

**First Draft**

## INTERNATIONAL RELATIONS 222

### Political Economy of North-South Relations

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Office Hours: Tu/Th 1:30-2:30 pm

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Spring Semester 2011  
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IR 222 is a lecture/discussion course that will examine the politics and economics of relations between developed and less-developed countries, focusing on the development problems of poor countries. It will explore political economy theories concerning

- the factors which affect the development process in poor countries, determining whether development succeeds or fails,
- patterns in North-South transactions, including the major actors involved in them and the issues that arise from them.
- the global economic institutions that affect these phenomena, especially the World Bank, International Monetary Fund, and World Trade Organization,
- and the controversies concerning these institutions, emphasizing various proposals for systemic change.

IR 222 can be taken as a stand-alone course focused on international system issues and general development theory, but it is also intertwined with Poverty and Development (IR 322). IR 322 is focused on poverty and development at the national level, applying general theory to particular cases and emphasizing the policy issues that arise from nations living within the systemic context discussed in IR 222. Students are encouraged to take both courses in the same semester, creating an intensive immersion in both the general theory of international political economy and its specific application in solving concrete development problems.

IR 125 is a strongly recommended pre-requisite, not only because it guarantees some exposure to both economics and international relations, but, more importantly, because it supplies a common orientation to political economy that permits meaningful communication among students. However, a solid background in economics may substitute for it with the permission of the instructor.

### READINGS

- John Rapley, *Understanding Development: Theory and Practice in the Third World*, 3<sup>rd</sup> edition, Boulder, Colorado: Lynne Rienner Publishers, 2007.
- Additional readings will be available via the [CourseSite](#) software. All readings listed below can be found there unless otherwise indicated.

## **STUDENT RESPONSIBILITIES**

The bulk of the course grade will be made up of an in-class mid-term, a final exam, and participation in class discussion. There will be no make-up exams or incompletes except in the case of a written and documented emergency. **Attendance and participation in class discussions are required**; reading the assigned material *prior to* the class at which it will be discussed is also required. The instructor reserves the right to give pop quizzes to insure that the material is being read on time.

Many class meetings will have brief written assignments designed to facilitate discussion and insure that the reading has been completed. These will take the form of either CourseSite assignments (marked "CS" in syllabus), which require posting a brief message in the Discussion Board segment of CourseSite, or email assignments directly to the instructor. ***Both are due by 8 am the day of the class meeting for which they have assigned.***

## SCHEDULE

### Part Zero: Preliminaries

January 18 Tu **Introduction to North-South Relations.** Definitions. Introductions. Procedures. What are we all doing here? The relationship between IR 222 and IR 322. The challenge of poverty alleviation. The opportunities we have to study poverty and development and to act on it.

#### Reading:

- Joseph Stiglitz, “Wall Street’s toxic message,” *Vanity Fair*, July 2009 (brief version for non-subscribers) . <http://www.vanityfair.com/politics/features/2009/07/third-world-debt200907>

#### Remedial viewing for those without IR 125:

- [North-South Intro](#) PowerPoint under Course Documents

#### Other (not necessarily recommended) reading:

- Roberts Center, “[The Great Global Poverty Debate](#),” p 1-25

January 20 Th A Visit with Lisa Boyd, Jamii Water, a 322 alum.

why.care

**Why should we care** about the Third World? See CS assignments below. What are we all doing here? Conditions in the Third World. Consequences. The impact of the 3<sup>rd</sup> world on the 1<sup>st</sup> world. How is your life affected by the poor countries of the Global South? Narrow liberal macro-economic models. Broad gauge radical and structuralist models. Non-economic considerations. Our discussion will center around the three CourseSite assignments, so please come prepared to participate as we choose some priorities for our study this semester. But also pay considerable attention to Beck’s piece and the brief Times stories.

Review the linkage to the IR 322 question, “What kind of money doctor do you want to be?”

#### Reading to keep it real (required):

- Tony Beck, “[Survival Strategies and Power Amongst the Poorest in a West Bengal Village](#)” *IDS Bulletin* 20, 2 (April, 1989): 23-32. (Warning: Read footnotes and endnotes!)
- NYTimes, “[Malnutrition](#)” and “[Scavenging in Zimbabwe](#)”

#### Recommended:

- Robert Wade, “[The rising inequality of world income distribution](#),” *Finance and Development* 38, 4 (December 2001): 37-39
- Nancy Birdsall, “[Why inequality matters](#),” *Ethics and International Affairs* 15, 2 (2001): 3-28.

#### Recommended for the philosophically inclined:

- Adam Smith, [The Theory of Moral Sentiments](#) (see below for passages)
- Thomas Nagel, “[The Problem of Global Justice](#),” *Philosophy & Public Affairs* 33, 2 (March, 2005): 113-147.

*CS assignments:* Post two answers to the question, “Why should we care about the Third World?”. *Why* we should care about the Third World implies something about *what aspects* of it we care about and hence what we should endeavor to learn. These answers should help you define your personal educational agenda this semester (that is, describe what you want to learn about the political economy of North-South relations.)

One answer should reflect normative considerations that are rooted in whatever ethical/religious/spiritual/philosophical tradition guides your behavior. (If you don’t have one, it is high time you begin looking!) You may wish to ponder Adam Smith’s most significant work, *The Theory of Moral Sentiments*, especially Part I, Section I, Chapter I (“Of sympathy”) and Part III, Chapter I (“Of the principle of self-approbation and of self-disapprobation”). Or Nagel’s ruminations on the possibility of global justice or the alternative he rejects (cosmopolitanism). What do we owe to the people described by Beck and the two NY Times pieces?

The other answer should reflect interest considerations that are rooted in theories about international relations or economics concerning how conditions in one country affect citizens in others.

*CS Assignment (optional):* List three avenues by which economic conditions in the South affect economic conditions in the North.

**"Why should we care about the Third World? (normative)"**

Describe the ethical principles that underlie your answer. Explain the implications of your answers for what aspects of the Third World we should be studying, especially if you believe that the answers to certain empirical questions bear upon your obligations under these ethical principles. (Consider, for example, that we may feel a greater obligation to fix problems that we had a hand in creating. This implies that we will want our studies to emphasize the question "Is global poverty caused by rich countries or international institutions?")

**Why should we care about the Third World? (interests)**

Describe the theory(ies) that postulate a linkage between conditions in the Third World and your own life. What interests of yours (or your community or nation, etc.) are affected by the topics we will be studying? What do you need to know about them?

**Part One: Overview of the Competing Claims about the Impact of North-South Relations: Does the global political economy enhance or impede development?**

January 25 Tu Orthodox development economics: economic growth and structural change. Early economic theories of growth—embraced by modernization theorists (see January 27)—emphasized more or less universal patterns in economic aggregates. The various attributes found in poor vs. rich countries are clear enough, but we will try to probe beneath the comparative statics to understand the processes that produce those patterns. Those processes are not just economic.

*Reading:*

- W.W. Rostow, “[The stages of economic growth](#),” *Economic History Review* 12, 1 (1959): 1-16.
- Michael Tribe, Fredrick Nixon and Andy Sumner, *Economics and Development Studies* (Routledge, London: 2010), Forward, chapter 1, chapter 3.

*Recommended:*

- Tribe et al., chapter 2.

Modernization  
& Dependency

January 27

Th The impact of the 1<sup>st</sup> world on the 3<sup>rd</sup> world: Orthodox views in the form of early **modernization theory**, which sees economic, political, social and cultural change bound

together (the Inkeles, Lipset, and Rostow pieces are classic exemplars). What is modernization? (How is it different from “development”?) How does it occur? Convergence across different countries and diffusion from one to another. A universal path to political and economic development? The role of culture in development. Weber and the Protestant ethic. The “Hindu rate of growth”. Islam and development. Is democracy the inevitable outcome of modernization?

Does contact with the international political economy (via trade and investment) promote or retard growth and democracy? Modernization theory assumes that the external influence will be positive, but that is as much the optimism of the age as a theoretical conviction. The argument is better made by the neo-liberals associated with cheer-leading for globalization, exemplified by the World Bank. Rapley portrays the undercurrent of allocation questions – How much market? How much state? – that underlie debates before and during the modernization era about how much the international system should be allowed to drive the domestic economy. The doubts of Portes are the bridge to the next day’s topic. What disciplines are represented by these guys?

- Reading:
- Alex Inkeles, “[Making Men Modern: On the Causes and Consequences of Individual Change in Six Developing Countries](#),” *American Journal of Sociology* 75, 2 (September 1969): 208-225 (skim)
  - Seymour Martin Lipset, “[The Social Requisites of Democracy Revisited](#),” *American Sociological Review* 59 (February 1994): 1-22. (heavily skim)
  - World Bank, “[Poverty in an Age of Globalization](#),” October 2000.
  - Rapley, Chapters 1 and 2.
  - Jeffrey Sachs, “[The spread of economic prosperity](#),” chapter 2, *The End of Poverty: Economic Possibilities for our Time* (New York, Penguin, 2005)
  - Chris Welzel, Ronald Inglehart, and Hans-Dieter Klingemann, “[Human Development as a theory of social change: a cross-cultural perspective](#)” (especially the first half)
  - Alejandro Portes, “[On the Sociology of National Development: Theories and Issues](#),” *American Journal of Sociology* 82, 1 (July 1976): 55-85.

Recommended:

- Seymour Martin Lipset, “[Some Social Requisites of Democracy: Economic Development and Political Legitimacy](#),” *American Political Science Review* 53, 1 (March 1959): 69-105.
- Adam Przeworski and Fernando Limongi, “Modernization: Theories and Facts,” *World Politics* 49, 2 (1997): 155-183.

February 1

Modernization  
& Dependency

Tu The impact of the 1<sup>st</sup> world on the 3<sup>rd</sup> world: **Dependency theory** and beyond: core ideas of radical theory. The doubts of structuralists about modernization. The (variable) political and sociological correlates of economic change. Multiple development paths. Economic distortions and inequality. Political distortions and barriers to democracy. Dependency, exploitation, stagnation, and policy distortion. The role of class formation and the dynamics among and conflict between classes – and the important role of international forces and ideologies. Recalling IR 125 discussion of the theory of the state, what’s different in the theoretical conceptions of state and society that underlie Frank/Huber et al./Evans as compared with Inkeles/Lipset? Baker questions how much benefit there is to trade and Milanovic goes after the pro-globalization arguments. Though neither are as identified with dependency theory

Andre Gunder Frank’s thesis. In Frank’s classic article, “The Development of Underdevelopment”, what is his central claim? If it were true, what policy advice would follow from it?

as Frank or as conceptually comfortable with it as Huber et al., their left positions generally share its wariness toward both the market and the global system. Does it matter what discipline these writers come from? Does it matter what Baker's CEPR is?

- Reading:*
- Andre Gunder Frank, "[The Development of Underdevelopment](#)," *Monthly Review* 18, 4 (September 1966): 17-31.
  - Jim Blaut, "[The Theory of Development](#)," *Antipode* 5, 2 (1973): 22-27.
  - Phillip McMichael, "[Instituting the development project](#)," chapter 1, *Development and Social Change: A Global Perspective*, Sage, 2003.
  - Evelyn Huber, Dietrich Rueschemeyer, and John Stephens, "[The impact of economic development on democracy](#)," *Journal of Economic Perspectives* 7, 3 (Summer 1993): 71-85.
  - Branko Milanovic, "[The two faces of globalization: Against globalization as we know it](#)," *World Development* 31, 4 (2003): 667-683.
  - Dean Baker, "[Gaining with trade?](#)" Center for Economic and Policy Research (CEPR)

*Recommended:*

- Christopher Chase-Dunn and Richard Rubinson, "[Toward a structural perspective on the world-system](#)," *Politics and Society* 7, 4 (1977): 453-473.
- Peter Evans and John Stephens, "[Development and the World Economy](#),"
- Holger Henke, "[Jamaica's decision to pursue a neo-liberal development strategy](#): Realignment in the state-business-class triangle," *Latin American Perspectives* 26, 5 (Sept. 1999): 7-33.

*CS assignment:* Frank is a classic – perhaps the most well-known article in the history of modern political economy. What is Frank's central claim? If it were true, what policy advice would follow from it? Are you sure?

February 3 Th **Testing the competing hypotheses** derived from dependency and modernization theory. Empirical studies of trade, growth, inequality and democracy. If poor countries emulate rich ones (i.e. if their policies converge), will they grow faster? If not, modernization theory can't be right, can it? Convergence across various dimensions. Arrighi et al. argue from a second generation dependency framework in sociology called world-systems theory that economic processes work differently in the periphery than the core, and Gonick and Rosh argue similarly about political processes. Grier and Grier, from a more conventional Solow-style neo-classical growth model, also note convergence in resource inputs but divergence in economic outputs. How can this be? This seems as good a place as any for a digression on statistical hypothesis testing that we will need throughout the course to make sense of the empirical literature. We'll explore Jackman's elementary work on development and democracy, familiar as modernization theory.

testing\_modernization\_theory.wpd,.ppt,\_visuals.wpd

- Reading:*
- Robert Jackman, "[On the relation of economic development to democratic performance](#)," *American Journal of Political Science* 17, 3 (August 1973): 611-621.
  - Giovanni Arrighi, Beverly J. Silver and Benjamin D. Brewer, "[Industrial convergence, globalization, and the persistence of the North-South divide](#)," *Studies in Comparative International Development* 38, 1 (Spring 2003): 3-42 including Comments by Alice Amsden and author response.
  - Kevin Grier and Robin Grier, "[Only income diverges: A Neoclassical anomaly](#)," *Journal of Development Economics* 84 (2007): 25-45.

*Recommended:* • Lev Gonick and Robert Rosh, "[The structural constraints of the world-economy on national political development](#)," *Comparative Political Studies* 21, 2 (July 1998): 171-199.

## Part Two: Theories of Development and Underdevelopment: How do nations grow and develop?

February 8

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WhytheWest.ppt

Tu **Why the West?** Until the 18<sup>th</sup> century, Western Europe was little richer than most of today's 3<sup>rd</sup> world. What happened to produce the modern North-South gap? What advantages (if any) did the West possess to bring about this result? What lessons are to be learned? We will use historical controversies to introduce several very broad gauge, macro-level theories of development originating from world history and various of the social sciences. Debates over the determinants of long-term growth found in alternative theories are given concrete application in this case, especially the role of external factors in early Europe vs. their role in the contemporary Global South.

The stylistic difference between these theories (with their application to a concrete historical episode) and more formal economic theory will make us wonder how they fit together. Dillard invokes the history of Western Europe in a different way, to explore the litany of social, political, and cultural changes that accompanied (preceded?) the "take off" of the West. What, exactly, *is* capitalism? Read Dillard very hard - it's short but full of theoretical insights and ideas we'll use later in examining radical theories of development and underdevelopment. For example: "Capitalism depends upon conditions it cannot itself bring about." Hmmmm. If capitalism wasn't "self-starting", can it be "self-sustaining"? Or does it require an interaction with other systems and forms? Is this related to Polanyi's insistence (from IR 125) that the market must be "embedded"? Duh.

Dillard's thesis. What lesson should be learned from Dillard's analysis?

*Reading:* • Dillard, "Capitalism".

- Marc Ferguson, "Why the West?"
- Jack Goldstone, "The rise of the West — or not? A revision to socio-economic history"
- Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (University of California Press, 1998), chapter 1
- David Buck, "Was it pluck or luck that made the west grow rich?," *Journal of World History* 10, 2 (Fall 1999), 413–30.
- (review) McMichael, above

*Rec:* • Jack A. Goldstone, "Efflorescences and Economic Growth in World History: Rethinking the "Rise of the West" and the Industrial Revolution," *Journal of World History* 13, 2 (Fall 2002): 323–89.

*CS assignment:* What is the main lesson(s) of Dillard's analysis? Why did Moon think it important that you read this piece?

February 10

Empirical\_growth  
theory.wpd,.ppt

Th **Middle-range growth theory and empirical tests** [continued from Why the West]: economists struggle to move beyond theory-driven curves and graphs. Assorted findings on the determinants of long-term growth. The effects of geography, climate, natural resources, past colonialism. The value of political economy. "Capitalism depends upon conditions it cannot itself bring about."

*Reading:* • Jeffrey D. Sachs and Andrew M. Warner, "Natural Resources and Economic Development: The curse of natural resources," *European Economic Review* 45 (2001): 827-838.

*Skim:* • Graziella Bertocchia & Fabio Canova, "Did colonization matter for growth?"  
• William Easterly & Ross Levine, "Tropics, germs, and crops: How endowments influence economic development"  
• Engerman's "Comment on Easterly and Levine"

Feb. 15-17

Theories of  
development

Tu-Th **Paradigms of Development Policy: An Overview.** Unlike the long-term theories that we have covered in the context of "Why the West?", most contemporary theories of development focus on shorter-term factors that can be at least partially affected by immediate action such as state policy. Thus, they serve as the basis for choices about development strategy in government policy and should also inform the proposals for development and poverty alleviation in IR 322. Choices among alternative development strategies can be summarized by their answers to three principle sets of questions. (1) How much market? How much state? (2) How much reliance on various transactions with the international system?, and (3) what products or sectors of the economy will be emphasized in efforts to specialize/diversify? We will spend the next three weeks examining the theories that underlie those choices.

Notice how little overlap exists between the long-term social science theories we have examined so far and the short/medium term factors which dominate economic theory (especially the neo-classical growth model associated with Solow with which we begin). Can they both be right? How relevant is economic theory? As you will see from Rapley (and, less so, Gore), most analysts seem fixated on the first question, which coincides with the fundamental left-right ideological divide that has dominated development studies and political economy for several decades (and which will be familiar from IR 125). Wilber and Jameson's typology of "paradigms" also emphasizes the first question (in part because it dates to the 1980s era), but it is especially useful because it engages the question in more theoretical depth, especially in probing the complex attitudes of radical theorists toward the state. We will also make considerable use of the distinction they draw between theories of development and theories of underdevelopment, as well as their divisions of paradigms and sub-paradigms, so make sure you are clear on those.

The second question, the fundamental one for the globalization debate (and Parts 3 and 4 of this course), is emphasized by Gore (and also Rapley), but it cannot be separated easily from the first. The third question is usually neglected by non-Marxist theory, but our structural orientation will put it front and center, not least because it is also the obvious target of both government policy and the kind of intervention that IR 322 teams will want to consider. For policymakers, its answer frequently drives the first two, though that is not usually acknowledged by theorists. Our overview will organize this entire section of the course.

*Reading:* • Rapley, chapters 1&2

- Charles Gore, "The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries"
- Wilber & Jameson, "Paradigms of Economic Development and Beyond"
- Paul Krugman, "[Cycles of Conventional Wisdom on Economic Development](#)," *International Affairs* 71, 4 (October 1995): 717-732.



February 22

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ppt  
Requisite.com  
factors

**Tu Requisites of Development: the Orthodox View.** The centerpiece of most orthodox analysis is the neo-classical growth model, which is derived from an elementary production function [something like  $Y=f(L,N,K,x)$ ]. Its many variants go by different names, but all rely on land, labor and capital as the main factors of production, and assume that their quantities, together with some set of under-specified “x-efficiency” considerations determine levels of production at the micro level (and, therefore, welfare, standards of living, and development at the macro level).

It is probably most widely known as the Solow model (where the emphasis is on convergence effects), but it also shows up in Harrod-Domar equations and other “capital fundamentalist” theories (where investment is the key idea), in 1-2- and 3- gap analyses (where the focus on factors of production shares time with specific transactions found in the balance of payments), in growth accounting exercises (as in the famous interchange involving Krugman), and, as an unacknowledged conceptual influence in most orthodox economists’ views of development. It is highly valued by economists because it grounds macro-level conclusions in micro-level forces, always a key goal for economic theorizing. Its relatively open structure also allows it to easily absorb at the heuristic level many quite disparate concepts, which gives us a handy reference point for organizing a variety of theoretical ideas.

IR 322: The One Gap

Today we introduce a micro example that illustrates a “gap analysis” that will carry over to IR 322 . We will emphasize the importance of investment for capital accumulation in traditional analyses, and distinguish it from the efficiency considerations that dominate endogenous growth theory of the neo-liberal era, leaving land and labor for the afternoon. We will illustrate the debates with reference to the so-called “Asian miracle” and Krugman’s “there are NO miracles” thesis.

- Reading:* • Rapley, chapter 3  
 • Krugman, “The Myth of Asia's Miracle”.

Krugman and sustainability. What sources of growth are sustainable/not sustainable?

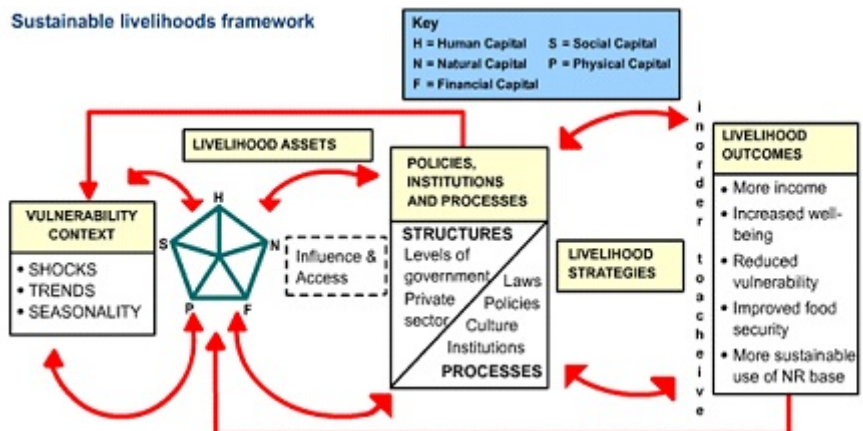
*CS assignment:* Krugman identifies a number of ways to produce growth. Which of them are sustainable and which are not?

Feb 24 Th

The multiple dimensions of “capital”: recognizing various kinds of community assets. The “factors of production” can be expanded to include various forms of capital. Among those is “social capital”, a key concept that injects sociological, psychological, anthropological, and political themes directly into the economic “shell” of the production function. Sustainable Livelihoods.

*Readings:*

- “Sustainable Livelihoods - Developments, Reflections and the Future.” An extract from Robert Chambers’ draft chapter originally intended for *Ideas for Development* (Chambers 2005)
- Adkins, “Social capital put to the test”.
- Elizabeth Francis, “ [Poverty: Causes, Responses and](#)



## Consequences in Rural South Africa,” April 2006

March 1 Tu How much reliance on international transactions is necessary? How much is tolerable? The empirics of **trade deficits** and their consequences for debt levels, international investment position, and dependency. The effect of trade deficits and debt levels on growth. Trade deficits tend to cluster into long episodes. Recovery from deficit episodes. The dangers of external dependence.

Trade deficits

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IR 322: The Two Gap

*Reading:* • Bruce Moon, “Reproducing the North-South divide: The role of trade deficits and capital flows” *International Studies Review* Fall 2007

- Bruce Moon, “The Dangers of Deficits: Trade imbalances and national development”
- UNCTAD, “Trade and Development Report, 2007”, chapter 1, especially pp. 13-29 (skim where your lack of technical background requires).

March 3 Th Structure and agency in recent theoretical accounts of development.

*Reading:* • Lucia da Corta, “The political economy of agrarian change: dinosaur or phoenix?” [rough draft](#)

March 7 - March 11 Monday-Friday Spring Break. No class.

Spring Break

March 15 Tu **The Role of the State and the Planning Paradigm.** The role of the state in development. Infrastructure, human capital, structural change. Seeking X-efficiency in state institutions. The tension between liberal trade theory and empirical growth theory. The classical political economy questions: How much state? How much market? Dirigism vs. self-regulating markets. Critiques of laissez-faire. Recalling Polanyi. Lal represents the laissez faire position; Helleiner and Rapley are mega-skeptical. While one has to admire the staying power of ideological fanatics, can't we shift the institutional debate about states and markets to the functional realm and ask about whether the greatest needs lie in private incomes or collective resources (as in Sen, Anand, and Revallion)? Or broaden the discussion of institutions to acknowledge that the worship of markets does not exhaust the possibilities.

Theories of  
development

*Reading:* • Rapley, chapters 2 & 4

- Lal, “The Misconceptions of ‘Development Economics’;”
- Helleiner, “Conventional Foolishness and Overall Ignorance: Current Approaches to Global Transformation and Development”
- Kenneth P. Jameson, “Has institutionalism won the development debate?” *Journal of Economic Issues* 40, 2 (June 2006): 369-375
- Rodrigo de Rato, “Building better institutions,” *Cato Journal* 26, 2 (Spring 2006): 215-222
- Dani Rodrik, “Institutions for high-quality growth: What they are and how to get them,” *Studies in Comparative International Development* 35, 3 (Fall 2000): 3-

*Recommended?:* Shapiro & Taylor, “The State and Industrial Strategy”; Devlin, “Privitization and Social Welfare”

*Note:* Make sure you understand the different labels attached by different authors to the various theories and schools of thought. For example, who is Lal criticizing? Who is Helleiner defending? Notice that Jameson criticizes the narrow view of institutions reflected in Rodrigo de Rato. Who is de Rato? What is Cato? Notice

that Rodrik elaborates Jameson's argument.

March 17 Th **Radical Theories of Underdevelopment.** Neo-Marxist class analysis. Dependency, world-systems, and imperialist analysis of exploitation in international system structures. Baran is a classic – in many ways the foundation of all the radical thought that comes after it – so we'll be discussing it in some detail. Come prepared. "Capitalism depends upon conditions it cannot itself bring about." Or, Rosa Luxemburg's diagnosis: "capital cannot accumulate without the aid of non-capitalist organizations, nor, on the other hand, can it tolerate their continued existence side by side with itself. Only the continuous and progressive disintegration of non-capitalist organizations makes accumulation of capital possible." Thus, imperialism and its violence.

*Reading:* • Rapley, chapter 5

- Paul Baran, "On the Political Economy of Backwardness"
- Ruccio & Simon, "Perspectives on Underdevelopment: Frank, the Modes of Production School, and Amin"; [Beware, parts of this are very difficult]
- Review Frank, "Underdevelopment...". Catch up and Review Catch up

March 22 Tu Midterm Exam

Midterm Exam Tuesday, March 22

March 24 Th Exam discussion

### Part Three: Global Markets and National Strategies

March 29 Tu Constraints on the Choice of Development Strategy. Much of the commentary on development theory appears to consider the selection of a development strategy as a free exercise in choosing among competing development theories. In reality, nations are sharply constrained by geographic and logistical factors, historical circumstances, and by political realities. Power brokers. The role of the military, church, other elements of civil society. Vanguard.

Development  
strategy

Development\_  
strategies2.ppt

*Reading:* • Gereffi and Wyman, "Determinants of Development Strategies in Latin America and East Asia"

- Handelman, "Agrarian Reform and the Politics of Rural Change"
- Handlemann & Baer, "The Economic and Political Costs of Austerity"
- Rapley, chapters 6&7.

*Recommended:* Karl & Schmitter, "Soldiers and Politics"

*Team BB assignment:* Identify what actors or forces could prevent the adoption or success of a given development policy? Who are the individuals or groups that command respect and might become allies in development efforts? Who rules your country? Where are the opportunities for transformation? What does this imply about the strategy you will recommend?

March 31 Th **North-South trade patterns.** Trade as an engine for growth. Trade as a source of external dependence. Market access and price competitiveness. Terms of trade and price movements. Southern countries largely export agricultural and mining products, referred to as "primary products" or "commodities". The theory of comparative advantage encourages that specialization. So, too, does

Primary.products

the pattern of demand in developed countries and the availability of foreign direct investment in those industries. But the practical effects, stemming from the unique characteristics of the markets for these products, suggest caution. Primary product markets. The Commodity Problem. We will review practical issues of commodity price trends, price volatility, and supply shocks, as well as the political economy analyses associated with the “curse of natural resources”.

- Reading:*
- Rati Ram, “Trends in Developing Countries’ Commodity Terms-of-Trade since 1970,” *Review of Radical Political Economics* 36, 2 (Spring 2004): 241-254.
  - UNCTAD, “Trade and Development Report, 2007”, chapter 1, especially pp. 4-12.
  - UNCTAD, “Trade and Development Report, 2006”, chapter 3, “Changes and trends in the external environment for development”, especially pp. 73-88 & 114-116.
  - World Bank, [Global Economic Prospects 2009: Commodities at the Crossroads](#), overview. Skim the remainder according to your interests.

*Review:* IR 125 notes on the Commodity Problem.

April 5

Tu Microfinance. No intervention in the area of development has attracted as much attention as the microfinance approach made famous by Mohammad Yunus and the Grameen Bank of Bangladesh. Indeed, even Lehigh University has an initiative in microfinance. We will discuss this principally as an NGO intervention, even though the commercialization of microfinance is proceeding rapidly. Microfinance is often associated with micro-enterprise growth, but is this a good thing? Microfinance was introduced prior to research that actually established the financial needs of poor people, but that has now been corrected. FAI, for example, represents what we now know about the complex financial lives of the poor.

Microfinance

Microfinance impacts

*Reading:*

- Matin, Imran, David Hulme, and Stuart Rutherford (2002) “Finance for the poor: From microcredit to microfinancial services,” *Journal of International Development* 14: 273-294.

- Moon, “The Great Divide in microfinance: Political Economy in Microcosm”
- Mandelman, “Is Self-employment and Micro-entrepreneurship a Desired Outcome?” *World Development* Vol. 37, No. 12, pp. 1914–1925, 2009
- Briefings (very brief) from FAI:

[http://financialaccess.org/sites/default/files/PoP\\_BN\\_9\\_Three\\_Country\\_Analysis.pdf](http://financialaccess.org/sites/default/files/PoP_BN_9_Three_Country_Analysis.pdf)

[http://financialaccess.org/sites/default/files/PoP\\_BN\\_1\\_The\\_Triple\\_Whammy\\_of\\_Poverty.pdf](http://financialaccess.org/sites/default/files/PoP_BN_1_The_Triple_Whammy_of_Poverty.pdf)

[http://financialaccess.org/sites/default/files/PoP\\_BN\\_2\\_Borrowing\\_to\\_Save.pdf](http://financialaccess.org/sites/default/files/PoP_BN_2_Borrowing_to_Save.pdf)

[http://financialaccess.org/sites/default/files/PoP\\_BN\\_3\\_How\\_Do\\_the\\_Poor\\_Deal\\_with\\_Risk.pdf](http://financialaccess.org/sites/default/files/PoP_BN_3_How_Do_the_Poor_Deal_with_Risk.pdf)

[http://financialaccess.org/sites/default/files/PoP\\_BN\\_5\\_Creating\\_Better\\_Portfolios.pdf](http://financialaccess.org/sites/default/files/PoP_BN_5_Creating_Better_Portfolios.pdf)

[http://financialaccess.org/sites/default/files/PoP\\_BN\\_7\\_Grameen\\_II\\_and\\_Portfolios\\_of\\_the\\_Poor.pdf](http://financialaccess.org/sites/default/files/PoP_BN_7_Grameen_II_and_Portfolios_of_the_Poor.pdf)

*Viewings (podcast):* Dean Karlan, "[Microfinance: Learning What Works, What does not and Why](#)"

April 7 Th Food and Rural Development. Food is of special importance in poor countries in terms of both consumption and production. Following Engels’ law, food consumption commands the largest share of income of poor people (80% is not unusual), so its availability and price determines standard of living and even life chances. Most of the poor live in rural areas and depend on agriculture for both subsistence and the largest share of money income. As a result, the relative price of agricultural inputs and outputs are critical for a

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nation's productive growth and its welfare levels. Food prices. Subsidies. Famines.

*Reading:* • Lofchie & Commins, "Food Deficits and Agricultural Policies in Tropical Africa"

- Griffin, "Growth and Impoverishment in the Rural Areas of Asia"

Lofchie/Commons and Griffin What were the central points?

*BB Assignment:* What is the central point made by Lofchie/Commons or Griffin?

April 12 Tu Industrialization Strategies. ISI vs. OOD. Most poor countries try to break out of primary product specialization through labor-intensive industrialization. What are the implications of this choice? How can it be done best? Usually via commodity chain strategies and/or FDI. Commodity chains. The policy imperatives implicit in commodity chain strategies. The easiest path to industrialization for most poor countries is to tie themselves to the global market in the most intensive way possible, through vertical integration into shared global production processes. What are the dilemmas associated with that approach? The "adding up" problem. Supply side competition and "the race to the bottom". Class and gender in industrialization.

Industry

*Reading:* • Moon, *Dilemmas of International Trade*, chapter 7

- Hamilton, "Can the Rest of Asia Emulate the NICS?"
- Eduardo Zepeda, Timothy A. Wise, and Kevin P. Gallagher, "Rethinking trade policy for development: Lessons from Mexico under NAFTA,"

<http://www.ase.tufts.edu/gdae/Pubs/rp/CarnegieNAFTADec09.pdf>

*Recommended:* Sutcliffe, "Industry and Underdevelopment Reexamined"; Standing, "Global Feminization Through Flexible Labor"

*BB Assignment:* How does Standing affect your impression of the desirability of labor-intensive industrialization?

April 14 Th Foreign direct investment and multinational corporations. The motivation of MNCs for FDI. The costs and benefits of FDI. Patterns of North-South investment. Trade meets finance: how to make it work?

MNC\_FDI

*Reading:* • Biersteker, "Distortion or Development?"

- UNCTAD, "Trade and Development Report, 2006", chapter 3, "Changes and trends in the external environment for development", especially pp. 105-114.
- UNCTAD, "World Investment Report, 2007", chapters 1 & 2 (skim) "Global and regional trends".

*BB Assignment:* What kinds of agreements would enable a nation to capture the benefits of FDI without succumbing to its costs?

MNCs and FDI. Can the benefits of MNCs/FDI be separated from the costs? How? Are these strategies compatible with the WTO?

#### Part Four: Global Institutions: Critiques and Reform Proposals

So many of the problems of nations seem bound up in the global system. Indeed, over the long-term, most of those problems are probably better attacked at the systemic level than the national ones. What is the current international system designed to do? Who does it help? What values does it champion? How can it be made to work better for the poor countries?

Fall registration, April 12-23

April 19 Tu Millenium development goals. The achievement of basic human needs has long been advocated as a target for national development plans by the scholars of human development discussed early in the semester. National governments have given lip service to poverty reduction, and a few have made real efforts. Though supported by many NGOs, such priorities were generally resisted by IFIs and national aid agencies, who preferred a focus on economic growth narrowly defined. With the official support of the international community, what North-South efforts can be most effective in promoting the Millenium Development Goals?

IMF-stiglitz

NIEO

New International Economic Order proposals for dealing with the commodity problem: buffer stocks, International Commodity Program, and STABEX. A revised version of the Tobin Tax. The attack from the left: global institutions should be increased in capability and responsibility.

*Reading:*

- William Minter, "[Global Solidarity Levy Urgently Needed](#)" (Washington, DC: Foreign Policy In Focus, September 16, 2010)
- Start with the United Nations' MDG website. <http://www.un.org/millenniumgoals/>
- Emphasize the most recent publication, [The Millennium Development Goals and the Road to 2015: Building on Progress and Responding to Crisis](#), (Washington: World Bank, 2015)

April 21 Th Designs of the International Monetary Fund and World Bank. The design of a typical stand-by agreement. PRSP reports. Stabilization. Austerity programs. Meeting the conditions of the IMF and World Bank. Do they work? The missions of the IFIs. The theoretical foundations of the IMF model. Gramscian hegemony. Contagion. The power politics of stand-by arrangements. Crisis management. Success rates. International debt. Renegotiations. Is the current system meeting the design objectives? Are the design objectives wise ones?

*Reading:*

- Dell, "Stabilization: The Political Economy of Overkill"
- Fitzgerald, "Stabilization and Economic Justice: The Case of Nicaragua"
- Robert Wade, "U.S. hegemony and the World Bank: the fight over people and ideas"
- Walden Bello and Shalmali Guttal, "Programmed to Fail: The World Bank Clings to a Bankrupt development model," *Multinational Monitor* 26.7-8 (July-August 2005): p23-30.
- Eyse Evrensel, "'Effectiveness of IMF-supported stabilization programs in developing countries"

*Recommended:*

- John Toye, "[Social knowledge and international policymaking at the World Bank](#)," *Progress in Development Studies* 9, 4 (2009): 297-310.

April 26 Tu Proposals for reform of the IFIs. The Meltzer Commission represents the attack from the right, emphasizing moral hazard: global institutions should be reduced in capability and responsibility.

The attack from the left condemns ideological rigidity.

*Reading:* • Meltzer Commission report

- Daniel Bradlow, "[Charting a progressive international financial agenda](#)" and follow its links

April 28 Th Recent developments in the WTO. Structural biases. Current Negotiations. Conflicts among values: efficiency vs. development, autonomy and the environment. Conflicts among interests: developed vs. developing countries, corporations vs. workers. Conflicts among theories: trade theory vs. growth theory, neo-liberalism vs. state planning and structuralism. Reform proposals.

*Reading:* • Robert Wade, "What strategies are viable for developing countries today? The World Trade Organization and the shrinking of 'development space'"

- UNCTAD, "Trade and Development Report, 2006", chapter 2: "Evolving development strategies – Beyond the Monterrey Consensus".
- Frank Ackerman and Kevin P. Gallagher, "The shrinking gains from global trade liberalization in Computable General Equilibrium models," *International Journal of Political Economy*, 37, 1 (Spring 2008): 50-77. <http://www.ase.tufts.edu/gdae/Pubs/rp/IJPEShrinkingGains.pdf>