

**Economic Development**  
**IAFF 238**  
**Fall 2008**  
**Mondays 5:10-7pm**  
**Corcoran Hall (725 21st St, NW), Room 111**

**Instructor** : Nora Lustig, Shapiro Visiting Professor of International Affairs  
**Office** : Suite 502C, Elliott School, 1957 E Street  
**Office Hours** : Mondays 3-4:45pm and by appointment  
**Telephone** : (202) 994-5289  
**E-mail** : nlustig@gwu.edu

**Description:**

This course will analyze the economic challenges faced by low and middle-income countries in their quest for development. The course will be divided into three sections. In the first section, we will address the challenges of economic growth. Focusing on specific countries, we will examine what causes some development strategies to succeed and others to fail. In particular, we will focus on the role played by the *government* (i.e., state-ownership, macroeconomic policy - fiscal stance, interest rate and exchange rate, and microeconomic incentives - property rights, coordination, regulation, subsidies and public goods), *economic openness* (i.e., trade and capital account liberalization and economic integration), and *multilateral lending institutions and foreign aid* in fostering development. In the second part of the course, we will address the challenges of generating equitable growth. After examining the trends in poverty and inequality in specific regions and countries, we will analyze which development strategies and government policies result in more equitable outcomes. In the final portion of the course, we will focus on the causes and consequences of one of today's key development challenges: rising food prices.

Students registered in this course should have taken introductory courses in microeconomics and macroeconomics. Although the course will be non-technical, the readings and in-class discussion will assume basic knowledge of economic concepts and theories used to analyze the challenges facing developing countries as well as the policies proposed to address them.

**Organization of the Course**

The course will be conducted as a seminar. Each week the instructor will devote part of the session to introduce the subject. Subsequently, pre-assigned groups will be asked to lead the discussion by summarizing the week's reading, offering an analysis of the main arguments and conclusions, and posing some questions for the class to ponder. Careful and critical reading of the required texts is a major component of this course.

**Assignments**

A final research paper (8,000-10,000 words) on one of the subjects covered in the course will be due on December 8. While the paper must draw upon the material discussed in class, it should also include additional material, reflecting the student's own geographic, disciplinary, and theoretical interests. Each student is expected to give a brief presentation outlining the topic and reporting on findings and conclusions at the end of the course.

**Grades**

Group presentations	40 percent
Final paper and individual presentations	50 percent
Participation and attendance	10 percent

**Recommended Texts (on reserve and available at GWU's bookstore or online shopping)**

1. Nancy Birdsall, Augusto de la Torre and Rachel Menezes *Fair Growth: Economic Policies for Latin America's Poor and Middle Income Majority*, Brookings Institution Press, 2008.
2. Paul Collier *The Bottom Billion*, Oxford University Press, 2007.
3. Nora Lustig *Mexico. The Remaking of an Economy*, Second Edition, Brookings Institution Press, 1998.
4. Todd J. Moss *African Development*, Lynne Rienner Publishers, 2007.
5. Barry Naughton. *The Chinese Economy. Transitions and Growth*, MIT Press, 2007
6. Arvind Panagariya *India. The Emerging Giant*, Oxford University Press, 2008.

**SESSIONS AND READINGS:**

**Sep 8: NO CLASS; CLASS WILL MEET FOR FIRST TIME ON SEP 15**

**Sept 15-SESSION 1: DEVELOPMENT PATTERNS, THEORIES AND POLICIES**

Michael Todaro and Stephen Smith, *Economic Development*, Addison-Wesley, 9th Ed., 2005, Chapters 1-4. (on reserve and blackboard)

Howard Pack "Endogenous Growth Theory. Intellectual Appeal and Empirical Shortcomings," *Journal of Economic Perspectives*, 1994, 8 (1). (blackboard)

Gustav Ranis, Frances Steward and Alejandro Ramirez "'Economic Growth and Human Development", *World Development*, 2000, 28 (2). (blackboard)

[Simon Johnson, Jonathan D. Ostry, and Arvind Subramanian](#) "Levers for Growth", *Finance and Development*, March 2006, Vol. 43, No. 1.

<http://www.imf.org/external/pubs/ft/fandd/2006/03/index.htm>

Rodrik, D. and A. Subramanian "The Primacy of Institutions", *Finance and Development*, June 2003, International Monetary Fund, Washington, DC.

<http://www.imf.org/external/pubs/ft/fandd/2003/06/index.htm>

Sachs, J. "Institutions Matter, But Not For Everything" *Finance and Development*, June 2003, International Monetary Fund, Washington, DC.

<http://www.imf.org/external/pubs/ft/fandd/2003/06/index.htm>

Jan Dreze and Amartya Sen *India. Economic Development and Social Opportunity*, Clarendon Paperbacks, Oxford University Press, 1995, Chapter 2. (on reserve and blackboard)

**Sep 22-SESSION 2: DEVELOPMENT PATTERNS, THEORIES AND POLICIES**

David Lindauer and Lant Pritchett. "What's the Big Idea? The Third Generation of Policies for Economic Growth". pp. 1-39.

<http://muse.jhu.edu/journals/economia/v003/3.1lindauer.pdf>

Justin Yifu Lin Development and Transition: Idea, Strategy, and Viability Cambridge University, Marshall Lectures, October 31-November 1, 2007. (blackboard)

Commission on Growth and Development *The Growth Report. Strategies for Sustained Growth and Inclusive Development*, World Bank, 2008.  
[http://www.growthcommission.org/index.php?option=com\\_content&task=view&id=96&Itemid=169](http://www.growthcommission.org/index.php?option=com_content&task=view&id=96&Itemid=169)

Jeffrey Sachs. *The End of Poverty: Economic Possibilities*, Penguin Press, NY, 2005, Chapter 2. (blackboard and on reserve)

Dani Rodrik *One Economics Many Recipes*, Princeton University Press, 2007, Chapter 1. (blackboard and on reserve)

### Sep 29-SESSION 3: DEVELOPMENT SUCCESSES: EAST ASIA

*The East Asian Miracle. Economic Growth and Public Policy*, World Bank, 1993.  
[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/1993/09/01/000009265\\_3970716142516/Rendered/PDF/multi\\_page.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/1993/09/01/000009265_3970716142516/Rendered/PDF/multi_page.pdf)

Gustav Ranis “Another Look at the East Asian Miracle,” *World Bank Economic Review*, September, 1995. (blackboard)

Mashiko Aoki, Kevin Murdock and Masahiro Okuno-Fujiwara “Beyond the East Asian Miracle: Introducing the Market-enhancing View” in Masahiko Aoki, Hyung-Ki Kim, and Masahiro Okuno-Fujiwara *The Role of Government in East Asian Economic Development*, Oxford University Press, 1996. (blackboard)

### Oct 6-SESSION 4: DEVELOPMENT SUCCESSES: CHINA AND INDIA

Alan Winters and Shahid Yusuf *Dancing with Giants. China, India and the Global Economy*, World Bank and Institute of Policy Studies (Singapore), 2007, Chapters 1 and 2.  
[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/01/10/000020953\\_20070110150325/Rendered/PDF/383390Dancing0with0giants01PUBLIC1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/01/10/000020953_20070110150325/Rendered/PDF/383390Dancing0with0giants01PUBLIC1.pdf)

Michael Spence and Mohamed A. El-Erian *Growth Strategies and Dynamics. Insights from Country Experiences, Commission on Growth and Development, Working Paper No. 6, World Bank, 2008.* (blackboard)

Barry Naughton. *The Chinese Economy. Transitions and Growth*, MIT Press, 2007, Introduction, Chapter 4, Parts III, IV, V and VI. (on reserve)

Rodrik, Dani (editor) *In Search of Prosperity*, Princeton University Press, 2003, Chapter 11 (on reserve and blackboard)

### Oct 13-SESSION 5: DEVELOPMENT SUCCESSES: CHINA AND INDIA

Jan Dreze and Amartya Sen *India. Economic Development and Social Opportunity*, Clarendon Paperbacks, Oxford University Press, 1995, Chapters 1, 3 and 4. (on reserve and blackboard)

Panagariya, Arvind *India. The Emerging Giant*, Oxford University Press, 2008. Introduction, Chapters 4, 5, 6, 9, 10, 12, 13, 14 and 17. (on reserve)

The Economist, *Arvind vs. Arvind*.

[http://www.economist.com/books/displaystory.cfm?story\\_id=11613958](http://www.economist.com/books/displaystory.cfm?story_id=11613958))

Rodrik, Dani (editor) *In Search of Prosperity*, Princeton University Press, 2003, Chapter 7 (on reserve and blackboard)

### **Oct 20-SESSION 6: DEVELOPMENT PUZZLES: POST-NAFTA MEXICO**

Nora Lustig *Mexico. The Remaking of an Economy*, Second Edition, Brookings Institution Press, 1998, Introduction, Chapters 4 and 5 and Part 2. (on reserve)

Nora Lustig “Life is not Easy: Mexico’s Quest for Stability and Growth,” *Journal of Economic Perspectives*, Vol. 15, No. 1, (Winter 2001), pp. 85-106.  
[www.jstor.org/stable/2696542](http://www.jstor.org/stable/2696542)

J. C. Moreno Brid and J. Ros, *Mexico: An Economic History*, Oxford University Press, Chapter 10 (forthcoming). (blackboard)

Gerardo Esquivel and Fausto Hernandez “How can reforms help deliver growth in Mexico?,” 2008, mimeo. (blackboard)

### **Oct 27-SESSION 7: DEVELOPMENT TRAPS: AFRICA AND FRAGILE STATES**

Jeffrey Sachs et al. “Ending Africa’s Poverty Trap”, *Brookings Papers on Economic Activity* 1:2004, pp. 117-240, The Brookings Institution, Washington, DC.  
<http://www.gdsnet.org/classes/AfricasPovertyTrapSachsetal2004.pdf>

Paul Collier *The Bottom Billion*, Oxford University Press, 2007: Parts 1, 4 and 5. (on reserve)

Todd J. Moss *African Development*, Lynne Rienner Publishers, 2007. (on reserve)

### **Nov 3-SESSION 8: POVERTY AND INEQUALITY IN THE GLOBAL ECONOMY: CONCEPTS, FACTS, CAUSES AND CONSEQUENCES**

World Bank. *World Development Report 2000/01: Attacking Poverty*. (Overview chapter).  
<http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/overview.pdf>

World Bank. *World Development Report 2006: Equity and Development*, (Overview chapter).  
[http://wdsbeta.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/09/20/000112742\\_20050920110826/additional/841401968\\_200508263001833.pdf](http://wdsbeta.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/09/20/000112742_20050920110826/additional/841401968_200508263001833.pdf)

*Brankeo Milanovic* “Global Income Inequality: What It Is And Why It Matters?” DESA Working Paper No. 26, August 2006. (blackboard) POSTING PENDING

Pinelopi Koujianou Goldberg and Nina Pavcnik “Distributional Effects of Globalization in Developing Countries.” *Journal of Economic Literature*, Vol. XLV (March 2007), pp. 39–82. (blackboard)

## Nov 10-SESSION 9: POVERTY AND INEQUALITY IN CHINA AND INDIA

Guanghua Wan and Anthony Shorrocks, eds. *Inequality and Growth in Modern China*, Oxford University Press, 2008, Chapters 1, 2 and 3. (on reserve and blackboard)

Shubham Chaudhuri and Martin Ravallion, “Partially Awakened Giants: Uneven Growth in China and India” in *Dancing with Giants: China, India, and the Global Economy*, edited by L. Alan Winters and Shahid Yusuf, World Bank, 2007. [http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/01/10/000020953\\_20070110150325/Rendered/PDF/383390Dancing0with0giants01PUBLIC1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2007/01/10/000020953_20070110150325/Rendered/PDF/383390Dancing0with0giants01PUBLIC1.pdf)

Naughton, op. cit., Chapter 9. (on reserve)

Panagariya, op. cit., Part II. (on reserve)

## Nov 17-SESSION 10: POVERTY AND INEQUALITY IN LATIN AMERICA<sup>1</sup>

David de Ferranti, Guillermo Perry, Francisco Ferreira and Michael Walton *Inequality in Latin America: Breaking with History?* World Bank, 2004.

[http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2004/06/22/000160016\\_20040622141728/Rendered/PDF/28989.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2004/06/22/000160016_20040622141728/Rendered/PDF/28989.pdf)

Leonardo Gasparini and Guillermo Cruces “A Distribution in Motion: the Case of Argentina,” country study for the project *Markets, the State and the Dynamics of Inequality*, UNDP, mimeo, 2008. (blackboard) **POSTING PENDING**

Ricardo Barros et al. “Markets, the State and the Dynamics of Inequality: the Case of Brazil,” country study for the project *Markets, the State and the Dynamics of Inequality*, UNDP, mimeo, 2008. (blackboard) **POSTING PENDING**

John Scott “The Political Economy of Inequality in Mexico,” country study for the project *Markets, the State and the Dynamics of Inequality*, UNDP, mimeo, 2008. (blackboard) **POSTING PENDING**

Nancy Birdsall, Augusto de la Torre and Rachel Menezes “*Fair Growth: Economic Policies for Latin America’s Poor and Middle Income Majority*,” Brookings Institution Press, 2008. (on reserve and blackboard)

## Nov 24-SESSION 11: POVERTY AND INEQUALITY IN SUB-SAHARAN AFRICA, EASTERN EUROPE AND CENTRAL ASIA

Luc Christiaensen and Lionel Demery. “*Down to Earth. Agriculture and Poverty Reduction in Africa*”, World Bank, 2007.

<http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/02/27/000090>

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<sup>1</sup> The articles from Gasparini, Barros and Scott will be posted in due course.

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Jeffery I. Round “Globalization, Growth, Inequality and Poverty in Africa. A Macroeconomic Perspective,” UNU WIDER Research Paper No. 2007/55, September 2007. (blackboard)

Pradeep Mitra and Ruslan Yemtsov *Increasing Inequality in Transition Economies: Is There More to Come?* World Bank Policy Research Working Paper 4007, September 2006. (blackboard)  
[http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/09/14/000160016\\_20060914143004/Rendered/PDF/wps4007.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/09/14/000160016_20060914143004/Rendered/PDF/wps4007.pdf)

**Dec 1-SESSION 12: CURRENT ISSUES: HIGH FOOD PRICES AND DEVELOPMENT**

Nora Lustig “Thought for Food. The Causes and Consequences of Soaring Food Prices,” Shapiro Lecture, George Washington University, September 2008.

**TO BE COMPLETED**

**Dec 8-SESSION 13: STUDENT PRESENTATIONS**

**Dec 9-SESSION 14: STUDENT PRESENTATIONS**