

EC 375

Economic Development

Spring 2001

M W F 9:00

Carney 004

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Overview:

This course deals with globalization and growth. We will develop analytical tools to engage contemporary debates about:

- factor accumulation, technological change, and growth,
- poverty, inequality, and growth,
- international trade and capital movements, and
- failures of the market and failures of the state.

We will use macroeconomic models with endogenous growth and microeconomic models with asymmetric information.

The reading list draws from academic journals, from a textbook by Debraj Ray (*Development Economics*, Princeton: Princeton University Press, 1998), from the World Bank's most recent *World Development Report* (New York: Oxford University Press, 2001). The textbook and the *World Development Report* are available for purchase in the bookstore. They are also on reserve at O'Neill. 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. Each student's grasp of readings and theoretical material will be evaluated in on-going class discussion and in three exams: a midterm on February 16, a second midterm on March 30, and a comprehensive final on Tuesday, May 8.

Building on the analytical framework presented in class, students will write position papers proposing policies to confront specific problems in particular countries. I expect most students to work on some aspect of the Brazilian, Indonesian, Mexican or South African economies, but other topics may be negotiated. The position paper will be due on March 16. An edited and revised

version of the paper will be due on April 27. These papers may be no longer than 12 pages. Detailed instructions will be given at the appropriate time.

Class attendance is required, as is on-time arrival! If you have to miss a class, please send me an e-mail message. Prepare each reading assignment before the class in which it is to be discussed. Ask questions. Don't plagiarize. Enough said.

Grading

First Midterm Exam, 20%
Second Midterm Exam, 20%
Final Exam, 25%
Policy Project, 25%
On-going Class Participation, 10%

Reading List (some adjustments may be made during the term)

I. INTRODUCTION

- 1/17: James D. Wolfensohn, "A Call to Global Action," *America* 184:1, January 8, 2001, pp. 8-12.
- 1/19: Dani Rodrik, "How Far Will International Economic Integration Go?" *The Journal of Economic Perspectives* 14:1, Winter 2000, pp. 177-186.
- 1/22: Paul Collier and Jan Willem Gunning, "Why Has Africa Grown Slowly?" *The Journal of Economic Perspectives* 13:2, Summer 1999, pp. 3-22.

II. MODELING ECONOMIC GROWTH

- 1/24: Debraj Ray, *Development Economics*, Chapter 3, "Economic Growth," pp. 47-57.
- 1/26: Debraj Ray, *Development Economics*, Chapter 3, "Economic Growth," pp. 58-64.
- 1/29: Debraj Ray, *Development Economics*, Chapter 3, "Economic Growth," pp. 64-71.
- 1/31: Debraj Ray, *Development Economics*, Chapter 3, "Economic Growth," pp. 71-73, and Chapter 4, "The New Growth Theories," pp. 107-111.
- 2/2: Debraj Ray, *Development Economics*, Chapter 4, "The New Growth Theories," pp. 112-123.

III. POVERTY, INEQUALITY AND ECONOMIC GROWTH

- 2/5: World Bank, *WDR 2000/2001*, "The Nature and Evolution of Poverty," pp. 15-29, and "Causes of Poverty and a Framework for Action," pp. 31-41.

- 2/7: World Bank, *WDR 2000/2001*, "Growth, Inequality, and Poverty," pp. 45-59.
- 2/9: Gerald Meier and James Rauch, "How to Read a Regression Table," *Leading Issues in Economic Development* Seventh Edition, New York: Oxford University Press, 2000, pp. 561-566.
- 2/12: 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.
- 2/14: Kristin Mammen and Christina Paxson, "Women's Work and Economic Development," *The Journal of Economic Perspectives* 14:4, Fall 2000, pp. 141-164.
- 2/16: **First Midterm**

IV. MODELING INTERNATIONAL INTEGRATION

- 2/19: Debraj Ray, *Development Economics*, Chapter 16, "International Trade," pp. 621-630.
- 2/21: Debraj Ray, *Development Economics*, Chapter 16, "International Trade," pp. 630-636.
- 2/23: Debraj Ray, *Development Economics*, Chapter 16, "International Trade," pp. 636-644.
- 2/26: Debraj Ray, *Development Economics*, Chapter 17, "Trade Policy," pp. 647-660.
- 2/28: Debraj Ray, *Development Economics*, Chapter 17, "Trade Policy," pp. 660-676.

V. INTERNATIONAL INTEGRATION IN PRACTICE

- 3/2: Angus Deaton, "Commodity Prices and Growth in Africa," *The Journal of Economic Perspectives* 13:3, Summer 1999, pp. 23-40.
- 3/12: Robert Feenstra, "The Integration of Trade and Disintegration of Production in the Global Economy," *The Journal of Economic Perspectives* 12:4, Fall 1998, pp. 31-50.
- 3/14: James Markusen, "The Boundaries of Multinational Enterprises and the Theory of International Trade," *The Journal of Economic Perspectives* 9:2, Spring 1995, pp. 169-189.
- 3/16: **Papers due.** Discussion of proposals.
- 3/19: Brian Aitken and Ann Harrison, "Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela," *The American Economic Review* 89:3, June 1999, pp. 605-618.
- 3/21: Maurice Obstfeld, "The Global Capital Market: Benefactor or Menace?" *The Journal of Economic Perspectives* 12:4, Fall 1998, pp. 9-30.
- 3/23: Joseph E. Stiglitz, "Capital Market Liberalization, Economic Growth, and Instability" *World Development* 28:6, June 2000, pp. 1075-1086.
- 3/26: Sebastian Edwards, "How Effective Are Capital Market Controls?" *The Journal of Economic Perspectives* 13:4, Fall 1999, pp. 65-84.
- 3/28: World Bank, *WDR 2000/2001*, "Harnessing Global Forces for Poor People," pp. 179-188,
- 3/30: **Second Midterm**

VI. STATES AND MARKETS: INFORMATION, EXTERNALITIES, AND PUBLIC GOODS

- 4/2: World Bank, *WDR 2000/2001*, "Making Markets Work Better for Poor People," pp. 61-76.
- 4/4: David Bornstein, "The Barefoot Bank with Cheek," *Atlantic Monthly*, December 1995, pp. 40-47.
- 4.6: Jonathan Morduch, "The Microfinance Schism," *World Development* 28:4, April 2000, pp. 617-629.
- 4/9: Jonathan Morduch, "Microfinance Mechanisms," Section 3 in "The Microfinance Promise," *The Journal of Economic Literature* 37:4, December 1999, pp. 1579-1587 only.
- 4/11: Allen Blackman, "Informal Sector Pollution Control: What Policy Options Do We Have?" *World Development* 28:12, December 2000, pp. 2067-2082.
- 4/18: Klaus Deininger and Bart Minten, "Poverty, Policies, and Deforestation: The Case of Mexico," *Economic Development and Cultural Change*, January 1999, pp. 313-344.
- 4/20: Inge Kaul, Isabelle Grunberg, and Marc Stern, "Defining Global Public Goods," in *Global Public Goods*, New York: Oxford University Press, 1999, pp. 2-19.
- 4/23: Andrei Shleifer, "State versus Private Ownership," *The Journal of Economic Perspectives* 12:4, Fall 1998, pp. 133-150.
- 4/25: World Bank, *WDR 2000/2001* "Making State Institutions More Responsive to Poor People," pp. 9-116.
- 4/27: **Revised papers due.**
- 4/30: Conclusion
- 5/8: **Final Exam**