The purpose of this course is to provide an accessible, yet rigorous, introduction to policy analysis for development that is suitable for students from a wide variety of backgrounds. Development policies must be derived from development theory and their (potential for) success tested empirically. There is no single ‘theory of economic development,’ but this unit will provide a background review of competing theories of many complex processes that together may arguably lead to development, primarily at the macroeconomic scale (e.g. growth, trade, aid, credit). Furthermore, the unit will equip the students with the skills to critically read quantitative research testing the extent to which theories of development reflect reality and the success of development policies.

Prerequisite
If taken as part of a BSc degree, courses which must be passed before this course may be attempted:
DV1171 Introduction in international development

Exclusions
This course may not be taken with EC3044 Economics of development

Aims and objectives
The aims of this course are to:
• provide a critical overview of current growth and welfare policies in developing countries.
• demonstrate how the underlying theories that inform development policies are evolving in light of continuous empirical testing.
• provide a comprehensive introduction to evidence-based policy analysis, including a non-technical but operational ability to read and comprehend regression analyses used in quantitative policy evaluation.

Learning outcomes
At the end of the course and having completed the essential reading and activities students should be able to:
☑ describe the main theories, debates and concepts in development economics.
☑ demonstrate a clear understanding of the major economic policy issues in developing countries.
☑ be able to read, understand and critique empirical analysis in the context of development policy evaluations at a non-technical level.
☑ demonstrate an understanding of how theories of development economics have evolved and shaped policy over the past 50 years.

Essential reading

Assessment
This course is assessed by a three-hour unseen written examination.
**Syllabus**
This is a description of the material to be examined. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading.

**Introduction to quantitative analysis of development policies:** Overview designed to give students a non-technical but operational ability to read and comprehend empirical analysis commonly used in the quantitative evaluation of development policies. Each chapter will assign at least one empirical paper.

**Economic Growth:** Basic concepts, ideas and theories. Neoclassical (Solow) growth and Endogenous growth models; aggregate economic growth and global inequality, poverty traps. Evidence for alternative mechanisms driving growth.

**New directions in growth theory:** The implications of firm heterogeneity and ‘weak links’ in intermediate goods sectors. Economic Geography.

**Institutions and (very) long run growth:** Institutions, human capital and long run growth, the importance of history and initial conditions in explaining current dispersion in standards of living.

**Globalization and trade theory:** Ricardian comparative advantage and gains from trade, Heckscher Ohlin model, new trade theory, heterogeneous firms and new trade theory. Empirical evidence on the effect of trade on productivity.

**Inflation and financial crises:** Causes and consequences of inflation, balance of payments crises, Balance of payments crises and structural adjustment; ‘new style’ financial and currency crises. Empirical evidence on the effectiveness of SAPs and currency controls.

**Aid Effectiveness:** Current debate on aid effectiveness; review the empirical evidence on aid.

**Intrahousehold allocation:** Alternative models of intrahousehold allocation and their gender and policy implications; Empirical example of pension reform in South Africa.

**Microfinance:** Credit market imperfections and credit in poor communities; microfinance programmes; empirical evaluation of microfinance programmes.

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Students should consult the appropriate EMFSS Programme Regulations, which are reviewed on an annual basis. The Regulations provide information on the availability of a course, where it can be placed on your programme’s structure, and details of co-requisites and prerequisites.