.
9	Test	9	2L				

**L – lecture, W - workshop**

Description of course methodology and forms of assessment to be used:

The course combines theoretical aspects with the empirical analysis. Work at sections will be devoted to an overview of the available databases on economic development, an outline of the key techniques in literature review and the empirical analysis, and student presentations of their essays.

Week 1. Contemporary issues in development economics

Poverty and other key problems of the low and middle-income countries.

Major tasks for the developed countries concerning various types of inequality.

Statistical and econometric analysis of income distribution.

Week 2. Growth through technological change

Solow and Romer models, and variant with technological change.

Empirics of the Solow and Romer models.

Neoclassical growth models, growth and technological change.

Evaluation of economic performance and cross-country differences.

Week 3. Environment and sustainable development

Market failures, externalities and environmental policy.

Macroeconomics of energy use: technology choices by energy firms and the long-term growth.

Household energy consumption.

Use of patent statistics for measuring technology gaps.

Week 4. Human capital: health, labor and productivity

Measuring human capital and investing in human capital.

Deprivation in access and utilization of healthcare and education.

The empirical evidence and approaches to analyzing heterogeneity in household and individual choices.

Week 5. Political economy of innovation

Protection of intellectual property rights, innovation and growth.

R&D tax credits, corporate inequality and firm growth.

Innovation subsidies and their effectiveness.

Competition and innovation in Russian industries.

Week 6. Transformation of economic systems

The phenomenon of the US Silicon valley.

Reforms in the corporate governance and regulation in Japan.

Changes in the planned economies: a Chinese example.

Weeks 7,8. Presentations of the final essays

Week 9. Final test

Sections:

Major international databases on the development indicators and the macroeconomic indicators.

HSE data on companies/households.

Main casual approaches and applied techniques for econometric analysis:

with an application to estimating inequality, measuring economic growth and conducting policy evaluation

#### **Section 4. Texts, readings and other informational resources**

1. Required reading:

- Ray, D. (2014). *Development Economics*. Princeton University Press.
- Soderbom, M. et al. (2015) *Empirical Development Economics*. Routledge Advanced Texts in Economics and Finance. <https://www.empiricalde.com>

2. Additional reading:

- Besley, T. (2016) *Contemporary Issues in Development Economics*. International Economic Association. Palgrave.

- Hayami, Y., Godo, Y. (2005) *Development Economics: From the Poverty to the Wealth of Nations*. Oxford University Press.
  - *Handbook of Development Economics*. Edited by Dani Rodrik, Mark Rosenzweig. Volume 5 (2010), Edited by T. Paul Schultz, John A. Strauss, Volume 4 (2007). Elsevier.
3. Websites and other informational resources (databases, software, etc)
- Acemoglu, D., Akcigit, U., Hanley, D., Kerr, W. (2016) Transition to clean technology. *Journal of Political Economy*, 124(1), 52-104.
  - Dasher, R, Harada, N., Hoshi, T., Kushida, K., Okazaki, T. (2015) Institutional Foundation for Innovation-Based Economic Growth. National Institute for Research Advancement (NIRA). [http://nira.or.jp/pdf/e\\_1503report.pdf](http://nira.or.jp/pdf/e_1503report.pdf)
  - Ray, D. (2010) Uneven growth: A framework for research in development economics. *Journal of Economic Perspectives*, 24(3), 45-60.
  - Klette, T. J., Kortum, S. (2004) Innovating firms and aggregate innovation. *Journal of Political Economy*, 112(5), 986-1018.

## **Section 5. Examination/Evaluation**

- Examples of topics and requirements for assignments,

An article of any topic of the course may be chosen for presentation at the workshop. The article should be shown to instructor for confirmation. The contents of the article should be presented at the workshop and briefly outlined in the mid-term essay and final essay.

The mid-term essay is a short critical review of a journal article to become a part of the final essay.

The final essay is a critical review/or an independent research proposal with a research question and an outline of the methodological and empirical strategies for the analysis.

- Example list of questions for quizzes and exams,

The topics of the final test heavily follow upon the structure of textbooks in the required reading. The quiz will comprise open questions, which require to define and elaborate on the key issues studied during the course.

### Sample questions

Define total factor productivity and write about the reasons for its variation.

How is education associated with human capital?

Suggest your interpretation of difference in per capita income across countries.

What are main causes of poverty and what is the best policy response to confront these causes.

Choose a country to describe major stages of its economic retransformation and consequences of these changes on economic development.

What is the relationship between growth and technological change?

How do R&D tax credits impact innovation and growth?

- Grading system and how both the course and final test will be graded

The final grade will be based on the results of the mid-term essay (a short critical review of a journal article to become a part of the final essay), the final essay and its presentation (a critical review of the article/a research proposal with a research question and an outline of the methodological and empirical strategies for the analysis) and the final test.

**Final essay and its presentation 40%**

**Mid-term essay 10%**

**Class/sections participation 20%**

**Final test 30%**

- Make-up policies and form of the make-up

Make-up of the final test, mid-term essay and final essay is possible, with the maximal potential grade of 7 (on a 10-point scale).

There is no make-up of oral presentation at the workshop.

- Policies on late work

Late work (mid-term essay and final essay) is discounted at 50%.

### **Section 6. Academic Integrity**

The Higher School of Economics strictly adheres to the principle of academic integrity and honesty. Accordingly, in this course there will be a zero-tolerance policy toward academic dishonesty. This includes, but is not limited to, cheating, plagiarism (including failure to properly cite sources), fabricating citations or information, tampering with other students' work, and presenting a part of or the entirety of another person's work as your own. HSE uses an automated plagiarism-detection system to ensure the originality of students' work. Students who violate university rules on academic honesty will face disciplinary consequences, which, depending on the severity of the offense, may include having points deducted on a specific assignment, receiving a failing grade for the course, being expelled from the university, or other measures specified in HSE's [Internal Regulations](#).