

Spring Semester, 2008
GOVERNMENT 339:
THE POLITICAL ECONOMY OF DEVELOPMENT

Mondays, Wednesdays, 8:40 – 9:55
Goldwyn Smith, 142

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Office Hours: Wednesdays 3-5 and by appointment.

COURSE OBJECTIVES

This class will survey both the major policy issues in the developing world today, and the political economy literature. The class seeks to inform students of the historical and contemporary dynamics of economic development, with a focus on political issues. The developing countries are undergoing a period of heightened change, which intensifies distributional tensions because of the uncertainty change engenders and because the growth process is rarely spread evenly across ethnic group, region and class. One of the course's organizing premise is that all economic policies have distributional consequences and that the winners and losers' ability to mobilize for and against policies largely determine the success or failure of the policies. The other is that state structures play a critical role in the process of development.

GRADE DISTRIBUTION AND REQUIREMENTS

Grades will be based on:

1. An in-class midterm on March 12 (20% of the grade)
2. A final exam on May 15, 9-11:30 AM (35%).
3. A short (8-10 pages) paper (25%)
4. Two short written assignments (10%)
5. Class participation (10%)

I will ask you to specialize in a single developing country, which will be the focus of the assignments (to be posted on Blackboard), as well as of the paper. More information to come.

REQUIRED TEXTS

The following texts are required reading and have been ordered from the University store:

1. William Easterly, *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics*. (MIT Press, 2001)
2. Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What can be Done about it*.

(Oxford University Press, 2007)

3. Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999*. (Cambridge University Press, 2001)

Other readings will be assigned from a variety of on-line journals and book chapters.

COURSE READINGS AND OUTLINE

Tentative dates for lectures:

(January 21)

1. General Introduction

PART 1: CONCEPTS

2. Defining Development

(January 23)

What do we mean by development? How well do the standard economic measures capture the process of development? How good are alternative measures? Do people in low income countries behave in the same manner as people in developed countries, or do we need a distinct analytical apparatus to understand them?

Amartya Sen, "The concept of Development", in *The Handbook of Development Economics* Edited by Hollis Chenery and T.N. Srinivasan (1988). Vol 1. Pages 9-26.

http://www.sciencedirect.com/science?_ob=PublicationURL&_tokey=%23TOC%2324600%231988%23999989999%23565710%23FLP%23&_cdi=24600&_pubType=HS&_auth=y&_acct=C000022719&_version=1&_urlVersion=0&_userid=492137&md5=f180965f1d7848980fe995b59a538045

UNDP, Human Development Report, 2005. Chapter 1. (pp. 15-48) available on line at:

<http://hdr.undp.org/reports/global/2005/>

Martin Ravallion. "Good and Bad Growth: The Human Development Reports" in *World Development*. 25 (5), (1997), pp. 631-38. available on library web site:

http://www.sciencedirect.com/science?_ob=PublicationURL&_tokey=%23TOC%235946%231997%23999749994%2312571%23FLP%23&_cdi=5946&_pubType=J&view=c&_auth=y&_acct=C000022719&_version=1&_urlVersion=0&_userid=492137&md5=b9e6eb62a4f205313c9fa561c37ecc2d

Collier, chapter 1 (pp. 3-16)

3. Defining Poverty and Inequality

(January 28, 30)

Measures of poverty and inequality. Patterns of poverty and inequality in the world. Is Cross National inequality rising? Are intra-country inequality rising? Sources of current controversies.

Shaohua Chen and Martin Ravallion, "How Have the World's Poorest Fared since the Early 1980s?" *World Bank Research Observer*, 2004 vol. 19, no. 2: pp.141-169

<http://wbpro.oxfordjournals.org/cgi/reprint/19/2/141>

Lant Pritchett. "Divergence, Big Time" in *Journal of Economic Perspectives*. Vol. 11, no. 3 (Summer, 1997), pp. 3-17. available at:

<http://www.jstor.org/view/08953309/di980592/98p0034h/0?frame=noframe&userID=84ec95a5@cornell.edu/01cc9933140>

PART 2: THE HISTORICAL EXPERIENCE

4. Theories of Growth. Capital, Geography and Institutions

(February 4, 6)

Early theories of economic growth. The role of investment capital. Human capital issues. Technological change as a residual. The rediscovery of growth theory in the 1980s. Endogenous growth theories, and the role of institutions.

Easterly, *the Elusive Quest for Growth*. Chapter 2,3,8,9 (pp. 21-70; 145-195)

Jared Diamond, "The Shape of Africa" *National Geographic*: Sep 2005. Vol. 208, No. 3; p. S25-30. available at:
<http://proquest.umi.com/pqdweb?index=11&did=895037301&SrchMode=3&sid=2&Fmt=3&VInst=PROD&VType=POD&RQT=309&VName=PQD&TS=1169222767&clientId=8424&aid=2>

Daron Acemoglu. "Root Causes", in *Finance & Development*. Jun 2003. Vol. 40, no. 2; p. 26-31 available at:
<http://proquest.umi.com/pqdweb?index=21&did=356112511&SrchMode=3&sid=1&Fmt=6&VInst=PROD&VType=POD&RQT=309&VName=PQD&TS=1169223559&clientId=8424&aid=3>

Dani Rodrik, Arvind Subramanian, "The Primacy of Institutions (and what this does and does not mean)", in *Finance & Development*. Jun 2003. Vol. 40, No. 2; p. 31-35. available at:
<http://proquest.umi.com/pqdweb?index=24&did=356112641&SrchMode=3&sid=1&Fmt=6&VInst=PROD&VType=POD&RQT=309&VName=PQD&TS=1169223591&clientId=8424&aid=3>

Kenneth L. Sokoloff; Stanley L. Engerman, "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World", in *The Journal of Economic Perspectives*, Vol. 14, No. 3. (Summer, 2000), pp. 217-232. Available at: <http://www.jstor.org/cgi-bin/jstor/printpage/08953309/di014723/01p02397/0?frame=noframe&userID=84ec95a5@cornell.edu/01cc99332600501b4be21&dpi=3&backcontext=page&backurl=/cgi-bin/jstor/viewitem/08953309/di014723/01p02397/0%3fframe%3dnoframe%26dpi%3d3%26userID%3d84ec95a5@cornell.edu/01cc99332600501b4be21%26config%3djstor%26PAGE%3d0&config=jstor>

5. The Emergence of the Modern State: Taxes and War

(February 11)

Positive theories of the origin of states. State leaders as mafiosi. The critical role of war in "state-making".

Jeffrey Herbst, "War and the State in Africa", in *International Security*. 14:4: (Spring 1990) 117-139. available at:
<http://www.jstor.org/view/01622889/di008130/00p0029g/0>

Mancur Olson, "Democracy, Dictatorship and Development", in *The American Political Science Review*. Sep 1993. Vol. 87, Iss. 3; p. 567 (10 pages)
<http://proquest.umi.com/pqdweb?index=0&did=1516210&SrchMode=1&sid=1&Fmt=6&VInst=PROD&VType=POD&RQT=309&VName=PQD&TS=1199480046&clientId=8424>

6. Development in the West

(February 13, 18)

How did development occur in the west? General historical patterns. Structural transformation. The role of technology. The role of trade and public institutions. What are the lessons from early western experience for today's LDCs?

L.G. Reynolds, "The Spread of Economic Growth to the Third World", *Journal of Economic Literature*. 21: (Sept. 1983):

pp. 941-980. available in library at: <http://www.jstor.org/journals/00220515.html>

C. Peter Timmer, "The Turnip, the New Husbandry, and the English Agricultural Revolution", in the *Quarterly Journal of Economics*, Vol. 83, no. 3 (August 1969), pp. 375-95. available in Library at: <http://www.jstor.org/view/00335533/di951797/95p0170h/0?frame=noframe&userID=84ec95a5@cornell.edu/01cc99331400501b5aff3&dpi=3&config=jstor>

North, Douglass and Barry Weingast (1989), "Constitutions and Commitment", *Journal of Economic History*, 49(4), p. 803-832. available in library at: <http://www.jstor.org/view/00220507/di975689/97p00731/0?frame=noframe&userID=84ec95a5@cornell.edu/01cc99331400501b5aff3&dpi=3&config=jstor>

Richard Easterlin, "How Beneficent is the Market? A look at the modern history of mortality". *European Review of Economic History* (1999), 3: 257-294
<http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=469508>

7. International Trade and Development: Is Globalization Good? (February 20, 25)

The relationship between economic growth and international trade. Why do import substitution policies fail? How did they succeed in East Asia? The role of trade for the poorest countries. What is globalization? Is it bad for the Third World? Are the rich getting richer and the poor getting poorer? Explaining the absence of economic convergence.

Collier, *The Bottom Billion*. Chapter 10 (pp. 157-75)

Paul Krugman, "Is Free Trade Passé?" *The Journal of Economic Perspectives* 1(2) (1987): 131-144.
<http://www.jstor.org/journals/08953309.html>

Robert Wade, "What Strategies are Viable for LDCs today?" in *Review of International Political Economy*. 2003. pp. 621-44. <http://www.ingentaconnect.com/content/routledg/rrip/2003/00000010/00000004/art00002>

Jeffrey G. Williamson, "Globalization and Inequality, Past and Present" *World Bank Research Observer*, Vol. 12, No. 2 Pp. 117-135. <http://wbro.oxfordjournals.org/cgi/content/abstract/12/2/117>

8. Human Capital, Social Capital (February 27)

The current state of health, demographic and education in the developing world. Regional patterns. Link to growth. What is human capital? What is social capital? Where does social capital come from? Link to institutions.

Easterly, *The Elusive quest for Growth*. Chapter 4,5 (pp. 71-101).

Michael Woolcock and Deepa Narayan, "Social Capital: Implications for Development Theory, Research, and Policy", in *The World Bank Research Observer*. Volume 15, Number 2. Pp. 225-249
<http://wbro.oxfordjournals.org/cgi/content/abstract/15/2/225>

9. Explaining the East Asian Miracle: (March 3)

Why has East Asia been the most successful region of the developing world? Historical factors (the role of colonialism),

cultural factors. The role of the state, the ambiguous role of economic policies

Stefan Haggard, "Institutions and Growth in East Asia" *Studies in Comparative International Development*, 2004, Vol. 38, No. 4, pp. 53-81. available at: <http://www.ekh.lu.se/kurser/472/Haggard.pdf>

Bruce Cumings, "Political Consequences of Industrial Change: The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences" . *International Organization*, Vol. 38, No. 1. (Winter, 1984), pp. 1-40.
<http://www.jstor.org/cgi-bin/jstor/printpage/00208183/dm980245/98p0028k/0.pdf?backcontext=page&dowhat=Acrobat&config=jstor&userID=84ec95a5@cornell.edu/01c0a8346500501cfdbb0&0.pdf>

Atul Kohli, "Where do high growth political economies come from? the Japanese lineage of Korea's developmental state" *World Development*. Vol. 22, 9, 1994, p. 1269
http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6VC6-45DNN2F-2&_user=492137&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_acct=C000022719&_version=1&_urlVersion=0&_userid=492137&md5=6050a74f3b4b4a05e452cb6526268490

PART 3: CURRENT ISSUES

10. The State and Development: Policy Perspectives

(March 5, 10)

The growth of state institutions, The critique of government and the emergence of the "Washington Consensus". Are large states compatible with growth? Are states in the Third World too big or too small?

Krueger, Ann O. "Government Failures in Development." *Journal of Economic Perspectives* 4, 1990: 9-25.
Available at:

<http://www.jstor.org/view/08953309/di960531/96p0004c/0?frame=noframe&userID=84ec95a5@cornell.edu/01cc99331400501b5aff3&dpi=3&config=jstor>

Arthur Goldsmith. "Africa's Overgrown State Reconsidered: Bureaucracy and Economic Growth." *World Politics* 51, no. 4 (1999): 520-46. available at: http://muse.jhu.edu/journals/world_politics/v051/51.4goldsmith.html

[Dani Rodrik](#) "Institutions for high-quality growth: What they are and how to acquire them" *Studies in Comparative International Development*. New Brunswick: [Fall 2000](#). Vol. 35, Iss. 3; pg. 3-32

Easterly, chapter 11, pp. 217-39

MID TERM EXAM IN CLASS: March 12

Spring Break: March 15 - 23

11. Democracy and Development:

(March 24, 26)

The relationship between political regime and economic performance. Democratization and level of economic wealth, wealth and political stability; the economic impact of political regime changes

Adam Przeworski and Fernando Limongi. "Modernization: Theories and Facts", in *World Politics*. Vol. 49, no. 2 (January 1997), pp. 155-183. available at: http://muse.jhu.edu/journals/world_politics/v049/49.2przeworski.html

van de Walle, *African Economies and the Politics of Permanent Crisis*, chapter 6.

Adam Przeworski, Adam and Fernando Limongi. 1993. "Political Regimes and Economic Growth." *Journal of Economic Perspectives* 7, no. 3 (Summer): 51-69. available at: <http://www.jstor.org/view/08953309/di980576/98p01105/0?frame=noframe&userID=84ec95a5@cornell.edu/01cc99332500501b4c353&dpi=3&config=jstor>

12. Governance and Corruption

(March 31)

Why are some states better at promoting development than others? Why are some governments so bad at it? The special case of African states. The origins of rent seeking and corruption, its institutional manifestations, and its economic and political impact

van de Walle, *African Economies and the Politics of Permanent Crisis*, Chapter 3-4.

Robert Wade, "The Market for Public Office: Why the Indian State is not better at Development", *World Development* 13: (4, 1985): 467-97. available at: http://www.sciencedirect.com/science?_ob=PublicationURL&_tockey=%23TOC%235946%231985%23999869995%23288382%23FLP%23&_cdi=5946&_pubType=J&view=c&_auth=y&_acct=C000022719&_version=1&_urlVersion=0&_userid=492137&md5=cf6533fd61b57edde4bc3304d4c1ef33

Easterly, Chapter 12,13, pp. 241-284

13. The Resource Curse: Natural Resources and State Performance

(April 2, 7)

The impact of natural resources on economic growth. Natural resources and corruption. Impact on political stability. Greed vs grievance in civil wars.

Ricardo Soares de Oliveira, "Business Success, Angola-style: postcolonial politics and the rise and rise of Sonangol", in *The Journal of Modern African Studies*, Volume 45, Issue 04, December 2007, pp 595-619 <http://journals.cambridge.org/action/displayFulltext?type=6&fid=1415924&jid=MOA&volumeId=45&issueId=04&aid=1415920&fulltextType=RA&fileId=S0022278X07002893>

Michael L. Ross, "The Political Economy of the Resource Curse," *World Politics*, 51 (January 1999), 297-322. Available

at: http://muse.jhu.edu/journals/world_politics/v051/51.2er_karl.html

14. Failed States and Conflict

(April 9, 14)

Collier, chapters 2-5 (pp. 17-78), 8, 9 (pp. 124-56)

Thomas Bierschenk, and Jean Pierre Olivier de Sardan, "Local powers and a distant state in rural Central African Republic", in *Journal of Modern African Studies* Vol. 35, 03, 1997, p. 441 . <http://www.jstor.org/cgi-bin/jstor/printpage/0022278x/ap010138/01a00040/0?frame=noframe&userID=84ec95a5@cornell.edu/01c0a8346500501cfdbb0&dpi=3&backcontext=page&backurl=/cgi-bin/jstor/viewitem/0022278x/ap010138/01a00040/0%3fframe%3dnoframe%26dpi%3d3%26userID%3d84ec95a5@cornell.edu/01c0a8346500501cfdbb0%26config%3d%26PAGE%3d0&config=jstor>

15. Foreign Aid and Conditionality

(April 16, 21)

Can Foreign aid promote economic growth? Has it? Can there be too much aid? Donor conditionality: should donors attempt to force governments to follow certain policies? Can this work?

van de Walle, *African Economies and the Politics of Permanent Crisis*, Chapter 5.

Deborah A. Bräutigam and Stephen Knack, "Foreign Aid, Institutions, and Governance in Sub-Saharan Africa" *Economic Development and Cultural Change*, volume 52 (2004), pages 255–285; available at: <http://www.journals.uchicago.edu/cgi-bin/resolve?id=doi:10.1086/380592>

Easterly, chapters 6,7 (pp. 101-40),

Collier, chapter 7 (pp. 99 – 123)

16. The Politics of Economic Crisis and Structural Adjustment: (April 23, 28)

Why do developing countries face economic crisis? The different origins of the debt crisis. Why is policy reform difficult? Under what circumstances will low income governments undertake economic policy reform? The role of capacity and autonomy.

van de Walle, *African Economies and the Politics of Permanent Crisis*, Chapters 1 and 2.

Stephan Haggard and Steven B. Webb, "What do we Know about the Political Economy of Economic Policy Reform?" in *The World Bank Research Observer*. 1993 Vol. 8, no. 2 PP. 143-168, available at:

<http://proquest.umi.com/pqdweb?index=5&sid=1&srchmode=3&vinst=PROD&fmt=3&startpage=-1&clientid=8424&vname=POD&RQT=309&did=1348533&scaling=FULL&ts=1169227519&vtype=POD&aid=1&rqt=309&TS=1169227530&clientId=8424&cc=1&TS=1169227530>

Joel S. Hellman, "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions", in *World Politics*. Vol. 50, no. 2 (January 1998), pp. 203-234. available at: http://muse.jhu.edu/journals/world_politics/toc/wp50.2.html

17. Review

(april 30)

FINAL: May 15, 9:00 – 11:30 AM