

Economics of International Development
PBAF 533
Sample Syllabus from Fall 2008

Course Description and Objectives

This course is organized around three related questions:

1. What is economic development, how do we measure it and how do countries differ?;
2. What can explain these differences?;
3. Who are the different actors involved and what can they do?

It is important to begin by defining what it is we are hoping to accomplish (what is economic development) and why we think it differs among countries. Theories about what underlies the differences will guide what policies you believe affect these outcomes.

By examining these questions and looking at how different countries and regions fare you will get an overview of the major issues and current debates in development economics, and domestic and international policy responses.

My goal is for you to be comfortable with the jargon of development economics and to be able to think analytically about development problems using some of the most basic tools of economics.

Readings

Most required readings can be downloaded from the class website. In addition, you will have to buy the following three cases from the Kennedy School of Government Case Program (they are available at <http://www.ksgcase.harvard.edu/index.asp>):

- Horn Welch, K. and D. Rodrik (2002). Liberalization of the Mozambican Cashew Industry. *Kennedy School of Government Case Program: CR14-02-1671.0*
- Lundberg, K. and P. Zelikow (1998). Treasury and the Mexican Shock. *Kennedy School of Government Case Program: C15-98-1422.0*
- Guckenberger, K. and S. Khagram (2001). The Challenge of Participation: Drafting Mauritania's PRSP (A) and (B). *Kennedy School of Government Case Program: C15-01-1623.0 and C15-01-1624.0*

Course Requirements

Regular attendance and quality participation in class: 20%
Thought Paper (due the class in which the topic is covered): 10%
Development Pattern – Numerical Exercise (due Oct 10th): 10%
Virtual Economy – Policy Simulation (due Oct 17th): 10%
Book review (written report due no later than Oct 24th): 10%
Group research paper and presentation (due the last day of class): 40%

Class Participation

One of the valuable assets of this class is the diversity of its students, both in terms of their fields of interest as well as in their experiences overseas. I encourage you to learn from each other by asking questions, promoting discussions, and challenging ideas. To formally encourage this exchange 20% of your grade will be based on class participation.

At the end of the quarter I will ask each of you to grade your peers' participation. In evaluating your classmates, I expect you to consider not only how often s/he intervened but also the quality of her/his interventions, whether or not s/he promoted the participation of others, whether s/he contributed creatively, etc. I will not use those grades directly, but rather as a guide to rank students' participation.

Thought Paper (due the class in which the topic is covered)

For this exercise you are asked to work in pairs and write a short critical review of the issues covered in one session. You will review the arguments put forth in the readings and will connect them to a development issue of your interest. The review should be no more than 4 pages long and is due the class in which the topic is covered. You can consult any materials, whether or not we have used them in class, but should cite all your sources.

Development Patterns – Numerical Exercise (due Oct 10th)

Work with another student and using the dataset provided compare the patterns of growth of 3 to 5 countries. Prepare a one page report explaining: 1) why did you choose to compare those countries to each other (your interest, geographic proximity, similar political structure, etc.); 2) what pattern(s) if any have you found?; and 3) how does the pattern(s) you observed connect with any of the readings?.

Virtual Economy – Policy Simulation (due Oct 17th)

For this exercise you will work with another student to analyze the effect of policy changes using the Virtual Economy model created by the Institute for Fiscal Studies. After familiarizing yourself with the main concepts and definitions, you will “run” an economy using a base case. You will then choose to vary one of the policies or parameters and see what effects that has on the overall economy and on specific sectors. You are asked to report the results of 3 hypothetical policy changes in no more than 2 pages. Feel free to use graphs or tables to compare the outcomes.

Book Review (due Oct 24th)

You are asked to review one of the following books:

- 1) Amartya Sen, Development as Freedom,
- 2) William Easterly, The Elusive Quest for Growth,
- 3) Hernando de Soto, The Mystery of Capital,
- 4) Joseph Stiglitz, Globalization and Its Discontents,
- 5) Jagdish Bhagwati, In Defense of Globalization
- 6) Robert Klitgaard, Corrupt Cities
- 7) Joseph Stiglitz, Making Globalization Work
- 8) Jeffrey Sachs, The End of Poverty
- 9) Joseph Stiglitz, Fair Trade for All
- 10) William Easterly, The White Man's Burden

or another mutually agreed book that addresses topics of economic development.

In addition to a summary of the arguments made and your position regarding those arguments (suggested length 2 pages), the review should include:

- 1) the two or three things you liked best;
- 2) the two or three things you disliked the most;
- 3) a brief description of the audience to whom you would recommend the book and why.

If we have time, I will ask you to make a short class presentation and lead a discussion on it. Please talk with those who chose to review the same book and be prepared as a group.

Group Research Paper (due last day of class)

This assignment is intended to provide you with an opportunity to do a more in-depth study of a current problem of your interest affecting a developing country or region. The problem in which you choose to work must be clearly defined, refer to a specific location, and be of current concern. The work will be done in groups of three and will be presented in two formats: a written report and a brief class presentation.

The written report should be prepared as a memorandum to an agency of your choice: the relevant government authority, an international agency, a local NGO, etc. It should be between 5,000 and 7,000 words in length, start with a concise one-paragraph statement of the issue and include the following information:

- clear documentation of the extent and nature of the problem, including a brief description of the historical, political, or socioeconomic context as needed;
- a discussion of the stakeholders affected by this problem;
- your recommendations: policy changes or programs that could be enacted, who would be responsible for implementing them; and, how would these new policies or programs be evaluated (outcomes of interest and relevant time horizons).

For the class presentation you will have a few minutes to brief your peers on the question you have chosen to explore and your recommendations. Time for presentations will vary depending on the number of groups, but I estimate it will be approximately 10 minutes per group.

Course Outline and Tentative Schedule

(Sep 26th) What is Economic Development? (Joint session with Humphrey Fellows)

Required Readings:

- National Income: http://en.wikipedia.org/wiki/Measures_of_national_income_and_output
- *The Economist* (May 22, 2008). *On the Poverty Line*.
- Capabilities Approach: http://en.wikipedia.org/wiki/Capability_approach
- Sustainable Development: http://en.wikipedia.org/wiki/Sustainable_development
- Millennium Development Goals: <http://www.undp.org/mdg/basics.shtml>
- Sen, A. (2001). "What is Development About?" In Meir, Gerald and Joseph Stiglitz, eds *Frontiers of Development Economics, The Future in Perspective*.
- Chambers, R. (1995). "Development Professionals" in *Putting the First Last*, Chapter 3. pp:33-55.

Recommended Readings:

- World Bank (2000). "The Nature and Evolution of Poverty" in *Attacking Poverty, World Development Report*, Chapter 1. pp:15-29.
- World Bank (2006). "Inequity within Countries: Individuals and Groups" in *Equity and Development, World Development Report*, Chapter 2. pp:28-54.
- World Bank (2006). "Equity from a Global Perspective" in *Equity and Development, World Development Report*, Chapter 3. pp:55-69.

(Oct 3rd) Globalization: Meaning and Effects. (Joint session with Humphrey Fellows)

Required Readings:

- Appiah, K. (2006). "The Case for Contamination," New York Times 01/01/06, essay adapted from *Cosmopolitanism: Ethics in a World of Stranger*.
- Dollar, D. (2004). "Globalization, Poverty, and Inequality Since 1980." *World Bank Policy Research Working Paper* 3333.
- Bardhan, P. (2005). "Globalization, Inequality and Poverty: An Overview" University of California, Berkeley.
- Wade, R. (2004). "Is Globalization Reducing Poverty and Inequality?" *World Development* 32(4): 567-589.
- Aisbett, Emma (2005). "Why are Critics so Convinced that Globalization is Bad for the Poor?" *NBER Working Paper* 11066.

Recommended Readings:

- Kanbur, R. (2004). "Growth, Inequality and Poverty: Some Hard Questions," Commentary prepared for State of the World Conference, Princeton University.
- Birdsall, N. (2002). "Asymmetric Globalization: Global Markets Require Good Global Politics," *Center for Global Development Working Paper 12*.
- Freeman, R. (2006). "People Flows in Globalization," *Journal of Economic Perspectives* 20(2):145-170.

(Oct 10th)

Brief Overview of Schools of Thought, Models and Experiences.

Data for the assignment: Development Patterns – Numerical Exercise (link will be available on the class website)

Required Readings:

- Harrod-Domar Model: <http://www.bized.co.uk/virtual/dc/copper/theory/th7.htm>
- Lewis' Dual Sector Model: <http://www.bized.co.uk/virtual/dc/copper/theory/th8.htm>
- Rostow's Model of Stages of Development: <http://www.bized.co.uk/virtual/dc/copper/theory/th9.htm>
- Dependency Theory: <http://www.bized.co.uk/virtual/dc/copper/theory/th3.htm>
- Neo-Classical Theory of Growth: <http://www.bized.co.uk/virtual/dc/copper/theory/th12.htm>
- Adelman, I. and C.Taft Morris (1997). "Editorial: Development History and its Implications for Development Theory," *World Development* 25(6):831-840.
- Williamson, J. (2003). "The Washington Consensus and Beyond," *Economic and Political Weekly*. April 12.
- Carter, M. and F. Zimmerman (1998). "Market Coordination and Coordination Failures on the Path to Sustainable Development," in *Development at a Crossroads*, ed. by M.Carter, J.Carson, and F. Zimmerman. Global Studies Program, University of Wisconsin-Madison.
- Landes, D. (1998). *The Wealth and Poverty of Nations*, pp:3-16.
- Diamond, J. (1998). *Guns, Germs, and Steel*, Prologue.

(Oct 17th) Actors 1 – National Governments. Spheres of action and tools available: Fiscal, Monetary, Trade, and Coordination Policies.

Model for the Assignment: Virtual Economy – Policy Simulation

- Institute for Fiscal Studies (2002). Virtual Economy: Model and Case Studies. <http://www.bized.co.uk/virtual/economy/>

Required Readings:

Case: Lundberg, K. and P. Zelikow (1998). Treasury and the Mexican Shock. *Kennedy School of Government Case Program: C15-98-1422.0*

- Investopedia (2006). "Economics Basics Tutorial" Section 4: Demand and Supply (pp:7-14) <http://www.investopedia.com/university/economics/>
- Heakal, R. (2005). "Formulating Monetary Policy" Investopedia. <http://investopedia.com/printable.asp?a=/articles/04/050504.asp>
- Heakal, R. (2005). "What is Fiscal Policy?" Investopedia. <http://investopedia.com/printable.asp?a=/articles/04/051904.asp>
- Heakal, R. (2006). "What is the Balance of Payments?" Investopedia. <http://investopedia.com/printable.asp?a=/articles/03/060403.asp>
- Stiglitz, J. (1996). "Some Lessons from the East Asian Miracle," *The World Bank Research Observer* 11(2): 151-177.

(Oct 24th) Actors 1 – National Governments. Trade Policy (cont.)

Actors 2 – International Institutions and Global Agencies. Regional and Multilateral Trade Agreements, World Trade Organization, World Bank, International Monetary Fund.

Required Readings:

Case: Horn Welch, K. and D. Rodrik (2002). Liberalization of the Mozambican Cashew Industry. *Kennedy School of Government Case Program: CR14-02-1671.0*

- Ray, Debraj (1998). "Comparative Advantage," *Development Economics*. Princeton: Princeton University Press. Section 16.2 pp: 627-630.
- Ray, Debraj (1998). "Trade Policy. Gains from Trade?" *Development Economics*. Princeton: Princeton University Press. Section 17.1. pp: 647-656.
- Ray, Debraj (1998). "Issues in Trade Liberalization," *Development Economics*. Princeton: Princeton University Press. Section 18.3. pp: 725-753.
- Stiglitz, J. and A. Charlton (2005). "Trade Can be Good for Development," *Fair Trade for All*. Chapters 2 and 3: pp:11-56.
- "What is the WTO?" http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm (Chapter 1: The Basics).
- Doha Development Round: http://en.wikipedia.org/wiki/Doha_Development_Round
- Ray, Debraj (1998). "The International Monetary Fund and the World Bank," *Development Economics*. Princeton: Princeton University Press. pp: 701-705.

- Weaver, J. (1995). "What Is Structural Adjustment?" in *Structural Adjustment: Retrospect and Prospect* ed. by D.Schydrowsky, pp:3-20.
- Easterly, W. (2005). "What did Structural Adjustment Adjust? The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans," *Journal of Development Economics* 76:1-22.

(Oct 31st) Actors 2 – International Institutions and Global Agencies (cont.). Overseas Development Aid (USAID, MCC, Global Fund, PEPFAR, China, EU, etc) and their models. Foreign Aid.

Film: The Price of Aid

Required Readings:

- Bauer, Peter. (1994). "Development Aid: End it or Mend it." Occasional Papers No. 43. International Center for Economic Growth, 1-22.
- World Bank (1998). "Rethinking the Money and Ideas of Aid" in *Assessing Aid: What Works, What Doesn't, and Why?* WB Policy Research Report.
- Radelet, S. (2003). "Will the Millennium Challenge Account be Different?" *The Washington Quarterly* 26(2) pp. 171–187.
- Bardhan, P. (2006). "The Economist's Approach to the Problem of Corruption," *World Development* 34(2):341-348.
- Brown, K., B. Siddiqi and M. Sessions (2006). "US Development Aid and the Millennium Challenge Account: Emerging Trends in Appropriations" Center for Global Development.
- Easterly, W. and T. Pfutze (2008). "Where Does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives* 22(2):29-52.
- The Global Fund to Fight AIDS, Tuberculosis and Malaria.
<http://www.theglobalfund.org/en/about/how/>
- PEPFAR (President's Emergency Plan for AIDS Relief):
http://en.wikipedia.org/wiki/President%27s_Emergency_Plan_for_AIDS_Relief
- Center for Global Development (2006). "Reorganizing U.S. Development Assistance: For Better or Worse? A Debate."

(Nov 7th) Actors 2 – International Institutions and Global Agencies (cont.). Other UN agencies. Millennium Development Goals. Debt Relief.

Film: Whose Agenda is it anyway?

Required Readings:

Case: Guckenberger, K. and S. Khagram (2001). The Challenge of Participation: Drafting Mauritania's PRSP (A) and (B). *Kennedy School of Government Case Program: C15-01-1623.0 and C15-01-1624.0*

- HIPC: http://en.wikipedia.org/wiki/Heavily_Indebted_Poor_Countries and <http://www.imf.org/external/np/exr/facts/hipc.htm>
- Multilateral Debt Relief Initiative: <http://www.imf.org/external/np/exr/facts/mdri.htm> and http://siteresources.worldbank.org/INTDEBTDEPT/Resources/mdri_eng.pdf
- Poverty Reduction Strategy Papers: (<http://www.imf.org/external/np/exr/facts/prsp.htm>) and http://siteresources.worldbank.org/INTPRS1/Resources/PRSP-Review/PRS_Review_brochure.pdf
- Birdsall, N. and B. Deese (2004). "Beyond HIPC: Secure Sustainable Debt Relief for Poor Countries" *Center for Global Development Working Paper 46*.
- United Nations (2007). "The Millennium Development Goals Report." http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2007/UNSD_MDG_Report_2007e.pdf
- Radelet, S. (2004). "Aid Effectiveness and the Millennium Development Goals" *Center for Global Development Working Paper 39*.
- Canagarajah, S. and A. van Diesen (2006). "The Poverty Reduction Strategy Approach Six Years On: An Examination of Principles and Practice in Uganda," *Development Policy Review* 24(6):647-667.
- Nelson, P. (2007). "Human Rights, the Millennium Development Goals, and the Future of Development Cooperation," *World Development* 35(12):2041-2055.

(Nov 14th) Actors 3 - Civil Society and Philanthropists.

Actors 4 - Private sector.

Required Readings:

- Matthews, J. (1997). "Power Shift" *Foreign Affairs* 76(1):50-76.
 - Carothers, T. (1999). "Think Again: Civil Society," *Foreign Policy*, Winter, pp.18.
 - Fung, A. (2003). "Associations and Democracy: Between Theories, Hopes and Realities." *Annual Review of Sociology*, 29:515-39.
 - Corporate Social Responsibility: http://en.wikipedia.org/wiki/Corporate_social_responsibility
 - Nelson, J. (2008). "CSR and Public Policy. New Forms of Engagement Between Business and Government," *Corporate Social Responsibility Initiative Working Paper 45*. Kennedy School of Government.
 - Warden, S. (2007). "A Menu for Corporate Engagement: Joining the Fight Against Global Poverty." Center for Global Development.
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- Reinhardt, F., R. Stavins, and R. Vietor (2008). "Corporate Social Responsibility through an Economics Lens," *Corporate Social Responsibility Initiative Working Paper 43*. Kennedy School of Government.

(Nov 21st) Gender and Development. (Joint session with Humphrey Fellows)

Readings TBA ...

(Nov 28th) Thanksgiving (no class)

(Dec 5th) Group Presentations