

Winter Semester 2013/14

Development Economics III: Regional Perspectives on Economic Development

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Lecture: Wednesday 8-10, ZHG002

Tutorial: Wednesday 12-14 am VG3.104

(depending on demand, there might be a second tutorial on Tuesday 14-16 VG0.111, or Monday 14-16, Theo 0.133)

This course will focus on regional perspectives in economic development of the past decades. The regions considered will be South and East Asia, Sub Saharan Africa, and Latin America. Emphasis will be placed on a comparative approach and both macro as well as micro perspectives will play a role. It would be advantageous if students had taken Entwicklungsökonomie I or II prior to this course or enrolled in one of the two concurrently.

Main Readings:

World Bank. 2001. Can Africa Claim the 21st Century. Available at:

<http://econ.worldbank.org/view.php?type=5&id=25926>

World Bank. 1993. The East Asian Miracle

Lindauer und Roemer. 1994. Asia and Africa: Legacies and Opportunities
in Development

Inter-American Development Bank: Facing up to inequality in Latin America, IDB, Economic and Social Progress in LA, 1999 Report.

Dreze, J. and A. Sen. 1995. India Economic Development and Social Opportunity. New York: Oxford University Press.

F. Foders and M. Feldsieper (eds.) The transformation of Latin America: economic development in the early 1990s/ ed. by, Cheltenham: Elgar, 2000.

Maddison, A. 2000: The World Economy: A Millennial Perspective

Maddison, A. 2007. Contours of the World Economy 1-2030 AD.

Requirements:

There will be a 1 ½ hour exam at the end of the course. In addition, students are required to write a term paper of about 8-10 pages (1 ½ space, with 1 inch margins) that is due Friday, January, 24, 2014. Students will receive 6 credit points or 6 ECTS for successful completion of the course, with the paper and the exam each counting 50% for the final grade.

Articles marked with a * are required. All articles are available through the studip system.

Lecture 1: Overview over Divergent Development Experiences

- Inequality between today's developing regions
- Divergence in the development experience: 1960-2000
- Income and Non-Income Measures
- Historical origins of diverging development experiences

Readings:

1. * Maddison: The World Economy: A Millennial Perspective, Ch. 2, P. 49-123
2. Lindauer and Roemer: ch. 1
3. Klasen: What can Africa learn from Asian Development Successes and Failures? Review of Income and Wealth 49: 441-451, 2003
4. * Acemoglu, D. B. Johnson, and J. Robinson (2001): The Colonial Origins of Comparative Development, in: American Economic Review 91, P. 1369-1401
5. Maddison 2007, Statistical Appendix A, 375-383*, 116-177

Lecture 2: The Role of the State in Economic Development

- Justifications for state interventions: new and old
- Types of interventions
- State intervention and human capabilities

Readings:

1. * World Bank: World Development Report 1997, Overview, Ch. 1, P. 1-38
2. World Bank: World Development Report 1997, Ch. 2
3. World Bank: World Development Report 2004, Ch. 2., P. 33-45
4. * Dreze, Jean and Amartya Sen: Hunger and Public Action, Ch. 10, P. 179-203
5. Dreze, Jean and Amartya Sen: Hunger and Public Action, Ch. 13, P. 257-279
6. * Shleifer, Murphy, and Vishny: Industrialization and the Big Push, P. 1003-1026

Lecture 3: Assessing Comparative Economic Performance: Evidence from Growth Regressions

- Growth models and their empirical tests
- Types of growth regressions
- Main findings from growth regressions
- Stability and robustness
- The Africa and Latin America dummy

Readings:

1. * Barro and Xala-I-Martin: Economic Growth, Ch. 12, P. 415-461
2. Brock, William A. and Steven Durlauf (2001): "Growth Empirics and Reality", WBER 15(2), 229-72.
3. * Mankiw, Gregory, David Romer and David Weil (1992): "A contribution to the Empirics of Economic Growth", QJE, 107, 407-438.

4. * Klasen, S.: Low Schooling for Girls, slower growth for All?, in: World Bank Economic Review (2002), P. 345-373
5. * Asian Development Bank (1997): Emerging Asia, Ch. 2, P. 61-85, Appendix, P. 321-333
6. Asian Development Bank (1997): Emerging Asia, Ch. 2. 86-140
7. Englebert: Solving the Mystery of the Africa Dummy*
8. * Easterly and Levine: Africa's Growth Tragedy: Policies and Ethnic Divisions, P. 1202-1250
9. Taylor, A. 1998. On the Costs of Inward-Looking Development, in: Journal of Economic History

Lecture 4: East Asia: The Nature of the Miracle

- The TFP debate
- Population and development
- Gender and development
- Growth-mediated security

Readings:

1. * World Bank (1993): The East Asian Miracle, Overview, Ch. 1, P. 1-77
2. World Bank (1993): The East Asian Miracle, Ch. 3, 7
3. * Young, Alwyn (1995): The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience, in: Quarterly Journal of Economics 110 (3), P. 641-680
4. * Bloom and Williamson (1998): Demographic Change and Economic Miracles, in: Emerging Asia, P. 419-455
5. Dreze and Sen (1989): Hunger and Public Action, Ch. 13 (filed under lecture 2)

Lecture 5: East Asia: The Role of Policy and State Intervention

- ‘Market-Friendly’ development versus ‘State-led’ development
- The nature of the trade regime
- Policies to foster accumulation
- Policies to ensure equity

1. Lindauer and Roemer: Africa and Asia: Legacies and Opportunities in Development, Ch. 2, P. 25-58
2. Asian Development Bank (1997): ch. 1, 2, 3
3. * Stiglitz & Yusuf (2001): Rethinking the East Asian Miracle, Ch. 2, P. 55-94, Ch. 13, P. 509-526
4. * Wade (1989): Governing the Market, Introduction, P. 1-7, Ch. 10, P. 297-343
5. * World Bank: The East Asian Miracle, Ch. 2, P. 79-103

Lecture 6: East Asia's Development: Prospects and Problems

- The East Asian Crisis: Causes and Consequences
- Economics, Politics, and Culture
- Environmental Issues
- The Ageing of Societies
- Implications of rising inequality in China

Readings:

1. * Sen: Development as Freedom, Ch. 10, P. 227-248

2. * Stiglitz & Yusuf (2001): Rethinking the East Asian Miracle, Ch. 2, P. 55-94, Ch. 13, P. 509-526 (filed under Lecture 5)
3. Asian Development Bank: Emerging Asia, ch.4, 5
4. Wan, G.: Understanding regional poverty and inequality trends in China. Review of Income and Wealth 53:25-34 (2007)
5. Ravallion, M. (2007): China's uneven progress against poverty. Journal of Development Economics.*

Lecture 7: South Asia: Causes of Uneven Growth

- State-led development and liberalization
- Green revolution
- Differential poverty and human development
- Gender bias
- China-India comparison

Readings:

1. * Bhagwati (1993): India in Transition: Freeing the Economy, Ch. 2, P. 39-69
2. Bhagwati (1993): India in Transition: Freeing the Economy, Intro, Ch. 1, 3
3. * Dreze and Sen: India Economic Development and Social Opportunity, Ch. 1, P. 1-8, Ch. 3, P. 27-55, Ch. 8, P. 179-204
4. Dreze and Sen: India Economic Development and Social Opportunity, Ch. 5
5. * Klasen and Wink: Missing Women: Revisiting the Debate, in: Feminist Economics, P. 263-299 (2003)
6. * Ravallion, M. and G. Datt (2002): Why has economic growth been more pro-poor in some states of India than others?, in: Journal of Development Economics 68, P. 381-400.
7. ----. 1996. How Important to India's Poor is the Sectoral Composition of Economic Growth? World Bank Economic Review 10: 1-25.

Lecture 8: Latin America: Historical Roots of Underdevelopment

- Latin America and North America: Sources of differences
- Latin America and late 19th century globalization
- Latin America in the Great Depression
- Slow growth in the post-war economy

Readings:

1. * Coatsworth and Taylor: Latin America and the World Economy since 1800, Ch. 1, P. 23-53
2. Coatsworth and Taylor: Latin America and the World Economy since 1800, Ch. 2, 15
3. Weber: The Protestant Ethic and the Spirit of Capitalism, P. 13-45
4. * Lindert: The Debt Crisis in Historical Perspective, Ch. 1, P. 1-11
5. Lindert: The Debt Crisis in Historical Perspective, Ch. 8
6. * Taylor: On the Costs of Inward Looking Development, in: Journal of Economic History, P. 1-28
7. * Hirschman: Essays on Development and Latin America, Ch. 3, P. 85-123
8. Maddison, 2007: 87-104
9. Williamson, J. (2009): History without evidence: Latin American Inequality since 1491. Courant Research Center Discussion Paper No 3.

Lecture 9: Debt Crisis and Reforms: ---Latin America in the 1980s and 1990s

- The 1980s debt crisis and response

- Structural adjustment programs and their outcomes
- Policy reform in the 1990s

Readings:

1. * Ffrench-Davis: Reforming the Reforms in Latin America, Ch. 1, P. 1-15, Ch. 4, P. 69-99
2. Ffrench-Davis: Reforming the Reforms in Latin America, Ch. 6
3. * Corbo, V. and S. Fisher (1995) Structural Adjustment, Stabilization, and Policy Reform, in: Handbook of Development Economics, Ch. 44, P. 2846-2924
4. IDB (1997): Latin America after a decade of reforms, economic and social progress in Latin America 1997 report.

Lecture 10: Growth, Inequality, and Poverty Reduction in Latin America

- Sources of high inequality in Latin America
- Inequality, Growth, and Poverty Reduction
- Economic Reforms, inequality, and poverty
- Instability and inequality
- Options for inequality reduction

Readings:

1. * Inter-American Development Bank (2000): Development beyond Economics, Ch. 1, P. 1-35,
2. * Taylor & Vos (2002): Economic Liberalization, Distribution, and Poverty, Ch. 1, P. 1-53
3. * Ganuza, De Barros & Vos (2002): Economic Liberalization, Distribution, and Poverty, Ch. 2
4. World Bank (1997): The long March: A Reform Agenda for Latin America and the Caribbean in the Next Decade
5. * Klasen (2003): In Search of the Holy Grail: How to achieve Pro Poor Growth, P. 1-31 available at: http://www.vwl.wiso.uni-goettingen.de/lehrstuehle_forschung_arbeitspapiere.php?ID=6
6. Klasen, Grosse, Thiele, Spatz, Wiebelt, Lay: Operationalizing Pro-Poor Growth: A Case study for Bolivia. http://www.vwl.wiso.uni-goettingen.de/lehrstuehle_forschung_arbeitspapiere.php?ID=6

Lecture 11: Accounting for Slow Growth in African Economies

- Historical legacies: slave trade and colonization
- Challenges of African countries: geography, population, ethnicity
- The development strategy since independence
- The economic crisis of the 1980s: external versus internal factors

Readings:

1. * Sachs and Warner (1997): Sources of Slow Growth in African Economies, P. 335-376
2. Solow: Slavery and Colonization
3. Taylor, Alam: Colonialism, decolonisation, and growth rates: Theory and Empirical Evidence
4. World Bank: Accelerated Development in Sub-Saharan Africa, An Agenda for Action
5. * Tarp, Finn: Stabilisation and Structural Adjustment, Ch. 1, P. 7-25, Ch. 6-7, P. 120-167

6. Mkandawire, T., Soludo, C.: Our continent, Our Future
7. * Collier and Gunning: Explaining African Economic Performance, P. 64-111
8. Elbadawi, Sambanis: Why are there so many civil wars in Africa?, in: Journal of African Economies
9. World Bank: Can Africa Claim the 21st Century

Lecture 12: Crisis and Structural Adjustment

- The era of structural adjustment
- Evaluating the impact of structural adjustment
- Why has structural adjustment failed to deliver growth

Readings:

1. World Bank: Accelerated Development in Sub-Saharan Africa, ch. 5, 7
2. * World Bank: Adjustment in Africa: Reforms, Results, and the Road Ahead, Ch. 1, P. 1-40
3. Mkandawire, T., Soludo, C.: Our continent, Our Future, Kap 3
4. * Mosley, Harrigan, and Toye: Aid and Power, Ch. 9, P. 299-309
5. World Bank: Adjustment in Africa, Ch. 2, Ch. 5
6. Cornia, Hoeven, Mkandawire: Africa's Recovery in the 1990s, Ch. 7, 13
7. Tarp: Stabilization and Structural Adjustment, ch. 5, 6
8. Mkandawire and Soludo: Our Continent, our Future, ch. 4

Lecture 13: Debt Crisis, HIPC, PRSPs, and AIDS Crisis

- From structural adjustment to the debt crisis
- HIPC and PRSP initiatives
- Problems of Pro Poor Growth in Africa

Readings:

1. * World Bank: Confronting AIDS, Summary, available at: <http://www.worldbank.org/aids-econ/confront/>
2. Christiaensen, Demery, and Paternostro (2002): Growth, Inequality and Poverty in Africa: Messages from the 1990s. Available at: <http://econ.worldbank.org/view.php?type=5&id=13171>
3. -World Bank: Enhanced HIPC Initiative. Available at: <http://siteresources.worldbank.org/INTDEBTDEPT/DataAndStatistics/20263217/hipc-pages.pdf>*
4. World Bank: Confronting AIDS, Summary, ch. 1-3. available at: <http://www.worldbank.org/aids-econ/confront/>
5. * Klasen (2003): In Search of the Holy Grail: How to achieve Pro Poor Growth, P. 1-31 (filed under lecture 10)
6. IMF: HIPC, Initiative – Status of Implementation http://www.worldbank.org/hipc/Progress_Report-Fall_2003_IMFC_.pdf
7. OECD: African Economic Outlook, overview, Part 1: ch.1 *, ch. 4, Part 2: ch. 1-4
8. European Report on Development 2010: Overview, Chapter 1