# B.E. International Program

Faculty of Economics, Thammasat University

Course Outline

## EE 462 Development Economics

Semester 1/2014 (August 18 – December 6, 2014)

**Number of credits:** 3 credits

**Lecture Time:** Wednesdays and Fridays, 9.30 – 11.00 hrs

**Lecture Venue:** Room 203, Faculty of Economics

**Instructor:** Phatta Kirdruang, PhD

Office: Room 428, Faculty of Economics
E-mail: phatta@econ.tu.ac.th
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.
- Journal articles as specified in the lecture schedule.

## Complementary 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.

## 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.ggdc.net/pwt

## Lecture Schedule:

| Week | Topic and Readings (*= Required) | Activity |
|---|---|---|
| **1**<br>(Aug 20, 22) | **Course Overview & Introduction to Economic Development**<br>Readings:<br>- *Perkins et al., chapters 1-2<br>- Ray, D. (2000). What's new in development economics?. *The American Economist*, 3-16.<br>- *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. | Discuss Deaton's paper |
| **2**<br>(Aug 27, 29) | **Economic Growth: Concepts and Patterns**<br>Readings:<br>- *Perkins et al., chapter 3<br>- *Bosworth, B., & Collins, S. M. (2008). Accounting for growth: Comparing China and India. *Journal of Economic Perspectives*, *22*(1), 45-66. | - Discuss Bosworth & Collins's (2008) paper |
| **3**<br>(Sept 3, 5) | **Theories of Economic Growth**<br>Readings:<br>- *Perkins et al., chapter 4<br>- Solow, R. M. (1956). A contribution to the theory of economic growth. *Quarterly Journal of Economics*, 70(1), 65-94.<br>- Solow, R. M. (1957). Technical change and the aggregate production function. *The Review of Economics and Statistics 39*, 312-320. | |
| **4**<br>(Sept 10, 12) | **The New Growth Theories**<br>Readings:<br>- *Ray, chapter 4<br>- Romer, P. M. (1990). Endogenous technological change. *Journal of political Economy*, S71-S102.<br>- Grossman, G. M., & Helpman, E. (1994). Endogenous innovation in the theory of growth. *Journal of Economic Perspectives*, *8*(1), 23-44. | |
| **5**<br>(Sept 17, 19) | **Growth Empiricism**<br>Readings:<br>- Barro, R. J. (1991). Economic growth in a cross section of | - Group Presentation 1 (Growth data) |

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| | countries. *The Quarterly Journal of Economics*, *106*(2), 407-443.<br><br>*- Mankiw, N. G., Romer, D., & Weil, D. N. (1992). A contribution to the empirics of economic growth. *The Quarterly Journal of Economics*, *107*(2), 407-437.<br><br>*- Easterly, W., & Levine, R. (2001). What have we learned from a decade of empirical research on growth? It's Not Factor Accumulation: Stylized Facts and Growth Models. *The World Bank Economic Review*, *15*(2), 177-219.<br><br>- Bosworth, B., & Collins, S. M. (2003). The empirics of growth: An update. *Brookings Papers on Economic Activity*, *2*, 113-206. | - Discuss Mankiw et al's paper and Easterly & Levine's paper |
| **6**<br><br>(Sept 24, 26) | **States and Markets**<br><br><u>Readings</u>:<br><br>- *Perkins et al., chapter 5<br><br>- Murphy, K. M., & Shleifer, A. (1989). Industrialization and the Big Push. *The Journal of Political Economy*, *97*(5), 1003-1026.<br><br>- Rodrik, D., Grossman, G., & Norman, V. (1995). Getting Interventions Right: How South Korea and Taiwan Grew Rich. *Economic Policy*, 55-107.<br><br>- *Easterly, W. (2006). Reliving the 1950s: the big push, poverty traps, and takeoffs in economic development. *Journal of Economic Growth*, *11*(4), 289-318. | Discuss Easterly's paper |
| **7**<br><br>(Oct 1, 3) | **Inequality and Poverty**<br><br><u>Readings</u>:<br><br>- *Perkins et al., chapter 6<br><br>- World Bank. (2005). *World Development Report 2006: Equity and Development*. Oxford University Press.<br><br>- Kuznets, S. (1955). Economic growth and income inequality. *The American Economic Review*, 1-28.<br><br>- Forbes, K. J. (2000). A reassessment of the relationship between inequality and growth. *American Economic Review*, 869-887.<br><br>- *Chen, S., & Ravallion, M. (2010). The developing world is poorer than we thought, but no less successful in the fight against poverty. *The Quarterly Journal of Economics*, *125*(4), 1577-1625. | - Discuss Chen & Ravallion's paper<br><br>- Group presentation 2 (inequality) |
| **8** | **MIDTERM** | |

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| **(Oct 10)** | | |
| **9**<br>(Oct 15, 17) | **Human Capital**<br>Readings:<br>- Perkins et al, chapters 7, 8, 9<br>- Lindahl, M., & Krueger, A. B. (2001). Education for growth: Why and for whom? *Journal of Economic Literature*, *39*(4), 1101-1136.<br>- Pritchett, L. (2001). Where has all the education gone?. *The World Bank Economic Review*, *15*(3), 367-391.<br>- *Bloom, D. E., Canning, D., & Jamison, D. T. (2004). Health, wealth, and welfare. *Finance and development*, *41*, 10-15.<br>- Acemoglu, D., & Johnson, S. (2007). "Diseases and development: The effect of life expectancy on economic growth." *Journal of Political Economy*, *115*(6), 925.<br>- Kremer, M. (1993). Population growth and technological change: one million BC to 1990. *The Quarterly Journal of Economics*, 681-716.<br>- Hanushek, E., & Woessman, L. (2007). The role of education quality for economic growth. *World Bank Policy Research Working Paper* 4122. | - Discuss Bloom et al.'s paper and Hanushek's paper<br>- Group presentation 3 (Education) |
| **10**<br>(Oct 22, 24) | **Investment and savings**<br>Readings:<br>- *Perkins et al., chapter 10<br>- Lipsy, R. E., & Sjöholm, F. (2005). The impact of inward FDI on host countries: why such different answers? In Moran, Graham, & Blomstrom, eds., *Does Foreign Direct Investment Promote Development, Washington DC: Institute for International Economics and Center for Global Development*, 23-43. | - Group presentation 4 (Savings) |
| **11**<br>(Oct 29, 31) | **Foreign Debt and Financial Crisis**<br>Readings:<br>- *Perkins et al., chapter 13<br>- Sachs, J. D. (1989). *Developing Country Debt and Economic Performance, Volume 1-4*. University of Chicago Press.<br>- Radelet, D., & Sachs, J. (1998). The East Asian financial crisis: Diagnosis, remedies, prospects. *Brookings Papers on Economic Activity* 1, 1-90. (Downloadable from http://www.brookings.edu/~/media/Projects/BPEA/1998%2 | - Discuss the Asian financial crisis<br>- Group presentation 5 (Debt) |

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| **12**<br>(Nov 5, 7) | **Foreign Aid**<br>Readings:<br>- *Perkins et al., chapter 14<br>- Younger, S. D. (1992). Aid and the Dutch disease: macroeconomic management when everybody loves you. *World Development*, *20*(11), 1587-1597.<br>- *Easterly, W. (2007). Was development assistance a mistake?. *The American Economic Review*, 328-332.<br>- Easterly, W. (2003). Can foreign aid buy growth?. *Journal of Economic Perspectives*, 23-48.<br>- Clemens, M. A., Radelet, S., Bhavnani, R. R., & Bazzi, S. (2012). Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth*. *The Economic Journal*, *122*(561), 590-617. | - Discuss Easterly's (2007)<br>- Group presentation 6 (Foreign Aid) |
| **13**<br>(Nov 12, 14) | **Managing Short-Run Crisis in an Open Economy**<br>Readings:<br>- *Perkins et al., chapter 15<br>- Arghyrou, M. G., & Tsoukalas, J. D. (2011). The Greek debt crisis: Likely causes, mechanics and outcomes. *The World Economy*, *34*(2), 173-191. | - Discuss about Greek's debt crisis (TBC) |
| **14**<br>(Nov 19, 21) | **Trade & Development**<br>Readings:<br>- *Perkins et al., chapter 18<br>- Frankel, J. A., & Romer, D. (1999). Does trade cause growth?. *American economic review*, 379-399.<br>- *Chang, H. J. (2003). Kicking away the ladder: Infant industry promotion in historical perspective. *Oxford Development Studies*, *31*(1), 21-32. | - Discuss Chang's paper<br>- Group presentation 7 (Trade) |
| **15**<br>(Nov 26, 28) | **Trade Policy**<br>Readings:<br>- *Perkins et al., chapter 19<br>- Krueger, A. O. (1997). Trade Policy and Economic Development: How We Learn. *American Economic Review*, *87*(1), 1-22.<br>- Nunn, N., & Trefler, D. (2010). The structure of tariffs and long-term growth. *American Economic Journal: Macroeconomics*, *2*(4), 158-194. | - Disscuss Krueger's paper |

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| **16**<br>(Dec 3) | **Sustainable Development**<br>Readings:<br>- *Perkins et al., chapter 20<br>- World Bank. (2010). *World Development Report 2010: Development and Climate Change*. World Bank.<br>- Barbier, E. B. (2010). Poverty, development, and environment. *Environment and Development Economics*, *15*(06), 635-660. | |
| **Dec 16** | **FINAL EXAM** | |

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

## Assessment:

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| Class participation | 10% | |
| Group presentation | 10 % | |
| Book review | 15% | |
| **Midterm exam** | **30 %** | **(Friday, October 10, 2014, 9.30-11.00 hrs)** |
| **Final exam** | **35 %** | **(Tuesday, December 16, 2014, 9.00 – 12.00 hrs)** |

### 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 presentation

Each group consists of 2-3 students. Each group will take turn making a presentation and leading class discussion on a pre-determined topic. Details about the topics will be discussed in class.

### Book review

Each student is required to write a review on a book selected from the list below. The review should consist of a brief summary of the book (no longer than 1 page) and an analytical critique of book in light of what you have learned in the course and the ongoing debate in the literature. The review should not exceed 5 double-space pages (Time New Roman Font 12), excluding the reference page. Make sure that you cite all other references in a correct format (preferably APA style).

The list for selected books for a review is follows:

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., & Easterly, W. R. (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.

## Important Dates:

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| ♦ First semester begins | August 18, 2014 |
| ♦ Period of withdrawal without "W" | August 18- September 1, 2014 |
| ♦ **Mid-Term Examination** | **October 10, 2014 (9.30-11.00 hrs)** |
| ♦ Last day of withdrawal with "W" | October 22-27, 2014 |
| ♦ **Final Examination** | **December 16, 2014 (9.00 –12.00 hrs)** |

*Last updated – August 20, 2014.*