COURSE OVERVIEW & INTRODUCTION TO ECONOMIC DEVELOPMENT

EE 462 Development Macroeconomics

Semester 1/2014

About the Instructor

- Name: Phatta Kirdruang
- Education:
  - B.A. (Economics), McGill University, Canada
  - M.A. (Economics), University of British Columbia, Canada
  - Ph.D. (Major – Applied Economics, Minor – Health Services Research & Policy Administration), University of Minnesota, USA
- Fields of interest:
  - Health economics
  - Development economics
  - Population studies
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- Office hours: Tues & Thurs, 2-3pm, and by appointment

Students' Background?

- Please introduce yourself:
  - Name & Nickname
  - Which year of the program are you at?
  - What makes you interested in development economics?
  - What do you expect from this class?
  - Any past experience with development field?
  - What's your future plan (particularly for 4^{th}-year students)?
  - Others?

Course Contents

- Economic Growth
  - Concepts & Pattern
  - Theories of Economic Growth
  - Growth Empiricism
- States and Markets
- Inequality and Poverty

Before midterm

- Human Capital
- Investment and Savings
- Foreign Debt and Financial Crisis
- Foreign Aid
- Managing Short-Run Crisis in an Open Economy
- Trade and Development & Trade Policy
- Sustainable Development

After midterm

Readings

- Required Textbooks (on the reserve in Puey Library)
  - Perkin, D. H., Radelet, S., Lindauer, D. L., & Block, S. A. (2013). *Economics of Development*. Seventh Edition. W.W. Norton & Company.**
- Required journal articles – as indicated in the course outline.
  - Please check moodle regularly for updates (enrollment key: 3301) .
- Supplemental Textbooks:
  - Todaro, M., & Smith, S. (2011). *Economic Development. Eleventh Edition*. Prentice Hall.
  - Ray, Debraj. (1998). *Development Economics*. Princeton University Press.
  - Jones, C. I. (2002). *Introduction to Economic Growth. Second Edition*. W. W. Norton & Company.
  - Agenor, Pierre-Richard and Montiel, Perter J. (2012). *Development Macroeconomics*. Second Edition. Princeton University Press.

Course Organization

- Meet every Wednesday and Friday, 9:30 – 11 am
- Lectures based style + class participation
  - Students are required to read assigned readings before class.
- Classroom *etiquette*:
  - No cellphone or other communicating devices please! – A 100 baht tax will be collected each time a phone rings.
  - Please refrain from using all electronic devices (i.e. no facebook, no line, etc.)
  - No chitchat please! Raise your hands if you have questions or comments.
  - Dress code: no shorts, sandals, tank-tops, or other informal wear .

Evaluation

- Class participation (10%)
- Group presentation (10%)
- Book review (15%)
- Midterm exam (30%) – Friday, October 10, 2014
- Final exam (35%) – Tuesday, December 16, 2014

Group Presentation & Class Discussion

- Class participation
  - Discussion based on assigned readings and course materials
  - Ask and/or comments your classmates’ presentation
- Group presentation
  - Each group consists of 2-3 students.
  - Each group will make a presentation and leading class discussion on a pre-determined topic (TBD after add-drop periods).
  - Your presentation will be mainly data replication of some selected tables from the textbooks, with thorough analysis and discussion.

Book Review

- A brief summary of the book (no longer than 1 page) and an analytical critique of book (about 3-4 pages) in light of what you have learned in the course and the ongoing debate in the literature. The total length is no more than 5 double-space pages.
- List of selected books (you will be assigned but trade is possible):
  1. Banerjee, A. V., & Duflo, E. (2011). *Poor economics: A radical rethinking of the way to fight global poverty*. Public Affairs.
  2. Paul, C. (2007). *The bottom billion: Why the Poorest countries are failing and what can be done about it*. Oxford University Press.
  3. Easterly, W. (2001). *The elusive quest for growth: economists' adventures and misadventures in the tropics*. MIT press.
  4. Sachs, J. (2006). *The end of poverty: economic possibilities for our time*. Penguin.

Useful 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/

Other Information Sources

- 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.ggdc.net/pwt

INTRODUCTION TO ECONOMIC DEVELOPMENT

Some Terminology: Rich and Poor Countries

- "Older" classification
  - First World vs. Third World
  - North vs. South

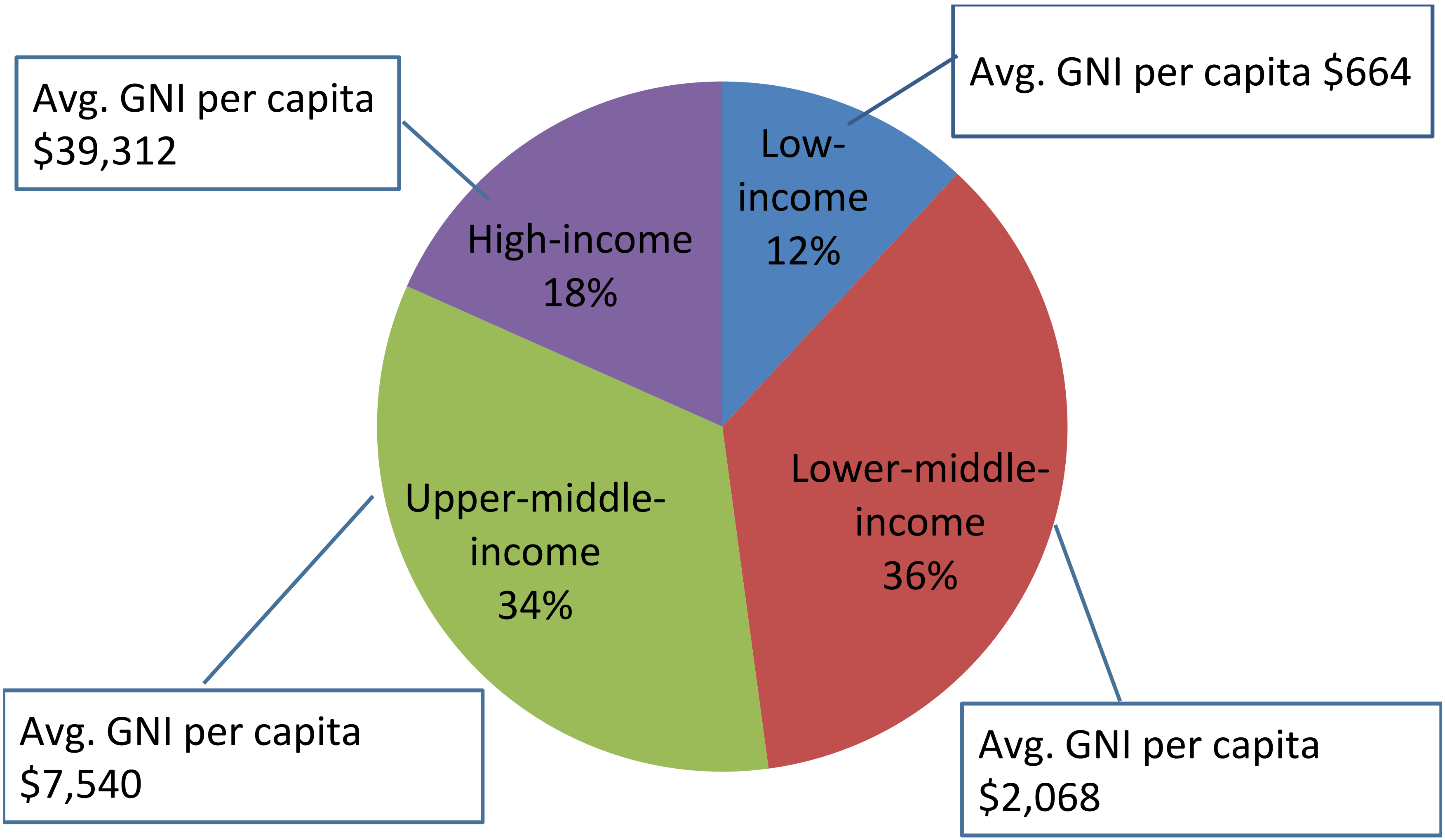
- More recent classification
  - Developed countries vs. Developing countries (or Less-developed countries (LDCs)
  - Least-developed countries
  - Emerging economics
  - Industrialized countries

World Bank's Classification, 2013

Category	GNI per capita (US$)	Avg. Per Capita GNI (current US$)	No. of Countries	Population in Millions (% of World Total)
Low-income	< $1,045	$664	34	849 (12%)
Lower-middle-income	$1,066 - $4,125	$2,068	50	2,561 (36%)
Upper-middle-income	$4,126 - $12,745	$7,540	55	2,409 (34%)
High-income	$12,746+	$39,312	75	1,306 (18%)

Source: http://data.worldbank.org/about/country-and-lending-groups

Proportion of Population (based on World Bank's Classification)



Nations of the World, Classified by GNI Per Capita (2011)

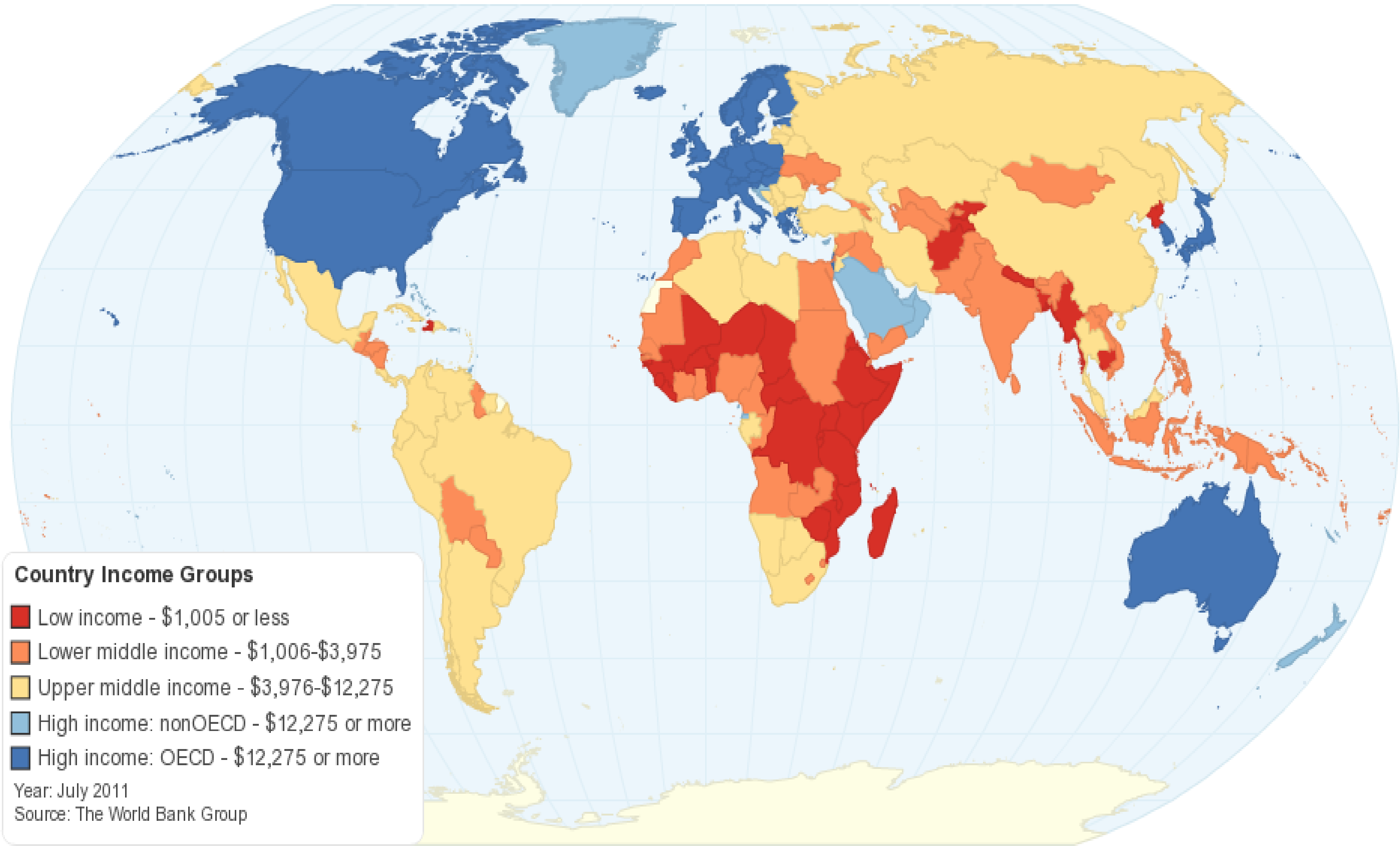


Image source: http://chartsbin.com/view/2438

Questions

- Big question:
  - Why some countries are still poor, and how can poverty be overcome?
- More interesting questions:
  - Why some countries develop rapidly, whereas others seem not develop? What explains this wide diversity?
  - What are the lesson learned from these experiences?
- Keep in mind:
  - Development as a complex process that can best be understood by combining economic theory, empirical analysis, and consideration of the institutional context.
  - Economic development is first and foremost as a process involving people.

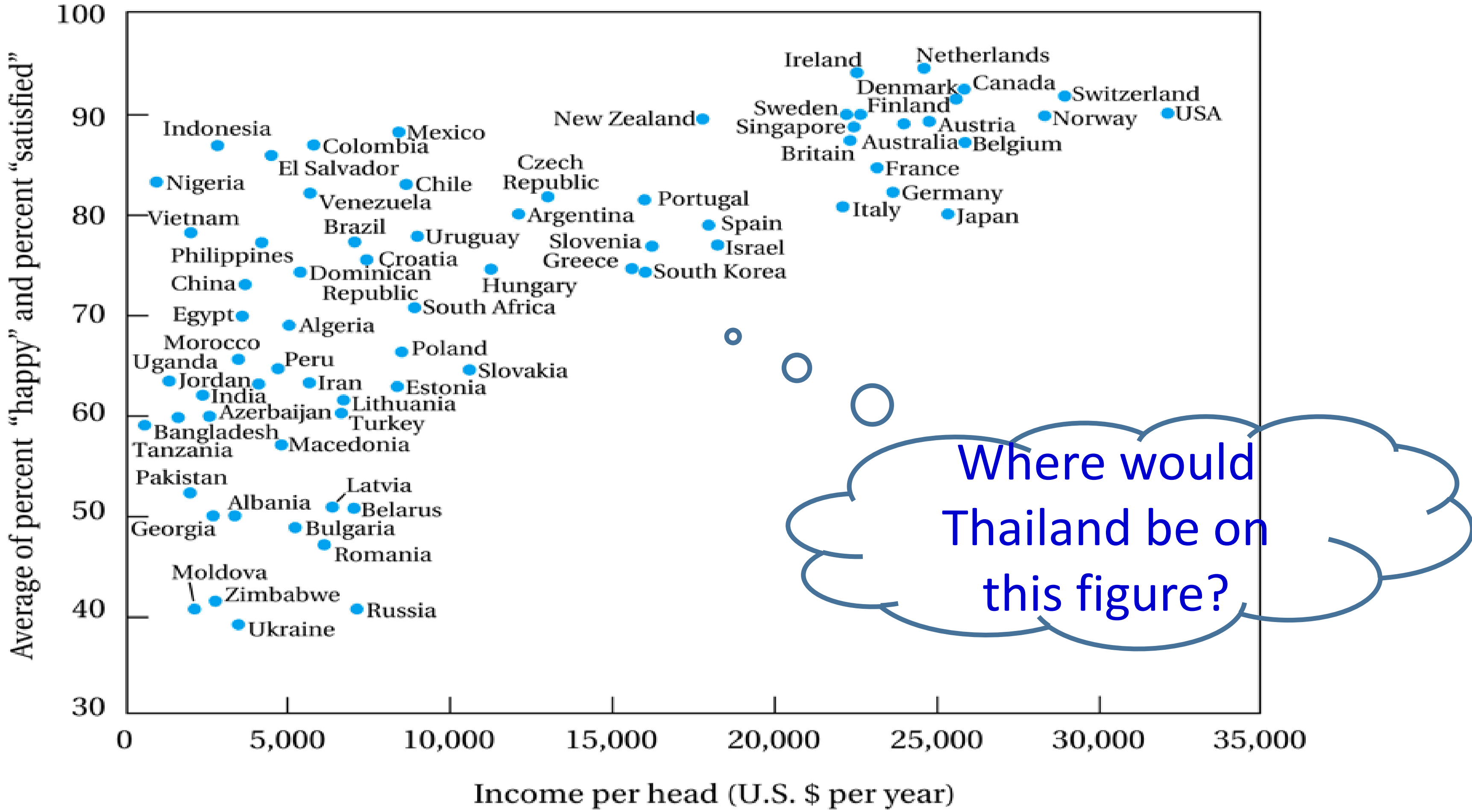
Questions Addressed in This Course

- What are the main factors that contribute to different rates of economic growth?
- What is the relationship between economic growth and inequality?
- How transformation in human resources contributes to the development process?
- How capital is mobilized and allocated for development purposes?
- What are strategies to promote economic growth?
- How do external factors, such as foreign aid and trade, affect growth?

Growth & Development

- Is economic development the same as economic growth?
  - Economic Growth = a rise in national income or per capita income
  - Economic development = Economic Growth + improvement in living standards (e.g. health, education, and other aspects of human welfare) of the population
- Economic growth is a necessary but not sufficient condition for improving mass living standards
- Amartya Sen's "Capability" approach:
  - ➢The goal of development is to expand the *capabilities* of people to live the lives they choose to lead.

Income and Happiness: Comparing Countries



Source: From *Happiness: Lessons from a New Science* by Richard Layard, copyright © 2005 by Richard Layard. Used by permission of The Penguin Press, a division of Penguin Group (USA) Inc. and United Agents Ltd. (www.unitedagents.co.uk) on behalf of the author.

Source: Todaro (2010)

The Study of Development Economics

- Greater scope than traditional neoclassical economics and political economy.
  - Interdependent relationships between economic and non-economic factors
  - Success or failure of development policy depends also on institutional and structural variables.
  - Examples:
    - Increase tax rate may not lower labor supply in developing countries, but may encourage growth in the informal sector.
    - Fixed exchange rates in some countries (so increasing money supply cannot make the exchange rate depreciate).
    - Other?

Next time

- Measurement of economic growth and economic development
- Discuss: Deaton, A. (2008). Income, health and well-being around the world: Evidence from the Gallup World Poll. *Journal of Economic Perspectives*, *22*(2), 53-72.