ECONOMIC DEVELOPMENT

The Purpose of the Course. This is an upper-division examining the problems of less developed countries (LDC’s). Although a variety of approaches to development economics will be studied, the analysis of new institutional economics will be emphasized. By the end of the semester, participants should be able to understand: (1) the economic diversity, as well as the diversity of development problems, among LDC’s; (2) the conditions necessary or conducive to economic growth and the institutional hindrances to growth; (3) the economic implications of alternative development strategies and policies.

Prerequisites. ECON 251, 252, and either ECON 200 or MATH 113 (or by permission).

Required Books.
- Dean Karlan and Jacob Appel, MORE THAN GOOD INTENTIONS: Improving the Ways the World’s Poor Borrow, Save, Farm, Learn, and Stay Healthy, Plume, 2012 (pbk).
- Nina Munk, THE IDEALIST: Jeffrey Sachs and the Quest to End Poverty, Anchor, 2014 (pbk).
- Raj Nallari and Breda Griffith. UNDERSTANDING GROWTH AND POVERTY: Theory, Policy, and Empirics. World Bank, 2011 (pbk). #pdf format on Sakai

Office Hours. Posted office hours are Mondays and Wednesdays 10:00 to 11:30 a.m., Tuesdays 4:00 p.m. and by appointment. I am usually around afternoons except for Tuesdays. Free to stop by for help, advice, or just to talk. If I am out, please a message and I will try to contact you.

Tentative Course Schedule.
First Day of Class ~ Thursday 27 August
Last Day Add/Drop ~ Thursday 3 September
Test #1 ~ Tuesday 29 September
Mid-Semester Break ~ 15 to 18 October
Test #2 ~ Tuesday 3 November
Thanksgiving Break ~ 20 to 29 November
Last Day of Class ~ Thursday 10 December
Test #3 ~ Monday 14 December at 6 p.m.
Course Evaluation and Policies. Students are responsible for course assignments and announcements posted on Sakai for this course, as well as messages sent to their campus email addresses. Announcements should be checked, at a minimum, the day before class meets.

The final course grade will be based upon the following:
- Test Essays (50%)
- Assigned Papers (40%)
- Response Papers/Presentations (10%)

Three tests will be given during the semester. Each test will consist of two essay questions selected from study questions previously handed out. Each essay will be graded separately. The best four of these six essays determine 50 percent of your final course grade, with the exception that at least one of the graded test essays from Test #3 will be used in the determination of the final course grade. There will be no late tests given. If a student misses a test, for any reason whatsoever, the questions on that test will be among the questions “dropped.” Except for Test #3, a student may arrange to take a test early. Test #3 will be held during Monday evening of finals week.

Assigned papers, with variable credit, account for 40 percent of the final course grade. These may be relatively short (three-to-five pages) or longer (five-to-twelve pages).

The success of the course will depend heavily upon the contributions of each student. Students are expected to come to class prepared and willing to contribute to the class discussion. Hence, evaluation of student response papers, along with student presentations, will determine 10 percent of the course grade.

Tentative Course Outline and Readings (book AUTHORS capitalized).

A. THE BIG PICTURE: DEVELOPMENT OBJECTIVES.

1. What is Development Economics?
TAYLOR & LYBBERT, Ch. 1, “What Development Economics Is All About?” (pp. 1-19).
Robin Grier, “Is There Any Way the MDGs Can Fail?” web log post, Cherokee Gothic, 7 May 2014 (http://cherokeegothic.com/2014/05/07/is-there-any-way-the-mdgs-can-fail/) 1p.
Optional: The Gapminder World is available for download: http://www.gapminder.org/downloads/

2. Good Intentions Are Not Enough
TAYLOR & LYBBERT, Ch. 2, “What Works and What Doesn’t” (pp. 23-63).
KARLAN & APPEL, Ch. 1, “Introduction: The Monks and the Fish” and Ch. 2, “To Work Against Poverty: How We Do What We Do” (pp. 1-38).
KARLAN & APPEL, Ch. 12, “To Give: The Takeaway” (pp. 269-276).
KARLAN & APPEL: Chapters 3 through 11 will be assigned for student presentation.
Optional video: TED, “Esther Duflo: Social experiments to fight poverty” (Feb 2010, 17 min); http://www.ted.com/talks/esther_duflo_social_experiments_to_fight_poverty.html

3. Income
TAYLOR & LYBBERT, Ch. 3 “Income” (pp. 66-86).
Optional: NALLARI & GRIFFITH, Ch. 2 “National Income and How We Measure It” (pp. 31-52).
4. Poverty
TAYLOR & LYBBERT, Ch. 4 “Poverty” (pp. 40-109).
Optional: NALLARI & GRIFFITH, Ch. 1 “Poverty and How We Measure It” (pp. 15-28).
Video: Hans Rosling, “New insights on poverty and life around the world” (TED Talks, June 26, 2007),
"Growth is Good" The Economist, 27 May 2000 (2p).
“David Dollar, Growth and Income of the Poor,” blog post, Brookings Institute, 25 October 2013, 2p
(http://www.brookings.edu/blogs/up-front/posts/2013/10/23-growth-and-income-of-the-poor)
Optional: David Dollar & Aart Kray, "Growth is Good for the Poor" Development Research Group, the
World Bank, March 2001 (original version), 50p.
Optional: Dollar Street is available for download: http://www.gapminder.org/downloads/dollar-street/

5. Inequality
TAYLOR & LYBBERT, Ch. 5 “Inequality” (pp. 110-130).
“Global Income Inequality is Falling” Pragmatic Capitalism, (21 January 2015
Optional: NALLARI & GRIFFITH, Ch. 3 “Growth, Poverty, and Inequality: An Overview” (pp. 55-75).
Optional: Christoph Lakner & Branko Milanovic, Global Income Distribution, WPS 6719, World Bank
(December 2013), 60p.

6. Human Development
TAYLOR & LYBBERT, Ch. 6 “Human Development” (pp. 132-164).
Optional: UNDP, “Calculating the Human Development Indices” (converted PowerPoint file, 2008):
hdr.undp.org/en/media/HDR_20072008_Tech_Note_1.pdf

B. THE BIG PICTURE: ECONOMIC GROWTH THEORY

1. What Is Economic Growth?
TAYLOR & LYBBERT, Ch. 7, “Growth” (pp. 167-169).
NALLARI & GRIFFITH, “Balance of Payments” and “Some Basic Accounting Relationships” (In Ch. 3,
pp. 43-52).

2. Classical and Other Early Growth Models
Optional: Douglas Gollin, "The Lewis Model: A 60-Year Retrospective" Journal of Economic
Perspectives 28 (Summer 2014): 71-88.

3. Modern/Neo-Classical Growth Theory (Solow Model).
Charles Jones, "Ch. 5: The Solow Growth Model” in Macroeconomics (W.W. Norton, 2008), pp. 96-121.

4. New/Endogenous Growth Theory
Charles Jones, "Ch. 6: Growth and Ideas” in Macroeconomics (W.W. Norton, 2008), pp. 129-153.
William Easterly, "Ch.8, Tales of Increasing Returns: Leaks, Matches, and Traps" (pp. 143-170) and
"Ch.9, Creative Destruction: The Power of Technology” (pp. 171-193) in The Elusive Quest for
C. INSTITUTIONS AND EXTENSIONS

1. Role of Institutions.
TAYLOR & LYBBERT, Ch. 4, pp. 73-80.
Dani Rodrik and Arvind Subramanian, "The Primacy of Institutions (and What This Does and Does Not Mean)" Finance & Development (June 2003) pp. 31-34.
Optional: NALLARI & GRIFFITH, Ch. 10 “Institutions and Growth” (pp. 201-217).

2. Cases
Yasheng Huang, "How Did China Take Off?" Journal of Economic Perspectives 26 (Fall 2012): 147-170.

3. Democracy and Growth.

4. Education and Growth
Optional: NALLARI & GRIFFITH, Ch. 11:”Education” (pp. 221-240).

5. Poverty Traps: The Conflict Trap
COLLIER, Ch. 1, “Falling Behind and Falling Apart” (pp.1-13) & Ch. 2,”The Conflict Trap” (pp. 17-37).
Optional: Jeffrey Gettleman, "Africa's Forever Wars: Why the continent's conflicts never end" Foreign Policy (March/April 2010), 5p.

6. Resource Trap and Extractive Industries
COLLIER, Ch. 3, "The Natural Resource Trap" (pp. 38-52).
Optional: MORAN (2011), Ch. 2, “FDI in Extractive Industries” (pp. 9-24).

7. Landlocked Country Trap
COLLIER, Ch. 4, "Landlocked with Bad Neighbors" (pp. 53-63).

8. Corruption and Bad Governance as a Trap.
COLLIER, Ch. 5, "Bad Governance in a Small Country" (pp. 64-75).
Optional: NALLARI & GRIFFITH, Ch. 17:”Corruption and Poverty” (pp. 355-369).
D. **FDI, CAPITAL FLOWS, TECHNOLOGY TRANSFERS, AND GLOBALIZATION.**

1. **Globalization and Trade: An Overview.**
   TAYLOR & LYBBERT, Ch. 11, “International Markets and General Equilibrium” (pp. 280-313).
   Optional Video: "Matt Ridley: When Ideas Have Sex" TEDGlobal 2010: http://www.ted.com/talks/matt_ridley_when_ideas_have_sex.html

2. **Clusters, Value Chains, MNC’s**
   Bruce Kogut, "International business: The new bottom line" *Foreign Policy* (Spring 1998), pp. 152-165.

3. **Do FDI Flows Help or Hinder Growth?**
   MORAN (2011), Ch. 1, “Introduction” (pp. 1-8).
   MORAN (2011), Ch. 3, “FDI in Infrastructure” (pp. 25-32).
   MORAN (2011), Ch. 4, “FDI in Manufacturing and Assembly” (pp. 33-72).
   MORAN (2011), Ch. 5, “A First Look at the Impact of FDI in Services” (pp. 73-74).
   MORAN (2011), Ch. 6, “Reconsidering the Debate on FDI ‘Crowding Out’ or ‘Crowding In’ Domestic Investment” (pp. 75-80).
   MORAN (2011), Ch. 7, “FDI, Host-Country Growth, and Structural Transformation” (pp. 81-98).
   MORAN (2011), Ch. 10, “Lessons and Conclusions: The Second-Generation Research Agenda” (pp. 139-142).
   Optional: MORAN (2006). Chapters 1, 2, and 5 (pp. 6-74, 113-141).

4. **Globalization and Marginalization.**
   COLLIER, Ch. 6, “On Missing the Boat” (pp. 79-96).
   COLLIER, Ch. 10, “Trade Policy for Reversing Marginalization” (pp. 157-172).

E. **APPLICATIONS AND OTHER TOPICS**

1. **Market Development and the Economics of Contracts.**
   TAYLOR & LYBBERT, Ch. 11, “Information and Markets” (pp. 271-300).
   TAYLOR & LYBBERT, Ch. 12, “Credit and Insurance” (pp. 301-330).
   Optional: NALLARI & GRIFFITH, Ch. 6, “Financial Development” (pp. 113-129)
2. The Informal Sector.
Optional: NALLARI & GRIFFITH, “Impact of Regulation on Growth and Informality” (in Ch. 18, pp. 373-391).

3. Agriculture and Rural Poverty
TAYLOR & LYBBERT, Ch. 9, “Agriculture” (pp. 214-243).
Optional: NALLARI & GRIFFITH, Ch. 14, “Land and Agriculture” (pp. 295-313).

4. Population and Growth
Video: MARAGOLI (1976, 58 min).

5. The Foreign Aid Debate
NALLARI & GRIFFITH, Ch. 7 “Development Assistance” (pp. 133-165).
COLLIER, Ch. 7, "Aid to the Rescue" (pp. 79-96).

F. BACK TO THE BIG PICTURE: WHAT WORKS?

1. The Shenzhen and Other China Models.

2 Case Study: China in Africa.

3. What Do We Know?
TAYLOR & LYBBERT, Ch. 14 “Choose Your Own Epilogue” (pp. 378-387).
NALLARI & GRIFFITH, “Conclusion: What We Know and What We Do Not Know” (pp. 459-461).
COLLIER, Ch.11, “An Agenda for Action” (pp. 175-192).