

PO8037: The Political Economy of Economic Development

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Office Hours: Friday 10am-12pm

Hilary Term 2018 • Tuesday 12-2pm • Arts PX201 – Weeks 22-26

Course description

Despite rising income levels and improvements in a variety of indicators, a large share of the global population continues to live in poverty, to suffer from illiteracy, and to die from preventable diseases. This course represents an introduction to the development economics literature. It will critically examine existing economic theory about where development comes from as well as examining the role that political actors (e.g. domestic governments, trading partners, international organizations) play in the development process.

We will cover a range of topics in the development literature – what do we mean by development? How do countries develop? How can national government facilitate this process? When do they hinder it? What role is there for external actors, such as wealthy states? Do international organizations like the World Bank and the IMF help or hinder the development process? What types of interventions can foster development outcomes?

Learning Outcomes:

Upon successful completion of this module, students should be able to:

1. Critically analyse the concept of development.
2. Critically review competing explanations for why some countries are rich while others are poor.
3. Describe the different growth strategies employed by developing nations over the course of the twentieth century.
4. To examine the different roles that various actors play in the development process.
5. Critically evaluate the effectiveness of policies aimed at fostering development.

Assessment

Participation (20%)

Student participation and discussion is a central aspect of the seminar. Students are expected to come to the seminar having done the readings and prepared to discuss the topics. Assessment of students' participation will be based on the quality of input into seminar discussion.

Students should come prepared to discuss the following:

- The arguments made in the assigned readings (are they convincing? Is one more convincing than the others?)
- The method being used (what is it? Is it appropriate? Would another one be more appropriate?)
- The quality of the evidence for the authors' arguments
- Possible future research/extensions to the assigned papers

Points for discussion (20%)

Students must submit discussion points in weeks 2-5 of the module. These discussion points relate to the required readings that have been assigned for the week. Having read the assigned papers, you should put forward **three** numbered points or questions that you think these papers raise. You are not required to do any detailed analysis or discussion but each point should be 1-2 paragraphs long (each paper should be no more than 500-600 words in total).

These discussion points will be graded on the basis of:

- Engagement with the assigned material
- Originality in terms of the insight presented
- Ability to critique the material in the readings (in terms of the theory or empirical evidence it presents, the conclusions it draws etc.)
- Ability to draw comparisons between the papers that have been assigned
- Ability to bring in insights from theories that you have previously engaged with (in prior weeks of the course, in other modules etc.)

When writing your discussion points you should ask these types of questions:

- How convincing is the argument that the author(s) is/are making?
- Is the empirical evidence that is being presented of sufficient quality to be able to support the claims being made?
- Do the conclusions that are being drawn follow logically from the evidence presented?
- Do the conclusions of one paper contradict or challenge those of another?
- Are there any issues that the authors have failed to properly engage with?
- What points are worth exploring further?

Papers are **due at 5pm on the day before the seminar.**

All discussion points should be submitted as a single document via Turnitin.

Research design paper (60%)

Each student will write a research design paper proposing a project related to economic development. Students must clearly identify a research question that their proposed project would answer. They must clearly identify the variation that they hope to explain, the key factors that they think will explain it (i.e. their theory), and then outline the way in which they would go about testing their theory (i.e. the methods they would use).

Students are not expected to do any of the analysis, but they should demonstrate an awareness of the issues associated with the conducting the research, including the following:

- Conceptualization of variables
- Measurement of variables
- Data availability/limitations
- Ethical issues
- Overall feasibility of the project

Research design papers should be submitted via Turnitin.

In order to submit papers via Turnitin, you must first enrol in the class using the following information:

Class ID: 20066975

Enrolment key: PO8037

Papers should be approximately 3,000 words, excluding the bibliography (the usual rule of 10% over or under the word count applies but students should note that papers that exceed these limits will be penalized).

NB: Students must receive approval from the lecturer for their topics; no student may pass the module unless the research topic has been approved in advance. Students must submit a brief summary of a paragraph via email by **9th February**.

Academic honesty and plagiarism

The university takes plagiarism very seriously. There are severe penalties associated with passing someone else's work off as one's own. Remember that careless note-taking can lead to this happening: you must enclose direct quotations in quotation marks, and even when paraphrasing, ensure that a reference is provided.

The university's policy regarding plagiarism can be found at: <http://www.tcd.ie/undergraduate-studies/general-regulations/plagiarism.php>.

Reading list

The following textbook, available from the TCD library, provides an in-depth analysis of the issues covered in the seminar:

- Todaro, M. P., & Smith, S. C. (2011). *Economic development*.

Many different versions of this textbook are available from Trinity's library, including some more up-to-date versions. The chapters listed below are from the 11th edition. The content does not change much in the 12th edition or the 10th but the organisation of the book may be slightly different.

Where chapters for this textbook are assigned as *required readings* this is for the purposes of clarifying the concepts used in the other assigned readings (chiefly academic papers) and providing an overview of the different perspectives for that week's topic(s).

Some other key texts in the field are the following:

- Collier, P. (2007). *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It*. New York: Oxford University Press.
- Easterly, W. (2002). *The Elusive Quest for Growth*. MIT Press.
- Sachs, J. (2006). *The End of Poverty: Economic Possibilities for Our Time*. New York: Penguin.
- Sen, Amartya. (1999). *Development as Freedom*. Oxford: Oxford University Press.

For those interested in the history of trade and globalization, the following are invaluable resources:

- Findlay, R., & O'Rourke, K. H. (2009). *Power and Plenty: trade, war, and the world economy in the second millennium*. Princeton University Press.
- O'Rourke, K. H., & Williamson, J. G. (2001). *Globalization and History: the evolution of a nineteenth-century Atlantic economy*. MIT Press.
- Stiglitz, J. E. (2002). *Globalization and its Discontents*. Norton: New York.

Topics and assigned readings

These readings are subject to change. Additional material may be added.

Week 1: Introduction: what is development and where does it come from? (22nd January)

Discussion questions

- How do we define development?
- Can we think about development in different ways?
- What different growth strategies have been employed over the course of the twentieth century?
- Which ones have been effective?
- Can these strategies be adapted to other contexts? Why/why not?

Required readings

- Sachs, J. D. (2003). *Institutions don't rule: direct effects of geography on per capita income* (No. w9490). National Bureau of Economic Research.
- Sen, Amartya. (1999). *Development as Freedom*. – Introduction
- Todaro, M. P., & Smith, S. C. (2011). *Economic Development* – Ch1: Introducing Economic Development: a global perspective
- Rodrik, D. (2005). Growth strategies. *Handbook of economic growth*, 1, 967-1014.

Recommended readings

- UN. (2015). *Millennium Development Goals Report 2015*. – Overview
- Barro, R. J. (1996). Democracy and growth. *Journal of economic growth*, 1(1), 1-27.
- Barro, R. (2007). *Macroeconomics: A modern approach*. Cengage Learning.- Ch3: Introduction to Economic Growth
- Solow, R. M. (1956). A contribution to the theory of economic growth. *The Quarterly Journal of Economics*, 70(1), 65-94.
- Romer, P. M. (1994). The origins of endogenous growth. *The Journal of Economic Perspectives*, 8(1), 3-22.
- Todaro, M. P., & Smith, S. C. (2011). *Economic development* – Ch2: Comparative Economic Development (pp.42-55)
- Todaro, M. P., & Smith, S. C. (2011). *Economic development* – Ch3: Classic Theories of Economic Growth and Development – Appendix 3.1 (pp.149-162)
- Haggard, S. (2004). Institutions and growth in East Asia. *Studies in comparative international development*, 38(4), 53-81.
- Williamson, J. (2009). A short history of the Washington Consensus. *Law & Bus. Rev. Am.*, 15, 7.
- Bruton, H. J. (1998). A reconsideration of import substitution. *Journal of economic literature*, 36(2), 903-936.
- Edwards, S. (1993). Openness, trade liberalization, and growth in developing countries. *Journal of economic Literature*, 31(3), 1358-1393.

- Balassa, B. (2014). 'Development Strategies'. *International Economics and Development: Essays in Honor of Raúl Prebisch*.
- Radelet, S., & Sachs, J. (1997). Asia's reemergence. *Foreign Affairs*, 44-59.
- Amsden, A. H. (1994). Why isn't the whole world experimenting with the East Asian model to develop?: Review of the East Asian miracle. *World Development*, 22(4), 627-633.

Week 2: The state and development (29th January)

Discussion questions

- What is the role of the state in development?
- Why are strong institutions important?
- What are the consequences of having a weak state?
- Can the problem of low state capacity be overcome?

Required readings

- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*, 1, 385-472.
- Olken, B. A., & Pande, R. (2012). Corruption in developing countries. *Annu. Rev. Econ.*, 4(1), 479-509.
- Besley, T., & Persson, T. (2010). State capacity, conflict, and development. *Econometrica*, 78(1), 1-34.
- Rosser, A. (2006). The political economy of the resource curse: A literature survey. *Working paper*.

Recommended readings

- Collier, P., & Hoeffler, A. (2004). Greed and grievance in civil war. *Oxford Economic Papers*, 56(4), 563-595.
- Collier, P. (2008). *The bottom billion: Why the poorest countries are failing and what can be done about it*. Oxford University Press, USA.
- DellaVigna, S., & La Ferrara, E. (2010). Detecting illegal arms trade. *American Economic Journal: Economic Policy*, 2(4), 26-57.
- North, D. C., & Weingast, B. R. (1989). Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England. *The Journal of Economic History*, 49(4), 803-832.
- Rotberg, R. I. (Ed.). (2010). *When states fail: causes and consequences*. Princeton University Press.
- Hertog, S. (2010). Defying the resource curse: explaining successful state-owned enterprises in rentier states. *World Politics*, 62(2), 261-301.
- Ross, M. L. (1999). The political economy of the resource curse. *World politics*, 51(2), 297-322.

- Todaro, M. P., & Smith, S. C. (2011). *Economic development* – Ch11: Development Policymaking and the Roles of Market, State, and Civil Society

Week 3: The role of external actors I: trade and aid (5th February)

Discussion questions

- What role do aid and trade play in economic development?
- What are the issues surrounding providing trade to LDCs?
- Who gains from trade? Who loses?

Required readings

- Bräutigam, D. A., & Knack, S. (2004). Foreign aid, institutions, and governance in sub-Saharan Africa. *Economic development and cultural change*, 52(2), 255-285.
- Le Goff, M., & Singh, R. J. (2013). *Does trade reduce poverty? A view from Africa*. The World Bank.
- Easterly, W. (2003). Can foreign aid buy growth?. *Journal of economic Perspectives*, 17(3), 23-48.
- Banks, N., & Hulme, D. (2012). The role of NGOs and civil society in development and poverty reduction. BWPI Working Paper 171.
- Dollar, D., & Kraay, A. (2004). Trade, growth, and poverty. *The Economic Journal*, 114(493), F22-F49.

Recommended readings

- Deardorff, A. V., & Stern, R. M. (2009). What the Public should know about Globalization and the World Trade Organization. In *Globalization And International Trade Policies* (pp. 19-52).
- López-Córdova, J. E., & Meissner, C. M. (2008). The impact of international trade on democracy: A long-run perspective. *World Politics*, 60(4), 539-575.
- Todaro, M. P., & Smith, S. C. (2011). *Economic development* – Ch14: Foreign Finance, Investment, Aid, and Conflict (pp.731-757)
- Topalova, P. (2010). Factor immobility and regional impacts of trade liberalization: Evidence on poverty from India. *American Economic Journal: Applied Economics*, 2(4), 1-41.
- Easterly, W. (2006). *The White Man's Burden: why the West's efforts to aid the rest have done so much ill and so little good*. Penguin Group USA.
- White, H. (1992). The macroeconomic impact of development aid: A critical survey. *The Journal of Development Studies*, 28(2), 163-240.
- Ruben, R., Fort, R., & Zúñiga-Arias, G. (2009). Measuring the impact of fair trade on development.
- Frankel, J. A., & Romer, D. H. (1999). Does trade cause growth?. *American economic review*, 89(3), 379-399.

- Dollar, D., & Kraay, A. (2001). *Trade, growth, and poverty*. World Bank, Development Research Group, Macroeconomics and Growth.
- Lewis, D., & Mosse, D. (Eds.). (2006). *Development brokers and translators: The ethnography of aid and agencies*. Kumarian Press.
- Woods, N. (2005). The shifting politics of foreign aid. *International affairs*, 81(2), 393-409.
- Yuichi Kono, D., & Montinola, G. R. (2009). Does foreign aid support autocrats, democrats, or both? *The Journal of Politics*, 71(2), 704-718.

Week 4: The role of external actors II: IMF and World Bank (12th February)

Discussion questions

- What role do the IMF and World Bank play in countries' development?
- How has the role changed over time?

Required readings

- Goldman, M. (2006). *Imperial nature: The World Bank and struggles for social justice in the age of globalization*. Yale University Press.- Introduction
- Pandolfelli, L. E., Shandra, J., & Tyagi, J. (2014). The International Monetary Fund, Structural Adjustment, and Women's Health: A Cross-National Analysis of Maternal Mortality in Sub-Saharan Africa. *The Sociological Quarterly*, 55(1), 119-142.
- Stiglitz, J. E. (2013). Democratizing the International Monetary Fund and the World Bank: governance and accountability. *Governance* 16(1): 111-139.
- Stiglitz, J. E. (2002). *Globalization and its Discontents*. Norton: New York.- Chapter 8

Recommended readings

- Rodrik, D. (2008). Goodbye Washington Consensus, hello Washington confusion?: A review of the World Bank's' Economic growth in the 1990s: Learning from a decade of reform'. *Panaeconomicus*, 55(2), 135-156.
- Danaher, K. (Ed.). (1994). *50 years is enough: the case against the World Bank and the International Monetary Fund*. South End Press.
- George, S., & Sabelli, F. (1994). *Faith and credit: the World Bank's secular empire*.
- Stiglitz, J. E. (2002). *Globalization and its Discontents*. Norton: New York.- Chapter 1 & 4
- Woods, N. (2006). *The globalizers: the IMF, the World Bank, and their borrowers*. Cornell University Press.
- 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), 1-22.

Week 5: Micro interventions (19th February)

Discussion questions

- What are some small-scale interventions that can lead to better development outcomes?
- What are some important considerations when designing interventions in developing countries?

Required readings

- Miguel, E., & Kremer, M. (2004). Worms: identifying impacts on education and health in the presence of treatment externalities. *Econometrica*, 72(1), 159-217.
- Chowdhury, M. J. A., Ghosh, D., & Wright, R. E. (2005). The impact of micro-credit on poverty: evidence from Bangladesh. *Progress in Development studies*, 5(4), 298-309.
- Banerjee, A., & Duflo, E. (2006). Addressing absence. *Journal of Economic perspectives*, 20(1), 117-132.
- Chattopadhyay, R. and E. Duflo (2004). Women as policy-makers: Evidence from an India-wide randomized experiment. *Econometrica* 72(5), 1409–1443.

Recommended readings

- Duflo, E. (2003). Grandmothers and granddaughters: old-age pensions and intrahousehold allocation in South Africa. *The World Bank Economic Review*, 17(1), 1-25.
- Benhassine, N., Devoto, F., Duflo, E., Dupas, P., & Pouliquen, V. (2015). Turning a shove into a nudge? A "labeled cash transfer" for education. *American Economic Journal: Economic Policy*, 7(3), 86-125.
- Painter, G., & Tang, S. Y. (2001). The microcredit challenge: a survey of programs in California. *Journal of Developmental Entrepreneurship*, 6(1), 1-16.
- Acemoglu, D., & Johnson, S. (2007). Disease and development: the effect of life expectancy on economic growth. *Journal of political Economy*, 115(6), 925-985.
- Duflo, E. (2012). Women empowerment and economic development. *Journal of Economic Literature*, 50(4), 1051-79.
- Haushofer, J., & Shapiro, J. (2013). Household response to income changes: Evidence from an unconditional cash transfer program in Kenya. *Massachusetts Institute of Technology*.

Assessment deadlines

Weekly discussion points should be submitted by 5pm on the day before the seminar. The final paper should be submitted **at midnight**.

We understand that sometimes it is necessary to ask for an extension on a paper. These will be granted if there are extenuating circumstances. However, no extensions will be granted unless students contact the lecturer **in advance of the deadline**.

A late penalty of 5 points per day or part thereof will apply if no extension has been granted.

The deadlines for the assessments are as follows:

- 28th January: discussion questions 1 (5%)
- 4th February: discussion questions 2 (5%)
- 11th February: discussion questions 3 (5%)
- 18th February: discussion questions 4 (5%)
- 7th March: research design paper (60%)