

MASTER EN RELACIONES INTERNACIONALES
5ª Edición – curso 2008-09

PROGRAMA DE LA ASIGNATURA Political Economy of Development

Segundo Semestre

Teaching Staff: José Fernández-Albertos & Abel Escribà i Folch. Prácticas: Andrea Bianculli

Lengua del curso: : The course will be taught in English and Spanish. Exams and assignments can be written in English, Spanish, or Catalan]

Introducción a la asignatura: Why are there rich and poor countries? Why do some economies grow and some stagnate? Why have countries grow at different rates in different periods? Why is wealth concentrated concentrated in some regions? These are the fundamental questions that this course will address, from a political economy standpoint. The course offers an introduction to the main economic and political theories of growth, and analyzes the role of geographical, political, historical, institutional, social and economic factors in explaining the variation in growth performance across countries and time. The course is structured in fourteen lectures and seven seminars. The lectures are intended to familiarize the students with the main theories of growth and the key contributions in the political economy of development literature. Although examples and evidence will be used in this classes, the focus is on the theory: when, how, and through which political and economic mechanisms do the main variables examined in the course (geography, political institutions, inequality, ethnicity ...) affect growth performance. The seminars (marked in red below), held in smaller groups, will be mostly based on discussion of one or several actual cases in which the theory is applicable.

Objectives: By the end of the course, students are expected to be familiar with the main debates surrounding development, be equipped with the political-economy toolkit to analyze the determinants of economic growth, and be able to critically assess development strategies from a political economy standpoint.

Evaluation: The final grade will be a weighted average of the grade obtained in a final exam (40%), a midterm take-home exam (30%) and participation in class (30%).

Office hours: Wednesdays 11 AM-1 PM (José Fernández Albertos), Mondays 3-5 PM (Abel Escribà i Folch), or by appointment.

Readings:

Students are expected to do the required readings (indicated by an asterisk in the syllabus) prior to each class. A coursepack including all the required readings will be available for the students at the beginning of the course. Recommended readings should be also available at the CIDOB-IBEI library.

The following books will be used throughout the course. Although the required sections will be available in the coursepack, the students might find it convenient to buy them:

Clark, G. 2007. *A Farewell to Alms: A Brief Economic History of the World*. Princeton: Princeton University Press [FA]

Collier, P. 2007. *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*. Oxford: Oxford University Press [BB]

Easterly, W. 2003. *The Elusive Quest for Growth. Economists' Adventures and Misadventures in the Tropics*. Cambridge: MIT Press [EQG]

Helpman, E. 2004. *The Mystery of Economic Growth*. Cambridge: Harvard University Press [MEG]

Lecture 1. 2/16 & 2/18

Introduction: The importance of growth. Stylized facts about the distribution of economic development.

*Sachs, J. 2005. *The End of Poverty. Economic Possibilities for Our Time*. New York: Penguin. Chapter 2

Rodrik, D. *One Economics, Many Recipes. Globalization, Institutions and Economic Growth*. Chapter 1

Lecture 2. 2/23 & 2/25

The Classical Model of Growth.

*Helpman, MEG, Chapters 2,

*Easterly EQG, Chapters 3, 4, 5

Helpman, MED. Chapters 3, 4.

Clark, G. 2005. "Human Capital, Fertility, and the Industrial Revolution" *Journal of the European Economic Association*, 3: 505-515.

Seminar 1. 2/26

Demographic Transitions in the Developing World.

*IADB. 2000. *Demography: Threat or Opportunity? Development Beyond Economics: Economic and Social Report*, chapter 2.

Bloom, D.E. and J. Williamson. 1997. "Demographic Transitions and Economic Miracles in Emerging Asia". NBER Working Paper 6268.

Lecture 3. 3/2 & 3/4

The History of Economic Growth. The Pre-industrial Malthusian Trap and the Industrial Revolution

*Clark, FA, chapters 2,3.

Clark, FA, chapters. 10-12

Lecture 4. 3/9 & 3/11

Economic Openness and Growth

*Cardoso, E. and A. Helwege. 1992. "Import Substitution Industrialization", in *Latin America's Economy: Diversity, Trends, and Conflicts*. Cambridge, MA: MIT Press.

*Collier BB, Chapter 6 and 10.

Easterly, EQG, chapter 2.

Smith, T. 1979. "The Underdevelopment of Development Literature: The Case of Dependency Theory", *World Politics*, 31(2), 247-288.

Krueger, A. 1995. *Trade Policies and Developing Nations*. Washington: Brookings Institution, chapter 1.

Helpman MEG, chapter 5.

Rodrik, D. "The real exchange rate and economic growth", manuscript. . Available at <http://ksghome.harvard.edu/~drodrik/papers.html>

Seminar 2. 3/12

Import Substitution and Export Oriented Industrialization.

*Krueger, A. 1990. "Government Failures in Development", *Journal of Economic Perspectives*, 4(3): 9-23. [Versión disponible en MPELA]

*Hernández, Z. 2004 "Industrial Policy in East Asia: In Search for Lessons", background paper prepared for the *World Development Report 2005: A Better Investment Climate for Everyone*.

Westphal, L. 1990. "Industrial Policy in an Export Propelled Economy: Lessons From South Korea's Experience", *Journal of Economic Perspectives*, 4(3): 41-59.

Fishlow, A. 1990. "The Latin American State", *Journal of Economic Perspectives*, 4(3): 61-74.

Rodrik, Daniel. 2003. "Growth Strategies". National Bureau of Economic Research, Working Paper 10050.

Lecture 5. 3/16 & 3/18

Foreign Aid and Debt Relief

*Easterly, EQG, chapters 6, 7.

*Collier, BB, chapter 7.

Easterly, WMB, chapter 6.

Alesina, A. and D. Dollar. 2000. "Who gives Foreign Aid to Whom and Why?" *Journal of Economic Growth*, 5: 33-64

Wright, J.. 2007. "To Invest or Insure?: How Authoritarian Time Horizons Impact Foreign Aid Effectiveness." *Comparative Political Studies*, 41 (7): 971-1000.

Bueno de Mesquita, B. and A. Smith. 2008. "Political Survival and Endogenous Institutional Change" *Comparative Political Studies*

García Montalvo, J., S. Djankov and M. Reynal Querol. 2008. "The curse of aid" *Journal of Economic Growth*.

Lecture 6. 3/23 & 3/25. MIDTERM ASSIGNED (DUE 4/5)

Geography. The Resource Curse and Beyond

*Sachs, Jeffrey. 2000. "Tropical Underdevelopment." CID Working Paper No. 057.

*Ross, M. 1999. "The Political Economy of the Resource Curse," *World Politics*, 51(2): 296-322.

Sachs J. and A. Warner, 2001. The Curse of Natural Resources. *European Economic Review*, 45, p. 827-38.

Collier BB, chapters 3 and 4.

Seminar 3. 3/26

Escaping the Resource curse?

*Sala-i-Martin, X. and A. Subramanian. 2003. "Addressing the Natural Resource Curse: An Illustration from Nigeria" NBER Working Paper 9804.

Larsen, E. 2006. "Escaping the Resource Curse and the Dutch Disease?. When and Why Norway Caught Up with and Forged Ahead of Its Neighbors" *American Journal of Economics and Sociology* 65(3): 605-640.

Lecture 7. 3/30 & 4/1

Political Institutions and Growth

*Acemoglu, D., S. Johnson, J. Robinson. 2005. "Institutions as Fundamental Cause of Long-Run Growth" *Handbook of Economic Growth*, vol. 1, ed. P. Aghion and S. Durlauf.

*North, D.. and B. Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England." *Journal of Economic History*, 49(4):. 803-32.

Helpman, MEG, chapter 7.

Rodrik, D. 2007. *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth*. Princeton: Princeton University Press, chapters 5, 6

Clark, FA, chapter 8

Haggard, S. 2004. "Institutions and Growth in East Asia", *Studies in Comparative International Development* 38 (4): 53-81.

Przeworski, Adam. 2004. "Institutions Matter?" *Government and Opposition* 39(2): 527-540.

Przeworski, Adam. 2004. "Geography vs. Institutions Revisited: Were Fortunes Reversed?", manuscript.

MIDTERM DUE 4/5.

EASTER HOLIDAY

Lecture 8. 4/14 (Note change! Tuesday, 11.30) & 4/15

The Origins of Institutions

*Engerman, S. and R. Sokoloff, 2005. "Colonialism, Inequality and Long-Run Paths of Development" NBER Working Paper 11057.

*Nunn, Nathan. 2008. "The Long-Term Effects of Africa's Slave Trades." *Quarterly Journal of Economics*, 123 (1): 139-176

Acemoglu, D., S. Johnson and J. Robinson. 2005. "The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth" *American Economic Review*, 95(3) 546-579.

Acemoglu, D. S. Johnson and J. Robinson. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review*, 91(5): 1369-1401.

Hall, R. and C. Jones, 1999. "Why do some countries produce so much more output than others?" *Quarterly Journal of Economics*, 114, 83-116.

Clark, FA, chapters 16-19.

Seminar 4. 4/16

Institutional Design in Comparative Perspective.

*Inter American Development Bank. 2006. *The Politics of Policies. Economic and Social Progress in Latin America*. Washington: IADB [selection]

Lecture 9. 4/20 & 4/22

Political Regimes.

*Przeworski, Adam and Fernando Limongi. 1993. "Political Regimes and Economic Growth", *Journal of Economic Perspectives* 7(3): 51-69.

*Olson, Mancur (1993). "Dictatorship, Democracy, and Development", *The American Political Science Review* 87 (3): 567-76

Przeworski, A, M. Alvarez, F. Limongi and J. Cheibub. 2000. *Democracy and Development*, New York: Cambridge University Press. [selection]

Persson, T. and G. Tabellini. 2005. *The Economic Effects of Constitutions*. Cambridge: MIT Press [selection]

Keefer, P. 2005. "Democratization and Clientelism: Why are young democracies badly governed?" World Bank Policy Research Working Paper 3594.

Lecture 10. 4/27 & 4/29

State failure.

*Bates, Robert H. 2008. *When Things Fell Apart. State Failure in Late-Century Africa*. New York: Cambridge University Press. Chapters 1, 2, 4, 6.

Jackson, Robert H., and Carl G. Rosberg. 1984. "Personal Rule: Theory and Practice in Africa." *Comparative Politics* 16 (4): 421–442.

Jack Goldstone et al. 2000. "State Failure Task Force Report: Phase III Findings."

Debiel, Tobias. 2005. "Dealing with Fragile States: Entry Points and Approaches for Development Cooperation." ZEF – Discussion Papers on Development Policy Bonn no. 101.

Milliken, J. and K. Krause 2002. "State Failure, State Collapse, and State Reconstruction: Concepts, Lessons and Strategies" *Development and Change* 33(5): 753-774

Seminar 5. 4/30

*Cramer, C., and J. Goodman. 2002. "Try Again, Fall Again, Fail Better? War, the State, and the "Post-Conflict" Challenge in Afghanistan", *Development and Change*, 33 (5), 885-909

*Young, C. 2002. "Deciphering disorder in Africa. Is Identity Key?" *World Politics*, 54: 532-57

Ottaway, M. 2002. "Rebuilding State Institutions in Collapsed States", *Development and Change*, 33 (5), 1001-1023

Lecture 11. 5/4 & 5/6

Inequality and Growth

*Barro, Robert J, 2000. "Inequality and Growth in a Panel of Countries" *Journal of Economic Growth*, 5(1), 5-32.

*Keefer, P. and S. Knack. 2002. "Polarization, Politics and Property Rights. Links between Inequality and Growth". *Public Choice*, 111(1-2), 127-154.

Glaeser, E. 2006. "Inequality", en B. Weingast and Wittman (eds.), *Handbook of Political Economy*, pp. 84-102. Oxford: Oxford University Press.

Boix, C. 2005. *Democracy and Redistribution*. New York: Cambridge University Press. [selection]

Helpman, MEG, ch. 6.

Durlauf, S. "Groups, Social Influences, and Inequality", in *Poverty Traps*, edited by S. Bowles, S. Durlauf and K. Hoff, pp. 141-175. Princeton: Princeton University Press.

Lecture 12. 5/11 & 5/13

Social Capital

*Boix, C. and D. Posner. 1998. "The Origins and Political Consequences of Social Capital." *British Journal of Political Science*, 28 (October): 686-693.

*Knack, S. and P. Keefer. 1997. "Does Social Capital Have an Economic Payoff? A Cross-Country Investigation." *The Quarterly Journal of Economics*, Vol. 112, No. 4, pp. 1251-1288.

Putnam, R. 1994. *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press.

Herreros, F. 2008. "The State and the creation of an environment for the growing of trust." *Rationality and Society*, 20 (4).

Seminar 6. 5/14

Inequality and Growth. Case Studies.

*Boix, C. 2004 "Spain: Development, Democracy and Equity". Background paper prepared for the World Development Report 2005.

*Jeon, Y-D, and Y-Y. Kim. "Land Reform, Income Redistribution, and Agricultural Production in Korea" *Economic Development and Cultural Change*, Vol. 48, No. 2 (Jan., 2000), pp. 253-268

Lecture 13. 5/18 & 5/20.

Ethnic Heterogeneity.

*Easterly, EQG, Chapter 13.

*Collier, BB, Chapter 2.

Alesina, Alberto & Eliana La Ferrara. 2005. "Ethnic Diversity and Economic Performance." *Journal of Economic Literature*, 43(3): 762-800.

Easterly, W. and R. Levine. 1997. Africa's Growth Tragedy: Policies and Ethnic Divisions, *Quarterly Journal of Economics*, 112 (4), 1203-1250

Fearon, J. 2006. "Ethnic Mobilization and Ethnic Violence" in Barry R. Weingast and Donald Wittman, eds., *Oxford Handbook of Political Economy*. (Oxford: Oxford University Press).

Lecture 14. 5/25 & 5/27

From Theory to Policy: What to do? Growth Diagnostics and Other Modern Approaches

*Easterly, W. 2006. *The White Man's Burden*. New York: Penguin Press. Chapter 1.

*Rodrik, D. 2007. *One Economics, Many Recipes*. Princeton: Princeton University Press. Chapters 2, 3

Easterly, W. 2006. *The White Man's Burden*. New York: Penguin Press. Chapters 9, 10.

Seminar 7. 5/28

What Role for Economic Policy?

*Rodrik, *One Economics, Many Recipes*. Princeton: Princeton University Press. chapter.4

*Dixit, A. 2005. "Evaluating Recipes for Development Success", World Bank DEC Lecture.

García Montalvo, J. (ed.) 2008. *El análisis experimental de la ayuda al desarrollo: la evaluación de lo que funciona y lo que no funciona*. Fundación BBVA. Available at http://www.fbbva.es/TLFU/dat/mr_analisis_experimental_web.pdf

Rodrik, D. "The New Development Economics: We Shall Experiment, But How Shall We Learn?", manuscript. Available at <http://ksghome.harvard.edu/~drodrik/papers.html>

Aghion, P. and S. Durlauf. 2007. "From Growth Theory to Policy Design" Commission on Growth and Development, background paper.