

Aug 2009

**The New School
Graduate Program in International Affairs**

Syllabus

**Development Economics
Fall 2009
Room 601, Tuesday 6 – 7:50pm**

Sakiko Fukuda-Parr

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Office hours: Monday 8-9pm; Wednesdays 5-6pm; or by appointment

Teaching assistants/student tutors: Tanushree Dutta Isaacman (dutt111@newschool.edu); Valeria Luzardo (luzav702@newschool.edu)

Course Description:

The aim of the course is to introduce the basic literature in development economics. It focuses on economic growth and its determinants but also on the consequences of growth on poverty and human well being. The course covers: growth models, growth and distribution, demographic transition, education, health, structural transformation and the role of agriculture, employment, international trade and finance. For each topic the course explores diverse theoretical approaches, both mainstream and heterodox including human centered approaches, along with their associated policy implications.

This course is a course on economics of development and is a foundation course for the development concentration in GPIA. It complements the many elective courses offered in the development concentration. While those courses cover specific policy challenges of development, this course covers foundational economic theories that help define those challenges.

This course also complements Comparative Development Experience (CDE). While CDE is a broad, interdisciplinary course, this course is about economics. While CDE covers topics about the meaning of development and poverty, development in a historical perspective, theories of development and underdevelopment (institutions, geography, colonialism), and select topics, this course covers key topics about *how the process of economic growth takes place, and what kind of growth manages to improve human lives.*

Prerequisite:

Economics in International Affairs or equivalent.

Required Work:

Attendance will be an important part of learning in this course. Students are expected to attend all classes and come prepared. Attendance will be required for this course and only one absence will

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be allowed. Each absence will be penalized half a grade on the participation part of the grade. Absences can be made up with two paragraph write ups of each of the required readings, one paragraph written as an abstract and the second paragraph on commentary.

Four homework question sets will be assigned.

A final essay project will be assigned on topics that relate to the syllabus.

Grading will be structured as follows:

Class participation (20%)

Four homework assignments (40% of grade)

Final project (40% of grade)

Students needing help in mastering the material and in tackling the homework questions may contact one of the two student tutors listed above for in-depth tutorials.

Textbooks:

The following book will be the basic text book for this course and students are expected to purchase it:

Ray, Debraj, *Development Economics*, Princeton University Press, Princeton. 1998
(Referred to as **Ray** here)

The following books collect challenges to the mainstream theory and policy interpretations from heterodox economics and human development/capability approaches and will be extensively used but students will not be required to purchase them:

Chang, Ha-Joon, Chang, Ha-Joon. *Rethinking Development Economics*. London: Anthem Press, 2003. (Referred to as **Chang**)

Fukuda-Parr, Sakiko and Shiva Kumar, *Readings in Human Development*, New Delhi, Oxford University Press, 2003. (Referred to as **Fukuda-Parr and Shivakumar**)

Readings:

Additional readings will be available on the course website on GPIA/INFO. Students are also encouraged to read newspaper articles on the U.S. and international economy in the *Financial Times* or the *Wall Street Journal*. There are a number of economists with interesting blogs. Dani Rodrik, a development economist at Harvard has one that is especially relevant to this course, http://rodrik.typepad.com/dani_rodriks_weblog/.

Course communications:

A course website is created on GPIA/INFO. All students must sign up to the group to access the website. Please contact the course TA, Tanushree (dutt111@newschool.edu) for any questions about the website and about the reading materials. Individual communications to students will be made through the Newschool email account. Please make sure to check your New School email account regularly.

Academic honesty:

Academic honesty includes accurate use of quotations, as well as appropriate and explicit citation of sources in instances of paraphrasing and describing ideas, or reporting on research findings, or any aspect of the work of others (including that of instructors and other students). The standards of academic honesty and citation of sources apply to all forms of academic work (examinations, essay theses, dissertations, computer work, art and design work, oral presentations, and other projects). The standards also include responsibility for meeting the requirements of particular courses of study. It is also the responsibility of students to learn the procedures specific to their discipline for correctly and appropriately differentiating their work from that of others.

Plagiarism:

Plagiarism is the use of another person's words or ideas in any academic work using books, journals, Internet postings, or other student papers without proper acknowledgment. For further information on proper acknowledgment and plagiarism, including proper expectations for paraphrasing source material and proper forms of citation in research and writing, students should consult the MLA Style Manual and Guide to Scholarly Publishing (second edition), chapter 6, on documentation. The New School University Writing Center also provides useful online resources to help students understand and avoid plagiarism, at www.newschool.edu/admin/writingcenter/usefullinks.html.

Course outline:

Week 1: Introduction – what is development economics? History of development thought from classical to neoclassical, heterodox and human centered perspectives. Review of approaches development.

Required readings:

- Jolly, Richard, Louis Emmerij, Dharam Ghai and Frederic Lapeyre, 2004. *Un Contributions to Development Thinking and Practice* Chapter 2
- Chapter 2 in Ray
- Toye, John. "Changing Perspectives in Development Economics." in Chang
- Chang, Ha-Joon 'Introduction' in Chang

Week 2: Economic Growth Models

Required readings:

- Chapter 3 in Ray (Harrod Domar, Solow, convergence,)
- Chapter 4 in Ray (New Growth Theory)

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- Solow, Robert M. "A Contribution to the Theory of Economic Growth." *The Quarterly Journal of Economics* 70.1 (1956): 65-94. ??
- **HDR1996? new growth theory?**
- Colander, David C. *Economics*. 7th ed. Boston: McGraw-Hill/Irwin, 2008. Chapter 24
- Foley, Duncan K., and Thomas R. Michl. *Growth and Distribution*. Cambridge, Mass.: Harvard University Press, 1999. Chapters 1-2, 8

**Week 3: Heterodox theories of growth and development (reviews material covered in CDE)
(Homework 1 on growth models due)**

Required readings

- Chang, Ha-Joon, 2003, 'The Market, the State and Institutions in Economic Development', chapter 2 in Chang
- Cypher, James and James Dietz, 2004. *The Process of Economic Development*, chapters 5, 6
- Jolly, 'Human Development and neo-Liberalism:paradigms compared" chapter 1.8 in Fukuda-Parr and Shivakumar
- UNDP *Human Development Report 1996* Chapter 2 'Growth as a means to Human Development' and overview: 'Growth for Human Development'? (latter also in chapter 3.3 in Fukuda-Parr and Shivakumar.)

Week 4: International Capital Flows and the current financial/economic crises

Required readings

- Chang, Ha-Joon. "Trade and Industrial Policy Issues." in **Chang**
- Grabel, Ilene. "International Private Capital Flows and Developing Countries." in **Chang**
- Singh, Ajit. "Capital Account Liberalization, Free Long-Term Capital Flows, Financial Crises, and Economic Development." in Shaikh, Anwar. *Globalization and the Myths of Free Trade : History, Theory, and Empirical Evidence*. London: Routledge, 2006.
- Milberg, William. "Foreign Direct Investment and Development: Balancing Costs and Benefits." in Group of Twenty-four, and United Nations Conference on Trade and Development. *International Monetary and Financial Issues for the 1990s Research Papers for the Group of Twenty-Four*. New York: United Nations, 1999.
- Seguino, Stephanie. *Gender Inequality in a Globalized World*. The International Working Group on Gender, Macroeconomics, and International Economics, Working Paper Series. 2007.

Week 5: Economic Growth and Distribution (how growth is distributed)

Required readings

- Chapter 6, 7 in Ray (Measurement, Growth)
- Taylor, Lance, Mehrotra, Santosh and Delamonica Enrique. "The Links between Economic Growth, Poverty Reduction, and Social Development: Theory and Policy." in Mehrotra, Santosh K., and Richard Jolly. *Development with a Human Face : Experiences in Social Achievement and Economic Growth*. Oxford; New York: Clarendon Press; Oxford University Press, 1997.
- Cornia, Andrea. "Globalization and the Distribution of Income between and within Countries" in Chang

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Additional resources:

- United Nations. Department of Economic and Social Affairs. *Diverging Growth and Development*. New York: United Nations, 2006. Chapter 1
- Weisbrot, Mark, Dean Baker, and David Rosnick. *The Scorecard on Development: 25 Years of Diminished Progress*. Working Paper 31. United Nations Department of Economics and Social Affairs. 2006.

**Week 6: Inequality and Growth – does inequality help or hinder growth?
(Homework 2 on inequality due)**

Guest speaker: Stefano Pettinato, Economic Adviser, UNDP Latin America Region

Required readings

- World Bank, 2005. *Inequality in Latin America & the Caribbean: Breaking with History*, Summary – available on World Bank website.
- Birdsall, N. 2001. 'Why inequality matters: Some economic issues' *Ethics & International Affairs*, 2001: 15, 2: New York, Carnegie Council for Ethics in International Affairs. Also available on CGDEV website
- Pikerty, Thomas 2006. 'The Kuznets Curve: Yesterday and Tomorrow' in Banerjee et al. *Understanding Poverty*

Additional resources

- Greig, Alastair, David Hulme and Mark Turner 2007. *Challenging Global Inequality: Development Theory and Practice in the 21st Century*, chapter 2, 3
- Birdsall, Nancy, David Ross and Richard Sabot, 1995. 'Inequality and Growth Reconsidered: Lessons from East Asia' *World Economic Review* 9(3):477-508

Week 7: Poverty (alternative concepts and measurement)

Required readings

- Chapter 8 in Ray (measure, poverty and undernutrition)
- Shaffer, Paul (2008) 'New thinking on Poverty: Implications for Globalisation and Poverty Reduction Strategies' *DESA Working Paper No. 65*, February 2008. available from UN DESA working papers website: www.un.org/esa/desa/papers/
- Ruggeri Laderchi, Caterina, Ruth Saith and Frances Stewart, 2003 "Does it Matter that we do not Agree on the Definition of Poverty? A Comparison of Four Approaches" *Oxford Development Studies*, vol 31 nr.3 pp243-274

Additional resources

- Sen, Amartya. 1999. *Development as Freedom*. Introduction, and chapter 4: 'Poverty as Capability Deprivation'
- Narayan, Deepa et al. 1999. *Voices of the Poor* volume 1. Chapter 2: 'Definitions of Poverty'

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**Week 8 (Oct 21): Structural Transformation, role of agriculture
[Homework 3 due on poverty]**

Required reading

- Chapter 10 in Ray
- World Bank, 2007: *World Development Report 2007/2008: Agriculture and Development* <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2008/0,,menuPK:2795178~pagePK:64167702~piPK:64167676~theSitePK:2795143,00.html> Overview and chapter 1
- United Nations. Department of Economic and Social Affairs. *Diverging Growth and Development*. New York: United Nations, 2006. Chapter 2

Additional resources:

- Timmer, Peter and Akkus, 2008 'The Structural Transformation as Pathway out of Poverty: Analytics, Empirics and Politics', Center for global Development – Working Paper 150, <http://www.cgdev.org/content/publications/detail/16421/>
- Bhaduri, Amit, 'Structural Change and Development: The Relative Roles of Effective Demand and the Price Mechanism in a 'dual' economy in Chang
- Syrquin, Moshe. "Patterns of Structural Change." in Chenery, Hollis Burnley, T. N. Srinivasan, and Jere R. Behrman. *Handbook of Development Economics*. Vol. 9. Amsterdam ; New York; New York, N.Y., U.S.A.: North-Holland; Sole distributors for the U.S.A. and Canada, Elsevier Science Pub. Co., 1988.

Week 9 (Oct 28): International Trade

Required readings

- Chapters 16 (world trade patterns), 17 (trade policy), 18 (multilateral approaches) in Ray
- Shaikh, Anwar. "Globalization and the Myth of Free Trade." in Shaikh, Anwar. *Globalization and the Myths of Free Trade : History, Theory, and Empirical Evidence*. London: Routledge, 2006.
- Seguino, Stephanie. "The Great Equalizer?: Globalization Effects on Gender Equality in Latin America and the Caribbean." in Shaikh, Anwar. *Globalization and the Myths of Free Trade : History, Theory, and Empirical Evidence*. London: Routledge, 2006.

Additional resources:

- Chacholiades, Miltiades, and Miltiades Chacholiades. *International Economics*. New York: McGraw-Hill, 1990. Chapter 2
- Chang, Ha-Joon, 2008 *Bad Samaritans, the Myth of Free Trade and the Secret History of Capitalism*.
- Chang, Ha-Joon. "Kicking Away the Ladder: The "Real" History of Free Trade." in Shaikh. *Globalization and the Myths of Free Trade : History, Theory, and Empirical Evidence*. London: Routledge, 2006.

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- United Nations. Dept. of Economic and Social Affairs. Diverging Growth and Development. New York: United Nations, 2006. Annex Tables
- United Nations Development Programme. Making Global Trade Work for People. London Sterling, Va. Earthscan, 2003. Chapters 1-4

**Week 10 (Nov 4): Education and health in economic growth
(Homework 4 due)**

Required readings:

- Ranis, Gustav, Frances Stewart, and Alejandro Ramirez. "Economic Growth and Human Development." in Fukuda-Parr and Shivakumar, also in World Development 28.2 (2000): 197-219.
- Pritchett, Lant (2004) 'Towards a New consensus for Addressing the Global Challenge of the Lack of Education. Center for global Development, Working Paper no. 43. www.cgdev.org
- UNMillennium Project Task Force on Education 2005, Towards universal primary education, investments, incentives and institutions, London, Earthscan Overview and chapter 2 downloadable from <http://www.unmillenniumproject.org/reports/reports2.htm>
- UN Millennium Project Task Force on Child and Maternal Health, 2005, Who's got the power: transforming health systems for women and children. London, Earthscan. Executive summary and chapter 2.

Additional resources:

- Deaton, Angus, 2003 'Health, Inequality and Economic Development' in *Journal of Economic Literature* Vol XLA no. 1
- Berthelemy, Jean Claude 2005. 'To What Extent are African Education policies Pro-Poor' *Journal of African Economies* Vol 7 no. 3:385-395
- Behrman, Jere and Anil Deolalikar, 1988 'Health and Nutrition', chapter 14 in Chenery and Srinivasan, eds. *Handbook of Development Economics*, Vol 1, Amsterdam, North Holland
- Behrman, Jere R. 'The Economic Rationale for Investing in Nutrition in Developing Countries' *World Development* 21:11 (1993) 1759-1771

Week 11: Inflation

Required readings

- Colander, David C. Economics. 7th ed. Boston: McGraw-Hill/Irwin, 2008. Chapter 29
- Elson, Diane, and Nilufer Cagatay. "The Social Content of Macroeconomic Policies." World Development 28.7 (2000): 1347-64.
- Snyder, Bryan. "What Are the Real Costs of Inflation – and to Whom?" in Real World Macro. 22nd ed. Boston: Dollars and Sense, 2005.

Additional resources

- Saad-Filho, Alfredo. The Value of Marx : Political Economy for Contemporary Capitalism. Vol. 41. London ; New York: Routledge, 2002. Chapter 8

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- Bruno, Michael, and William Easterly. "Inflation and Growth: In Search of a Stable Relationship." Federal Reserve Bank of St. Louis Review 78.3 (1996): 139-46.
- Pollin, Robert and Andong Zhu. Inflation and Economic Growth: A Cross-Country Non-linear Analysis. Political Economy Research Institute, Working Paper Series. 2005.

Week 12: Demographic transition

Required reading

- Chapter 9 in Ray (3 basic concepts, population – growth links)
- Ester Boserup 1983, "The Impact of Scarcity and Plenty on Development, *Journal of Interdisciplinary History*, Vol. 14, No. 2, pp. 383- 407 Published by: The MIT Press
- Lloyd, Cynthia, Carol Kaulfman and Paul Hewett, 2000. 'The Spread of Primary Schooling in Sub-Saharan Africa: Implications for Fertility' *Population and Development Review* Vol 26 no.3: 483-414
- Bloom, David, David Canning and Pia Malaney, 2000. 'Population Dynamics and Economic Growth in Asia' *Population and Development Review* vol 26 supplement: 257-90

Additional resources

- Kelly, Allen 1988 'Economic consequences of Population change in the third world' *Journal of Economic Literature* XXVI 1688-1708
- Birdsall, Nancy, Allen Kelley and Steven Sinding, eds. 2001 *Population Matters: Demographic Change, Economic growth and Poverty in the Developing World*, Oxford University Press
- Birdsall, Nancy, 1989 'Economic analysis of Rapid Population Growth' *World Bank Research Observer* 4.1

Week 13: Employment

Required readings:

- Chapter 13 Ray (labor markets, nutrition)
- ILO, World of Work Report, 2008. Executive summary.
http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/language--en/WCMS_099406/index.htm
- James Heintz and Robert Polin, 2008 "Targeting Employment Expansion, Economic Growth and Development in Sub-Saharan Africa: Outlines of an Alternative Economic Programme for the Region" PERI working paper
<http://www.peri.umass.edu/236/hash/1a0abb23f/publication/309/>
- Chen, Marty, (1999) 'Counting the Invisible Workforce: the case of home based workers' *World Development* vol 27 issue 3 March 1999
- Islam, Rizwanul, 2004 "The Nexus of Growth, Employment and Poverty Reduction: An Empirical Analysis' ILO Employment and Poverty working paper

Additional resources:

- Shaikh, Anwar. "Reserve Army of Labour." in Bottomore, T. B. A Dictionary of Marxist Thought. 2nd ed. Oxford, UK ; Cambridge, Mass.: Blackwell Reference, 1991.

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- Reinert, Erik. “Increasing Poverty in a Globalized World: *Marshall Plans* and *Morgenthau Plans* as Mechanisms of Polarization of World Incomes” in **RDE**
- Pollin, Robert, Mwangi wa Githinji and James Heintz. *An Employment Targeted Economic Program for Kenya*. Amherst: Political Economy Research Institute, 2007. Highlights and Summary

Week 14 (December 9)

Student presentations