

BOSTON COLLEGE
ECONOMICS DEPARTMENT
EC 375: Economic Development

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Office Hours: Tu 3:30-5:30, F 8:30-10:30

Spring Semester, 1998
Class Time: MWF 11:00
Classroom: Fulton 425

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 primarily on recently published work by prominent economists, among them Paul Romer, Lawrence Summers, Paul Krugman, Guillermo Calvo, Karla Hoff, Joseph Stiglitz, Anne Krueger, Lant Pritchett, Chad Jones, Stanley Fischer, Janet Yellen and Pranab Bardhan. A textbook -- if there were one as up-to-date as this course -- might provide a clearer or better integrated body of work. However, economics majors have found in the past that grappling with important articles from the professional journals has been an important part of their own integration into the profession.

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 11**, a second midterm on **March 20**, and a comprehensive final on **May 8**. Please note the late date of the final exam (and make travel plans accordingly).

Theoretical models take on new vividness 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 Mexican or Korean economies, but other topics may be negotiated. The position paper will be due on **February 27**, the halfway point of the course. An edited and revised version of the paper will be due on **April 17**. Detailed instructions about each step of the case study will be given at the appropriate time.

Come to class. Ask questions. Don’t plagiarize. Don’t cheat. Enough said.

Grading:

First Midterm Exam, February 11, 15%
Second Midterm Exam, March 20, 15%
Final Exam, May 8, 25%
Policy Project, February 27 and April 17, 35%
On-going Class Participation, 10%

Reading List:

I. INTRODUCTION: OVERVIEW OF THE MEXICAN CASE

*Nora Lustig and Jaime Ros, "Mexico," in The Rocky Road to Reform: Adjustment, Income Distribution, and Growth in the Developing World, edited by Lance Taylor (Cambridge: MIT Press, 1993), pp. 267-295.

José Córdoba, "Mexico," in The Political Economy of Policy Reform, edited by John Williamson (Washington, DC: Institute for International Economics, 1994), pp. 232-284. On reserve at HD87 .P645 1994.

*Sebastian Edwards, "The Mexican Crisis of 1994 and the Future of the Latin American Reforms," in Crisis and Reform in Latin America: From Despair to Hope (New York: Oxford University Press for the World Bank, 1995), pp. 295-317.

II. ECONOMIC GROWTH AND HUMAN DEVELOPMENT

Michael Todaro, Economic Development, 6th edition (New York: Addison-Wesley, 1997), "The Harrod-Domar Growth Model," pp. 72-74. On reserve at HD82 .T552 1997.

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

*Lant Pritchett, "Divergence, Big Time," Journal of Economic Perspectives 11:3, Summer 1997, pp.3-17.

*Charles Jones, "On the Evolution of the World Income Distribution," Journal of Economic Perspectives 11:3, Summer 1997, pp.19-36.

United Nations Development Programme, "Human Development to Eradicate Poverty," Human Development Report 1997, pp.2-12. On reserve at HD72 .H85.

III. THE PREVAILING POLICY FRAMEWORK

The Four "...ations"

*Lawrence Summers and Lant Pritchett, "The Structural Adjustment Debate," American Economic Review 83:2, May, 1993, pp. 383-389.

Liberalization of Trade and Capital Flows

For background: Todaro, "Trade Theory and Development Experience," pp. 419-457, and "The Trade Policy Debate: Export Promotion, Import Substitution, and Economic Integration," pp. 458-497. On reserve at HD82 .T552 1997.

*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.

*Guillermo Calvo, Leonardo Leiderman, and Carmen Reinhart, "Inflows of Capital to Developing Countries in the 1990s," Journal of Economic Perspectives 10:2, Spring 1996, pp. 123-139.

Deregulation and Privatization

*Anne O. Krueger, "Government Failures in Development," Journal of Economic Perspectives 4:3, Summer, 1990, pp. 9-23.

World Bank, "Overview," and "Rethinking the Role of the State--The World Over," World Development Report 1997, pp. 1-40. On reserve at HC59.7 .W659.

*Nicholas Barberis, Maxim Boycko, Andrei Shleifer, and Natalia Tsukanova, "How Does Privatization Work? Evidence from the Russian Shops," Journal of Political Economy 104:4, August 1996, pp. 764-790.

Macroeconomic Stabilization

Todaro, "Balance of Payments, Third World Debt, and the Macroeconomic Stabilization Controversy," pp. 498-532. On reserve at HD82 .T552 1997.

*Stanley Fischer, Ratna Sahay, and Carlos Végh, "Stabilization and Growth in Transition Economies: The Early Experience," Journal of Economic Perspectives 10:2, Spring, 1996, pp. 45-66.

Reconsidering Poverty, Inequality and Growth

United Nations Development Programme, "Poverty in the Human Development Perspective: Concept and Measurement," and "Progress and Setbacks," Human Development Report 1997, pp. 15-60. On reserve at HD72 .H85.

Todaro, "Growth, Poverty, and Income Distribution," pp. 131-177. On reserve at O'Neill Library, HD82 .T552 1997.

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.

IV. MICROECONOMIC ACCOUNTS OF MARKET MYSTERIES

Credit and Land Markets

*David Bornstein, "The Barefoot Bank with Cheek," Atlantic Monthly, December 1995, pp. 40-47.

Todaro, "Subsistence Farming: Risk Aversion, Uncertainty, and Survival" and "Sharecropping and Interlocking Factor Markets," pp. 318-322. On reserve at HD82 .T552 1997.

Karla Hoff and Joseph Stiglitz, "Introduction: Imperfect Information and Rural Credit Markets--Puzzles and Policy Perspectives," World Bank Economic Review 4:3, 1990, pp. 235-250.

*Timothy Besley, "Nonmarket Institutions for Credit and Risk Sharing in Low-Income Countries," Journal of Economic Perspectives 9:3, Summer, 1995, pp. 115-127.

Labor Markets

Todaro, "Urbanization and Rural-Urban Migration: Theory and Policy," pp. 263-294. On reserve at HD82 .T552 1997.

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

Corruption and Informal Contracting

World Bank, "Restraining Arbitrary State Action and Corruption," World Development Report 1997, pp. 99-109. On reserve at HC59.7 .W659.

*Pranab Bardhan, "Corruption and Development: A Review of Issues," Journal of Economic Literature 35: 3, September 1997, pp. 1320-1346.

Douglas Marcouiller and Leslie Young, "The Black Hole of Graft: The Predatory State and the Informal Economy," American Economic Review 85:3, June 1995, pp.630-646.

V. CONCLUDING COMMENTS

*Anne Krueger, "Trade Policy and Economic Development: How We Learn," American Economic Review 87:1, March 1997,pp. 1-22.