

Eco 303: ECONOMIC DEVELOPMENT

Fall 2011, Lehigh University
Lecture: Tuesday and Thursday, 10:45 AM – Noon
Rauch Business Center Room 271

Frank R. Gunter PhD
Associate Professor

Office: Rauch Business Center, Room 470
Hours: Wednesday, 1:30 – 4:30 PM and by appointment
Phone: (610) 758-4540 Please note that I rarely check my phone messages. Your odds of making contact are better using email.
Email: frg2@lehigh.edu

Course Description

Economic Development, Eco 303, is a three-credit course in economic development, economic growth and their political environments. The principal economic development theories are examined. These theories are used to examine a variety of development issues including planning, poverty, rural-urban relationships, physical and human capital accumulation, international trade and the environment. Emphasis on institutions and development policy. Prerequisite: Eco 105 or 146. (SS)

Course Objectives Based on lectures, class discussion, readings in the texts and other sources, and projects; each Eco 303 student will be able to:

1. Discuss in detail the meaning of economic development and how this concept is related to that of economic growth. This discussion will show an awareness of the political, social and cultural dimensions of economic growth at the beginning of the 21st century.
2. Discuss in general terms the characteristics of economic underdevelopment including low levels of income, low levels of productivity, high rates of population growth, high levels of un- and underemployment, agricultural and primary good dependence, and international economic vulnerability.
3. Demonstrate an understanding of how imperfect markets and incomplete information complicate economic development. Illustrate how high transaction costs can lead to “missing” markets in developing countries.
4. Discuss in general terms the classical theory of economic development. Discuss in detail the following theories of economic development: linear-stages, structural change, dependency theory, the neoclassical counterrevolution and the “new” growth theory.
5. Discuss in general terms the overall pattern of economic development using Kuznet’s characteristics of economic growth. Show an awareness of the weaknesses and limitations of Kuznet’s categorization.

6. Demonstrate an understanding of the role of development planning. This understanding will encompass the nature, the process, and the recent successes and failures of such planning. Show an awareness of the impact of cultural characteristics, the international economy and political relations on planning. Discuss in detail fiscal and monetary policy for a developing country.
7. Discuss in detail the interrelationships of population growth, income growth, the distribution of income and poverty. In particular, be able to discuss the use of various measures of income distribution (e.g. Lorenz curve and Gini coefficients, etc.) and absolute and relative poverty. Show an awareness of both the Malthusian and microeconomic household theories of fertility.
8. Demonstrate an understanding of the role of human capital in economic development and how education might be used to increase such human capital. Show an awareness of the gender gap in education and the implications of possible intra- and international “brain drain”.
9. Discuss in general terms the overall pattern of agricultural transformation and rural-to-urban migration in developing countries. Discuss in detail the incentives involved in the rural-to-urban migration as well as the role of government policy in transforming agriculture in developing countries.
10. Discuss in detail the implications of economic development for the environment. Illustrate the concept of the “optimal” level of environmental pollution and the effects of various market oriented and non-market oriented proposals to control pollution. Show an awareness of the international economic and political effects of environmental degradation.
11. Discuss in detail the meaning and implications of the balance of trade and the current account balance for developing countries. Demonstrate an understanding of the major theories of the determinants of the direction (e.g. comparative advantage) and volume of international trade for developing countries as well as the critiques of these theories (e.g. dependency theory). Discuss in detail the advantages and disadvantages of the export promotion and import substitution trade policies.
12. Discuss in detail the possible economic and political effects of foreign investment and borrowing on economic development. Show an awareness of the pattern of investment and the short- and long-term impact of a debt crisis on economic development. Discuss in general terms the institutional conditions necessary for efficient utilization of foreign capital.

Textbooks

Szirmai, Adam (2005) The Dynamics of Socio-Economic Development: An Introduction, New York, New York: Cambridge University Press. (ISBN: 0-521-52084-3)

Meier, Gerald M. and James E. Rauch (2005) Leading Issues in Economic Development, (8th Edition) New York, New York: Oxford University Press. (ISBN: 0-19-517960-9)

Schedule (All assigned chapters are in Szirmai and all other readings are in Meier and Rauch.)

- August 30th** Developing countries and the concept of development, Chap 1
 Meier and Rauch (2005) “Evolution of Measures of Development” Note I.A.1, p. 12
 World Bank (2001) “Income Poverty” Selection I.A.2 and Comment, p. 27
- September 1st and 6th** Development of the international economic order, 1450-2000;
 Chap 2
 Easterly (2001) “The Lost Decades: Developing Countries’ Stagnation in Spite of Policy Reform” Selection I.B.1 and Note, p. 34
 Qian (2003) “How Reform Worked in China” Selection I.B.2, p. 45
 DeLong (2003) “India Since Independence” Selection I.B.3, p. 52.
 Collier and Gunning (1999) “Why Has Africa Grown Slowly” Selection I.B.5, p. 62
 Reynolds (1983) “The Spread of Economic Growth to the Third World: 1850-1980” Selection II.1, p. 84
 Engerman and Sokoloff (2002) “Factor Endowments, Inequality and Paths of Development Among New World Economies” Selection II.5, p. 118
 Pritchett (1997) “Divergence, Big Time” Selection II.6 and Note, p. 127
- September 8th and 13th** Growth and stagnation: theories and experience, Chap 3
 Meier and Rauch (2005) “Classical Growth Theory” Comment I.C.1, p. 76
- September 15th and 20th** Technology and development, Chap 4
 Pack (1992) “Technology Gaps Between Industrial and Developing Countries: Are There Dividends for Latecomers?” Selection III.B.1, p. 175
 Harrison (1994) “The Potential Benefits of FDI for Less Developed Countries” Selection III.B.2 and Note, p. 178
- September 22nd and 27th** Population and development, Chap 5
 Birdsall (1988) “Economic Approaches to Population Growth” Selection IV.C.1, p. 248
 Bloom and Sachs (1998) “Demographic Trends in Sub-Saharan Africa” Selection IV.C.2 and Comment, p. 255
 World Bank (2001) “Gender Inequality at the Start of the 21st Century” Selection IV.D.1, p. 261
 Klasen and Wink (2003) “Missing Women” Selection IV.D.2, p. 275
 Chattopadhyay and Duflo (2004) “Women as Policy Makers” Selection IV.D.3, p. 284
- September 29th and October 4th** Health, health care and development, Chap 6
 Kremer (2002) “Pharmaceuticals and the Developing World” Selection IV.B.1, p. 218
 Miguel and Kremer (2004) “Identifying Impacts of Intestinal Worms on Health in the Presence of Treatment Externalities” Selection IV.B.2, p. 225
 World Bank (1999) “Confronting AIDS” Selection IV.B.3, p. 231

October 6th Education and Development, Chap 7

October 11th – *Pacing Break (No Class)*

October 13th *Mid-term Exam*

October 18th Education and Development (continued)

Psacharopoulos (1991) “Economic Impact of Education” Selection IV.A.1 and Comments, p. 189

World Bank (1993) “Creating Human Capital” Selection IV.A.2, p. 194

Duflo (2001) “Schooling and Labor Market Consequences of School construction in Indonesia” Selection IV. A. 3, p. 198

Hanushek (1995) “Interpreting Recent Research on Schooling in Developing Countries” Selection IV.A.4, p. 201

October 20th and 25th Economic development, structural transformation and primary exports, Chap 8

Balassa (1980) “The Process of Industrial Development and Alternative Development Strategies” Selection III.A.3, p. 156

Lewis (1954) “Economic Development with Unlimited Supplies of Labor” Selection VI.B.1, p. 355

Bardhan (1989) “The New Institutional Economics and Development Theory” Selection VII. B.3, p. 423

October 27th and November 1st Industrial development, Chap 9

Blomstrom, Lipsey and Zejan (1996) “Is Fixed Investment the Key to Economic Growth?” Selection V.1, p. 300

Levine (1997) “Financial Development and Economic Growth” Selection V.2, p. 303

Morduch (1999) “The Microfinance Promise” Selection V.5 p. 320

Todaro (1969) “A Model of Labor Migration and Urban Unemployment in Less Developed Countries” Selection VI.B.2 and Note, p. 358

November 3rd and 8th Agricultural development and rural development, Chap 10

Gallop and Sachs (2000) “Agriculture, Climate and Technology: Why Are the Tropics Falling Behind?” Selection VII.A.1 and Note, p. 388

Timmer (1988) “Agricultural Development Strategies” Selection VII.A.2, p. 394

Stiglitz (1987) “Some Theoretical Aspects of Agricultural Policies” Selection VII.A. 3, p. 400

Timmer (2002) “Rural Infrastructure” Selection VII.A.4, p. 404

Banerjee (2000) “Prospects and Strategies for Land Reform” Selection VII.A.5, p. 407

Stiglitz (1986) “The New Development Economics” Selection VII.B.1, p. 416

Braverman and Guasch (1986) “Rural Credit Markets and Institutions in Developing Countries: Lessons for Policy analysis from Practice and Modern Theory” Selection VII.B.4, p. 425

November 10th and 15th State formation and political aspects of development, Chap 11
Stern (1991) “Public Policy and the Economics of Development” Selection IX.A.1, p. 494
Krueger (1974) “The Political Economy of the Rent-Seeking Society” Selection IX.B.1, p. 505
Rodrik (1995) “Getting Interventions Right: How South Korea and Taiwan Grew Rich” Selection III.A.4 and Note, p. 163
Alesina and Perotti (1996) “Income Distribution, Political Instability and Investment” Selection VIII.B.2, p. 468
Hill (2000) “Falling Inequality in Rural Indonesia, 1978-1993” Selection VIII.C.2, p. 481
Knack and Keefer (1995) “Institutions and Economic Performance” Selection IX.C.1, p. 536
Evans (1992) “The State as Problem and Solution: Production, Embedded Autonomy and Structural Change” IX.C.2, p. p. 541

November 17th and 22nd Cultural dimensions of development, Chap 12
Easterly (2001) “The Middle Class Consensus and Economic Development” Selection VIII.C.1, p. 465
Easterly and Levine (1997) “Africa’s Growth Tragedy: Policies and Ethnic Divisions” Selection IX.B.3, p. 521

November 24th – *Thanksgiving Holiday (No Class)*

November 29th and December 1st International economic and political order since 1945, Chap 13
Eichengreen (2000) “Taming International Capital Flows” Selection V.3, p. 309

December 6th and 8th Foreign aid and development, Chap 14
Easterly (2003) “Can Foreign Aid Buy Growth” Selection V.4, p. 315

December 10th – **RCS for Tuesday and Thursday Courses**

TBD Final Exam (Cumulative but weighed more heavily on the post-Mid-Term material)

Each Eco 303 student is expected to read both the assigned chapter and the readings **before** the dates listed in the syllabus. I will randomly call upon a student to summarize each reading – in five minutes or less. I will then call upon another student to correct, criticize, or comment on the reading. You might want to write down five or six “bullets” for each reading in order to be prepared to summarize or comment on it. In addition, these bullets will facilitate your preparation for the mid-term and final exams.

Grading System:

Mid-Term Exam (Thursday, October 13th) 30%
Information Papers 10%
Participation, attendance and curve busters 20%
Final Exam 40%

You are required to take the mid-term – it is not optional. If you are unable to take the mid-term then contact me as soon as possible to determine whether you are eligible for an excused absence. There are no make-up exams in Economics 303. If you are eligible for an excused absence, your final exam will count for both the final and the excused mid-term i.e. for 80%.

Information Papers will be assigned several times during the semester.

Attendance and participation is expected at periodic talks on development issues. These talks will be announced as soon as scheduled.

Curve busters are unannounced quizzes that are administered during the lecture hour.

Important! Do not make your end-of-the-semester airline or other travel reservations until the final exam schedule is published. “I have a non-refundable ticket” is not a valid excuse to miss or reschedule the final exam. Please note that the last day for final exams this semester is December 21st!