



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

EE 462 Development Economics

Semester 1/2015 (August 17 – December 4, 2015)

Number of credits: 3 credits

Lecture Time: Wednesdays and Fridays, 9.30 – 11.00 hrs

Lecture Venue: Room 303, Faculty of Economics

Instructor: Phatta Kirdruang, PhD

Office: Room 15 (60th anniversary annex),
Faculty of Economics

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Office hours: Tuesdays and Thursdays, 14.00 – 15.00 hrs
and by appointment

Course Description:

The analysis of development economics issues that are important and related to the macro economy of developing countries, such as concepts explaining economic growth, development policies of various countries, the analysis of monetary policies, exchange rates, balance of payments, flow of capital, financial crisis, international aids affecting economic growth, the effects of international trade and foreign direct investments on economic development, the relationship between economic growth and the level of poverty and income distribution, etc.

Course Objectives:

1. Students are expected to understand macroeconomic development concepts and theories.
2. Students should be able to apply the theoretical concepts in order to understand the process of economic growth as well as developmental policies of various countries.

Prerequisites: EE312

Required Textbooks/Readings:

- Perkin, D. H., Radelet, S., Lindauer, D. L., & Block, S. A. (2013). *Economics of Development*. Seventh Edition. W.W. Norton & Company.
- Jones, C. I. (2002). *Introduction to Economic Growth*. Second Edition. W. W. Norton & Company.
- Journal articles as specified in the lecture schedule.

Complementary Textbooks:

- Todaro, M., & Smith, S. (2011). *Economic Development*. Eleventh Edition. Prentice Hall.
- Tournemaine, F. (2011). *Growth Theory: Basic Models with Alternative Applications*. Chulalongkorn University Press.
- Ray, Debraj. (1998). *Development Economics*. Princeton University Press.
- Agenor, Pierre-Richard and Montiel, Perter J. (2012). *Development Macroeconomics*. Second Edition. Princeton University Press.

Data/Information Sources:

Websites

- World Bank <http://www.worldbank.org/>
- International Monetary Fund <http://www.imf.org/>
- Center for Global Development <http://www.cgdev.org/>
- Center for Economic Policy Research <http://www.cepr.net/>
- Peterson Institute for International Economics <http://www.iie.com/>
- Asian Development Bank www.adb.org
- World Trade Organization www.wto.org
- National Bureau of Economic Research <http://www.nber.org/>

Data and Reports

- World Development Indicators <http://data.worldbank.org/data-catalog/world-development-indicators>
- [World Development Reports](#)
- World Factbook <https://www.cia.gov/library/publications/the-world-factbook/>
- International Financial Statistics <http://elibrary-data.imf.org/finddatareports.aspx?d=33061&e=169393>
- Penn World Tables <http://www.ggdnc.net/pwt>

Lecture Schedule:

Week	Topic and Readings (*= Required)	Activity
<p>1 (Aug 19, 21)</p>	<p>Course Overview & Introduction to Economic Development</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Perkins et al., chapters 1-2 - Ray, D. (2000). What's new in development economics? <i>The American Economist</i>, 3-16. - *Deaton, A. (2008). Income, health and well-being around the world: Evidence from the Gallup World Poll. <i>Journal of Economic Perspectives</i>, 22(2), 53-72. 	<p>Discuss Deaton's paper</p>
<p>2 (Aug 26, 28)</p>	<p>Economic Growth: Concepts and Patterns</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Perkins et al., chapter 3 - *Bosworth, B., & Collins, S. M. (2008). Accounting for growth: Comparing China and India. <i>Journal of Economic Perspectives</i>, 22(1), 45-66. - Bosworth, B., & Collins, S. M. (2003). The empirics of growth: An update. <i>Brookings Papers on Economic Activity</i>, 2, 113-206. 	<p>- Discuss Bosworth & Collins's (2008) paper</p>
<p>3 (Sept 2, 4)</p>	<p>Growth Theory: Basic Growth Model and Neoclassical (Solow) Growth Model</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Perkins et al., chapter 4 - Solow, R. M. (1956). A contribution to the theory of economic growth. <i>Quarterly Journal of Economics</i>, 70(1), 65-94. - Solow, R. M. (1957). Technical change and the aggregate production function. <i>The Review of Economics and Statistics</i> 39, 312-320. 	
<p>4 (Sept 9, 11)</p>	<p>Empirical Applications of Solow Model: Solow Model with Human Capital</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Jones, chapter 3 - *Mankiw, N. G., Romer, D., & Weil, D. N. (1992). A contribution to the empirics of economic growth. <i>The Quarterly Journal of Economics</i>, 107(2), 407-437. - *Easterly, W., & Levine, R. (2001). What have we learned 	<p>Discuss Easterly & Levine's paper</p>

	from a decade of empirical research on growth? It's Not Factor Accumulation: Stylized Facts and Growth Models. <i>The World Bank Economic Review</i> , 15(2), 177-219.	
5 (Sept 16, 18)	Endogenous Growth Model: Romer's Model <u>Readings:</u> - *Jones, chapter 5 - Ray, chapter 4 - Romer, P. M. (1990). Endogenous technological change. <i>Journal of political Economy</i> , S71-S102. - Grossman, G. M., & Helpman, E. (1994). Endogenous innovation in the theory of growth. <i>Journal of Economic Perspectives</i> , 8(1), 23-44.	Discuss Grossman & Helpman's paper
6 (Sept 23, 25)	Alternative Theories of Endogenous Growth: Externalities and AK Models <u>Readings:</u> - *Jones, chapter 8 - Lucas, R. E. (1988). On the mechanics of economic development. <i>Journal of monetary economics</i> , 22(1), 3-42. - Barro, R. J. (1991). Economic growth in a cross section of countries. <i>The Quarterly Journal of Economics</i> , 106(2), 407-443.	
7 (Sept 30, Oct 2)	Inequality and Poverty <u>Readings:</u> - *Perkins et al., chapter 6 - World Bank. (2005). <i>World Development Report 2006: Equity and Development</i> . Oxford University Press. - Kuznets, S. (1955). Economic growth and income inequality. <i>The American Economic Review</i> , 1-28. - Forbes, K. J. (2000). A reassessment of the relationship between inequality and growth. <i>American Economic Review</i> , 869-887. - *Chen, S., & Ravallion, M. (2010). The developing world is poorer than we thought, but no less successful in the fight against poverty. <i>The Quarterly Journal of Economics</i> , 125(4), 1577-1625.	Discuss Chen & Ravallion's paper
8 (Oct 9)	MIDTERM	
9	Human Capital	- Discuss Hanushek's

(Oct 14, 16)	<p><u>Readings:</u></p> <ul style="list-style-type: none"> - Perkins et al, chapters 7, 8, 9 - Lindahl, M., & Krueger, A. B. (2001). Education for growth: Why and for whom? <i>Journal of Economic Literature</i>, 39(4), 1101-1136. - Pritchett, L. (2001). Where has all the education gone? <i>The World Bank Economic Review</i>, 15(3), 367-391. - *Bloom, D. E., Canning, D., & Jamison, D. T. (2004). Health, wealth, and welfare. <i>Finance and development</i>, 41, 10-15. - Acemoglu, D., & Johnson, S. (2007). "Diseases and development: The effect of life expectancy on economic growth." <i>Journal of Political Economy</i>, 115(6), 925. - Kremer, M. (1993). Population growth and technological change: one million BC to 1990. <i>The Quarterly Journal of Economics</i>, 681-716. - Hanushek, E., & Woessman, L. (2007). The role of education quality for economic growth. <i>World Bank Policy Research Working Paper</i> 4122. 	paper
<p style="text-align: center;">10</p> <p>(Oct 21, 28)</p>	<p>Investment and Savings</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Perkins et al., chapter 10 - Lipsy, R. E., & Sjöholm, F. (2005). The impact of inward FDI on host countries: why such different answers? In Moran, Graham, & Blomstrom, eds., <i>Does Foreign Direct Investment Promote Development, Washington DC: Institute for International Economics and Center for Global Development</i>, 23-43. 	
<p style="text-align: center;">11</p> <p>(Oct 30, Nov 4)</p>	<p>Foreign Debt and Financial Crisis</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Perkins et al., chapter 13 - Sachs, J. D. (1989). <i>Developing Country Debt and Economic Performance, Volume 1-4</i>. University of Chicago Press. - *Radelet, D., & Sachs, J. (1998). The East Asian financial crisis: Diagnosis, remedies, prospects. <i>Brookings Papers on Economic Activity</i> 1, 1-90. (Downloadable from http://www.brookings.edu/~media/Projects/BPEA/1998%201/1998a_bpea_radelet_sachs_cooper_bosworth.PDF) 	<p>- Discuss the Asian financial crisis</p>
<p style="text-align: center;">12</p> <p>(Nov 6, 11)</p>	<p>Foreign Aid</p> <p><u>Readings:</u></p> <ul style="list-style-type: none"> - *Perkins et al., chapter 14 	<p>- Discuss Easterly's (2007)</p>

	<p>- Younger, S. D. (1992). Aid and the Dutch disease: macroeconomic management when everybody loves you. <i>World Development</i>, 20(11), 1587-1597.</p> <p>- *Easterly, W. (2007). Was development assistance a mistake? <i>The American Economic Review</i>, 328-332.</p> <p>- Easterly, W. (2003). Can foreign aid buy growth?. <i>Journal of Economic Perspectives</i>, 23-48.</p> <p>- Clemens, M. A., Radelet, S., Bhavnani, R. R., & Bazzi, S. (2012). Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth. <i>The Economic Journal</i>, 122(561), 590-617.</p>	
13 (Nov 13, 18)	<p>Managing Short-Run Crisis in an Open Economy</p> <p><u>Readings:</u></p> <p>- *Perkins et al., chapter 15</p> <p>- Arghyrou, M. G., & Tsoukalas, J. D. (2011). The Greek debt crisis: Likely causes, mechanics and outcomes. <i>The World Economy</i>, 34(2), 173-191.</p>	- Discuss about Greek's debt crisis (TBD)
14 (Nov 20, 25)	<p>Trade and Development</p> <p><u>Readings:</u></p> <p>- *Perkins et al., chapter 18</p> <p>- Frankel, J. A., & Romer, D. (1999). Does trade cause growth?. <i>American economic review</i>, 379-399.</p> <p>- *Chang, H. J. (2003). Kicking away the ladder: Infant industry promotion in historical perspective. <i>Oxford Development Studies</i>, 31(1), 21-32.</p>	- Discuss Chang's paper
15 (Nov 27, Dec 2)	<p>Trade Policy</p> <p><u>Readings:</u></p> <p>- *Perkins et al., chapter 19</p> <p>- *Krueger, A. O. (1997). Trade Policy and Economic Development: How We Learn. <i>American Economic Review</i>, 87(1), 1-22.</p> <p>- Nunn, N., & Trefler, D. (2010). The structure of tariffs and long-term growth. <i>American Economic Journal: Macroeconomics</i>, 2(4), 158-194.</p>	- Discuss Krueger's paper
16 (Dec 4)	Student Presentations	
Dec 19	FINAL EXAM	

Note: The class schedule and required readings shown above may be adjusted during the semester as needed.

Assessment:

Class attendance & participation	5 %
Group paper and presentation	15 %
Midterm exam	35 % (October 9, 2015, 9.30-11.00)
Final exam	45 % (December 19, 2015, 9.00–12.00)

Class Participation

Students are required to study assigned readings before class. In-class discussion covers the materials based on the readings as well as group presentations. Students are encouraged to actively participate in the discussion by asking questions and contributing useful analyses and comments.

Group Paper and Presentation

Each group consists of 3-4 students. Each group will be assigned to do some research on a pre-determined topic, and will present their preliminary reports during the last week of the semester. After receiving comments from the instructor and classmates, each group will modify the report and submit the final version one week after their presentations. Details about the topics will be discussed in class.

Important Dates:

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| ◆ First semester begins | August 17, 2015 |
| ◆ Period of withdrawal without “W” | August 17- 31, 2015 |
| ◆ Mid-Term Examination | October 9, 2015 (9.30-11.00 hrs) |
| ◆ Last day of withdrawal with “W” | October 21-26, 2015 |
| ◆ Final Examination | December 19, 2015 (9.00 –12.00 hrs) |

Last updated – August 15, 2015.