

# Development Economics - ECON 7560

Syllabus, Fall 2012

T/TH 2:00-3:20 PM, JJR Library

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## A. Course Objectives:

I have designed this first course of the development PhD sequence with two goals in mind: to give you a broad perspective of (mostly) macro issues of development in the non-industrialized world and to introduce you to main theoretical perspectives and models of development. Development economics, needless to say, is a very comprehensive subject which uses tools and approaches from all fields of economics. Therefore, in one semester we will touch only on a selected few of the building blocks of development economics. I chose the readings such that you are exposed to ideas and perspectives from heterodox and mainstream economists alike, although most of the models we will work on are coming from economists from the heterodox and classical schools of economic thought.

## Useful books:

Amsden, Alice. 2001. *The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies*. New York: Oxford University Press  
Basu, Kaushik (2003), *Analytical Development Economics*, MIT Press.  
Foley, Duncan K. and Michl, Thomas R. (2003), *Growth and Distribution*, Harvard University Press.  
Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press.  
Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press.  
Taylor, Lance (1983), *Structuralist Macroeconomics: Applicable Models for the Third World*, Basic Books.

## B. Course Organization:

Class sessions will follow a standard lecture/discussion format.

Canvas: Study guides, readings, announcements or any other materials pertaining to the course will be posted on Canvas. You can access the Canvas from your own U of U's portal (or account) at [my.utah.edu](http://my.utah.edu). Many of the readings are uploaded on Canvas under the "Readings" folder. The other are on reserve in the library (go to <http://search.library.utah.edu> and search for ECON 7560). You may check the books out for 3 hours.

## C. Course Requirements:

There will be two midterm exam (Tuesday, October 16 and Thursday, November 22), a term paper and a term paper presentation. Their weights in your final grade are as follows:

2 midterm exam: each 25%

Final paper: 40%

Final paper presentation: 10%

## D. Course Outline and Readings:

### 1. Overview of origins of development economics

Jomo K.S. and Erik S. Reinert (2005), *The Origins of Development Economics*, Zed Books, **chapters 1-3** for pre-classical theories of development and **chapters 4, 7 and 8** for classical and post-classical. [\(on reserves\)](#)

Nayyar, Deepak. 2003. "Globalization and Development," in *Rethinking Development Economics*. Ha-Joon Chang ed. London: Anthem Press, pp. 61-82. [\(on reserves\)](#)

Ranis, Gustav (2005). "The Evolution of Development Thinking: Theory and Policy," Annual World Bank Conference on Development Economics: Lessons of Experience 2005, Francois Bourguignon and Boris Pleskovic, (eds), 2005, pp.119-140, also *Growth Center Discussion Paper*, No. 886, Yale University, 2004

Toye, John. 2003. "Changing Perspectives in Development Economics," in *Rethinking Development Economics*. Ha-Joon Chang ed. London: Anthem Press, pp. 21-40. [\(on reserves\)](#)

### 2. Economic development and growth: Stylized facts and measurements

Deaton, Angus. 2010. "Understanding the Mechanisms of Economic Development." *Journal of Economic Perspectives*, 24(3): 3–16.

Banerjee, Abhijit. "Big Answers for Big Questions: The Presumption of Growth Policy." Paper for the Brookings conference on "What Works in Development? Thinking Big and Thinking Small." June 30, 2008.

Chang, Ha-Joon. 2003. "The East Asian Development Experience," in *Rethinking Development Economics*. Ha-Joon Chang ed. London: Anthem Press, pp. 107-24 [\(on reserves\)](#)

Easterly, William, Michael Kremer, Lant Pritchett and Lawrence Summers, "Good policy or good luck? Country growth performance and temporary shocks", *Journal of Monetary Economics*, 32 (1993), December.

Hausmann, Ricardo, Lant Pritchett, and Dani Rodrik, "Growth Accelerations," *Journal of Economic Growth*, 10(4), December 2005, 303 – 329.

Jones, Charles and Paul Romer (2009), "The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital", NBER Working Paper No. 15094

Palma, Gabriel. 2003. "The Latin American Economies During the Second Half of the Twentieth Century - from the 'Age of ISI' to the Age of 'The End of History'," in *Rethinking Development Economics*. Ha-Joon Chang ed. London: Anthem Press, pp. 125-52 [\(on reserves\)](#)

Pritchett, Lant, "Divergence, Big Time" *Journal of Economic Perspectives*, Summer 1997. p. 3-17.

#### **Data:**

Maddison, Angus. 1995. *Monitoring the World Economy, 1820-1992*: Development Centre of the OECD, **chapters 1-3**

Maddison, Angus. 2001. *The World Economy - A Millennial Perspective*: Development Centre of the OECD, **chapter 3**

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press. **chapter 2.** [\(on reserves\)](#)

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press. **chapter 1.** [\(on reserves\)](#)

United Nations (2006). *World Economic and Social Survey 2006: Diverging Growth and Development*. New York: United Nations, **chapter 1.**

### 3. Economic growth and development

Banerjee, Abhijit, and Esther Duflo. "Growth Theory through the Lens of Development Economics." Chapter 7 in *Handbook of Economic Growth*. Vol. 1A. Edited by Philippe Aghion and Steven Durlauf. Amsterdam, The Netherlands: North-Holland, 2005.

Basu, Kaushik (2003), *Analytical Development Economics*, MIT Press, **chapter 3.** [\(on reserves\)](#)

Bosworth, Barry, and Susan M. Collins, "The Empirics of Growth: An Update," *Brookings Papers on Economic Activity*, 2003: 2.

Foley, Duncan K. and Michl, Thomas R. (2003), *Growth and Distribution*, Harvard University Press. **chapter 2.**

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press, **chapter 6.** [\(on reserves\)](#)

Ros, Jaime (2005), The Pioneers of Development Economics and Modern Growth Theory, in Jomo K.S. and Erik S. Reinert (2005), *The Origins of Development Economics*, Zed Books, [\(on reserves\)](#)

Taylor, Lance (2004). *Reconstructing Macroeconomics: Structuralist Proposals and Critiques of the Mainstream*, **chapters 1.**

Taylor, Lance (1991), *Income Distribution, Inflation, and Growth: Lectures on Structuralist Macroeconomic Theory*, MIT Press, **chapters 2, 3.**

#### 3.1 Industrialization, structural change

Hollis B. Chenery (1960), Patterns of Industrial Growth, *The American Economic Review*, Vol. 50, No. 4 (Sep., 1960), pp. 624-654.

Lewis, W. Arthur. 1954. "Economic Development with Unlimited Supplies of Labour." *The Manchester School*, 22:2, pp. 139-91.

Murphy, Kevin M, Andrei Shleifer, and Robert W. Vishny, "Industrialization and the Big Push," *Journal of Political Economy*, October 1989, 1003-1026

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press. **chapter 3.** [\(on reserves\)](#)

Ocampo, Jose Antonio. 2005. "Growth and the Dynamics of Productive Structure," in *Beyond Reforms: Structural Dynamics And Macroeconomic Vulnerability*. Jose Antonio Ocampo ed: Stanford University Press and World Bank.

Palma, Gabriel, "Four Sources of 'De-Industrialization' and a New Concept of the 'Dutch-Disease'", in Ocampo (ed.) (2005), **chapter 3.**

Rosenstein-Rodan, Paul N., "Problems of Industrialization of Eastern and South- Eastern Europe", *Economic Journal*, 1943.

#### 3.2 Technology, growth and development

Aghion, Phillippe and Peter Howitt (1992), "A model of growth through creative destruction", *Econometrica*, vol. 60 (1992).

Deraniyagala, Sonali (2006), "Analysis of Technology and Development: A Critical Review", in *The New Development Economics*, ed by Jomo K.S. and Ben Fine, Zed Books.

Fagerberg, Jan, 1994. "Technology and International Differences in Growth Rates," *Journal of Economic Literature*, American Economic Association, vol. 32(3), pages 1147-75, September.

Foley, Duncan K. and Michl, Thomas R. (2003), *Growth and Distribution*, Harvard University Press.  
**chapters 15, 16.**

Gene M. Grossman and Elhanan Helpman, Endogenous Innovation in the Theory of Growth *The Journal of Economic Perspectives*, Vol. 8, No. 1 (Winter, 1994), pp. 23-44

Kaldor, Nicholas, (1957), A model of Economic Growth, *The Economic Journal*, Vol. 67, No. 268, (Dec., 1957), pp. 591-624

Kaldor, Nicholas (1978), Causes of the Slow Rate of Economic Growth in the UK, in *Further Essays on Economic Theory*, London, Duckworth, 1978, **chapter 4.**

Romer, Paul, "Increasing Returns and Long Run Growth", *Journal of Political Economy*, October 1986.

Thirlwall, A.P. 1983. "A plain man's guide to Kaldor's growth laws." *Journal of Post Keynesian Economics*, 5:3, pp. 345-58

Young, Alwyn, "A Tale of Two Cities: Factor Accumulation and Technical Change in Hong Kong and Singapore," *NBER Macroeconomics Annual*, Cambridge, MA, MIT Press for NBER, 1992.

### **3.3 Sectoral growth models, income distribution issues, inequality**

Basu, Kaushik (2003), *Analytical Development Economics*, MIT Press, **chapters 2, 7, 10.** [\(on reserves\)](#)

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press. **chapter 8.** [\(on reserves\)](#)

Rada, Codrina (2007), 'Stagnation or transformation of a dual economy through endogenous productivity growth', *Cambridge Journal of Economics*, Vol. 31, No. 5, September 2007.

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press.  
**chapter 3.** [\(on reserves\)](#)

Taylor, Lance (1983), *Structuralist Macroeconomics: Applicable Models for the Third World*, Basic Books.  
**chapters 2-4.**

Von Arnim, Rudiger and Codrina Rada (2011), Labor productivity and energy use in a three sector model: an application to Egypt' *Development and Change*, November 2011, Volume 42, Issue 6 p. 1323–1481.

### **3.4 Labor markets and the informal sector**

Basu, Kaushik (2003), *Analytical Development Economics*, MIT Press, chapters 8, 9. [\(on reserves\)](#)

Marilyn Carr and Martha Alter Chen (2002), Globalization and the informal economy: how global trade and investment impact on the working poor, ILO Working Paper.

OECD (2009), *Is Informal Normal? Towards More and Better Jobs in Developing Countries*, Development Centre Studies.

Rada, Codrina (2010), 'Formal and Informal Sectors in China and India', *Economic Systems Research*, Vol. 22, Issue 2, 2010, pp. 129-153

### **3.5 From growth to development: education, health, poverty**

Anand, Sudhir, and Sen, Amartya "Concepts of Human Development and Poverty: A Multidimensional Perspective," in *Poverty and Human Development: Human Development Papers 1997*, United Nations Development Programme, New York, 1997, 1-20.

Banerjee, Abhijit, and Esther Duflo. "Economic Lives of the Poor." *Journal of Economic Perspectives* 21, no. 1 (2006): 141-167.

Banerjee, Abhijit. "Educational Policy and the Economics of the Family." *Journal of Development Economics* 74, no. 1 (2004): 3-32.

Bourguignon, François (2004) "The Poverty-Growth-Inequality Triangle", Paper prepared for a conference at the Indian Council for Research on International Economic Relations, New Delhi, on February 4, 2004.

Castro, Jose Esteban (2008), Neoliberal water and sanitation policies as a failed development strategy: lessons from developing countries, *Progress in Development Studies* 8, 1 (2008) pp. 63–83.

Galiani, Gertler and Schargrotsky (2005), Water for Life: The Impact of the Privatization of Water Services on Child Mortality, *Journal of Political Economy*, Vol 113. No.1.

Krueger, Alan and Mikael Lindahl (2001). "Education for Growth: Why and For Whom?" *Journal of Economic Literature*, 39 (4), 1101-1136.

Molina, George Gray and Mark Purser (2010), Human Development Trends since 1970: A Social Convergence Story, UNDP Working paper.

Ranis, Gustav and Frances Stewart, "Dynamic Links between the Economy and Human Development", in José Antonio Ocampo, Jomo K.S. and Sarbuland Khan (eds.), *Policy Matters: Economic and Social Policies to Sustain Equitable Development*, Zed Books, 2007, ch. 2.

Ranis, Gustav, Frances Stewart and Alejandro Ramirez, "Economic Growth and Human Development", *World Development*, Vol. 28 (2000), No. 2, pp. 197-219.

Sen, Amartya (2003), "Development as Capability Expansion," in *Readings in Human Development*, S. Fukuda-Parr et al., eds. (New Delhi and New York: Oxford University Press, 2003)

Sen, Amartya, "Poverty, Inequality and Unemployment: Some Conceptual Issues in Measurement," *Sankhya: The Indian Journal of Statistics*, 36 (June and December 1974).

Subramanian, Shankar and Angus Deaton (1996), "The Demand for Food and Calories," *Journal of Political Economy*, Vol. 104 (1), pp 133-62.

### **4. International trade, integration and development**

Hausmann, Ricardo and Dani Rodrik, "Economic Development as Self-Discovery," *Journal of Development Economics*, December 2003.

Hausmann, Ricardo, Jason Hwang and Dani Rodrik, "What You Export That Matters", Harvard University, John F., Kennedy School of Government, December 2005

Lall, Sanjaya (2000), The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-98, QEH Working Paper Series – QEHWPS44

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press. **chapter 4. [\(on reserves\)](#)**

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press. **chapters 7-9. [\(on reserves\)](#)**

Taylor, Lance (1983), *Structuralist Macroeconomics: Applicable Models for the Third World*, Basic Books. **chapter 10.**

United Nations (2006). *World Economic and Social Survey 2006: Diverging Growth and Development*. New York: United Nations, **chapter 3**

#### **4.1 ISI, Primary exports, Asian tigers, China, India**

Amsden, Alice. 2001. *The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies*. New York: Oxford University Press, **chapters 6,7,8.**

Kochhar, Kalpana, Utsav Kumar, Raghuram Rajan, Arvind Subramanian, and Ioannis Tokatlidis, "India's Pattern of Development: What Happened, What Follows," *Journal of Monetary Economics*, Vol. 53, Issue 5.

Qian, Yingyi, "How Reform Worked in China," in D. Rodrik, ed., *In Search of Prosperity: Analytic Narratives of Economic Growth*, Princeton, NJ, Princeton University Press, 2003.

Prebisch, Raul. 1959. "Commercial Policy in Underdeveloped Countries." *The American Economic Review*, 49:2, pp. 251-73.

Polanyi Levitt, Kari. 2005. "Raul Prebisch and Arthur Lewis: The Two Basic Dualities of Development Economics," in *The Pioneers of Development Economics*. Jomo K.S. ed. London: Zed Books, pp. 193-208

Rodrik, Dani and Arvind Subramanian, "From 'Hindu Growth' to Productivity Surge: The Mystery of the Indian Growth Transition," *IMF Staff Papers*, vol. 52, no. 2, 2005.

Shafaeddin, Mehdi. 2005. "Friedrich List and the Infant Industry Argument," in *The Pioneers of Development Economics*. Jomo K.S. ed. London: Zed Books, pp. 42-61

#### **5. Financial development, stability, exchange rates (etc)**

Banerjee, Abhijit, (2004) "Contracting Constraints, Credit Markets, and Economic Development," in M. Dewatripoint, L. Hansen and S. Turnovsky, eds. *Advances in Economics and Econometrics: Theory and Applications*, Eight World Congress of the Econometric Society, Volume III. Cambridge University Press, pp. 1-46.

Caballero, Ricardo J., "Inflation targeting and sudden stops", in Ben Bernanke and Michael Woodford, *The Inflation Targeting Debate*, Chicago: University of Chicago Press, 2005.

Frenkel, Roberto, "From the Boom in Capital Inflows to Financial Traps", in José Antonio Ocampo and Joseph E. Stiglitz (eds.), *Capital Market Liberalization and Development*, New York: Oxford University Press, 2008, ch. 4 <http://cdi.mecon.gov.ar/biblio/docelec/MM2055.pdf>

Kaminsky, Graciela L., Carmen M. Reinhart and Carlos A. Végh, "When It Rains, It Tows: Procyclical Capital Flows and Macroeconomic Policies", NBER Working Paper No. 10780, September 2004

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press. **chapters 5-7, 9.** [\(on reserves\)](#)

Prasad, Eswar and Kenneth Rogoff, Shang-Jin Wei and M. Ayhan Kose, (2003), *Effects of Financial Globalization on Developing Countries: Some Empirical Evidence*, IMF.

Taylor, Lance (2000), *Global Finance at Risk: the Case for International Regulation*, The New Press, **chapters 4, 5.**

Taylor, Lance (1991), *Income Distribution, Inflation, and Growth: Lectures on Structuralist Macroeconomic Theory*, MIT Press, **chapters 4-8.**

Taylor, Taylor (1994), "Gap Models," *Journal of Development Economics*, 1994.

## **6. Macro, industrial and other policies**

Bourguignon François and Mark Sundberg, "Constraints to Achieving the MDGs with Scaled Up Aid", in José Antonio Ocampo, Jomo K.S. and Sarbuland Khan (eds.), *Policy Matters: Economic and Social Policies to Sustain Equitable Development*, Zed Books, 2007, ch. 9.

Chenery, Hollis B. 1975. "The Structuralist Approach to Development Policy." *The American Economic Review*, 65:2, pp. 310-16

Kanbur, Ravi, "Economic Policy, Distribution, and Poverty: The Nature of the Disagreements", in Anthony Shorrocks and Rolph van der Hoeven (eds.), *Growth, Inequality, and Poverty: Prospects for Pro-Poor Economic Development*, New York: Oxford University Press and UNU-WIDER, 2004, ch. 1

Lall, Sanjay (2004), *Reinventing Industrial Strategy: the Role of Government Policy in Building Industrial Competitiveness*, G-24 Discussion Paper, UNCTAD.

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), *Growth and Policy in Developing Countries*, Columbia University Press. **chapter 9.** [\(on reserves\)](#)

Ocampo, Jose Antonio and Stephanie Griffith-Jones (2007), *A Countercyclical Framework for a Development-Friendly International Financial Architecture*, UN DESA Working Paper no. 39.

Rodrik, Dani "Development Strategies for the Next Century" (mimeo)

Rodrik, Dani, "Goodbye Washington Consensus, Hello Washington Confusion?" *Journal of Economic Literature*, December 2006.

Sachs, Jeffrey D., John W. McArthur, Guido Schmidt-Traub, Margaret Kruk, Chandrika Bahadur, Michael Faye and Gordon McCord "Ending Africa's Poverty Trap," *Brookings Papers on Economic Activity*, Issue 1, 2004.

Taylor, Lance (1983), *Structuralist Macroeconomics: Applicable Models for the Third World*, Basic Books. **chapter 11.**