

School of Economics and Finance

ECON 415 TOPICS IN DEVELOPMENT ECONOMICS

Second Trimester 2005

COURSE OUTLINE

Contact Details

CO-ORDINATOR/LECTURER: Dr. Geoff Bertram, office RH 423, telephone: 4635814; Email: Geoff.Bertram@vuw.ac.nz

Class Times and Room Numbers

TIMETABLE: Fridays 11.30 am - 1.30 pm in RH G01. [Note that Geoff will be away overseas on Friday 29 July and Friday 23 September. Alternative dates will be arranged for those two classes.]

EXAM PERIOD: 14 October – 5 November 2005

Course Objectives

The course explores a range of current issues in development economics, by discussion of recent journal articles, books and working papers from leading researchers in the field. The aim is to advance students' familiarity with the contemporary literature and with areas of ongoing scholarly debate.

Readings

There is no set text. Journal articles, monographs and working papers used for the class will be posted in PDF format on the ECON 415 Blackboard site.

Assessment Requirements

Assessment will be on the basis of students' seminar presentations (at least two of which must be written papers) on course topics, and the final examination. The final mark will weight these two assessment components equally unless the final exam mark is higher, in which case the exam mark will be used.

Mandatory Course Requirements

Each member of the class must prepare and present not less than TWO seminar presentations based on allocated readings.

Communication of Additional Information

All necessary information will be placed on Blackboard.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student Administration Office

The Student Administration Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications.

Easterfield (EA) - FCA/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce & Administration and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office, will be open from 9:00 am to 5:00 pm during Trimester 2, offers the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- FCA Student Administration forms (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

Please note:

There will be a Student Administration Adviser, from the RWW office, based in EA005 from Monday 27 June to Friday 1 July (9:00 am to 5:00 pm) and from Monday 4 July to Friday 22 July (11:00 am to 1:00 pm).

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at:

www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at:

www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means no cheating. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is prohibited at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.

Maori and Pacific Mentoring programme (Manaaki Pihipihinga)

This is a free programme of mentoring for Maori and Pacific students doing first year courses within the Faculty of Commerce and Administration. Weekly one hour mentoring sessions: drafting and editing assignments/discussing any questions that you might have from tutorials or lectures and going over every aspect of essay writing, either in small group sessions or on a one-to-one basis.

This includes:

- A computer suite hooked up to cyber commons for students to use to produce their assignments.
- Regular skill-based workshops with a learning adviser from Student Learning Support Services.
- Networking with other Maori and Pacific support groups throughout the university.

For more information please contact:

Melissa Dunlop, Programme Coordinator

Ph: 463 6015 or Email: Maori-Pacific-Mentoring@vuw.ac.nz

Course Content

Provisionally, the programme will cover the following topics (others can be added to meet specific requests from class participants). Prescribed readings (insofar as they are available in PDF), plus supplementary material, are posted under “Course Materials” on Blackboard.

Topic 1: Historical Background to Modern Development: History, Geography, and Evolutionary Biology.

Background reading:

Diamond, Jared M., *Guns, Germs and Steel: The Fate of Human Societies*, Norton, New York, 1997 [Library Closed Reserve].

Easterly, W.R., *The Elusive Quest For Growth : Economists’ Adventures and Misadventures in the Tropics*, MIT Press, 2003.

Wright, R., *A Short History of Progress*, 2005.

Topic 2: The Great Reversal Debate: Geographical versus Institutional Explanations for Development Performance 1500-2000.

Key references:

Acemoglu, D., Johnson, S. and Robinson, J.A., “Reversals of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution”, *Quarterly Journal of Economics* 117(4): 1231-1294, November 2002.

Broadberry, S.N. and Gupta, B., *The Early Modern Great Divergence: Wages, prices and Economic Development in Europe and Asia, 1500 – 1800*, CEPR Discussion Paper 4947, March 2005.

Clingingsmith, D. and Williamson, J.G., D., *India’s De-Industrialization Under British Rule: New Ideas, New Evidence*, NBER Working Paper 10586, June 2004.

Easterly, William and Ross Levine. “Tropics, Germs and Crops: How Endowments Influence Economic Development.” *Journal of Monetary Economics* 50: 3-39, 2003. (Earlier version NBER *Working Paper 9106*, August 2002.)

Engerman, Stanley L. and Sokoloff, Kenneth L., “Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies: A View from Economic Historians of the United States”, in Haber, S. (ed) *How Latin America Fell Behind: Essays on the Economic Histories of Brazil and Mexico*, Stanford University Press 1997.

Rodrik, D., Subramanian, A., and Trebbi, F., “Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development”, *Journal of Economic Growth* 9(2): 131-165, June 2004.

Sachs, Jeffrey D., “Institutions Don’t Rule: Direct Effects Of Geography On Per Capita Income” *NBER Working Paper 9490*, February 2003

Topic 3: The “Curse of Natural Resources”

Key references:

Auty, R.M., *Natural Resources, Development Models and Sustainable Development*, Environment Economics Program, International Institute for Environment and Development Discussion Paper 03/01, June 2003.

Bulte, E.H., Damania, R., and Deacon, R.T., “Resource Intensity, Institutions, and Development”, *World Development* 33(7): 1039-1044, July 2005.

- Gylfason, T., “Natural Resources, Education and Economic Development”, *European Economic Review* 45: 847-859, 2001.
- Gylfason, T. and Zoega, G., “Natural Resources and Economic Growth: The Role of Investment”, *CEPR Discussion Papers* 2743, 2001.
- Ma, D., “Why Japan, Not China, Was the First to Develop in East Asia: Lessons from Sericulture, 1850-1937”, *Economic Development and Cultural Change* 52(2): 369-394, January 2004.
- Sachs, J.D. and Warner, A.M., “The Curse of Natural Resources”, *European Economic Review* 45 (2001): 827-838. (Original version NBER Working Paper 5398 December 1995.)
- Sala-i-Martin, X. and Subramanian, A., “Addressing the Natural Resources Curse: An Illustration from Nigeria”, *NBER Working Paper 9804*, June 2003 (also *IMF Working Paper 03/139*, 2003).
- Van Wijnbergen, S., “Inflation, Unemployment and the Dutch Disease in Oil Exporting Countries: A Disequilibrium Analysis”, *Quarterly Journal of Economics* 99(2): 233-250, May 1984.

Topic 4: Aid and Poverty Reduction

Key references:

- Burnside, C. and D. Dollar, 'Aid, Policies and Growth', *American Economic Review*, Vol.90, No.4, pp.847-68, 2000.
- Butkiewicz, J. and Yannikkaya, H., “The Effects of IMF and World Bank Lending on Long-Run Economic Growth: An Empirical Analysis”, *World Development* 33(3): 371-391, March 2005.
- Collier, P. and Dollar, D., “Development Effectiveness: What Have We Learned?”, *Economic Journal* 114: F244-F271, June 2004.
- Dollar, D. and Kraay, A. , “Growth is Good for the Poor”, *Journal of Economic Growth* 7: 195-215, 2002.
- Easterly, W. “Can Foreign Aid Buy Growth?”, *Journal of Economic Perspectives* 17: 23-48, Summer 2003.
- Gomane, K., Morrissey, O., and Mosley, P., “Aid, Government Expenditure, and Aggregate Welfare”, *World Development* 33(3): 355-370, March 2005.
- Lubker, M. Smith G. and Weeks J., “Growth and the Poor: A Comment on Dollar and Kraay”, *Journal of International Development* 14: 555-571, 2002.

Topic 5: Small States and Islands

Key references:

- Armstrong, H.W. and Read, R., “Comparing the Economic Performance of Dependent Territories and Sovereign Micro-states”, *Economic Development and Cultural Change*, 48(2): 285 –306, 2000.
- Armstrong, H.W. and Read, R., “The Phantom of Liberty? Economic Growth and the Vulnerability of Small States”, *Journal of International Development* 14(4): 435-458, May 2002.
- Bertram, G., “‘Sustainable Development’ in Pacific Micro-Economies”, *World Development* 14(7): 809-822, 1986.
- Bertram, G. “On the Convergence of Small Island Economies with their Metropolitan Patrons”, *World Development* 32: 343-364, February 2004.

- Easterly, W. and Kraay, A., “Small States, Small Problems? Income, Growth and Volatility in Small States”, *World Development* 28(11): 2013–2027, November 2000.
- Milner, C. and Westaway, A., “Country Size and the Medium Term Growth Process: Some Country Size Evidence”, *World Development* 21(2): 203-212, February 1993.
- Milner, C. and Weyman-Jones, T., ‘Relative National Efficiency and Country Size’, *Review of Development Economics*, 7 (1) 1-14, 2003.

Topic 6: Globalisation

Key references:

- Bordo, M., Taylor, A.M. and Williamson, J.G., *Globalization in Historical Perspective*, University of Chicago Press, 2003: selected chapters.
- Neumeyer, E. and De Soysa, I., “Trade Openness, Foreign Direct Investment, and Chile Labour”, *World Development* 33(1): 43-64, January 2005.
- Rodrik, D., “How Far Will International Economic Integration Go?”, *Journal of Economic perspectives* 14(1): 177-186, Winter 2000.
- Rodrik, D. *Feasible Globalizations*, NBER Working Paper 9129 September 2002.
- Wade, R., “Is Globalization Reducing Poverty and Inequality?”, *World Development* 32(4): 567-589, April 2004.

Topic 7: Growth Failure in Africa

Key references:

- Brautigam, D.A., “Foreign Aid, Institutions and Governance in Sub-Saharan Africa”, *Economic Development and Cultural Change* 52(2): 255-286, January 2004.
- Collier, P. and Gunning, J.W., “Explaining African Growth Performance”, *Journal of Economic Literature* 37: 64-111, March 1999.
- Crafts, N., and Haacker, M., *Welfare Implications of HIV/AIDS*, IMF Working Paper 03/118, June 2003.
- Easterly, W. and R. Levine, 1997, 'Africa's Growth Tragedy: A Retrospective, 1960-1989', *Quarterly Journal of Economics*, Vol.112, No.4, pp.1203-50.
- Graziella Bertocchi and Fabio Canova, “Did colonization matter for growth?: An empirical exploration into the historical causes of Africa's underdevelopment” *European Economic Review* 46(10): 1851-1871 December 2002.

Topic 8: Ecological and Institutional Causes of Economic Collapse

Key references:

- Brander, J.A. and Taylor, M.S., “The Simple Economics of Easter Island: A Ricardo-Malthus Model of Renewable Resource Use”, *American Economic Review* 88(1):119-138, March 1998.
- Bulte, E., Horan, R.D. and Shogren, J.F., “Megafauna Extinction: A Paleoeconomic Theory of Human Overkill in the Pleistocene”, *Journal of Economic Behavior and Organization*, forthcoming.
- Dalton, Thomas R.; Coats, R. Morris, “Could Institutional Reform have Saved Easter Island?” *Journal of Evolutionary Economics* 10(5) (October 2000): 489-505.
- Diamond, J., *Collapse : How Societies Choose To Fail Or Succeed*, New York : Viking, 2005.

- Horan, R.D., Bulte, E., and Shogren, J.F., “How Trade Saved Humanity from Biological Exclusion: An Economic Theory of Neanderthal Extinction”, *Journal of Economic Behavior and Organization*, forthcoming (in press).
- Rodrik, D., *Where Did All The Growth Go? External Shocks, Social Conflict, and Economic Collapses*, NBER Working Paper 6350, January 1998.

Topic 9: Corruption

Key references:

- Bose, G., “Bureaucratic Delay and Bribe-Taking”, *Journal of Economic Behavior and Organization* 54: 313-320, 2004.
- Brunetti, A. and Weder, B., “A Free Press Is Bad News For Corruption”, *Journal of Public Economics* 87: 1801-1824, 2003.
- Fredriksson, P.G., List, J.A., and Millimet, D.A., “Bureaucratic Corruption, Environmental Policy and Inbound US FDI: Theory and Evidence”, *Journal of Public Economics* 87: 1407–1430, 2003.
- Lambdsdorff, J.G., “Making corrupt deals: contracting in the shadow of the law”, *Journal of Economic Behavior and Organization* 48: 221-241, 2002.
- Olken, B.A., *Monitoring Corruption: Evidence from a Field Experiment in Indonesia*, NBER, November 2004.
- McMillan, J. and Zoido, P., “How to Subvert Democracy: Montesinos in Peru”, *Journal of Economic Perspectives* 18(4): 69-92, Fall 2004.

Topic 10: Trade Liberalisation and Growth

Key references:

- Baldwin, Robert E., “Openness and Growth: What’s the Empirical Relationship?” NBER Working Paper No. 9578, March 2003.
- Clemens, Michael A., Jeffrey G. Williamson, “Why Did the Tariff-Growth Correlation Reverse After 1950?” NBER Working Paper No. 9181, September 2002.
- Dollar, D. and Kraay, A., “Trade, Growth and Poverty”, *Economic Journal* 114: 22-49, February 2004.
- Dornbusch, Rudiger, “The Case for Trade Liberalization in Developing Countries,” *The Journal of Economic Perspectives*, Winter 1992, 6(1), pp. 69-85.
- Harrison, Ann, "Openness and Growth: A Time-Series, Cross-Country Analysis for Developing Countries," *Journal of Development Economics*, 48: 419-447, 1996.
- O’Rourke, Kevin H, “Tariffs and Growth in the Late 19th Century,” *Economic Journal*, 110 No 463: 456-483, April 2000.
- Rodriguez, Francisco, and Dani Rodrik, “Trade Policy and Economic Growth: A Skeptic’s Guide to the Cross-National Evidence,” *NBER Macroeconomics Annual 2000*, pp.261-325. (NBER Working Paper 7081, April 1999.)

Topic 11: Migration and Remittances

Key references:

- Amueda-Dorantes, C., Bansak, C. and Pozo, S., “On the Remitting Patterns of Immigrants: Evidence from Mexican Survey Data”, Federal Reserve Bank of Atlanta *Economic Review* 90(1), 2005.
- Bertram, G. 1986. “‘Sustainable development’ in Pacific micro-economies.” *World Development* 14 (7):809-822.

- Bendixen, S., *Sending Money to Latin America: the Human Face of Remittances*, June 2005, http://www.iadb.org/mif/v2/files/bendixen_remitforum05.pdf
- Brown RPC: "Estimating remittance functions for Pacific island migrants." *World Development*, 25(4):613-626, April 1997.
- Brown R.P.C. and Poirine, B.: *Intergenerational Transfers With Impure Altruism: An Analysis of Migrants' Remittances*. Discussion Papers. No. 224. Department of Economics, The University of Queensland, Brisbane 1997.
- Hernandez-Coss, Raul, *The U.S. - Mexico remittance corridor: lessons on shifting from informal to formal transfer systems*, World Bank Working Paper No 47, 2005, http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000090341_20050228151447
- Orozco, Manuel, *Remittances to Latin America and the Caribbean: Issues and Perspectives on Development* report commissioned by the Organization of American States, September 2004, <http://www.frbatlanta.org/news/CONFEREN/payments04/orozco.pdf>
- Orozco, M., *The Remittance Marketplace: Prices, Policies, and Financial Institutions*, June 2004.
- Solimani, E., *Remittances by Emigrants: Issues and Evidence*, WIDER Discussion Paper 2003/89.
- Ratha, D., "Workers' Remittances: An Important and Stable Source of Development Finance", Chapter 7 in World Bank, *Global Development Finance 2003*.
- "Enhancing the Developmental Effect of Workers' Remittances", Appendix A in World Bank, *Global Development Finance 2004*.
- Taylor, J. Edward, "The new economics of labour migration and the role of remittances in the migration process", *International Migration* 37(1): 63-88, 1999.