

Econ 610: Economic Development

Fall 2006
MW 3:00 – 4:30 PM
BUSAD C101

Professor Sumner La Croix
Office: Saunders Hall 515A
Office Hours: Monday 12:30 – 2 pm
Wednesday 9 – 10 am
And by appointment

This class is open to both masters and doctoral students. The prerequisites are ECON 606, 607, 627, and 628. It is mandatory to consult with Professor La Croix if you have not completed the prerequisites. Otherwise your registration will be cancelled.

ATTENDANCE REQUIREMENTS

It is expected that students will attend **ALL** classes and read **ALL** assigned readings prior to class. By reading the assigned articles prior to class, students and the instructors have a common foundation for discussion in class. Only selected topics will be covered during class time. The instructors will frequently assign students to make presentations in class on various topics and articles. Some classes may run slightly over-time. Please reserve until 4:30 PM for the class.

COURSE GRADES

Grades are based on a midterm exam, a final exam, a term paper, and student participation, with weights equally distributed among the four areas. The final exam covers only the material after the midterm exam. The instructor uses +/- grading in awarding final grades.

TERM PAPER

Students are required to consult the instructors before choosing a topic for the term paper. The student should schedule an appointment to discuss the topic. A 1-page outline of the proposed topic must be submitted by September 11, 2006. Do not proceed further with your research until you have obtained approval from the instructor. A 6-page literature review is due on September 25, 2006. The term paper should be 12-15 typed (double-spaced, 12 pt. font) pages excluding the endnotes, the bibliography, and graphs and tables. The term paper is due on Wednesday, November 29, 2006. Late papers will be marked down by one-third of a grade per day, e.g. B to B-, with up to a full grade markdown. Unexcused late papers will not be accepted. If you cannot meet a deadline, be sure to consult with the instructor prior to the due date. When you turn in the paper after the due date, attach a note to the paper explaining the difficulty and how many days of work you lost because of it. Please submit all papers as attached files via e-mail to lacroix@hawaii.edu.

GRADUATE STUDENT CONFERENCE ON DEVELOPMENT ECONOMICS

Each student will present their term paper during the student conference, "New Frontiers in Development Economics." The conference will be held on Friday, December 1, 2006 from 8 AM to

2 PM in Saunders 515. **If you cannot attend the conference, you should absolutely not take the course. Attendance at the conference is mandatory**

FINAL EXAM

All students petitioned the instructor for a new final exam date. The instructor and every student have unanimously agreed to schedule the final on Friday, December 8, 2006 from 10:00 am to 12 noon. Please contact the instructor regarding the room for the final exam! It may not be the same room as our usual classroom.

DISABILITY ACCESS

If you believe that you need reasonable accommodations because of the impact of a disability, please 1) contact the KOKUA Program at 956-7511 or 956-7612 in room 013 of the QL Center for Student Services; and 2) speak with me privately to discuss your specific needs. I will be happy to work with you and the KOKUA Program to meet your access needs related to your documented disability.

QUESTIONS? NEED TO MAKE AN OFFICE HOURS APPOINTMENT?

Please leave a voice mail or e-mail to make an appointment to see the instructors!

Tel: 956-7061

E-mail: lacroix@hawaii.edu

BACKGROUND READING—HIGHLY RECOMMENDED—DO YOU HAVE A COPY?!!!
Can't make sense of the assigned reading? Then check out an easier—but very scholarly and highly interesting—textbook:

Debraj Ray, *Development Economics*, Princeton University Press, 1998. (Beijing University Press has a Chinese edition; Antoni Bosch has a Spanish translation.)

This book is a gem. It's full of interesting examples, research ideas, and fun problems.

CALENDAR AND READING LIST

August 21

Introduction

Goals of the course and introduction.

August 23

Parente, S.L., and E.C. Prescott. 1993. "Changes in the Wealth of Nations." *Federal Reserve Bank of Minneapolis Quarterly Review* 17:3-16. Available for download at: <http://research.mpls.frb.fed.us/research/qr/qr1721.pdf>.

Rodrik, Dani. 2004. Rethinking Growth Policies in the Developing World." http://ksghome.harvard.edu/~drodrik/Luca_d_Agliano_Lecture_Oct_2004.pdf.

Joseph Stiglitz, 2004. The Post-Washington Consensus Consensus," Initiative for Policy Dialogue Working Paper Series, Task Force on Governance of Globalization, Nov. 2004. http://www2.gsb.columbia.edu/faculty/jstiglitz/download/2004_Post_Washington_Conse nsus.pdf.

August 28

Neoclassical Growth Models

Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, 2nd ed. Cambridge: MIT Press, 2004, Chapter 1.

August 30

When Did the North-South Gap Open?

Kenneth Pomerantz, *The Great Divergence: China, Europe and the Making of the Modern World Economy*. Princeton, 2000. (UH Econ Office)

Robert Allen, "The Great Divergence in European Wages and Prices from the Middle Ages to the First World War," *Explorations in Economic History*, October 2001, 411-447. (JSTOR)

F. Bourguignon and C. Morrisson, "Inequality Among World Citizens 1820-1992," *American Economic Review*, Sept. 2002, 727-744. (JSTOR).

Lant Pritchard, "Divergence, Big Time," *Journal of Economic Perspectives* (Summer 1997): 3-17. (Available on JSTOR).

Angus Maddison, *The World Economy: A Millennial Perspective* (OECD 2001), 27-48.

September 4

Labor Day--No Class!!

September 6

Empirics of Neoclassical Growth Models

Williamson, Jeffrey. 1996. "Globalization, Convergence, and History." *Journal of Economic History*, Vol. 56 (June), pp. 277-306. (Available on JSTOR)

Kevin O'Rourke and Jeffrey G. Williamson, "Convergence in History," ch. 2, *Globalization and History* (MIT, 1999), 5-28.

September 11

One-Page Research Proposal Due by 11 PM

N.G. Mankiw, D. Romer, and D. Weil, "A Contribution to the Empirics of Economic Growth," *Quarterly Journal of Economics* (1992): 407-437. (Available on JSTOR)

Klenow and Rodriquesz-Clare. 1997. "The Neoclassical Revival in Growth Economics: Has It Gone Too Far?," *NBER Macroeconomics Annual 1997*. Cambridge: MIT Press.

September 13

No Class—Work on Term Paper

September 18

Endogenous Growth Models

Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, 2nd ed. Cambridge: MIT Press, 2004, Chapter 4, Selections from Chapter 5.

Romer, Paul, 1990. "Endogenous Technological Change." *Journal of Political Economy*, Vol. 98, (October/Special issue): S71-S102. (Available on JSTOR)

Jones, Charles I., "R&D-Based Models of Economic Growth," *Journal of Political Economy*, Vol. 103, No. 4 (August, 1995), 759-784. (Available on JSTOR)

September 20

Growth in East Asia

Alwyn Young, 1995. "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Miracle," *Quarterly Journal of Economics*, Vol. 110 (August), pp. 641-680. (Available on JSTOR)

Chang-Tai Hsieh, "What Explains the Industrial Revolution in East Asia? Evidence from Factor Markets." *American Economic Review* June 2002. Short version of article is: "Factor Prices and Productivity Growth in East Asia," *American Economic Review*, May 1999, 133-138. (Both are available on JSTOR)

September 25

Duel Economy Growth Models

Debraj Ray, *Development Economics*, Ch. 10.

October 4

Rule of Law and Growth

Rafael La Porta, Florencio López-de-Silanes, Cristian Pop-Eleches, and Andrei Schleifer. 2004. "Judicial Checks and Balances," *Journal of Political Economy*, 112(2) April: 445-470.

Rafael La Porta, Florencio López-de-Silanes, Andrei Schleifer, and Robert W. Vishny. "Legal Determinants of External Finance," *Journal of Finance*, 57 (February): 1131-50.

October 9

Disease, Institutions, and Growth

Daron Acemoglu, Simon Johnson, James A. Robinson, 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, 91(5) December: 1369-1401.

Jared Diamond, "Spacious Skies and Tilted Axes," ch. 10, *Guns, Germs, and Steel* (Norton 1997), 176-91.

Eric Jones, "Environment and Social Conjectures," ch. 1, *The European Miracle* (Cambridge, 1981), 3-41. (Recent Revised Edition)

Robert Hall and Charles Jones, "Why Do Some Countries Produce So Much More Output Per Worker than Others?" *Quarterly Journal of Economics* (Feb. 1999): 83-116. (JSTOR)

October 11

Institutions and Growth

Douglass North and Barry Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutions Governing Political Choice in 17th Century England." *Journal of Economic History*, December: 803-32. (JSTOR)

Stanley L. Engerman and Kenneth L. Sokoloff. 2005. Colonialism, Inequality, and Long-Run Paths of Development. NBER Working Paper No. 11057. January.

Stanley L. Engerman and Kenneth L. Sokoloff. 2002. Factor Endowments, Inequality, and Paths of Development Among New World Economies. NBER Working Paper No 9259. October.

October 16

More Institutions and Growth

Daron Acemoglu and Simon Johnson. 2005. "Unbundling Institutions," *Journal of Political Economy*, 113 (October): 949-95.

Douglass North, *Institutions, Institutional Change, and Economic Performance*. Cambridge, 1990. 3-35, 107-40.

October 18

Trade and Growth

Debraj Ray, Chs. 17-18.

Daron Acemoglu & Simon Johnson & James A. Robinson, "The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth," *American Economic Review*, June 2005.

Kevin H. O'Rourke and Jeffrey G. Williamson. 2005. "From Malthus to Ohlin: Trade, Industrialization and Distribution Since 1500," *Journal of Economic Growth*, 10: 5-34.

Jeffrey Frankel and David Romer. 1999. "Does Trade Cause Growth?" NBER Working Paper No. 5476. *American Economic Review* 89(3) June:379-399.

Krugman, Paul "Increasing Returns and the Theory of International Trade," in Paul Krugman, *Rethinking International Trade*, MIT Press, 1990.

Prebisch, R. 1959. "Commercial Policy in the Underdeveloped Countries," *American Economic Review*, 49, pp. 251-273. (JSTOR)

Streeten, P. 1982. "A Cool Look at Outward-Looking Strategies for Development," *The World Economy*. Not available via UH Library download but journal is in the stacks.

October 20-23

Poverty and Growth

Debraj Ray, *Development Economics*, Chs. 6-7.

Deininger, K. and L. Squire (1998). "New ways of looking at old issues: inequality and growth," *Journal of Development Economics*, 57, pp: 259-28. (JSTOR) Their dataset is downloadable from: <http://www.worldbank.org/research/growth/absineq.htm>

Art Kraay. 2006. "When is Growth Pro-Poor?" *Journal of Development Economics*, 80:198-227.

Kuznets, S. 1955. "Economic Growth and Income Inequality." *American Economic Review*, vol. 65, pp. 1-65. (JSTOR)

Angus Deaton. 2003. Measuring Poverty in Growing World, or Measuring Growth in a Poor World. NBER Working Paper 9822. (UH libweb)

David Dollar and Art Kraay. 2002. "Growth is Good for the Poor." *Journal of Economic Growth*, 7:195-225. Dataset: <http://www.worldbank.org/research/growth/wupdate.htm>.

R. Eastwood and M. Lipton. 2000. "Pro-poor Growth and Pro-growth Poverty Reduction:

Meaning, Evidence, and Policy Implications.” *Asian Development Review*, 18(2):22-58.
Paper can be downloaded from:
http://www.adb.org/Documents/Periodicals/ADR/ADR_Vol_18_2.pdf

R. Kanbur. 2001. “Economic Policy, Distribution and Poverty: The Nature of Disagreements,”
Working Paper, available through the internet at: www.people.cornell.edu/pages/sk145

Martin Ravallion. 2001. “Growth, Inequality, and Poverty: Looking beyond Averages,” *Policy Research Working Paper No. 2558*, The World Bank, Washington, D.C. Download from:
http://econ.worldbank.org/files/1419_wps2558.pdf.

October 25

Demography, Kuznets Curves, and Growth

Jeffrey G. Williamson. 2001. “Demographic Change, Economic Growth, and Inequality, in
Nancy Birdsall et al, eds, *Population Matters*. New York: Oxford.

Jeffrey G. Williamson and Matthew Higgins. 2002. “Explaining Inequality the World Round:
Cohort Size, Kuznets Curves, and Openness,” *Southeast Asian Studies* 40(3) December:
268-302.

Andrew Mason and Tomoku Kinagasu, “Two Demographic Dividends,” in Sumner La Croix,
Pearl Imada Iboshi, and Janis Kea, eds, *Miracles and Mirages in East Asian Economic
Development*. (sent via e-mail)

October 30

Openness, Trade & Growth: Empirics

Sachs, Jeffrey and Warner, Andrew M. (1997) “Fundamental sources of long-run growth.”
American Economic Review, May. (JSTOR)

Rodriguez, Francisco, and Dani Rodrik (2000). “Trade Policy and Economic Growth: A
Skeptic’s Guide to the Cross-National Evidence,” *Macroeconomics Annual 2000*. Ben
Bernanke and Kenneth Rogoff, eds., prepared for the MIT Press. WP version is
downloadable from: <http://ksghome.harvard.edu/~drodrik.academic.ksg/skepti1299.pdf>.

The Frankel-Romer-Rose gravity-based instrumental variable for trade openness,
as updated in Frankel-Rose, 2002

November 1

Emergence of Global Factor Markets

Maury Obstfeld and Alan Taylor, “Globalization and Capital Markets,” in *Globalization in
Historical Perspective*, Ch. 3. (econ office)

Barry Chiswick and Tim Hatton, "International Migration and the Integration of Labor Markets," in *Globalization in Historical Perspective*, Ch. 3. (econ office)

William Collins and Jeffrey Williamson, "Capital Goods Prices and Investment 1870-1950," *Journal of Economic History* March 2001, 59-94. (JSTOR)

November 6

Globalization Backlash

D. Diakosavvas and P.L. Scandizzo, "Trends in the terms of Trade of Primary Commodities, 1900-1982: The Controversy and its Origins," *Economic Development and Cultural Change* (January 1991), 231-64. (JSTOR)

Angus Deaton, "Commodity Prices and Growth in Africa," *Journal of Economic Perspectives* (Summer 1999), 23-40. (JSTOR.)

J. Campa, "Exchange Rates and Economic Recovery in the 1930s: An Extension to Latin America," *Journal of Economic History* (Sept. 1990): 677-82. (JSTOR)

Jeffrey Williamson, "Global, Labor Markets and Policy Backlash in the Past," *Journal of Economics Perspectives* (Fall 1998), 51-72. (JSTOR)

Jeffrey Williamson, "Land, Labor and Globalization in the Third World 1870-1940," *Journal of Economic History* (March 2002), 55-85. (JSTOR)

November 8

Latin America and Import Substitution

Christopher Blattman, Jason Hwang, and Jeffrey G. Williamson, "The Impact of the Terms of Trade on Economic Development in the Periphery, 1870-1939: Volatility and Secular Change," NBER Working Paper 10600, June 2004. (UH Libweb)

Alan Taylor, "On the Costs of Inward-Looking Development: Price Distortions, Growth, and Divergence in Latin America," *Journal of Economic History* (March 1998), 1-28. (JSTOR)

November 13

Exports as Key to Asian Growth??

Dani Rodrik and Sharun Mukand, "In Search of the Holy Grail: Policy Convergence, Experimentation, and Economic Performance," *American Economic Review*, March 2005. (UH Libweb)

Dani Rodrik, "Getting Interventions Right: How South Korea and Taiwan Grew Rich," *Economic Policy* 20, 1995. (UH Libweb)

Sofronis Clerides, Saul Lach, and James Tybout, "Is Learning by Exporting Important? Micro-Dynamic Evidence from Colombia, Mexico, and Morocco," *Quarterly Journal of Economics* (1998): 903-947. (JSTOR)

November 15-20

Education and Growth

Robert Barro and Xavier Sala-i-Martin, *Economic Growth*, 2nd ed. Ch. 5.

William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* 2002, Boston: MIT Press, 71-85. (econ office).

Peter Glick and David E. Sahn. 2006. "The Demand for Primary Schooling in Madagascar," *Journal of Development Economics*, 79(1):118-145. (UH libweb)

Scott MacDonald and Jennifer Roberts. 2006. "AIDS and Economic Growth: A Human Capital Approach," *Journal of Economic Development*, 80:228-250. (UH libweb)

T. Paul Schultz. 2000. "School Subsidies for the Poor: Evaluating the Mexican Progresa Poverty Program," *Journal of Development Economics*, 74:199-250. (UH libweb)

November 22

No Class-Work on Your Term Paper!!

November 27 -29

Foreign Direct Investment and Growth

Markusen, J., 1995 "The Boundaries of the Multinational Enterprises and the Theory of International Trade," *Journal of Economic Perspectives*, Spring. (Available on JSTOR)

Maurice Kugler. 2006. "Spillovers from Foreign Direct Investment: Within or Between Industries," *Journal of Development Economics*, 80:444-477. (UH libweb)

Ann Harrison and Brian Aitken. 1999. "Do Domestic Firms Benefit from DFI? Evidence from Venezuela," *American Economic Review* (June):605-618. (JSTOR)

E. Borensztein, J. de Gregorio, and J.-W. Lee. 1998. "How Does Foreign Direct Investment Growth?" *Journal of International Economics*, 45(1):115-35. (JSTOR)

December 1

Student Conference 9 AM – 1 PM in Miller Room, 515 Saunders Hall: "The New- New Frontiers in Economic Development." Lunch will be provided to all participants.

December 4

Growth and Linkages

Kevin M. Murphy, A. Shleifer, and R. W. Vishny, "Industrialization and the Big Push," *Journal of Political Economy*, Vol.97, No.5, 1989, 1003-1026. (JSTOR)

December 6

Foreign Aid and Growth

Burnside, C. and D. Dollar, 2000. "Aid, Policies, and Growth," *American Economic Review*, vol. 90, pp. 847-868. (JSTOR)

William Easterly, 2002. "The Cartel of Good Intentions: Bureaucracy versus markets in foreign aid," Center for Global Development Working Paper No. 4. Available on-line at:
http://www.cgdev.org/wp/cdg_wp004.pdf

Gus Ranis. Unpublished manuscript. (distributed to class via e-mail)

Good Luck with the class!!!