

Evans School of Public Policy & Governance: 533
Economics of International Development
DRAFT SYLLABUS

Leigh Anderson

Winter 2018

Phone: 543-0365
E-mail: cla@uw.edu
Office: PAR 226
Class location: SMI 404
Class hours: Friday 8:30-11:20
Office hours: Friday 11:30-12:30 and by apt.

Recommended but not required general development econ texts:

Debraj Ray's *Development Economics*, Princeton University Press, 1998, is an excellent text and highly recommended for those of you wanting to explore development economics more thoroughly. Ray's text focuses on markets and is considered a traditional economics undergraduate development text.

Julie Schaffner. *Development Economics: Theory, Empirical Research and Policy Analysis*, Wiley 2014. Another excellent and accessible text, probably with a little more policy content and more recently written.

Required Readings: available on the course website. Other references are listed for your interest and many are on the course website; others are easy to find in the UW system or online.

Course Objective

This course consists of three parts:

- A. **Theory & Definition:** What is economic development & how do we explain it?
- B. **Measurement and Evidence:** How do we measure differences and test theories?
- C. **Policy & International Factor Flows:** What role do policies play?

We begin by defining what it is we are hoping to accomplish: what is economic development? Understanding why it differs across countries (a question that goes back to Adam Smith's 1776 *An Inquiry into the Nature and Causes of the Wealth of Nations*), involves theories about what underlies differences in growth and distribution – the allocation of scarce resources. Theories guide the causal factors and outcomes to measure. Our measures, in turn, offer evidence to support or refute theory and inform the policies that we believe create the incentives to promote desired outcomes. Without theory it is difficult to interpret our evidence and understand “why” success or failure is realized, so progress -- via evaluation and learning -- is limited.

This course is a broad survey to introduce you to a selected set of “topics” in development economics, and scholars who have influenced the debate and agenda over the last thirty years – familiarizing you with some of these writers is behind the book report and “other readings.” My goal is for you to be comfortable with **the language of basic international macroeconomics and development economics** and to be able to think analytically using some of the most basic tools of economics. We will spend time developing an economics glossary during the class, and I encourage you to add to this through your own reading.

Course Requirements

Quality participation in class (e.g. current world news) – 10% (0, 5, 10)
Book report OR Economics glossary – 10% (0, 5, 10)
Group Presentation with data visualization (ppt deck and presentation) – 30%
Individual blog/op ed – 10%
Final Exam – 40%

Book report – read a development economics book by a well-respected scholar and write a max 400 word book review. Great advice on writing nonfiction book reviews is available on line from writing centers at UNC and Indiana. Book options include:

Classic:

Jim Scott, [Moral Economy of the Peasant](#), 1976 Yale University, 1986.
Jane Jacobs, [Cities and the Wealth of Nations](#), Jane Jacobs, Random House Inc., 1984.
George Orwell, [Down and Out in Paris and London](#), Avon Publications, 1933

Contemporary:

Richard Baldwin, *The Great Convergence Information Technology and the New Globalization*, HUP University Press, 2017

Yuen Yuen Ang, *How China Escaped the Poverty Trap*, Cornell University Press, 2017

Branko Milanovic, *Global Inequality*. Harvard University Press, 2016.

Deaton, Angus. *The Great Escape*. Princeton University Press, Princeton, NJ: 2016

Rodrick, Dani. *Economics Rules: The Rights and Wrongs of The Dismal Science*. New York: W.W. Norton; 2015.

Thomas Piketty, *Capital in the 21st Century*, Harvard University Press, 2014

Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, Crown Business, New York, 2013.

Steven Pinker, *The Better Angels of Our Nature*, 2012

Abhijit V. Banerjee, Esther Duflo, “*Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*.” Public Affairs, 2011.

Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford University Press, 2008.

William Easterly, *The Elusive Quest for Growth*, 2002, The MIT Press.

Joseph Stiglitz, *Globalization and Its Discontents*, WW Norton & Co., 2003.

Amartya Sen, *Development as Freedom*, 2000. Anchor.

De Soto, Hernando. *The Mystery of Capital*. New York: Basic Books, 2000.

Robert Klitgaard, *Tropical Gangsters*, Basic Books, 1991.

Exam: this is an in class exam as scheduled by the registrar with two 8.5 x 11 sheets of notes permitted. Sample questions will be handed out in advance from which the final questions will be selected.

Group Presentation: You will be randomly assigned to a group of approximately 5-6 students. Each group will be given the task of creating a data table in excel, a Tableau visualization and presenting 5-6 other slides that are the product of a literature and evidence review (with definitions/measures, global statistics, and any current or important historical theories and debates) answering the question of “what do we really know about the relationship between” (tentative topics): See 2018 calendar for dates

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- IT and poverty
- automation and inequality
- gender inequality and poverty
- Automation and trade flows
- social media and development

- U.S. and other DAC development assistance
- Climate change, conflict and migration

You will be asked to present this information to the class and lead a discussion on the hypothesized relationships, evidence and policy implications.

All assignments will be graded on two criteria:

- i. Substance: appropriate depth and breadth of argument, precision, logic and accuracy
- ii. Presentation: clarity, organization, writing quality, citing (oral: responses to questions)

The exact nature of the course requirements and evaluation criteria may change slightly based on class composition. You will be notified of any changes in advance.

Class participation encouraged: to tap into the diverse academic and professional backgrounds and experiences of your IDCP cohort, I want to encourage class participation. At the end of the quarter I will ask each of you to evaluate the quality of the participation of your peers. I will use your comments as a guide in my evaluation.

Note that “quality” involves thoughtful, well-timed, and respectful comments, and support for your classmates outside of the classroom. I will regularly ask the class about current events that relate to economic development, so please share the world news that you follow with the class. Please refer to the community conversation norms below.

[Tips for writing an Op-Ed](#)

[Summers’ blog on tax reform as an example](#)

[David Brooke’s on J.D. Vance’s Hillbilly Elegy](#)

Course Dates

Jan: 5, 12, 19, 26

Feb: 2, 9, 16, 23

Mar: 2, 9

02/09: Op-ed/Blog due

03/02: Book report or Glossary due

03/17: Final exam (+ one early sitting)

Community Conversation Norms (sections up to “evaluation” from AD Joaquin Herranz)

Everyone in our course is expected to behave ethically and professionally at all times. By registering for this course, you agree to abide by the ethical and civil discourse norms of the Evans School and the University of Washington. Specifically, you agree to: 1) not claim the work of others as your own; and to 2) not disrespect members of our Evans School learning community. For guidance on how to behave respectfully please refer to the Evans School’s **Community Conversation Norms**

(<http://evans.uw.edu/myevans/community-conversation-norms>):

At the Evans School, we value the richness of our differences and how they can greatly enhance our conversations and learning. We also have a responsibility to communicate with each other—inside and outside of the classroom—in a manner consistent with conduct in today’s increasingly diverse places of work. We hold ourselves individually and collectively responsible for our communication by:

- **Listening** carefully and respectfully
- **Sharing** and teaching each other generously
- **Clarifying** the intent and impact of our comments
- **Giving and receiving** feedback in a “relationship-building” manner
- **Working** together to expand our knowledge by using high standards for evidence and analysis

Evans School Policy on Academic Integrity

Evans School of Public Affairs. (2013). *MPA student handbook: Entering class 2014-2015*. Retrieved from <http://evans.uw.edu/myevans/students/student-handbooks>

You are joining a learning community in the Evans School of Public Affairs that is committed to the highest academic standards. As a member of this community, you agree to uphold the fundamental standards of honesty, respect and integrity, and you accept the responsibility to encourage others to adhere to these standards. You also have a responsibility to conduct yourself in adherence to the University's Student Conduct Code, and to maintain good academic standing in the program. In addition to these expectations of responsibilities, you also have rights and recourses to address grievances. *It is your responsibility to understand these expectations now.*

Student Conduct Code

The first expectation is that Evans students adhere to the University's Student Conduct Code. The following is an abbreviated version. The complete code is available in Washington Administrative Code, Chapter 478-120.

"Admission to the University carries with it the presumption that students will conduct themselves as responsible members of the academic community. As a condition of enrollment, all students assume responsibility to observe standards of conduct that will contribute to the pursuit of academic goals and the welfare of the academic community. That responsibility includes, but is not limited to:

- academic and professional honesty and integrity,
- refraining from actions which would interfere with University functions or endanger the health, safety, or welfare of others, and
- complying with the rules and regulations of the University and its units.

Violations of these standards may result in a variety of disciplinary actions, including suspension or permanent dismissal from the University."

ASPA Code of Ethics

In addition, the American Society for Public Administration has its own [Code of Ethics](#), including "(6) Demonstrate personal integrity: Adhere to the highest standards of conduct to inspire public confidence and trust in public service." Your time at the Evans School will give you an opportunity to practice these codes.

Student Academic Conduct¹

Students are expected to maintain the highest standards of academic conduct, and of course most do. Cheating harms the person cheating, as it deprives them of the opportunity to learn the material. It also

¹ This section is drawn primarily from the Committee on Academic Conduct in the College of Arts and Sciences.

harms honest students who are frustrated by the unfairness of cheating that goes undetected and therefore unpunished.

Plagiarism

One of the most common forms of cheating is *plagiarism*, using another's words or ideas without proper citation. When students plagiarize, they usually do so in one of the following six ways:

1. *Using another writer's words without proper citation.* If you use another writer's words, you must place quotation marks around the quoted material and identify the source.
2. *Using another writer's ideas without proper citation.* When you use another author's ideas, you must indicate with an in-text citation, note, or other means where this information can be found. Your instructors want to know which ideas and judgments are yours and which you arrived at by consulting other sources. Even if you arrived at the same judgment on your own, you need to acknowledge that the writer you consulted also came up with the idea.
3. *Citing your source but reproducing the exact words of a printed source without quotation marks.* This makes it appear that you have paraphrased rather than borrowed the author's exact words.
4. *Borrowing the structure of another author's phrases or sentences without crediting the author from whom it came.* This kind of plagiarism usually occurs out of laziness: it is easier to replicate another writer's style than to think about what you have read and then put it in your own words.
5. *Borrowing all or part of another student's paper or using someone else's outline to write your own paper.*
6. *Using a paper writing "service" or having a friend write the paper for you.* Regardless of whether you pay a stranger or have a friend do it, it is a breach of academic honesty to hand in work that is not your own or to use parts of another student's paper. This includes internet paper-writing resources. Note that it is also considered academic misconduct if you are the friend who willingly wrote a paper for someone else or shared your work for copying.

What happens if there is a suspected violation?

It is the Evans School's policy that instructors maintain discretion over whether and how any suspected academic misconduct should be reflected in the grade for that assignment, exam, or for the course. This may include a zero grade. Students who disagree with the instructors' assessment should follow the University's normal grade appeal process. Proven academic misconduct as outlined above could also result in disciplinary action from the Graduate School, including probation or dismissal from the University. Instructors will report suspected misconduct to the Graduate Program Coordinator.

PUBPOL 533 Proposed Course Outline 2018

Syllabus review (expectations, contacting me) and introductions (School/interest/economics, Excel and Tableau background). Major authors.

Summaries of class responses:

- i. The top three economic development challenges for 2018 (via email)
- ii. If you had \$100 million to invest, where (any particular geography or group) in what sector (e.g. health, education) and what activity (please pick one: research & technology development, service delivery, or monitoring and evaluation) would you put your money? (selected, in class)

A: Theory & Definition (Lectures 1 and 2)

1. Defining what constitutes economic development
2. Brief introduction to general fundamentals of economics (scarcity, prefs/constraints & choices) & development theory (post WW2).
3. Longer history of international integration and development: flows of factors of production (land, labor, capital, trade) and waves of globalization – divergence or convergence?

We follow by briefly covering the basics of economics (choice, allocation of scarce resources, factors of production, land, labor, capital, ideas, and the institutions that create incentives for exchange), and the history of international economic engagement and factor flows.

In order to create good indicators of development, we must have some priors (hypotheses, most usefully generated from sound theory). We will briefly discuss some general “theories” of economic development and some basic tools (PPFs) and the debate over convergence and divergence. We do this in the context of the history of economic integration and globalization.

Theories of growth (others can be found in the contemporary book review list:

- Supply-side approaches: Production functions, resources, investment and technology
- Reconciling perfect markets and general equilibrium outcomes with an imperfect world and information/uncertainty
- Individuals, institutions and transaction costs, markets, public goods

Reading: (Lec 1 first 3; Lec 2 last 2)

Anders Johnson, J. of Nordriego, [The Three Waves of Globalization](#), 2008.

Council of Economic Advisors, [Economic Report of the President](#), 2016, Chapter 3, The Global Macroeconomic Situation (skim only)

Douglass North, “[Economic Performance Through Time.](#)” American Economic Review, 1992 or

Handout: Development Diagram (in class)

William Easterly and Ross Levine, [The European origins of economic development](#) *J Econ Growth* (2016) 21:225–257 DOI 10.1007/s10887-016-9130-y.

Margaret Mcmillan, Dani Rodrik, Inigo Verduzco-gallo, [Globalization, Structural Change, and Productivity Growth, with an Update on Africa](#), *World Development*, vol. 63, 11-32. 2014.

B. Measurement and Evidence

Measuring GDP and National Economies (Lecture 3)

We take a closer look at how the size and growth of economies are measured conceptually (macroeconomics) and accounted for in the National Income and Product Accounts (NIPA). This is followed by looking at some of the challenges of these data.

Reading:

Jerven, Morten “Comparability of GDP Estimates in Sub-Saharan Africa: The Effect of Revisions in Sources and Methods since Structural Adjustment,” *Review of Income and Wealth*, 2012.

Leandro Medina & Friedrich Schneider, *Shadow Economies around the World: New Results for 158 Countries over 1991-2015 CESIFO WORKING PAPER NO. 6430 MARCH 2017*

EPAR Brief 309: *Review of Human Development Indices, 2015* (first 18 pages only)

Other reading if you are interested:

- Friedrich Schneider, “The Shadow Economy and Work in the Shadow: What Do We (Not) Know? IZA DP No. 6423 March 2012
- Bureau of Economic Analysis, *Measuring the Economy: A Primer on GDP and the National Income and Product Accounts*, December 2015
- Agbi, Sam. “The Virtuous and the Variance of the Various Approaches for Measuring Shadow Economy Around the World – Implications for Policy Makers.” *European Journal of Business and Innovation Research*, Vol. 2, pp 40-55, 2014.

Measuring Poverty (Lecture 4)

Most development practitioners agree that reducing poverty is a primary goal. Chen and Ravallion provide a snapshot of how poverty has changed over the past several decades. We look at how we measure the breadth and depth of poverty across and introduce some of the “axioms” of good indices.

Reading:

Jonathan Haughton and Shahidur Khandker, “Measuring Poverty,” chapter 2 from the *Handbook on Poverty and Inequality*, World Bank, 2009.

Collins, Daryl, Jonathan Morduch, Stuart Rutherford, and Orlanda Ruthven. 2009. *Portfolios of the Poor: How the World’s Poor Live on \$2 a Day*. Princeton, NJ: Princeton University Press. (selected chapters).

Other reading if you are interested:

- Marcio Cruz, James Foster, Bryce Quillin and Philip Schellekens, *Ending Extreme Poverty and Sharing Prosperity: Progress and Policies*, March 2015, World Bank
- S. Chen and M. Ravallion, “The developing world is poorer than we thought, but no less successful in the fight against poverty,” *Quarterly Journal of Economics*, 2010, 125 (4): 1577-1625

- Jonathan Morduch, Poverty Measures, Chapter 3, in the *United Nations Handbook of Poverty Statistics*. New York: United Nations. 2009.
- Banerjee, Abhijit, and Esther Duflo. 2011, The Economic Lives of the Poor, *Journal Of Economic Perspectives*, 2007. 21(1): 141-168.

Measuring Inequality (Lectures 5 & 6)

The relatively recent publication of Thomas Piketty's *Capital in the Twenty-First Century*, and evidence that income inequality is rising in major economies such as the U.S., has refocused attention on the distribution of wealth and income, and the gains from local and global growth. Can we claim advances in economic development if the benefits of that growth are not broadly shared, and if some individuals end up (relatively or absolutely) worse off? What is the relationship between inequality and growth? Is it a necessary condition or an impediment? Inequality – even simple income inequality – is surprising difficult to measure (the great debate you will hear about per Sala-i-Martin and M. Ravallion over whether income inequality across countries is increasing or decreasing). At the simplest level, relying on measures of central tendency, such as a mean or median, can mask what is happening in the tails – and in particular, in the bottom of the distribution.

Just as income is unevenly distributed within a country, so is it often unevenly distributed within a household. Challenges to the “unitary” household model include evidence or differences in male and female preferences, and have led to a rich literature on household bargaining and the intra-household distribution of resources, with implications for programs that target women.

Readings

Ravallion, Martin. "Income inequality in the developing world." *Science* 344.6186 (2014): 851-855.

Milanovic, Branko, Global Income Inequality in Numbers: in History and Now. *Global Policy* (2013) 4:2

Piketty, Thomas, and Emmanuel Saez. "Inequality in the long run." *Science* 344.6186 (2014): 838-843.

(skim) Anderson, C. Leigh, Travis Reynolds and Mary Kay Gugerty, (2016) Husband and Wife Perspectives on Farm Household Decision-making Authority: Evidence on Intra-household Accord in Rural Tanzania, forthcoming *World Development*.

Other reading if you are interested:

- Fletschner, Diana, C. Leigh Anderson and Alison Cullen. “Are Women as Likely to Take Risks and Compete?” *Journal of Development Studies*, 2010 Vol. 46, Issue 8, 1459-1479.
- UNDP, Humanity Divided, June 2014
- (really excellent) Milanovic, Branko. "The return of “patrimonial capitalism”: A review of Thomas Piketty's *Capital in the Twenty-First Century*." *Journal of Economic Literature* 52.2 (2014): 519-534.
- Džuverović, Nemanja. "Does more (or less) lead to violence? Application of the relative deprivation hypothesis on economic inequality induced conflicts." *Croatian International Relations Review* 19.68 (2013): 115-134.
- [Why Men Rebel Redux: How Valid are its Arguments 40 years On?](http://www.e-ir.info/2011/11/17/why-men-rebel-redux-how-valid-are-its-arguments-40-years-on/) TED ROBERT GURR, NOV 17 2011, retrieved 1/17/2016.

<http://www.e-ir.info/2011/11/17/why-men-rebel-redux-how-valid-are-its-arguments-40-years-on/>

- Almås, Ingvild. "International Income Inequality: Measuring PPP bias by estimating Engel curves for food." *The American Economic Review* 102.2 (2012): 1093-1117.

- Isabelle Ortiz and Matthew Cummins, *Global Inequality: Beyond the Bottom Billion – A Rapid Review of Income Distribution in 141 Countries*, United Nations Children’s Fund (UNICEF), New York, April 2011
- Dollar, David and Aart Kraay (March 2000). *Growth Is Good for the Poor*. The World Bank, working paper.

C. Policy and International Factor Flows

International Trade and Finance (Lectures 7 & 8)

Global economic development is both the sum of domestic economic development, and affected by those local economies. To look at how domestic activity affects global outcomes it is reasonable to focus on the U.S. – which accounts for a large share of global GDP, the major trading currency, and fiscal and monetary policy with demonstrated global effects.

Reading: Others TBD

Tuman, John P and Majid Shirali, *The Political Economy of Chinese Foreign Direct Investment in Developing Areas* *Foreign Policy Analysis*, Volume 13, Issue 1, 1 January 2017, Pages 154–167, <https://doi.org/10.1111/fpa.12092>

WTO Press release April 2017.

Max Bearak and Lazaro Gamio, Oct. 18, 2016 Washington Post

Unctad Global Investment Trends Monitor 2017

Other reading if you are interested:

- (a good reference) Ruffin Roy J. and Paul R. Gregory, *Principles of Macroeconomics*. Glenview, IL: Scott, Foresman and Company (selected sections).
- Basu, Kaushik (2003). “Globalization and the Politics of International Finance: The Stiglitz Verdict,” *Journal of Economic Literature*, Vol. XLI (sept), 885-899.
- K. Elborgh-Woytek, R.Gregory, and B. McDonald. “Reaching the MDGs: An Action Plan for Trade,” IMF Working Paper #SPN/10/14, 2010
- Nordstrom, Hakan. (2005) *Trade, Income Disparity and Poverty*. Special Studies of the World Trade Organization, 1-6. <http://www.wto.org>

Aid and Debt Relief (Lectures 9 & 10)

Beyond trade and financial policy and the resource flows they support, we will finish by looking briefly at bilateral and multilateral aid, and time permitting, debt relief.

We will also look at the US Budget for ODA, and best expectations for changes under a new administration

Presentation: U.S. and other DAC Aid projections: changes from the historical norm

Reading: Other current articles and budget projections tbd. In class notes on financial streams.

U.S. Foreign Assistance government website

International Monetary Fund, [HIPC factsheet](#) and MDRI factsheet Update Nov 2017

Other reading if you are interested:

- Steven Radelet, "A Primer on Foreign Aid," CGD Working Paper #92, 2006
- EPAR 294 Technical Report on Aid Effectiveness

Migration (Lecture 10)

Coming full circle to whether and how "globalization" promotes development (convergence or divergence), we look at the one economic factor of production – labor – that moves less freely than in the period leading up to pre-WWI. We focus on how seeking opportunities (immigration policies) relative to avoiding conflict, and environmental stresses have changed the pull and push of the movement of people.

Reading:

Katharine M. Donato and Douglas S. Massey, *Twenty-First-Century Globalization and Illegal Migration*, Volume: 666 issue: 1, page(s): 7-26 Article first published online: June 14, 2016; Issue published: July 1, 2016 <https://doi.org/10.1177/0002716216653563>