

**The New School
Graduate Program in International Affairs**

Syllabus

Development Economics

Spring 2015

Class: Thursdays 6 – 7:50pm, Room 713, Fanton Hall, 72 Fifth Ave

Lab: Mondays 8 – 9:50pm, Room 701, Johnson/Kaplan, 66 West 12th Street

Instructor: Sakiko Fukuda-Parr

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Office hours: Tuesdays 4.00 – 5:30 PM; Thursdays 4 – 5:30 PM; or by appointment

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Office Hours: Monday 6 – 8:00 PM; or by appointment

Course Description:

This course is an introduction to Development Economics and is concerned with how economists have sought to explain how the process of economic growth occurs, and how – or whether – that delivers improved well-being of people. The course includes theories of growth and their critiques from feminist, capabilities and heterodox economic traditions. We explore the relationship between economic growth, poverty, inequality, sustainability and human development. Throughout the semester, we ask: Is equitable growth possible – where economic growth is robust and sustained, while expanding human choices and freedoms for all and not just a few, and where the most deprived are empowered? In seeking to answer this question, we examine the theoretical concepts, policy strategies, and empirical evidence from experience. The learning objectives of the course are for students to become familiar with the basic theories and concepts on economic growth and its consequences for distribution, poverty and human development.

This course is the required foundation course for the Development Concentration in GPIA. It is designed to complement Theories, Histories and Practices of Development (THPD). Both aim at understanding the contemporary challenges of growth, inequality and human development. But while THPD focuses on contemporary issues and country experiences, this course is about the economic theories that help explain them.

Prerequisites:

Economics in International Affairs I or equivalent, and THPD unless it is taken concurrently with this course.

Required Work:

Assignments include two homework question sets, a midterm exam and a final exam.

The grading will be structured as follows:

- Class participation (10% of final grade)
- Two homework assignments (20% of final grade - 10% each)
- Mid term exam (30% of final grade)
- Final exam (40% of final grade)

Participation will be an important part of learning in this course. Students are expected to attend all classes, come prepared, and contribute to class discussion. One absence will be allowed without penalty to the grade. Absences can be made up with two paragraph write ups of each of the required readings, incorporating one paragraph abstract and one paragraph commentary on the article. Students are expected to contribute proactively to class discussion by raising questions, making comments, and offering short presentations. Contribution to discussion will be part of the participation grade. Short presentations will be on topics that emerge in discussions. Students are encouraged to volunteer to make short presentations (5 minutes focusing on a narrow topic to be assigned.).

The labs are arranged with two objectives: to cover supplementary material and to clarify concepts already covered in the lecture. Those that cover supplementary material are indicated in the syllabus as mandatory. Students come to this course with diverse backgrounds in economics and the labs will help clarify any basic concepts that may not be fully explained in the lecture. Lab sessions will be designed to allow flexibility in the material to be covered dependent on student demand.

Books and readings:

Required for purchase: The following book will be the basic textbook for this course:

Ray, Debraj, *Development Economics*, Princeton University Press, Princeton. 1998; Oxford University Press, New Delhi (Referred to as **Ray** here)

The book is available from Shakespeare and Co. at 716 Broadway (at Washington Pl), and also available online. A good source for purchasing books that provide information on comparative prices and availability are www.bestbookbuys.com for new books and www.bookfinder.com for used books. The Ray book is available for rent from Barnes and Noble, and from Amazon.

Other useful books to have but not required for purchase:

Todaro, M. & Smith, S., 2008. *Economic Development* (10th Edition). Addison-Wesley. A more basic explanation of concepts than Ray.

Sen, Amartya (1992) *Inequality Reexamined* Cambridge MA: Harvard University Press. This book is foundational to Sen's ideas about Development as Freedom.

Chang, Ha-Joon, (2003) *Rethinking Development Economics*. London: Anthem Press.

Other than chapters from Ray, the required readings will be posted on Canvas. The supplementary readings are listed as additional resources for students who want to pursue some questions further.

Course communications:

The course webpage on Canvas will include all information including the syllabus, readings, announcements, assignments, exams, and personal profiles.

Individual communications to students will be made through the *New School email account*. Please make sure to check your *New School email account* regularly.

Academic honesty:

Plagiarism is the use of another person's words or ideas in any academic work without proper acknowledgment. The standards of academic honesty and citation of sources apply to all forms of academic work (examinations, essay theses, dissertations, computer work, art and design work, oral presentations, and other projects). It is the responsibility of students to learn the procedures specific to their discipline for correctly and appropriately differentiating their work from that of others. For further information on proper acknowledgment and plagiarism, including proper expectations for paraphrasing source material and proper forms of citation in research and writing, students should consult the MLA Style Manual and Guide to Scholarly Publishing (second edition), chapter 6, on documentation. The New School University Writing Center also provides useful online resources to help students understand and avoid plagiarism, at www.newschool.edu/admin/writingcenter/usefullinks.html.

Course outline

Week 1 (Thursday 1/29) – Overview of the course

***Note no lab on Monday**

Introductions; course objectives, themes, expectations, organization.

Short Lecture: history of mainstream and heterodox thinking about growth, poverty, inequality and human development

Required readings:

- UNDP (1996) *Human Development Report 1996*, Overview and chapter 2 'Growth as a means for Human Development' <http://hdr.undp.org/en/reports/global/hdr1996/chapters>
- Chang, Ha-Joon (2004) 'Introduction' in Chang, Ha-Joon, (2003) *Rethinking Development Economics*. London: Anthem Press.
- Toye, John (2004). 'Changing Perspectives in Development Economics' in Chang, Ha-Joon, (2003) *Rethinking Development Economics*. London: Anthem Press.
- Ortiz, Isabel and Mathew Cummins (2012) *Global Inequality: Beyond the Bottom Billion, A Rapid Review of Income Distribution in 141 Countries*. UNICEF Economic and Social Policy Working Paper http://www.unicef.org/socialpolicy/index_58230.html (focus on empirical results)

2/2 - Optional lab on data sources and Excel

Week 2 (2/5) – Economic Growth Models

Harrod-Domar and Solow models, long-term growth trends.

Required readings:

- Chapter 3 in Ray
- A. P. Thirlwall (2013). Chapter 2 “Growth Theory: Old and New” in *Economic Growth In An Open Developing Economy - The Role of Structure and Demand*
- Case studies on Korea, Brazil
- Rodrik, Dani (2007). *One Economics, Many Recipes* chapter 1, Fifty Years of Growth (and lack thereof): an interpretation

Additional resources:

- Weisbrot, Mark, and Rebecca Ray (2011). *The Scorecard on Development: 1960-2010 Closing the Gap?* Working Paper 106. United Nations Department of Economics and Social Affairs. 2006.
- Todaro, M. & Smith, S., 2008. *Economic Development* (10th Edition). Addison-Wesley. Chapter 3 relevant sections – simpler explanations.
- Chapter 2 in Ray

Week 3 (2/9) - New Growth Theory

***Note: Lecture in lab time**

[Homework 1 assigned]

Human capital, technology, social reproduction, and institutions.

Required readings:

- Chapter 4 in Ray (New Growth Theory)
- UNDP 1996 chapter 2 section p.50-55 New growth theories
- A. P. Thirlwall (2013). Chapter 3 “A Critique of Orthodox Growth Theory: Structure and Demand Matter for Economic Growth” in *Economic Growth In An Open Developing Economy - The Role of Structure and Demand*
- Folbre, Nancy (2006) Measuring Care: Gender, Empowerment, and the Care Economy *Journal of Human Development*, 7:2 183-99

Additional resources:

- Ruttan, Vernon (1998) The New Growth Theory and Development Economics: A Survey. *Journal of Development Studies* Dec 98 35:2 p1-26
- Fine, Ben. “New Growth Theory” in Chang
- Hamouda, O.F. and G.C. Harcourt. 1988. “Post Keynesianism: from Criticism to Coherence?” *Bulletin of Economic Research* 40:1, 1-33

2/12 – Mandatory lab session on Harrod-Domar and Solow models

*** Lab in lecture time**

2/16 - No class President's Day,

Week 4 (2/19) – Developmental growth models and strategies

Structuralism, Import Substitution Industrialization, Industrial Policy, New Structuralism

Required readings:

- Ocampo, Jose Antonio, Codrina Rada and Lance Taylor (2009), Growth and Policy in Developing Countries: A Structuralist Approach, Columbia University Press Chapters 1, 2, 9
- Mushtaq Khan - Strategies For State-Led Social Transformation: Rent Management, Technology Acquisition
- Prebisch, Raul (1959): "Commercial Policy in the Underdeveloped Countries". *The American Economic Review*. 49:2 251-273
- Brazil and Korea case studies

Additional resources:

- Amsden: "Why Isn't the Whole World Experimenting with the East Asian Model to Develop?"
- Rodrik, Dani. 2004. "Industrial Policy for the Twenty-First Century". Harvard University Kennedy School Faculty Research Working Paper 04-047 [Download here](#)
- Chang, Ha-Joon, 2003. 'Trade and Industrial Policy Issues' chapter 12 in Chang
- Lal, Sanjay, 2003. 'Technology and Industrial Development in an Era of Globalization' Chapter 13 in Chang

2/23 - Mandatory lab on structuralism and review of growth models, discuss Brazil, Korea case studies

Week 5 (2/26) – Human Development and Capabilities

[Homework 1 due]

Consequences of growth – ends and means of development, human development and capabilities approach.

Required readings:

- Sen, Amartya (1992) Chapter 3 *Inequality reexamined* Cambridge: Harvard University Press
- UNDP (1996) *Human Development Report 1996* review Chapter 2; read Chapter 3. Links between Economic Growth and Human Development' [another version Ranis, Gustav, Frances Stewart, and Alejandro Ramirez. "Economic Growth and Human Development." *World Development* 28.2 (2000): 197-219.
- Robeyns, Ingrid (2005) The Capability Approach: A Theoretical Survey, *Journal of Human Development and Capabilities* 6:1
- Case study

Additional resources:

- Jolly, Richard. (1998) 'Human Development and neo-Liberalism: paradigms compared' chapter 1.8 in Fukuda-Parr and Shivakumar, *Readings in Human Development* OUP: Delhi
- Reddy, Sanjay (2013) Economics beyond the Economists, Economic and Political Weekly

3/2 - Mandatory lab – Ranis, Stewart, Ramirez model; methodology of empirical study

Week 6 (3/5) – Inequality

Definition and measurement approaches; concept including intrinsic and instrumental concerns; instrumental role for economic growth; empirical trends since the 1970s.

Required readings:

- Chapter 7 in Ray (sections 7.1, 7.2.1, 7.2.2 only)
- Piketty, Thomas (2014). "Introduction" in *Capital in the Twenty-First Century* Harvard University Press www.hup.harvard.edu/features/capital-in-the-twenty-first-century-introduction.html
- Birdsall, N. 2001. 'Why inequality matters: Some economic issues' *Ethics & International Affairs*, 2001: 15, 2: New York, Carnegie Council for Ethics in International Affairs. Also available on CGDEV website
- Sen, Amartya (1995) 'Inequality of What', chapter 1 in *Inequality Reexamined*
- Review country case studies

Additional resources:

- Lin, Justin Yifu (2012) Shifting Patterns of Economic Growth and Rethinking Development, *Journal of Economic Policy Reform* <http://www.tandfonline.com/doi/pdf/10.1080/17487870.2012.700565>
- Sumner, Andy (2012) "Is Global Poverty Becoming A Matter of National Inequality?" <http://www.ids.ac.uk/files/dmfile/Wp394.pdf>
- Milanovic, Branko (2012) 'Global Income Inequality by the Numbers: in History and Now' World Bank Poverty and Inequality Policy Research Working Paper
- Birdsall, Nancy, David Ross and Richard Sabot, 1995. 'Inequality and Growth Reconsidered: Lessons from East Asia', *World Economic Review* 9(3):477-508
- Cornia, Giovanni Andrea and Bruno Martorano (2012) Development Policies and Income Inequality in Selected Development Regions, UNCTAD working paper UNCTAD/OSG/2012/4

3/9 - Mandatory Lab: Measurement of inequality and poverty

Week 7 (3/12) – Poverty

[Midterm exam given out]

Conceptual approaches; definitions and measures; empirical trends.

Required readings:

- Chapter 8 in Ray (sections 8.1, 8.2, 8.3 only)

- Sen, Amartya. 1999. Development as Freedom. Introduction, and chapter 4: 'Poverty as Capability Deprivation'
- Sen, Amartya (1992) *Inequality Reexamined* chapter 7
- Narayan, Deepa et al. 1999. *Voices of the Poor* volume 1. Chapter 2: 'Definitions of Poverty'
- Course hand out: "Measuring development, poverty and inequality: mapping indicators"
- Ruggeri Laderchi, Caterina, Ruth Saith and Frances Stewart, 2003 "Does it Matter that we do not Agree on the Definition of Poverty? A Comparison of Four Approaches" *Oxford Development Studies*, vol 31 nr.3 pp 243-274.
- South Africa and Brazil case studies

Additional resources:

- UNDP, 1997. Human Development Report: Human Development to Eradicate Poverty. 'Poverty in the Human Development Perspective: Concept and Measurement' (Chapter 1). Oxford University Press, New York. www.hdr.undp.org also in Fukuda-Parr and Shivakumar, Readings in Human Development
- OHCHR, Human Rights and Poverty Reduction: A Conceptual Framework (New York and Geneva, United Nations, 2004)
<http://www.ohchr.org/english/issues/poverty/docs/povertyE.pdf>.
- Shaffer, Paul (2008) 'New thinking on Poverty: Implications for Globalisation and Poverty Reduction Strategies' *DESA Working Paper No. 65*, February 2008. Available from UN DESA working papers website: www.un.org/esa/desa/papers/
- Goodwin, Neva et al., 'Macroeconomics in Context', Chapter 15, *Macroeconomic Challenges for the 21st Century*.
www.ase.tufts.edu/gdae/pubs/te/mac/MAC_15_Challenges_Nov_30_06.pdf

3/16 - Optional lab: Midterm review

Week 8 (3/19) Micro economics - Randomised controlled trials (RCTs) to assess 'what works' to reduce poverty

Macro vs. micro approaches, potential and limitations of RCTs, critique of RCTs.

[Midterm exam due]

Required readings:

- Duflo, E.; R. Hanna, S. Ryan. 2007. "Monitoring Works: Getting Teachers to Come to School" *National Bureau of Economic Research*, Working Paper No. 11880.
<http://www.nber.org/papers/w11880>
- Reddy, Sanjay. 2012. "Randomise This! On Poor Economics" *Journal of Agrarian Studies* 2:2 http://www.ras.org.in/randomise_this_on_poor_economics
- Rodrik, Dani. 2008. "The New Development Economics: We Shall Experiment, but How Shall We Learn?" *HKS Faculty Research Working Paper Series*. [Download](#).
- Ravallion, M. 2012. "Fighting Poverty One Experiment at a Time: A Review Essay on Abhijit Banerjee and Esther Duflo, Poor Economics." *Journal of Economic Literature*.
http://works.bepress.com/cgi/viewcontent.cgi?article=1020&context=martin_ravallion

Additional resources:

- Banerjee, A.V., and Duflo, E. 2012. “Homepage | Poor Economics.” <http://pooreconomics.com> (here you will find data, video lectures, lecture slides and more)
- Banerjee, Abhijit V. and Esther Duflo. 2009. "The Experimental Approach to Development Economics," *Annual Review of Economics* 1:1, pages 151-178. [Download](#). (Their rebuttal to criticism of randomized controlled trials)
- Banerjee, A., and Duflo, E. 2011, *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs, New York (book length treatment of RTC)
- Cartwright, N. 2010. “What Are Randomised Controlled Trials Good For?” *Philosophical Studies* 147:1, 59–70. [Download](#).

March 23-29th: Spring Break

3/30: No lab

Week 9 (4/2) – Gender Inequality and Economics of Gender

Critique of mainstream economic models; care economy and unpaid work; macroeconomic policies and gender; gender empowerment leads to growth.

[Homework assignment 2 given out]

Required readings:

- Nelson, Julie. 1995 Feminism and Economics *Journal of Economic Perspectives* 9 (2): 131-148
- Berik, Gunseli and Yana Rodgers (2000) Engendering Development Strategies and Macroeconomic Policies: What’s Sound and Sensible? *Working Paper, University of Utah, Department of Economics*, No. 2008-02, <http://www.econstor.eu/bitstream/10419/64454/1/572636547.pdf>
- Gammage, Sarah (2010) Time Pressed and Time Poor: Unpaid Household Work in Guatemala *Feminist Economics* 16:3, 69-112

Additional resources:

- Folbre, Nancy (2006) Measuring Care: Gender, Empowerment, and the Care Economy *Journal of Human Development*, 7:2 183-99 (from week 3)
- Elson, Diane and Nilufur Cagatay (2000) The Social Content of Macroeconomic Policy, *World Development* 28:7 pp 1347-1364
- Seguino, Stephanie and Caren Grown (2006) Feminist Kaleckian Macroeconomic Policy for Developing Countries Levy Institute Working Paper 446 http://www.levyinstitute.org/pubs/wp_446.pdf
- Seguino, Stephanie (2009) 'The Global Economic Crisis, its Gender and Ethnic Implications, and Policy Responses' https://www.uvm.edu/~sseguino/pdf/global_crisis.pdf Published in 2010 *Gender and Development* 18:2

4/6 – Optional lab – Homework review

Week 10 (4/9) - Employment (schedule subject to change to 4/6, 4/13, or 4/16)

[Homework assignment 2 due.]

Employment and poverty; Standard theory of labor market; Policy prescriptions – flexible labor market and alternative approaches; Informal sector work.

Required readings:

- Chapter 13 Ray
- ILO (2012) World of Wages Report 2012/2013 Summary
http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_194844.pdf
- James Heintz and Robert Polin, 2008 “Targeting Employment Expansion, Economic Growth and Development in Sub-Saharan Africa: Outlines of an Alternative Economic Programme for the Region” PERI working paper 14
<http://www.peri.umass.edu/236/hash/1a0abbc23f/publication/309/>
- Chen, Marty, (1999) ‘Counting the Invisible Workforce: the case of home based workers’ *World Development Vol. 27 issue 3 March 1999*
- Islam, Rizwanul, 2004 “The Nexus of Growth, Employment and Poverty Reduction: An Empirical Analysis’ ILO Employment and Poverty working paper
http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_120690.pdf

Additional resources:

- Chapter 4 Translating Growth into Employment Opportunities, UNDP 1996
- Reinert, Erik. “Increasing Poverty in a Globalized World: *Marshall Plans* and *Morgenthau Plans* as Mechanisms of Polarization of World Incomes” in **Chang**.
- Pollin, Robert, Mwangi wa Githinji and James Heintz. “An Employment Targeted Economic Program for Kenya.” Amherst: Political Economy Research Institute, 2007. Highlights and Summary

4/13 - No lab

Week 11 (4/16) - Rural and Urban linkages [schedule might be changed to 4/13 or 4/20]

Role of agriculture; structural shifts; migration.

Required readings:

- Chapter 10 in Ray (focus on Lewis, Fei-Ranis and Harris-Todaro models sections 10.2, 10.3.1, 10.3.2, 10.3.3)
- Timmer, Peter and Akkus, 2008 ‘The Structural Transformation as Pathway out of Poverty: Analytics, Empirics and Politics’, Center for global Development – Working Paper 150,
<http://www.cgdev.org/content/publications/detail/16421/>
- World Bank, 2007: *World Development Report 2007/2008: Agriculture and Development*
<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2008/0,,menuPK:2795178~pagePK:64167702~piPK:64167676~theSitePK:2795143,00.html> Overview and chapter 1

Additional resources:

- United Nations. Department of Economic and Social Affairs. *Diverging Growth and Development*. New York: United Nations, 2006. Chapter 2

4/20: Optional lab on rural/urban linkages

Week 12 (4/23) – International Trade

Required readings:

- Chapters 16, 17 in Ray
- Shaikh, Anwar. "Globalization and the Myth of Free Trade." in Shaikh, Anwar. *Globalization and the Myths of Free Trade: History, Theory, and Empirical Evidence*. London: Routledge, 2006.
- Seguino, Stephanie. "The Great Equalizer?: Globalization Effects on Gender Equality in Latin America and the Caribbean." in Shaikh, Anwar. *Globalization and the Myths of Free Trade: History, Theory, and Empirical Evidence*. London: Routledge, 2006.

Additional resources:

- Chang, Ha-Joon, 2008 *Bad Samaritans, the Myth of Free Trade and the Secret History of Capitalism*.
- Chang, Ha-Joon. "Kicking Away the Ladder: The "Real" History of Free Trade." in Shaikh. *Globalization and the Myths of Free Trade: History, Theory, and Empirical Evidence*. London: Routledge, 2006.
- United Nations. Dept. of Economic and Social Affairs. *Diverging Growth and Development*. New York: United Nations, 2006. Annex Tables
- United Nations Development Programme. *Making Global Trade Work for People*. London Sterling, Va. Earthscan, 2003.

4/27 Mandatory lab on trade theory

Week 13 (4/30) - Sustainability – Political Economics of the Environment

[Final exam given out]

Required readings:

- Power, Marilyn (2009) Political Economists' Environmental Analyses (mimeo)
- Solow, Robert. Sustainability: An Economist's Perspective
- Keong, Choy Yee (2005) Sustainable Development-An Institutional Enclave, *Journal of Economic Issues* 39:4

05/4 – Optional lab – review for exam

Week 14 (5/7) - Student panel discussion on growth, poverty, inequality, and human development

Readings to be assigned

05/11 – Final Exam Due