

Boston College Economics Department

EC 276 Political Economy of Developing Nations Fall, 1997

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Why study the political economy of developing nations?

- Development economics, which has grappled seriously with the interaction between international trade and economic growth, offers students important insights into the functioning of national economies in our increasingly integrated world.
- Development economics grew out of attempts to design policies for the sustainable alleviation of poverty, and it is marked by practicality, realism, and a sense of urgency. It faces trade-offs squarely and forces students to do the same.
- Problems faced by policy-makers in developing nations sparked debates which have been critical to the development of economic theory. young economists can discover in this course the intellectual roots of contemporary ideas about endogenous growth, efficiency wages, adverse selection, and coordination failures.

Prerequisites

EC131 and EC132 are prerequisites for this course. Non-majors who satisfy the prerequisites are especially welcome. In most cases, junior and senior economics majors should take EC375 instead of EC276. The Cultural Diversity requirement can be fulfilled by taking either course.

Method

Analytical tools will be developed using Michael Todaro's textbook, Economic Development (sixth edition, 1997), supplemented by readings from the World Development Report 1997 and the Human Development Report 1997. Students' grasp of this material will be tested by two in-class exams and a comprehensive final. Students will develop expertise in policy design through the preparation of a set of position papers, as described below. In spite of the large size of the class, active participation is expected. This is not a traditional lecture course.

Position Papers

Each student will be given a consulting assignment and will prepare a report advocating solutions to a particularly pressing economic problem.

Assuming that the class size settles at 36, we will focus on six countries (Brazil, Egypt, India, Korea, Mexico, and South Africa) and six broad areas of concern: (a) international trade, (b) fiscal policy, (c) labor markets and “human capital,” (d) agriculture, natural resources and the environment, (e) privatization and industrial regulation, and (f) financial markets. In each of these areas, special attention will be paid to the impact of public policy on the poor.

Each student will be assigned to a country team and a policy area. Students will become the in-house experts and will frequently be called upon to share their expertise in class discussion as well as in written form. For the position paper, each student will define a particular problem in the area of his or her expertise in the country which he or she studies -- and then solve the problem. Detailed instructions will be given at each step of the process. Problems are to be defined by **September 30**. Position papers will be due on **October 28**. Revised papers will be due on **November 25**. Conciseness is a virtue in policy proposals; I expect most to be fifteen pages long.

Summary of Requirements and Grading

First exam, **October 2**: 20%
Second exam, **November 6**: 20%
Final exam, **December 18**: 30%
Policy project: 25%
Participation: 5%

Note the very late date of the final. The exam will be given **only** at the time set by the Dean's office; travel plans must be made accordingly. Students who are unable to take the October 2 exam because of their celebration of Rosh Hashana will be offered a make-up exam at a later date.

Other Remarks

Notice that the work load of this course is rather heavy. Reading assignments are long, and the writing component of the course is substantial. A good deal of independent research is required. Know what you're getting into! Regular attendance is required. Don't cheat. Don't plagiarize. Think. Enough said.

Outline of Assigned Reading with Tentative Discussion Dates:

I. An Overview of “Development Economics”

- A. Why Study the Political Economy of Developing Nations? (9/2)
- B. Growth, Distribution, Poverty and Development (9/4-9/16)
“Growth, Poverty, and Income Distribution,” Todaro, Chapter 5, pp.137-188; Human Development Report 1997, Chapters 1 through 5, pp.15-105.

II. The International Context: Trade and Finance

- A. The Gains from Trade (9/18-9/23)
“Trade Theory and Development Experience,” Todaro, Chapter 12, pp.419-457.
- B. Trade Policy (9/25-9/30)
“The Trade Policy Debate: Export Promotion, Import Substitution, and Economic Integration,” Todaro, Chapter 13, pp.458-497.

10/2. Exam (firm date)

- C. Financing Unbalanced Trade (10/7)
“Balance of Payments, Third World Debt, and the Macroeconomic Stabilization Controversy,” Todaro, Chapter 14, pp.498-532.
- D. International Movements of Capital and Labor (10/9)
“Foreign Finance, Investment and Aid: Controversies and Opportunities,” Todaro, Chapter 15, pp.533-570.

III. The Institutional Context: The State and the Market

- A. The State and the Market (10/14-10/16)
“Planning, Markets, and the Role of the State,” Todaro, Chapter 16, pp.573-606; World Development Report 1997, pp. 1-75.
- B. The State and the Macroeconomic Framework (10/21-10/23)
“Financial Reform and Fiscal Policy,” Todaro, Chapter 17, pp. 607-645.

10/28. Written Proposals Due. Be prepared also to discuss your work in class.

C. Reforming the State (10/30-11/4)
World Development Report 1997, pp.77-167.

11/6. Exam (firm date)

IV. Seven Specific Dimensions of the Development Challenge

A. The Environment (11/11)
“The Environment and Development,” Todaro, Chapter 10, pp.340-377.

B. Agriculture (11/13)
“Agricultural Transformation and Rural Development,” Todaro,
Chapter 9, pp.295-339.

C. Urbanization and Migration (11/18)
“Urbanization and Rural-Urban Migration: Theory and Policy,”
Todaro, Chapter 8, pp. 263-294.

D. Formal and Informal Urban Labor Markets (11/20)
“Unemployment: Issues, Dimensions, and Analyses,” Todaro,
Chapter 7, pp.235-262.

E. Education (11/25-12/2)
“Education and Development,” Todaro, Chapter 11, pp. 378-416.

11/25. Revised Papers Due.

F. Population (12/4)
“Population Growth and Economic Development,” Todaro, Chapter 6,
pp.189-234.

G. Concluding Remarks (12/9)

12/18. Final Exam (firm date)