

Development Economics - ECON 7560

Syllabus, Spring 2021

T/TH 2:00-3:20 PM, IVC

Codrina Rada
Associate Professor
Department of Economics, University of Utah
Office Hours: by appointment
Office # 4134, rada@economics.utah.edu

A. Course Overview:

I have designed this PhD course on the development 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.

B. Course Objectives:

At the end of the course, a successful student will:

- [1] Become familiar with the tenets of main schools of economic development.
- [2] Understand the general principles and approaches to development based on a review of economic history and history of economic policies. Within this objective the student will gain familiarity with issues of development facing people primarily in the non-industrialized countries.
- [3] Become familiar with main models of growth and development especially in the context of structural change.
- [4] Develop skills necessary in conducting original research on topics of economic development.

Useful books:

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

C. 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. Many of the readings are uploaded on Canvas under the "Readings" folder. The other are on reserve in the library (go to the library website and under Course Reserves search for Rada-von Arnim). You may check the books out for 4 hours.

D. Course Requirements:

Two short referee reports (max. 5 pages) discussing the assigned (two) papers: 15% each=30% total

Leading the class discussion based on referee reports: 5% each=10% total

Term paper=40%; Term paper proposal=5%; Final paper presentation=10%; Class participation=5%

Two short referee reports: You will review two papers of your choice from the "Discussion Readings" sections. These reports should outline the paper's research question, method, assumptions, and findings. You may also add suggestions for improvement or elaborate on implications for policy. You will use these reports to generate class discussion during the assigned lecture time. The articles will be "booked" on a first-come, first-served basis.

Term paper: The term paper should focus on a well-defined topic in development economics. To help you choose wisely a (doable) topic you can provide a list of potential topics that we can discuss during office hours. If you need this option please send me a list of topics/ideas and make an appointment with me before **February 15**. Once we will agree upon a topic you will elaborate on your research question in more detail in a 3-5 page **proposal** which is due **March 1**. The proposal should outline the importance of the topic for development, the methods and data you intend to use as well as some of the relevant literature. **The final paper is due on May 10** and it should be about 20 pages in length.

E. Course Outline and Readings:

1. Economic development: meaning, origins, measurements

1.1 WEEK 1: What is development? Concepts and conceptual framework

A. Main readings

Gunnar Myrdal. 1974. "What Is Development?", *Journal of Economic Issues*, Vol. 8, No. 4 (Dec., 1974), pp. 729-736

Nayyar, Deepak. 2003. "Globalization and Development," in *Rethinking Development Economics*. Ha-Joon Chang ed. London: Anthem Press, pp. 61-82.

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)

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.

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

B. Supplemental readings

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.

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

UNDP 2014. The Millennium Development Goals Report 2014, UNDP.

UNDP 2018. Human Development Indices and Indicators: 2018 Statistical update.

1.2 WEEK 2/3: Origins of development economics

A. Main readings

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.

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.

B. Supplemental readings

Banerjee, Abhijit V. and Esther Duflo (2009). The Experimental Approach to Development Economics, *Annual Review of Economics*, Vol. 1: 151 -178.

1.3 WEEK 1/2: What is development? Empirics

A. Main readings

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

Page, Lucy, and Rohini Pande. 2018. "Ending Global Poverty: Why Money Isn't Enough." *Journal of Economic Perspectives*, 32 (4): 173-200

Chen, Shaohua and Ravallion, Martin. (2010). "The Developing World is Poorer than We Thought, But No Less Successful in the Fight against Poverty," *Quarterly Journal of Economics*, 125(4), 1577-1625.

Regional experiences:

Fosu, Augustin (2011), "The African Economic Growth Record, and the Roles of Policy Syndromes and Governance" in eds. Akbar Noman, Botchwey, Stein, and Stiglitz, *Good Growth and Governance in Africa: Rethinking Development Strategies*, Oxford University Press.

Chang, Ha-Joon. 2003. "The East Asian Development Experience," in *Rethinking Development Economics*. Ha-Joon Chang ed. London: Anthem Press, pp. 107-24

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

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.

B. Supplemental readings and 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

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

C. Discussion readings (1/16 session):

Deaton, Angus, 2005. "Measuring Poverty in a Growing World (or Measuring Growth in a Poor World) ", *Review of Economics and Statistics* 2005 87:1, 1-19.

Reddy, Sanjay and Camelia Minoiu 2007. "Has World Poverty Really Fallen?" *Review of Income and Wealth*, Volume 53, Issue 3, 2007, pp. 484-502.

2. Economic growth theories and development

2.1 WEEK 3/4: Economic growth and growth diagnostics

A. Main readings

Hall, Robert E., and Charles I. Jones. "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *The Quarterly Journal of Economics*, 114, no. 1 (1999): 83-116.

Felipe, Jesus and John McCombie, "The Debate about the Sources of Growth in East Asia after a Quarter of a Century: much ado about nothing," Asian Development Bank, Working Paper No. 512, May 2017.

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press, **chapter 1**

Caselli, Francesco, 2005. "Accounting for Cross-Country Income Differences," Handbook of Economic Growth, in: Philippe Aghion & Steven Durlauf (ed.), Handbook of Economic Growth, edition 1, volume 1, chapter 9, pages 679-741 Elsevier.

Ocampo, Jose Antonio and Codrina Rada and Lance Taylor (2009), "Economic Structure, Policy, and Growth", chapter 2 in *Growth and Policy in Developing Countries*, Columbia University Press.

Charles I. Jones, Charles I. (2015), "The Facts of Economic Growth," NBER Working Paper No. 21142, May 2015.

B. Supplemental Readings

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.

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

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

C. Discussion readings:

R. Hausmann, Dani Rodrik and Andres Velasco "Growth Diagnostics" in J. Stiglitz and N. Serra, eds., *The Washington Consensus Reconsidered: Towards a New Global Governance*, Oxford University Press, New York, 2008.

Felipe, Jesus, Usui, Norio and Abdon, Arnelyn, (2011), RETHINKING THE GROWTH DIAGNOSTICS APPROACH: QUESTIONS FROM THE PRACTITIONERS, *Journal of International Commerce, Economics and Policy (JICEP)*, **02**, issue 02, p. 251-276.

2.2 Week 4/5: Economic growth and development: introduction, one-sector models, closures

A. Main readings

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.

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press, **chapter 2**.

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

B. Supplemental Readings

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.

Foley, Duncan K., Michl, Thomas R and Daniele Tavani. (2019), *Growth and Distribution*, Harvard University Press, second edition, **chapters 6,8 and 11**.

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

2.3 WEEK 5/6: Technology, endogenous growth models and development

A. Main Readings

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press, **chapter 6**.

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.

B. Supplemental Readings

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

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

C. Discussion Readings

Felipe, Jesus 1999. "Total factor productivity growth in East Asia: A critical survey", *The Journal of Development Studies* Vol. 35, Iss. 4, 1999.

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.

2.4 Week 6/7: Structural change, growth and development: surveys and setting the stage

A. Main Readings

Gabardo, Francisco Adilson, João Basilio Pereira, Pedro Einloft, The incorporation of structural change into growth theory: A historical appraisal, *Economía*, Volume 18, Issue 3, 2017, p 392-410.

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press. **chapter 3**

Taylor, Lance (1983), *Structuralist Macroeconomics: Applicable Models for the Third World*, Basic Books. **chapters 3, 9.**

McMillan, Margaret, and Dani Rodrik, Inigo Verduzco-Gallo (2014), Globalization, Structural Change, and Productivity Growth, with an Update on Africa, *World Development*, Volume 63, 2014, Pages 11-32.

Krüger, J. J. (2008), PRODUCTIVITY AND STRUCTURAL CHANGE: A REVIEW OF THE LITERATURE. *Journal of Economic Surveys*, 22: 330-363.

B. Supplemental Readings

Basu, Kaushik (2003), *Analytical Development Economics*, MIT Press, **chapters 7.**

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

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

Herrendorf, Berthold, Richard Rogerson and Akos Valentinyi, 2014, "Growth and Structural Transformation" *Handbook of Economic Growth*, Chapter 6, Volume 2B.

C. Discussion Readings

Hsieh, Chang-Tai, and Peter J. Klenow. 2007. "Relative Prices and Relative Prosperity." *American Economic Review*, 97 (3): 562-585.

2.5 Week 9/10: Structural change theory and models: structuralist and dual economy models

A. Main Readings

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.

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

B. Supplemental Readings

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

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*, chapter 3, Columbia University Press.

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

C. Discussion readings

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

2.6 Week 9/10: Structural change theory and models: classical models

A. Main Readings

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press. **chapter 4, 5**

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

B. Supplemental Readings

Basu, Kaushik (2003), *Analytical Development Economics*, MIT Press, **chapters 2**.

Nübler, Irmgard (2014). A theory of capabilities for productive transformation: learning to catch up, in *Transforming Economies: Making industrial policy work for growth, jobs and development* José M. Salazar-Xirinachs, Irmgard Nübler, Richard Kozul-Wright, ILO Geneva (available online).

C. Discussion readings

Rosenstein-Rodan, Paul N. (1943), "Problems of Industrialization of Eastern and South- Eastern Europe", *Economic Journal*, Vol. 53(210/211), pp.202-2011.

Hirschmann, Albert (1958). *The Strategy of Economic Development*, ch. 4-6, Yale University Press.

2.7 Week 11/12: Structural change theory and models: recent (neoclassical) literature

A. Main Readings

a. Structural change and non-balanced aggregate growth

Matsuyama, Kiminori (1992), Agricultural productivity, comparative advantage, and economic growth, *Journal of Economic Theory*, Volume 58, Issue 2, 1992, p. 317-334.

Echevarria, C., 1997. Changes in sectoral composition associated with economic growth. *Int. Econ. Rev.* 38, 431–452.

Caselli, F., Coleman, J., 2001. The U.S. structural transformation and regional convergence: a reinterpretation. *J. Polit. Econ.* 109, 584–616.

Gollin, D., Parente, S., Rogerson, R., 2002. The role of agriculture in development. *Am. Econ. Rev.* 92, 160–164.

b. Structural change and balanced aggregate growth

Kongsamut, P., Rebelo, S., Xie, D., 2001. Beyond balanced growth. *Rev. Econ. Stud.* 68, 869–882,
<http://dx.doi.org/10.1111/1467-937X.00193>

Ngai, L.R., Pissarides, C.A., 2007. Structural change in a multisector model of growth. *Am. Econ. Rev.* 97, 429–443.

Foellmi, R., Zweimüller, J., 2008. Structural change, Engel's consumption cycles and Kaldor's facts of economic growth. *J. Monet. Econ.* 55,1317–1328.

Boppart, T., 2014. Structural change and the Kaldor facts in a growth model with relative price effects and non-Gorman preferences. *Econometrica*82, 2167–2196.

3. WEEK 13: International trade, integration and development

A. Main Readings

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

Ros, Jaime (2001), *Development Theory and the Economics of Growth*, The University of Michigan Press. **chapter 7**.

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

Mastuyama, Kiminori. 2009. "Structural Change in an Interdependent World: A Global View of Manufacturing Decline," *Journal of the European Economic Association*, 7 (April-May): 478-486.

B. Supplemental Readings

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

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

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

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

Winters, L. Alan, Neil McCulloch, and Andrew McKay. 2004. "Trade Liberalization and Poverty: The Evidence So Far ." *Journal of Economic Literature*, 42(1): 72-115.

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

Araujo, Ricardo Azevedo (2013), Cumulative causation in a structural economic dynamic approach to economic growth and uneven development, *Structural Change and Economic Dynamics*, Volume 24, 2013, p. 130-140.

Hausmann, R., Hwang, J., Rodrik, D., 2006. What you export matters. *J. Econ. Growth* 12, 1–25, <http://dx.doi.org/10.1007/s10887-006-9009-4>.

C. Discussion Readings

Lin, Justin and Ha-Joon Chang 2009. 'Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy it? A Debate Between Justin Lin and Ha-Joon Chang', *Development Policy Review* Volume 27, Issue 5, pages 483–502, September 2009

Milberg, W and Xiao Jiang and Gary Gereffi (2014). 'Industrial policy in the era of vertically specialized industrialization' in eds. Salazar-Xirinachs, Jose M. et al, *TRANSFORMING ECONOMIES: Making industrial policy workforce growth, jobs and development*, ILO Geneva.

4. Week 14: Institutions and Development

A. Main Readings

Evans, Peter (2004). Development as institutional change: The pitfalls of monocropping and the potentials of deliberation, *Studies in Comparative International Development*, Winter 2004, Volume 38, Issue 4, pp 30-52.

Glaeser, Edward L, Rafael LaPorta, Florencio López-de-Silanes, and Andrei Shleifer. 2004. Do Institutions Cause Growth?. *Journal of Economic Growth* 9, no. 3: 271-303.

Rodrik, D (2014), When Ideas Trump Interests: Preferences, World Views, and Policy Innovations. *The Journal of Economic Perspectives*. 2014;28 (1) :189–208.

B. Supplemental Readings

Acemoglu, Daron, Simon Johnson, and James A. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 91, 5, December 2001, 1369- 1401.

Amsden Alice (2001). *The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies*. Chapter 10. New York: Oxford University Press.

Evans, Peter (2007). Extending the "institutional" turn : property, politics and development trajectories, in Chang, Ha-Joon. *Institutional Change and Economic Development*. Tokyo, JPN: United Nations University Press, 2007.

Pande, Rohini and Chris Udry, "Institutions and Development: A View from Below," forthcoming in the *Proceedings of the 9th World Congress of the Econometric Society*, edited by R. Blundell, W. Newey, and T. Persson, Cambridge University Press.

Meltzer, A. H., Richard, S. F. (1981): 'A rational theory of the size of government', *Journal of Political Economy*, 89(5), pp. 914-27.

C. Discussion Readings

Ha-Joon Chang 2011. Institutions and economic development: theory, policy and history, *Journal of Institutional Economics*, 7: 4, 473–498

DeSoto, Hernando 2001. *The mystery of capital : why capitalism triumphs in the West and fails everywhere else*, Basic Books, ch 3,6,7.