

**Poli 126: Political Economy of Development**  
**Summer Session I, 2017**

**Instructor:** Sean Morgan  
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**Lecture:** Tu/Th 2:00-4:50pm, Warren 2110  
**OH:** Tu/Th 12:00-1:50 and after class  
**Office:** Social Science Building (SSB) #443

**Course Materials available on TritonEd:** <https://triton.ed.ucsd.edu>. Readings, syllabus, course handouts, and other materials are available from the content tab.

**Assigned Text:**

Jeffrey Sachs, 2006, *The End of Poverty*, New York, NY: Penguin Books.

**Lecture Notes/Podcast:** There is no podcast for this course, and lecture notes will *not* be posted online. Lecture attendance is expected and required. If you require an accommodation for a disability, such as recording lecture for your personal use, please let me know. I am more than happy to work with you!

**Electronics Use:** Laptop and tablet usage is *not* allowed during lecture. Cell phones are to be kept on silent in your pocket/bag. Numerous studies have found that electronics usage in class decreases student attention and leads to reduced learning and reduced performance on course assessments.

For more information, see the following articles:

1. <https://teachingcenter.wustl.edu/2015/08/laptop-use-effects-learning-attention/>
2. <http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom>
3. <https://www.insidehighered.com/news/2016/05/13/allowing-devices-classroom-hurts-academic-performance-study-finds>

Again, in the case of a necessary disabilities accommodation, please let me know. I am more than happy to work with you.

**Course Description:** What do we mean by “development?” How does chronic poverty affect people in the developing world? What are the prospects for economic growth? Why does extreme inequality, both across and within countries, continue to exist? What political institutions and structures support development and reduce inequality? Which exacerbate these problems? This course provides an overview of current responses to these questions, and provides students with the tools to evaluate developmental success or failure. The first half of the course provides an overview of the history of development policy since WWII, with a specific emphasis on comparative industrial policy and financial crisis management. The second half presents a survey of contemporary development topics, with a focus on the interaction between the sequencing and structure of national economic policies and political institutions/governance. including agricultural policy and land reform, national dependence on primary commodities and extractive resources, budgetary dependence on foreign aid and debt issues, and problems of corruption and rent-seeking.

By the end of the course, students should be able to:

1. Critically evaluate the dominant theories and conceptions of development in the political economy literature;
2. Analyze the relative successes and failures of competing development models in cases drawn from Latin America, Sub-Saharan Africa, and Asia;

3. Critically evaluate the role of national and international political and economic institutions in promoting specific development goals;
4. Assess the success or failure of policies addressing a series of socio-economic policy topics, including: financial crisis management, industrial policy and the promotion of infant industries, agricultural policy and land reform, dependence on extractive resources, corruption and rent-seeking, and dependence on foreign aid.

### Course Assignments/Grading:

Class Presentations:

- |                                       |     |
|---------------------------------------|-----|
| - Two Presentations (15% each)        | 30% |
| - Quiz Performance (lowest 2 dropped) | 20% |

Take-Home Final:	50%
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**Class Presentations:** Since this is an upper division course and we are a reasonably small group, I've decided to run this course similarly to an upper-division seminar at a liberal arts school, or a graduate school seminar course. In those courses, students are expected to help facilitate discussion of the readings for each class period, typically through a short presentation. These presentations help to make sure everyone is on the same page for a more in-depth discussion than is typical of larger lecture courses, and help to ensure everyone has completed the reading. This is especially important in a condensed summer course that includes challenging technical material on economic policies.

So, how will this work? Each class, after the first few introduction classes (we will start either 7/13 or 7/18), there will be two or three student presentations, with each student handling a subset of the readings for that class period. The number of readings will be between two and four per student, depending on reading length and topic. Each subset of readings is grouped under an *italicized* heading for each class. For example, on Tuesday 7/18, there are two headings: *Debt Crisis* and *Asian Financial Crisis*. One student would be responsible for the debt crisis readings, while a second student would be responsible for the financial crisis readings.

Each student is expected to do the following:

- Prepare a short presentation (approximately 15 minutes), summarizing the core themes and points of disagreement in their assigned readings. Don't go overboard here. These are supposed to be brief, informative summaries of key debates, not exhaustive research presentations. You **should** make a short (1-2 page) handout for your colleagues, and so you have notes to use during the presentation, but you **should not** make a PowerPoint.
- Prepare a short quiz (5 questions), to be given *before* their presentation, on the basic debates/themes and key arguments of their readings. Please keep the quiz to a single page, bring hard copies for each student, and a brief answer key for me. Quizzes should be some combination of T/F, Multiple Choice, and quick identification/fill-in questions. However, the quiz should take less than 5 minutes to complete. You will be graded on your performance on these quizzes, though I will drop the lowest two quiz grades to allow some leeway. (I will also give a quiz or two in the first few class periods to give a sense of what I expect.)

While you will be graded on each presentation, and on the quizzes, these are intended to be a way of demonstrating consistent participation and working to understand the material. I will not be harsh

on presentation grades, and I will drop the two lowest quiz grades. I don't expect perfection, just that you are making a sincere effort to keep up with the readings.

After each presentation, we will move into a group discussion of the themes, and I will supplement the synthesis provided by the student presenters. ***Don't worry if you get something wrong!*** I don't expect you to have perfect comprehension the first time. All I expect is a good-faith effort, demonstrating you did the readings and tried to synthesize them for your colleagues. I will be sure to clarify any material that was incorrect.

**Exam:** The final exam will be in essay format, and will be take-home, with open book and notes. Essays will be structured to require original analysis and argumentation regarding the causes of central course themes – such as critiquing the causes of financial crises; the difference between core development approaches like import-substitution industrialization and state-led development; the correct sequencing and structure of agricultural reform programs; or the interaction of concepts like democracy, corruption, and property rights (not an exhaustive list). The goal of the exams will be to demonstrate both mastery of the course material, as well as capacity to form an original argument regarding the causes of developmental success or failure. There will be some choice of question topics, but expect that any question you answer will require a strong understanding of readings across multiple class periods.

**Academic Integrity:** Students are expected to do their own work, as outlined in the UCSD Policy on Academic Integrity and published in the UCSD General Catalog: <http://students.ucsd.edu/academics/academic-integrity/policy.html>.

This includes appropriately citing all source materials on take-home exams/essays, and completing the essays yourself, independently from other students. All take-home assignments will be submitted to turnitin.com. Violations will be subject to disciplinary measures as outlined by the University. If you have any questions regarding this policy, please ask.

**Accommodations for Students with Disabilities:** All necessary accommodations will be made for students with disabilities. Please let me know at the beginning of the term so we can work together with the UCSD's Office of Students with Disabilities to make arrangements. I firmly believe that an equal playing field for students requires providing assistance where needed, so please do not hesitate to ask!

### **Course Schedule and Readings:**

Tuesday, July 4<sup>th</sup>

Independence Day (no class)

Thursday, July 6<sup>th</sup> – Introduction and Modernization/Liberalism:

*Modernization/Liberalism:*

Jeffrey Sachs, *The End of Poverty*, Chapters 1-4.

W.W. Rostow, "The Five Stages of Growth."

John Williamson, 2004, "A Short History of the Washington Consensus," Paper presented at

Fundacion CIDOB for conference titled "From the Washington Consensus towards a New Global Governance," Barcelona, September 24-25. Available at:

<http://www.iie.com/publications/papers/williamson0904-2.pdf>

*Recommended:*

Talcott Parsons, *The Social System*

World Bank, *World Development Report 2000/2001: Attacking Poverty*

Robert Wade, 2001, "Making the World Development Report 2000: Attacking Poverty," *World Development* 29 (8), 1435-1441.

Tuesday, July 11<sup>th</sup> – Balance of Payments, Structuralism/ Dependency Theory, and ISI

*Core Concepts:*

Policonomics entries on the Balance of Payments, Exchange Rate, and Exchange Rate Regimes:

- <http://policonomics.com/balance-of-payments/>
- <http://policonomics.com/exchange-rate/>
- <http://policonomics.com/lp-exchange-rate-regimes-exchange-rate-regime/>

Investopedia entries on the Current Account and Capital Account:

- <http://www.investopedia.com/terms/c/currentaccount.asp>
- <http://www.investopedia.com/terms/c/capitalaccount.asp> (ignore the "corporate capital account" section)

*Structuralism/Dependency:*

Belinda Coote, 1996, *The Trade Trap*, Oxford: Oxfam. Chapter 4 - "You Can't Pay the Doctor in Millet."

Theotonio Dos Santos, 1970, "The Structure of Dependence," *The American Economic Review* 60 (2), 231-36.

Fernando Henrique Cardoso and Enzo Faletto, 1979, *Dependency and Development in Latin America*, Los Angeles, University of California Press, Preface and Chapter 6 (pp. vii-xxv and 149-171)

*Import-Substitution Industrialization:*

Robert J. Alexander, 1967, "The Import-Substitution Strategy of Economic Development," *Journal of Economic Issues* 1:(4), December, 297-308.

*Recommended:*

Peter Evans, 1979, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*, Princeton, NJ, Princeton University Press.

Adam Hochschild, 1999, *King Leopold's Ghost*, New York, New York, Mariner Books.

Thursday, July 13<sup>th</sup> – ISI Critiques and State-Led Development

*ISI Critiques:*

Robert Bates, 1981, *Markets and States in Tropical Africa*, Los Angeles, University of California Press, Chapter 4.

Rudgier Dornbusch, 1992, "The Case for Trade Liberalization in Developing Countries," *The Journal of Economic Perspectives* 6:(1), Winter, 69-85.

John Waterbury, 1999, "The Long Gestation and Brief Triumph of Import-Substitution Industrialization," *World Development* 27:(2), 323-341.

*State-Led Development (SLD) and Critiques:*

Robert Wade, 1989, "What can Economics Learn from East Asian Success?," *Annals of the American*

*Academy of Political and Social Science* 505, September, 68-79.  
Dani Rodrik, 1994, "King Kong Meets Godzilla: The World Bank and The East Asian Miracle," in A. Fishlow et al., *Miracle or Design? Lessons from the East Asian Experience*, Overseas Development Council, Policy Essay No. 11, Washington DC, 13-53  
Walden Bello and Stephanie Rosenfeld, 1990, "The Rise and Crisis of the Dragon Economies," Food First Institute, reprinted in a reader.  
Wolfgang Hagar, 1982, "Protectionism and Autonomy: How to Preserve Free Trade in Europe," *International Affairs* 58, 413-428.

*Recommended:*

Chalmers Johnson, 1982, *MITI and the Japanese Miracle*, Stanford, CA, Stanford University Press.  
Stephan Haggard, 1990, *Pathways from the Periphery*, Ithaca, NY, Cornell University Press .  
Robert Wade, 1990, *Governing the Market*, Princeton, NJ, Princeton University Press.  
World Bank, 1993, *The East Asian Miracle: Economic Growth and Public Policy*, Oxford, Oxford University Press. PDF Available Here:  
<http://documents.worldbank.org/curated/en/975081468244550798/Main-report>  
Linda Weiss, 1998, *The Myth of the Powerless State*, Ithaca, NY, Cornell University Press.  
Atul Kohli, 2004, *State-Directed Development*, Cambridge, Cambridge University Press.

Tuesday, July 18<sup>th</sup> – Comparative Financial Crises

*Debt Crisis:*

Jeffrey Sachs, *The End of Poverty*, Chapter 5  
Manuel Pastor Jr., 1989, "Latin America, the Debt Crisis, and the IMF," *Latin American Perspectives* Issue 60, Vol. 16, No. 1, 79-110.  
Oil Prices Chart on TritonEd

*Asian Financial Crisis:*

Robert Wade and Frank Veneroso, 1998, "The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-IMF Complex," *The New Left Review*.  
Jagdish Bhagwati, 1998, "The Capital Myth," *Foreign Affairs* 77:(3), May/June, 7-12.  
Martin Feldstein, 1998, "Refocusing the IMF," *Foreign Affairs* 77:(2), March/April, 20-33.

*Recommended*

Nancy Birdsall and Juan Luis Londoño, 1997, "Asset Inequality does Matter: Lessons from Latin America," *OCE Working Paper*, Inter-American Development Bank, March.  
Jeffrey D. Sachs and John Williamson, 1985, "External Debt and Macroeconomic Performance in Latin America and East Asia," *Brookings Papers on Economic Activity*, 53-573.  
Stephan Radelet and Jeffrey Sachs, 1998, "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects," *Brookings Papers on Economic Activity*, 1-90.  
Stephan Haggard, 2000, *Political Economy of the Asian Financial Crisis*, Washington, DC, Institute for International Economics.  
William Easterly, 2005, "What did structural adjustment adjust?," *Journal of Development Economics* 76 (1), 1-22.  
Paul De Grauwe, 2013, "The Political Economy of the Euro," *Annual Review of Political Science* 16, 153-170.

Thursday, July 20<sup>th</sup> – Institutions: Property Rights and Democracy

*Property Rights*

Douglass C. North, 1993, "Institutions and Credible Commitment," *Journal of Institutional and Theoretical Economics* 149 (1), 11-23.

Hernando De Soto, 2000, *The Mystery of Capital*, London, Black Swan, Chapter 2.

#### *Democracy:*

Adam Przeworski and Fernando Limongi, 1993, "Political Regimes and Economic Growth," *The Journal of Economic Perspectives* 7 (3), 51-69.

David Leblang, 1995, "Property Rights, Democracy, and Growth," *Political Research Quarterly* 49 (1), 5-26.

Dani Rodrik, 2000, "Institutions for High-Quality Growth," *Studies in Comparative International Development* 35 (3), pp. 3-31.

#### *China Challenge?*

Yingyi Qian, 2002, "How Reform Worked in China," *William Davidson Working Paper* No. 473.

Kellee S. Tsai, 2006, "Adaptive Informal Institutions and Endogenous Institutional Change in China," *World Politics* 59, 116-141.

#### *Recommended:*

Elinor Ostrom, 1990, *Governing the Commons*, Cambridge: Cambridge University Press. (Winner of 2009 Nobel Prize)

David D. Li, 1996, "A Theory of Ambiguous Property Rights in Transition Economies: The Case of the Chinese Non-State Sector," Working Paper No. 8, William Davidson Institute at University of Michigan Business School.

Donald C. Clarke, 2003, "Economic Development and the Rights Hypothesis: The China Problem," *American Journal of Comparative Law* 51, 89-112.

Joseph Wright, 2008, "Do Authoritarian Institutions Constrain? How Legislatures Affect Economic Growth and Investment," *American Journal of Political Science* 52 (2), 322-343.

#### Tuesday, July 25<sup>th</sup> – Institutions: Corruption and Bureaucracy

##### *Corruption/Rent-Seeking:*

Susan Rose-Ackerman, 1996, "The Political Economy of Corruption – Causes and Consequences," *Public Policy for the Private Sector*, Note No. 74, World Bank.

Stephan Haggard, Andrew MacIntyre, and Lydia Tiede, 2008, "The Rule of Law and Economic Development," *Annual Review of Political Science* 11, 205-234.

Andrew MacIntyre, 2000, "Funny Money: Fiscal Policy, Rent-seeking, and Economic Performance in Indonesia," in Jomo K.S. and Mushtaq Khan, *Rent-Seeking in Southeast Asia*, Cambridge, Cambridge University Press, 248-273.

##### *Bureaucracy:*

Peter Evans, 1995, *Embedded Autonomy*, Princeton, NJ, Princeton University Press, Chapters 2-3.

Stephan Haggard, 1994, "Politics and Institutions in the World Bank's East Asia," in A. Fishlow et al., *Miracle or Design? Lessons from the East Asian Experience*, Overseas Development Council, Policy Essay No. 11, Washington, DC, 81-109

##### *Recommended:*

Anne O. Krueger, 1974, "The Political Economy of the Rent-Seeking Society," *The American Economic Review* 64 (3), 291-303.

Susan Rose-Ackerman, 1978, *Corruption: A Study in Political Economy*, New York, NY, Academic

Press, Inc.

Jagdish Bhagwati, 1982, "Directly Unproductive, Profit-Seeking (DUP) Activities," *Journal of Political Economy* 90 (5), 988-1002.

Andrei Shleifer and Robert W. Vishny, 1993, "Corruption," *The Quarterly Journal of Economics* 108 (3), 599-617.

Mushtaq H. Khan, 2000, "Rent Seeking as Process," in Jomo K.S. and Mushtaq Khan, *Rent-Seeking in Southeast Asia*, Cambridge, Cambridge University Press, Chapter 2. Available at: <https://core.ac.uk/download/pdf/2792081.pdf>

#### Thursday, July 27th – Institutions and Endowments: Resource Curse and Agricultural Policy

##### *Resource Curse:*

Stanley Engerman and Kenneth Sokoloff, 1997, "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies," in Stephen Haber, ed. *How Latin America Fell Behind*, Stanford, CA, Stanford University Press, 260-304.

Kenneth Sokoloff and Stanley Engerman, 2000, "History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World," *The Journal of Economic Perspectives* 14 (3), 217-232.

Jeffrey A. Frankel, 2012, "The Natural Resource Curse: A Survey of Diagnoses and Some Prescriptions," *HKS Faculty Working Paper Series RWP12-014*, John F. Kennedy School of Government, Harvard University.

##### *Agricultural Liberalization and Technical Improvement:*

R.E. Evenson and D. Gollin, 2003, "Assessing the Impact of the Green Revolution, 1960-2000," *Science* 300, 758-762.

D.N. Dhanagare, 1987, "Green Revolution and Social Inequalities in Rural India," *Economic and Political Weekly* 22 (19/21), pp. AN-137 to AN-144.

Bryan Newman, 2007, "A Bitter Harvest: Farmer suicides and the unforeseen social, environmental, and economic impacts of the Green Revolution in Punjab, India," *Food First Development Report* No. 15, January.

##### *Land Reform:*

Cristóbal Kay, 2002, "Why East Asia Overtook Latin America: Agrarian Reform, Industrialisation, and Development," *Third World Quarterly* 23 (6), 1073-1102.

Frederick J. Zimmerman, 2000, "Barriers to Participation of the Poor in South Africa's Land Redistribution," *World Development* 28 (8), 1439-1460.

##### *Recommended:*

Robert Bates, 1981, *Markets and States in Tropical Africa*, Los Angeles, University of California Press, Chapters 2-3.

Amartya Sen, 1981, *Poverty and Famines*, Oxford: Oxford University Press.

Jean Drèze and Reetika Khera, 2013, "Rural Poverty and the Public Distribution System," Working Paper No. 35, Centre for Development Economics, Delhi School of Economics.

Jeffrey D. Sachs and Andrew M. Warner, 1995, "Natural Resource Abundance and Economic Growth," *NBER Working Paper Series* No. 5398. Available at: <http://www.nber.org/papers/w5398.pdf>

Dunning, Thad. 2008. *Crude Democracy: Natural Resource Wealth and Political Regimes*. New York: Cambridge University Press

Stephen Haber and Victor Menaldo, 2011, "Do Natural Resources Fuel Authoritarianism? A



Reappraisal of the Resource Curse,” *American Political Science Review* 105 (1), 1-26.

Tuesday, August 1<sup>st</sup> – Institutions and Aid: Can Aid Improve Governance?

*Aid and Policy Promotion:*

Craig Burnside and David Dollar, 2000, “Aid, Policies, and Growth,” *The American Economic Review* 90 (4), 847-868.

William Easterly, Ross Levine, and David Roodman, 2003, “New Data, New Doubts,” Center for Global Development Working Paper No. 26.

Sarah Blodgett Bermeo, 2016, “Aid is Not Oil: Donor Utility, Heterogenous Aid, and the Aid-Democratization Relationship,” *International Organization* 70, 1-32.

*Aid Coordination?*

Simeon Djankov, Jose G. Montalvo, and Marta Reynal-Querol, 2009, “Aid with multiple personalities,” *Journal of Comparative Economics* 37, 217-229.

Deborah Bräutigam, 2011, “Aid ‘With Chinese Characteristics’: Chinese Foreign Aid and Development Finance meet the OECD-DAC Regime,” *Journal of International Development* 223, 752-764.

Carl Jan Willem Schudel, 2008, “Corruption and Bilateral Aid: A Dyadic Approach,” *Journal of Conflict Resolution* 52 (4), 507-526.

*Recommended:*

Alberto Alesina and David Dollar, 2000, “Who Gives Foreign Aid to Whom and Why?” *Journal of Economic Growth* 5, 33-63.

Simone Dietrich and Joseph Writght, 2015, “Foreign Aid Allocation and Democratic Change in Africa,” *Journal of Politics* 77 (1), 216-234.

Simone Dietrich, 2016, “Donor Political Economies and the Pursuit of Aid Effectiveness,” *International Organization* 70, 65-102.

Thursday, August 3<sup>rd</sup> – International Obstacles to Policy Space

*Trade:*

Robert Hunter Wade, 2003, “What strategies are viable for developing countries today? The World Trade Organization and the Shrinking of ‘development space,’” *RIPE* 10:(4), 621-644.

Martin Khor and José Antonio Ocampo, 2009, “The Global Trade Architecture and the Developing World,” Initiative for Policy Dialogue Working Paper Series, June.

*Debt:*

Nancy Birdsall and Brian Deese, 2004, “Beyond HIPC: Secure Sustainable Debt Relief for Poor Countries,” Working Paper No. 46, Center for Global Development, September.

Eric Helleiner and Geoffrey Cameron, 2006, “Another World Order? The Bush Administration and HIPC Debt Cancellation,” *New Political Economy* 11 (1), 125-140.

Danny Cassimon and Bjorn Van Campenhout, 2007, “Aid Effectiveness, Debt Relief, and Public Finance Response: Evidence from a Panel of HIPC Countries,” *Review of World Economics* 143 (4), 742-763

UN General Assembly, 2015, “Basic Principles on Sovereign Debt Restructuring Processes,” Draft Resolution A/69/L.84.

**Saturday, August 5<sup>th</sup>: Final Exam Due by 6pm (on TritonEd)**