

WWS 479 - International Development

Spring 2009 Semester

Classes: M/W 11-11:50

Precept: There are three precepts offered.

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Course Description

The course will focus on less developed countries and will consider topics such as economic growth and personal well-being; economic inequality and poverty; intra-household resource allocation and gender inequality; fertility and population change, credit markets and microfinance; labor markets and trade policy. It will tackle these issues both theoretically and empirically.

Please do not feel overwhelmed with the length of the syllabus. The reading list contains a few required papers and then a bunch of additional recommended papers for those of you who are interested in a particular subject. I will discuss some of the results in those papers but you do not need to read them. Also some of the required papers may contain some statistical analysis beyond the knowledge of many of you. I am completely aware of that. I only expect you to understand the ideas and main results exposed in the paper. I will discuss them with you in class & precepts.

Assignments

The basic textbook for the class is *Development Economics* by Debraj Ray (Princeton University Press 1998).

Many readings come from: Gerald Meier and James E. Rauch (eds.) *Leading Issues in Economic Development*, Oxford University Press, 2005 (8th Edition).

Around 100-120 pages of reading per week are expected. The assignments include a midterm, three problem sets, one short 5-8 page paper expanding on the subject of one of the readings assigned in class and a final.

Grading

Midterm 30% (in class March 10th)

Paper 10% (due by Dean's date, May 12th)

3 Problem sets 15%

Final 45%

Schedule and Readings

The dates listed below are approximate and provided to give you a sense of the timing. Some topics may take more or less time than the one listed.

Introduction: Measuring Economic Development (February 2 & 4)

Ray, Chapter 2

The Millennium Development Compact, The millennium Development goals & Priority challenges in meeting the Goals , Human Development Report 2003, p.15-65

Related Readings:

Jagdish N. Bhagwati, Why are Services Cheaper in the Poor Countries?, *The Economic Journal*, Vol. 94, No. 374. (Jun., 1984), pp. 279-286.

Irving B. Kravis, Alan Heston and Robert Summers, *World Product and Income: International Comparisons of Real Gross Product* , 1982, World Bank, Johns Hopkins University Press, Baltimore and London.

Penn World Table, Center for International Comparisons
University of Pennsylvania <http://pwt.econ.upenn.edu/>

Origins of Poverty: Economic Growth (February 9, 11, 16, 18)

Ray , Chapters 3 & 4

Lant Pritchett (1999) Divergence, Big Time, *Journal of Economic Perspectives*-Volume 11, Number 3-Summer 1997-Pages 3-17.

Related Readings:

N. Gregory Mankiw. 1992. *Macroeconomics*. (New York: Worth Publishers). Chapter 4.

William Easterly, *The Elusive Quest for Growth*, Cambridge, MA: MIT Press, 2001 (chapters 3 and 4).

Mankiw, N. Gregory, David Romer, and David N. Weil. 1992. "A contribution to the empirics of economic growth." *Quarterly Journal of Economics* 107(2): 407-437.

Lucas, R, "Why Doesn't Capital Flow from Rich to Poor Countries? *American Economic Review*, 80 (May 1990), pp. 92-6

Young, Alwyn, 1995. "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience," *Quarterly Journal of Economics*, August, 641-680.

Psacharopoulos, George. 1994. "Returns to investment in education: a global update," *World Development*, 22, 1325-1343.

Geography, Institutions and Growth (February 23, 25 & March 1st)

Douglass C. North, Economic Performance Through Time, *American Economic Review*, Vol. 84, No. 3. (Jun., 1994) pp. 359-368.

Bloom, David E. and Jeffrey Sachs, "Geography, Demography, and Economic Growth in Africa," *Brookings Papers on Economic Activity* 2:207-295, 1998. (This is a long piece. Focus on the descriptive tables and the main ideas of the paper.)

Landes, David "Why Europe and the West? Why not China?" *Journal of Economic Perspectives*, Vol 20 N. 2 Spring 2006, pp.3-22.

E. L. Glaeser, R. La Porta, F. Lopez-de-Silanes and A. Shleifer, "Do Institutions Cause Growth?", *Journal of Economic Growth*, Volume 9, Number 3 / September, 2004, p. 271-303. (This is a technical paper. I do not expect everyone to understand the statistics. I just want you to read the results in the text. I will walk you through the results in class).

Acemoglu, Johnson and Robinson (2006) "Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune" in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Sokoloff, KL and S. Engerman. 2000. 'Institutions, Factor Endowments, and Paths of Development in the New World.' *Journal of Economic Perspectives* 14: 217-32

Adsera, A, C. Boix and M. Payne, Are You Being Served? Political Accountability and Quality of Government, *Journal of Law, Economics and Organization* 19: 2, 445-490, October 2003

Related Readings:

Diamond, "Guns Germs and Steel, NY: Norton 1999. (Prologue, Chapter 1) (Chapter 4-10).

Sachs, The end of poverty Chapter 2.

Collier and Gunning, 1999. Why Africa has grown slowly? *Journal of Economic Perspectives*, Summer 1999. Reprinted in Meier-Rauch "Leading Issues in Economic Development" p.62-72.

S. Engerman and K. Sokoloff (2006) "Colonialism, Inequality and Long-Run paths of Development" in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Institutions for Sustainable Development, Chapter 3 p.37-58 *World Development Report* 2003

Easterly, W. and R. Levine, "Africa's Growth Tragedy: Policies and Ethnic Divisions," November 1997, *Quarterly Journal of Economics*. CXII (4), 1203-1250

Rosenstein-Rodan, Paul. 1943. "Problems of Industrialization of Eastern and Southeastern Europe." *Economic Journal* 53(210-211) June-September: 202-211

Inequality: Measurement and Growth (March 4 & 9)

Ray, Chapters 6, sections 7.1; 7.2.1 to 7.2.7 and 8.1 to 8.3

Deaton Angus, (2006) Measuring poverty in Banarjee and R. Benabou (eds.)
Understanding Poverty, Oxford University Press

Bourguignon, François and Morrisson, Christian.2002. "Inequality Among World Citizens: 1820-1992," *American Economic Review* 92: 727—744.

Perotti, R. (1996). Democracy, income distribution and growth: What the data say, *Journal of Economic Growth*, 1, June, 149-187. (Again just focus on the results. I will comment them in class).

Related Readings:

Meier-Rauch, VIII.1

Kuznets, S. (1963). Quantitative Aspects of Growth in Nations. VIII: The Distribution of Income by Size. *Economic Development and Cultural Change*, 11, 1–80

Sala-i-Martin, Xavier. 2006. "The World Distribution of Income: Falling Poverty and...Convergence, Period," *Quarterly Journal of Economics* 121: 351-397.

Thomas Piketty and Saez, Emmanuel. 2006. "The Evolution of Top Incomes: A Historical and International Perspective," *American Economic Review* 96 (2): 200—205.

Deininger, Klaus and Lyn Squire (1996). A new data set measuring income inequality. *World Bank Economic Review*, 10(3), September, 565-91.

Forbes, KJ (2000). A reassessment of the relationship between inequality and growth, *American Economic Review*, September, 90(4), 869-887.

Midterm (in class) March 11th

3/14-22 spring recess. Have a nice break!!

Inequality Capital Markets and Development (March 23, 25 & 30)

Ray, chapter sections 7.2.8 & 7.2.9, section 8.4.1; Chapter 14

Related Readings:

Jonathan Morduch, 1999. "The Microfinance Promise," *Journal of Economic Literature*, vol. 37(4), pages 1569-1614. (Nice overview)

Meier-Rauch, VII.B.4.

Munshi, K (2006) Nonmarket Institutions, in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Townsend, R. (2006) Credit, Intermediation and Poverty Reduction, in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Population Changes and Development (April 1 & 6)

Ray, Chapter 9

Klasen and Wink, "Missing Women: Revisiting the Debate", (2003), *Feminist Economics* 9 (2-3): 263-299.

Related Readings:

Eswaran, M (2006) "Fertility in Developing Countries" in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Shultz, p. (2006) "Fertility and Income" in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Meier-Rauch IV.C

Kremer, M. "Population Growth and Technological Change: 1000000 BC to 1990," *Quarterly Journal of Economics*, August, 1993, pp. 681-716

Nancy Birdsall (1988), "Economic Approaches to Population Growth," in Hollis B. Chenery and. TN Srinivasan, eds., *Handbook of Development Economics* Volume 1

Labor Markets, Nutrition, Health and Intra-household allocation (April 8, 13 & 15)

Ray Chapter 8.4.2 , 9.4.3& 13.4

Eric V. Edmonds & Nina Pavcnik, 2005. "Child Labor in the Global Economy," *Journal of Economic Perspectives*.

Case, Anne. "Health, Income and Economic Development", in Pleskovic, B. and Stern, N. (eds.), *Annual World Bank Conference on Development Economics 2001/2002* (Washington D.C.: World Bank), 221-241.

Related Readings:

Meier-Rauch IV.D

Stiglitz, Joseph. 1976. "The Efficiency Wage Hypothesis, Surplus Labor, and the Distribution of Income in LDCs." *Oxford Economic Papers*, 28(2), 185-207.

World Bank Policy Research Report (2001) *Engendering Development through Gender Equality in Rights, Resources, and Voice*. Oxford: Oxford University Press.(online)

Esther Duflo, 2003. "Grandmothers and Granddaughters: Old-Age Pensions and Intrahousehold Allocation in South Africa," *World Bank Economic Review* 17 (1) -25.

Bertrand, Marianne, Douglas Miller and Sendhil Mullainathan. 2003. "Public Policy and Extended Families: Evidence from South Africa." *World Bank Economic Review* 17(1), 27-50.

Basu, K. (2006) "Policy dilemmas for Controlling Child Labor" in Banarjee and R. Benabou (eds.) *Understanding Poverty*, Oxford University Press

Week 11 Foreign Aid (April 20 & 22)

Sachs, Jeffrey, "Can Extreme Poverty Be Eliminated?" *Scientific American*, September 2005, pp. 56-65.

World Bank, "Assessing Aid: What Works, What Doesn't, and Why," 1998, Oxford University Press. Please read the "Overview" which is contained in this file. The rest of report (if you want to look at it) is online at: <http://www.worldbank.org/aid/aidtoc.htm>

William Easterly "The Big Push Déjà Vu: A Review of Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time*, Penguin Press: New York, 2005", *Journal of Economic Literature* Vol. 44, No. 1, March 2006

Easterly, William, Can Foreign Aid Buy Growth?. *Journal of Economic Perspectives*, Vol. 17, No. 3, Summer 2003

Related Readings:

Craig Burnside & David Dollar, 2000. "Aid, Policies, and Growth," *American Economic Review*, American Economic Association, vol. 90(4), pages 847-868.

Easterly, William, "The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid," *Policy Reform*, 2002, 54(4): 223-250.

Week 12. *Political Economy of Trade (April 27 & 29)*

Ray Ch 18

Taylor, Alan, Globalization, Trade and Development. Some Lessons from History. In R. Devlin and A. Estevadordal (eds.) *Bridges for Development*, 2003. John Hopkins University Press and Inter-American Development Bank. (p. 21-48).

Fernandez, R. and D. Rodrik. 1991. Resistance to Reform, American Economic Review, 81 (5): 1146-1149 (rest of paper 1150-1155 is optional)

Adsera, A and C. Boix, Trade, Democracy and the Size of the Public Sector: The Political Underpinnings of Openness, *International Organization* 56: 229-262, Spring 2002.

Related Readings:

Ray, Chapters 16 & 17

Meier-Rauch, III.A & IX (other sections) (ex: Rodrik, Getting Interventions Right: How South Korea and Taiwan Grew Rich”)

Krugman, PR (1991), “Is Bilateralism Bad?” in E. Helpman and A. Razin (eds.), *International Trade and Trade Policy*, MIT Press, Cambridge, MA.

Rodrik, Dani. 1998. “Why Do Open Economies Have Bigger Governments?” *Journal of Political Economy*. 106: 997-1032.

Krueger, AO, (1974), “The Political Economy of the Rent-Seeking Society,” *The American Economic Review*, 64, 291-303

Djankov, Simeon, Rafael LaPorta, Florencio Lopez-de-Silanes, and Andrei Shleifer,. 2002, “The Regulation of Entry,” *Quarterly Journal of Economics* Vol. 117, No. 1.