

EC 375

Economic Development

Spring 2000

M W F 9:00

Carney 10

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Overview:

This course deals with growth and globalization. We will develop analytical tools to engage the raucous contemporary debates over international trade and capital flows, privatization and deregulation, market failures and government failures. We will make full use of recent advances in economic theory, including “macroeconomic” models of endogenous growth and “microeconomic” models of asymmetric information.

The reading list draws on a new textbook by Debraj Ray and on articles recently published by other prominent economists. Economics majors have found in the past that grappling with articles drawn directly from the professional journals has been an important part of their own integration into the profession. The textbook and the *World Development Report 1999/2000* are available for purchase in the bookstore. A coursepack with most of the required articles will be available soon.

Requirements:

This course is not suitable for the faint-hearted or the ill-equipped. *EC 201, intermediate microeconomic theory, is a prerequisite for the course.* The students’ grasp of readings and theoretical material will be evaluated through their participation in on-going class discussion and through three exams: an in-class midterm on **February 25**, a second midterm on **March 31**, and a comprehensive final on Saturday, **May 6**.

Theoretical models fill out when applied to the analysis of concrete cases. Building on the analytical framework presented in class, students will write position papers proposing specific policies to confront well-defined challenges. I expect most students to work on some aspect of the Brazilian, Indonesian, Mexican or South African economies, but other topics may be negotiated. A sketch of the paper will be due on **February 11**. The position paper itself will be due on **March 17**. An edited and revised version of the paper will be due on **April 14**. Detailed instructions about each step of the case study will be given at the appropriate time.

Come to class. If you have to miss a class, please drop me an e-mail message. Ask questions. Don’t plagiarize. Don’t cheat. Enough said.

Grading:

First Midterm Exam, February 25, 15%
Second Midterm Exam, March 31, 15%
Final Exam, May 6, 25%
Policy Project, February 11, March 1, and April 14, 35%
On-going Class Participation, 10%

Reading List:**I. INTRODUCTION**

World Bank, World Development Report 2000, Introduction, "New Directions in Development Thinking," and Chapter 1, "The Changing World," pp. 14-50.

II. ECONOMIC GROWTH**ECONOMIC GROWTH : Models**

Debraj Ray, Development Economics, Chapter 3 , "Economic Growth," pp.47-73 only.

Debraj Ray, Development Economics, Chapter 4, "The New Growth Theories," pp. 99-125.

Paul M. Romer, "The Origins of Endogenous Growth," Journal of Economic Perspectives 8:1, Winter 1994, pp.3-22.

ECONOMIC GROWTH : Evidence

Paul Collier and Jan Willem Gunning, "Why Has Africa Grown Slowly?" Journal of Economic Perspectives 13:3 Summer 1999, 3-22.

Angus Deaton, "Commodity Prices and Growth in Africa," Journal of Economic Perspectives 13:3, Summer 1999 pp.23-40.

Nancy Birdsall, David Ross, and Richard Sabot, "Inequality and Growth Reconsidered: Lessons from East Asia," World Bank Economic Review 9:3, September, 1995, pp. 477-508.

III. DEVELOPMENT AND GLOBALIZATION

DEVELOPMENT AND GLOBALIZATION: Overview

World Bank, World Development Report 2000, Chapter 2, "The World Trading System: The Road Ahead," pp. 52-67.

World Bank, World Development Report 2000, Chapter 3, "Developing Countries and the Global Financial System," pp.70-85.

DEVELOPMENT AND GLOBALIZATION: International Trade

Debraj Ray, Development Economics, Chapter 6, "International Trade," pp.621-646.

Debraj Ray, Development Economics, Chapter 7, "Trade Policy," pp.647-676 only.

Paul Krugman, "Protection in Developing Countries," in Policymaking in the Open Economy, edited by Rudiger Dornbusch (New York: Oxford University Press, 1993), pp. 127-148.

Elhanan Helpman, "The Structure of Foreign Trade," Journal of Economic Perspectives 13:2 Spring 1999 121-144.

Robert Feenstra, "The Integration of Trade and Disintegration of Production in the Global Economy," Journal of Economic Perspectives 12:4 Fall 1998 12:4 pp. 31-50.

Anne Krueger, "Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist?" Journal of Economic Perspectives 13:4 Fall 1999, pp. 105-124.

James Anderson and Douglas Marcouiller, "Insecurity and the Pattern of Trade: An Empirical Investigation," working paper.

DEVELOPMENT AND GLOBALIZATION: International Finance

Frederick Mishkin, "Global Financial Instability; Framework, Evens, Issues," Journal of Economic Perspectives 13:4 Fall 1999, pp. 3-20.

Kenneth Rogoff, "International Institutions for Reducing Global Financial Instability," Journal of Economic Perspectives 13:4, Fall 1999, pp.21-42

IV. DEVELOPING DOMESTIC FACTOR MARKETS

DEVELOPING DOMESTIC FACTOR MARKETS: Credit

David Bornstein, "The Barefoot Bank with Cheek," Atlantic Monthly, December 1995, pp.4047.

Jonathan Morduch, "The Microfinance Promise," Journal of Economic Literature 37, December 1999, pp. 1569-1614.

DEVELOPING DOMESTIC FACTOR MARKETS: Labor

Michael Todaro, "Urbanization and Rural-Urban Migration: Theory and Policy," in Economic Development, pp. 305-312.

George Akerlof and Janet Yellen, "Introduction," in Efficiency Wage Models of the Labor Market (Cambridge: Cambridge University Press, 1986), pp. 1-9 only.

Douglas Marcouiller, Verónica Ruíz de Castilla, and Christopher Woodruff, "Formal Measures of the Informal-Sector Wage Gap in Mexico, El Salvador, and Brazil," Economic Development and Cultural Change Jan. 1997, pp. 367-392.

DEVELOPING DOMESTIC FACTOR MARKETS: Natural Resources

Debraj Ray, Development Economics, Chapter 12, "Land," pp.415-463.

World Bank, World Development Report 2000, Chapter 4, "Protecting the Global Commons" pp.90-105.