

Testi del Syllabus

Resp. Did. **MARCHESI SILVIA** Matricola: **002161**

Anno offerta: **2017/2018**
Insegnamento: **F5602M007 - DEVELOPMENT ECONOMICS**
Corso di studio: **F5602M - INTERNATIONAL ECONOMICS - ECONOMIA INTERNAZIONALE**
Anno regolamento: **2016**
CFU: **10**
Anno corso: **2**
Periodo: **Secondo Semestre**



Testi in italiano

Lingua insegnamento

Inglese

Contenuti

MACROECONOMICS OF DEVELOPMENT:
1: ROLE OF IMF
a) Participation (who controls the IMF?)
b) Implementation and effects
2: FOREIGN AID
Introduction
a) Aid allocation (bilateral aid and multilateral aid)
b) Aid effectiveness
3: SOVEREIGN DEBT
Introduction
a) Incentives (sanctions and reputation)
b) Distortions:
c) Remedies (debt restructuring and debt relief)
MICROECONOMICS OF DEVELOPMENT:
1: Introduction to Economic Development issues
2: Theories of Economic Growth
3: Human Capital, Technical Progress and Growth
4: Institutions, Inequality, and Development
5: Poverty & Intra-Household Resource Allocation
6: Land Market and Tenancy
7: Rural Labor Market
8: Credit Market

Testi di riferimento

MACROECONOMICS OF DEVELOPMENT:
• Tirole, J., (2002) Financial Crises, Liquidity, and the International Monetary System, Princeton University Press.
• Radelet, S. (2006) "A Primer on Foreign Aid" Center for Global Development Working Paper 92.
• Reinhart C. M. and K.S. Rogoff (2009) This Time is Different: Eight Centuries of Financial Follies. Princeton University Press.
MICROECONOMICS OF DEVELOPMENT:
Testo principale: Debraj Ray, 1998, Development Economics.

Obiettivi formativi

Le conoscenze fornite riguardano i fondamenti dell'economia dello sviluppo, sia per quanto riguarda gli aspetti microeconomici che quelli macroeconomici.
Nel primo caso gli obiettivi principali sono quelli di analizzare: (1) ruolo ed efficacia dell'intervento del FMI e della Banca Mondiale nell'allocazione delle risorse finanziarie nei paesi emergenti; (2) ruolo ed efficacia degli

aiuti internazionali; (3) debito sovrano.

Nel secondo caso gli obiettivi sono quelli di analizzare (i) i legami fra crescita, sviluppo e disuguaglianza nei paesi in via di sviluppo; (ii) i fallimenti dei principali mercati (del lavoro, del credito e della terra) e gli effetti sul benessere delle famiglie; (iii) l'evoluzione delle istituzioni e/o dei meccanismi, formali e informali, messi in atto dalle famiglie per affrontare le incompletezze dei mercati.

Prerequisiti

È richiesta la conoscenza di concetti fondamentali di microeconomia e di macroeconomia nonché strumenti di base di econometria.

Metodi didattici

Lezione frontale in aula

Modalità di verifica dell'apprendimento

Esame scritto

Programma esteso

MACROECONOMICS OF DEVELOPMENT:

1: ROLE OF IMF

a) PARTICIPATION

- Dreher, A., J.E. Sturm, and J.R. Vreeland (2008) "Global Horse Trading: IMF loans for votes in the United Nations Security Council." *European Economic Review* 53: 742-757.
- Dreher, A, and N.M., Jensen (2007) "Independent Actor or Agent? An Empirical Analysis of the Impact of U.S. Interests on IMF Conditions." *Journal of Law and Economics*, 50, 105-124.
- Dreher, A., S. Marchesi and J.R. Vreeland (2008) "The political economy of IMF forecasts," *Public Choice*, 137, 145-171

b) IMPLEMENTATION AND EFFECTS

- Barro, R.J. and Lee, J.W. (2005) "IMF-programs: Who is chosen and what are the effects?" *Journal of Monetary Economics*, 52, 1245-1269.
- Dreher, A. (2006), "IMF and economic growth: the effects of programs, loans and compliance with conditionality" , *World Development*, 34, 769-788.
- Marchesi, S. (2003). Adoption of an IMF programme and debt rescheduling. An empirical analysis. *Journal of Development Economics*, 70(2), 403-423.
- Marchesi, S., L. Sabani and A. Dreher (2011) "Read my lips: the role of information transmission in multilateral reform design", *Journal of International Economics*, 2011, Volume 84, pp. 86-98
- Marchesi S. and E. Sirtori (2011) "Is two better than one? Effects on growth of Bank-Fund interaction", *Review of International Organization*, 2011, Volume 6, pp 287-306

2: FOREIGN AID

a) AID ALLOCATION

- Alesina, A., Dollar, D., (2000) Who gives foreign aid to whom and why? *Journal of Economic Growth* 5, 33--63.
- Dreher, Axel, Jan-Egbert Sturm, and James R. Vreeland. (2009) "Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions?" *Journal of Development Economics* 88: 1-18.
- Dreher, Axel, Peter Nunnenkamp and Rainer Thiele, 2011, Are 'New' Donors Different Comparing the Allocation of Bilateral Aid Between NonDAC and DAC Donor Countries? *World Development* 39, 11: 1950-1968.
- Dreher A., Langlotz S. and S. Marchesi (2016) "Information transmission and ownership consolidation in aid programs", *CEPR Working Paper* 11443
- Kuziemko, Ilyana, and Eric Werker. (2006) "How much is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations." *Journal of Political Economy*, 114, 905-930.
- Marchesi S. and A. Missale (2013) Did high debts distort loans and grants allocation to IDA countries?, *World Development*, Volume 44, pp. 1-300

b) AID EFFECTIVENESS

- Burnside, C., Dollar, D., (2000) Aid, Policies and Growth. *American Economic Review* 90, 847--868.
- Dreher, Axel; Stephan Klasen; James Vreeland and Eric Werker, (2010) The costs of favoritism: Is politically-driven aid less effective? *Courant Research Centre Discussion Paper* 26, March 2010. *Economic Development and Cultural Change*, 62: 157-191
- Dreher, Axel; Eichenauer, V and K. Gehring (2013) "Geopolitics, Aid, and Growth", CEPR Working Paper No. 9904
- Easterly, W. (2008) "Institutions: Top Down or Bottom Up?" *American Economic Review, Papers and Proceedings*, 98, 95-99.
- Easterly William, Ross Levine, David Roodman (2004) "Aid, Policies, and Growth: Comment. " *The American Economic Review*, Vol. 94, No. 3, pp. 774-780

3: SOVEREIGN DEBT

a) INCENTIVES:

Sanctions and reputation, costs of default

- Panizza U., Sturzenegger F. and J. Zettelmeyer (2009) The Economics and Law of Sovereign Debt and Default. *Journal of Economic Literature* 47(3), 1-47.
- Borensztein E. and U. Panizza (2009) The costs of sovereign default. *IMF Staff Papers* 56 (4), 683—741
- Cruces J. J. and C. Trebesch (2013) Sovereign Defaults: The Price of Haircuts. *American Economic Journal: Macroeconomics* 5, 85-117
- Levy Yeyati E. and U. Panizza (2011) The Elusive Costs of Sovereign Defaults. *Journal of Development Economics* 94, 95-105.
- Trebesch C. and M. Zabel (2014) "The Output Costs of Hard and Soft Sovereign Default", University of Munich, mimeo

b) DISTORTIONS:

Debt overhang; maturity and foreign currency composition; selectivity

- Claessens S., D. Klingebiel, S. Schmukler (2007) "Government Bonds in Domestic and Foreign Currency: The Role of Macroeconomic and Institutional Factors," *Review of International Economics*, 15(2), 370-413, 2007
- Hausmann R. and U. Panizza (2003) "On the determinants of Original Sin: an empirical investigation." *Journal of International Money and Finance*, 22, pp. 957-990.
- Panizza, Ugo and Andrea F Presbitero (2013), "Public debt and economic growth in advanced economies: A survey", *Swiss Journal of Economics and Statistics*, forthcoming.
- Reinhart, Carmen M and Kenneth S Rogoff (2010), "Growth in a Time of Debt" *American Economic Review*, May

c) REMEDIES:

Debt restructuring and debt relief

- Arslanalp S., P.B. Henry (2005) "Is debt relief efficient?" *Journal of finance*, 62: 2, pp. 1017-051.
- Marchesi, S., J.P. Thomas (1999) "IMF conditionality as a screening device" *The Economic Journal*, 1999, 109, 111-125
- Reinhart, C. M. and C. Trebesch (2015) Sovereign Debt Relief and its Aftermath *Cesifo Working Paper* No. 5422
- Tirole, J., (2002) *Financial Crises, Liquidity, and the International Monetary System*, Princeton University Press.

MICROECONOMICS OF DEVELOPMENT

1- Introduction to Economic Development issues

- Ray, D. (1998) Chapter 2
- Banerjee and Duflo, 2006. "The Economic Lives of the Poor", *Journal of Economic Perspectives*, Vo. 21(1), pp. 141-167

2: Theories of Economic Growth

- Ray, D. (1998) Chapter 3
- Krugman, Paul. 1994. "The Myth of Asia's Miracle" *Foreign Affairs*, 73: 62-78.
- Easterly, W. and Levine, R. [1995], "Africa's Growth Tragedy: A Retrospective, 1960-89", *World Bank Policy Research Working Paper*, No. 1503.

3: Human Capital, Technical Progress and Growth

- Ray, D. (1998) Chapter 4

- Hall, R. and C. Jones (1999), "Why Do Some Countries Produce So Much More Output per Worker than Others?", Quarterly Journal of Economics

4: Institutions, Inequality, and Development

- Ray, D. (1998) Chapter 6, 7
- Chaudhuri, Shubham and Martin Ravallion, 2006 "Partially Awakened Giants: Uneven Growth in China and India", World Bank Policy Research Working Paper 40
- Easterly, W. (2007) "Inequality does cause underdevelopment: Insights from a new instrument" Journal of Development Economics

5: Poverty & Intra-Household Resource Allocation

- Ray, D. (1998), Chapter 8 (excluding pag.272-278) & lecture notes (in the handout)
- Garg, Ashish and Jonathan Morduch, 1996, "Sibling Rivalry and the Gender Gap: Evidence from Child Health Outcomes in Ghana," Journal of Population Economics.
- Thomas, Duncan (1990) "Intra-Household Resource Allocation: Approach" 1990. The Journal of Human Resources, Vol. 25, No. 4 pp. 635-664.

6: Land Market and Tenancy

- Ray, D. (1998) Chapter 12
- Field, Erica, 2007, "Entitled to Work" Quarterly Journal of Economics 122, no. 4: 1561-1602.
- Nancy L. Johnson (2001), Tierra y libertad: Will Tenure Reform Improve Productivity in Mexico's Ejido Agriculture?, Economic Development and Cultural Change Vol. 49, No. 2, pp. 291-309

7: Rural Labor Market

- Ray, D. (1998) Chapter 13 pp. 504-524 & Chapter 10 pp.372-395
- Bhalotra, Sonia. and Heady, Chris (2003), Child Farm Labour: The Wealth Paradox, World Bank Economic Review, 17(2), December: 197-227
- Mendola, Mariapia (2008) "Migration and Technological Change in Rural Households: Complements or Substitutes?", Journal of Development Economics, 85 (1-2) 150-175.

8: Credit Market

- Ray, D. (1998) Chapter 14 pp.530-561, 578-586.
- Morduch, Jonathan (1998): "Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh", Working Paper, New York University
- Pitt, Mark and Shahidur Khandker (1998), "The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" Journal of Political Economy, Vol. 106 (5), pp. 958-996.



Testi in inglese

English

MACROECONOMICS OF DEVELOPMENT:

1: ROLE OF IMF

- a) Participation (who controls the IMF?)
- b) Implementation and effects

2: FOREIGN AID

Introduction

- a) Aid allocation (bilateral aid and multilateral aid)
- b) Aid effectiveness

3: SOVEREIGN DEBT

Introduction

- a) Incentives (sanctions and reputation)

b) Distortions:
 c) Remedies (debt restructuring and debt relief)
MICROECONOMICS OF DEVELOPMENT:
 1: Introduction to Economic Development issues
 2: Theories of Economic Growth
 3: Human Capital, Technical Progress and Growth
 4: Institutions, Inequality, and Development
 5: Poverty & Intra-Household Resource Allocation
 6: Land Market and Tenancy
 7: Rural Labor Market
 8: Credit Market

MACROECONOMICS OF DEVELOPMENT:
 • Tirole, J., (2002) Financial Crises, Liquidity, and the International Monetary System, Princeton University Press.
 • Radelet, S. (2006) "A Primer on Foreign Aid" Center for Global Development Working Paper 92.
 • Reinhart C. M. and K.S. Rogoff (2009) This Time is Different: Eight Centuries of Financial Follies. Princeton University Press.

MICROECONOMICS OF DEVELOPMENT:
 Main textbook: Debraj Ray, 1998, Development Economics.

The course shall cover the fundamentals of development economics, both microeconomic and macroeconomic ones.
 In the first module, the main objectives are to analyze: (1) the role and effectiveness of the IMF and the World Bank in the allocation of financial resources in developing countries, (2) the role and effectiveness of international aid, (3) sovereign debt.
 In the second module, the objectives are to analyze (i) the link between growth, development and inequality in developing countries, (ii) the failures of the major markets (labor, credit and land) and the effects on household welfare, (iii) the evolution of institutions and / or mechanisms, both formal and informal, put in place by households to deal with the market incompleteness.

Knowledge of the fundamental concepts of microeconomics and macroeconomics as well as basic tools of econometrics is required

Lectures

Exam papers

MACROECONOMICS OF DEVELOPMENT:
 1: ROLE OF IMF
 a) PARTICIPATION
 • Dreher, A., J.E. Sturm, and J.R. Vreeland (2008) "Global Horse Trading: IMF loans for votes in the United Nations Security Council." European Economic Review 53: 742-757.
 • Dreher, A. and N.M., Jensen (2007) "Independent Actor or Agent? An Empirical Analysis of the Impact of U.S. Interests on IMF Conditions." Journal of Law and Economics, 50, 105-124.
 • Dreher, A., S. Marchesi and J.R. Vreeland (2008) "The political economy of IMF forecasts," Public Choice, 137, 145-171
 b) IMPLEMENTATION AND EFFECTS
 • Barro, R.J. and Lee, J.W. (2005) "IMF-programs: Who is chosen and what are the effects?" Journal of Monetary Economics, 52, 1245-1269.
 • Dreher, A. (2006), "IMF and economic growth: the effects of programs, loans and compliance with conditionality" , World Development, 34, 769-788.
 • Marchesi, S. (2003). Adoption of an IMF programme and debt rescheduling. An empirical analysis. Journal of Development Economics, 70(2), 403-423.
 • Marchesi, S., L. Sabani and A. Dreher (2011) "Read my lips: the role of information transmission in multilateral reform design", Journal of

International Economics, 2011, Volume 84, pp. 86-98

- Marchesi S. and E. Sirtori (2011) "Is two better than one? Effects on growth of Bank-Fund interaction", Review of International Organization, 2011, Volume 6, pp 287-306

2: FOREIGN AID

a) AID ALLOCATION

- Alesina, A., Dollar, D., (2000) Who gives foreign aid to whom and why? Journal of Economic Growth 5, 33--63.
- Dreher, Axel, Jan-Egbert Sturm, and James R. Vreeland. (2009) "Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions?" Journal of Development Economics 88: 1-18.
- Dreher, Axel, Peter Nunnenkamp and Rainer Thiele, 2011, Are 'New' Donors Different Comparing the Allocation of Bilateral Aid Between NonDAC and DAC Donor Countries? World Development 39, 11: 1950-1968.
- Dreher A., Langlotz S. and S. Marchesi (2016) "Information transmission and ownership consolidation in aid programs", CEPR Working Paper 11443
- Kuziemko, Ilyana, and Eric Werker. (2006) "How much is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations." Journal of Political Economy, 114, 905-930.
- Marchesi S. and A. Missale (2013) Did high debts distort loans and grants allocation to IDA countries?, World Development, Volume 44, pp. 1-300

b) AID EFFECTIVENESS

- Burnside, C., Dollar, D., (2000) Aid, Policies and Growth. American Economic Review 90, 847--868.
- Dreher, Axel; Stephan Klasen; James Vreeland and Eric Werker, (2010) The costs of favoritism: Is politically-driven aid less effective? Courant Research Centre Discussion Paper 26, March 2010. Economic Development and Cultural Change, 62: 157-191
- Dreher, Axel; Eichenauer, V and K. Gehring (2013) "Geopolitics, Aid, and Growth", CEPR Working Paper No. 9904
- Easterly, W. (2008) "Institutions: Top Down or Bottom Up?" American Economic Review, Papers and Proceedings, 98, 95-99.
- Easterly William, Ross Levine, David Roodman (2004) "Aid, Policies, and Growth: Comment. "The American Economic Review, Vol. 94, No. 3, pp. 774-780

3: SOVEREIGN DEBT

a) INCENTIVES:

Sanctions and reputation, costs of default

- Panizza U., Sturzenegger F. and J. Zettelmeyer (2009) The Economics and Law of Sovereign Debt and Default. Journal of Economic Literature 47(3), 1-47.
- Borensztein E. and U. Panizza (2009) The costs of sovereign default. IMF Staff Papers 56 (4), 683—741
- Cruces J. J. and C. Trebesch (2013) Sovereign Defaults: The Price of Haircuts. American Economic Journal: Macroeconomics 5, 85-117
- Levy Yeyati E. and U. Panizza (2011) The Elusive Costs of Sovereign Defaults. Journal of Development Economics 94, 95-105.
- Trebesch C. and M. Zabel (2014) "The Output Costs of Hard and Soft Sovereign Default", University of Munich, mimeo

b) DISTORTIONS:

Debt overhang; maturity and foreign currency composition; selectivity

- Claessens S., D. Klingebiel, S. Schmukler (2007) "Government Bonds in Domestic and Foreign Currency: The Role of Macroeconomic and Institutional Factors," Review of International Economics, 15(2), 370-413, 2007
- Hausmann R. and U. Panizza (2003) "On the determinants of Original Sin: an empirical investigation." Journal of International Money and Finance, 22, pp. 957-990.
- Panizza, Ugo and Andrea F. Presbitero (2013), "Public debt and economic growth in advanced economies: A survey", Swiss Journal of Economics and Statistics, forthcoming.
- Reinhart, Carmen M and Kenneth S. Rogoff (2010), "Growth in a Time of

Debt" American Economic Review, May

c) REMEDIES:

Debt restructuring and debt relief

- Arslanalp S., P.B. Henry (2005) "Is debt relief efficient?" Journal of finance, 62: 2, pp. 1017-051.
- Marchesi, S., J.P. Thomas (1999) "IMF conditionality as a screening device" The Economic Journal, 1999, 109, 111-125
- Reinhart, C. M. and C. Trebesch (2015) Sovereign Debt Relief and its Aftermath Cesifo Working Paper No. 5422
- Tirole, J., (2002) Financial Crises, Liquidity, and the International Monetary System, Princeton University Press.

MICROECONOMICS OF DEVELOPMENT

1- Introduction to Economic Development issues

- Ray, D. (1998) Chapter 2
- Banerjee and Duflo, 2006. "The Economic Lives of the Poor", Journal of Economic Perspectives, Vo. 21(1), pp. 141-167

2: Theories of Economic Growth

- Ray, D. (1998) Chapter 3
- Krugman, Paul. 1994. "The Myth of Asia's Miracle" Foreign Affairs, 73: 62-78.
- Easterly, W. and Levine, R. [1995], "Africa's Growth Tragedy: A Retrospective, 1960-89", World Bank Policy Research Working Paper, No. 1503.

3: Human Capital, Technical Progress and Growth

- Ray, D. (1998) Chapter 4
- Hall, R. and C. Jones (1999), "Why Do Some Countries Produce So Much More Output per Worker than Others?", Quarterly Journal of Economics

4: Institutions, Inequality, and Development

- Ray, D. (1998) Chapter 6, 7
- Chaudhuri, Shubham and Martin Ravallion, 2006 "Partially Awakened Giants: Uneven Growth in China and India", World Bank Policy Research Working Paper 40
- Easterly, W. (2007) "Inequality does cause underdevelopment: Insights from a new instrument" Journal of Development Economics

5: Poverty & Intra-Household Resource Allocation

- Ray, D. (1998), Chapter 8 (excluding pag.272-278) & lecture notes (in the handout)
- Garg, Ashish and Jonathan Morduch, 1996, "Sibling Rivalry and the Gender Gap: Evidence from Child Health Outcomes in Ghana," Journal of Population Economics.
- Thomas, Duncan (1990) "Intra-Household Resource Allocation: Approach" 1990. The Journal of Human Resources, Vol. 25, No. 4 pp. 635-664.

6: Land Market and Tenancy

- Ray, D. (1998) Chapter 12
- Field, Erica, 2007, "Entitled to Work" Quarterly Journal of Economics 122, no. 4: 1561-1602.
- Nancy L. Johnson (2001), Tierra y libertad: Will Tenure Reform Improve Productivity in Mexico's Ejido Agriculture?, Economic Development and Cultural Change Vol. 49, No. 2, pp. 291-309

7: Rural Labor Market

- Ray, D. (1998) Chapter 13 pp. 504-524 & Chapter 10 pp.372-395
- Bhalotra, Sonia. and Heady, Chris (2003), Child Farm Labour: The Wealth Paradox, World Bank Economic Review, 17(2), December: 197-227
- Mendola, Mariapia (2008) "Migration and Technological Change in Rural Households: Complements or Substitutes?", Journal of Development Economics, 85 (1-2) 150-175.

8: Credit Market

- Ray, D. (1998) Chapter 14 pp.530-561, 578-586.

- Morduch, Jonathan (1998): "Does Microfinance Really Help the Poor? New Evidence from Flagship Programs in Bangladesh", Working Paper, New York University
- Pitt, Mark and Shahidur Khandker (1998), "The Impact of Group-based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" *Journal of Political Economy*, Vol. 106 (5), pp. 958-996.