



**ECON336
ECONOMIC DEVELOPMENT**

Semester 1, 2010

Department of Economics

ECON 336 ECONOMIC DEVELOPMENT

First Semester: 2010

Unit convenor: Joseph Macri

Students in this unit should read this outline carefully at the start of the semester. It contains important information about the unit. If anything is unclear, please consult the unit convenor.

ABOUT THIS UNIT

This course is designed to give students a critical understanding of the inherent problems developing countries. It provides an in-depth analysis of the different explanations and measures that may be taken to foster economic development with a specific focus on the various constraints that may hinder economic development. The range of topics covered includes: the meaning of economic development, historical experience and major theories of economic development, income distribution and poverty, population growth, the role of education, international trade, sustainability, health, nutrition, third world debt and foreign aid, and the role of the market and institutions in fostering economic development.

TEACHING STAFF AND CONTACT DETAILS

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UNIT WEB PAGE

The unit uses a Blackboard web page that can be accessed via <http://learn.mq.edu.au/> **which you should check this web page regularly.** If you are unable to access the website because you are not aware of or have forgotten your username and password, please contact the IT helpdesk located on Level 1 of the Library on 9850 6500. The IT helpdesk will also be able to assist you with using Blackboard. Please note that there is also a help feature in Blackboard and you may refer to this instead for assistance in using Blackboard.

If you have any problems accessing this web page you should go the Online Teaching Facility support web page at <http://online.mq.edu.au/docs/tecinf.html>

CONSULTATION TIMES

Consultation times will be announced at the beginning of the course. Students experiencing significant difficulties with any topic in the unit are strongly encouraged to seek assistance immediately. Please note however that staff will only answer emails sent from **official** Macquarie University email accounts.

CLASSES

There will be one three-hour session each week.

Day and Time: Thursday 10am-1pm

Room: E7B T3

It is essential that students **attend all sessions**, as the examination/tests will focus on material discussed in the lectures and supplemented with the relevant readings.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Prescribed Textbook:

Michael P. Todaro and Stephen C. Smith (2009), *Economic Development*, 10th Edition, Addison-Wesley Longman.

Other Useful Readings

James M. Cypher and James L. Dietz (2008), *The Process of Economic Development*, 3RD Edition, New York: Routledge.

Daren Acemoglu (2009), *Introduction to Modern Economic Growth*, Princeton University Press, New Jersey.

Aghion, Philippe and Howitt, Peter (2009), *The Economics of Growth*, MIT Press, US.

Ray, Debraj (1998), *Development Economics*, Princeton University Press, New Jersey.

Ray, Debraj. *Development Economics*, The New Palgrave Dictionary of Economics. Second Edition. Eds. Steven N. Durlauf and Lawrence E. Blume. Palgrave Macmillan, 2008.

The Development Economics Reader, (2008) Edited by Giorgio Secondi, London and New York, Routledge.

Ray, Debraj, (2007) "Introduction to Development Theory." *Journal of Economic Theory*, 137, pp. 1 – 10.

The Development Reader, (2008) Edited by Sharad Chari and Stuart Corbridge, London and New York, Routledge.

Stiglitz, J (2002) *Globalization and Its Discontents*, W.W. Norton & Company, June 2002.

Easterly, W. (2001) *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, MIT Press.

A.P. Thirlwall (2006), *Growth and Development with Special Reference to Developing Economies*, Eighth Edition, Palgrave Macmillan.

Dwight H. Perkins, Steven Radelet and David Lindauer (2006) *Economics of Development* Sixth Edition, New York: W.W. Norton.

Meier, Gerald and Stiglitz, Joseph (2001), *Frontiers of Development Economics: The Future in Perspective*, World Bank and OUP.

Useful Resources on the Internet:

The following online resources will prove to be very useful.

- The World Bank web site: <http://www.worldbank.org/>
- The International Development Research Centre (IDRC): http://www.idrc.ca/en/ev-1-201-1-DO_TOPIC.html
- The World Factbook: <http://www.odci.gov/cia/publications/factbook/index.html>
- International Monetary Fund: <http://www.imf.org/>
- United Nations: <http://www.un.org/>
- World Trade Organisation: <http://www.wto.org/>
- Oneworld <http://www.oneworld.net/>
- Center for International Development at Harvard University: <http://www.cid.harvard.edu/>
- Institute of Development Studies: <http://www.ids.ac.uk/ids/>
- Asian Development Bank: <http://www.adb.org>
- World Institute for Development Economic Research <http://www.wider.unu.edu>
- World Resources Institute <http://www.wri.org/> and <http://earthtrends.wri.org/>
- Various World Development Reports (available free online on World Bank website). Excellent source of information.

Selected Useful Economic Development Journals:

Developing Economies; Development and Change, Economic Development and Cultural Change; Journal of Developing Areas; Journal of Development

LEARNING OBJECTIVES

At the completion of this course students will be able to:

1. understand the main issues confronting developing countries;
2. critically evaluate the growth and development performance of developing with a specific focus on issues of poverty and inequality;
3. have a solid understanding as to why there are very large differences in income per capita and output per worker across all countries;
4. communicate effectively on contemporary economic development issues;
5. understand the importance and impact of international trade on economic development;
6. understand the tradeoffs and choices confronting developing countries in the process of economic development and sustainability;
7. understand the importance of health, nutrition and education on economic development;
8. understand the current international policy debates on aid and development;
9. critically evaluate the role and importance of institutions and institutional change in fostering economic development.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

Through these *Learning Outcomes*, this unit contributes to the development of the following *Graduate Capabilities*:

Learning Objectives	MQ Graduate capabilities which the unit contributes to explicitly
1, 2, 3, 5, 7, 9.	Discipline Specific Knowledge and Skills; Critical Analytical and Integrative Thinking
2, 3, 6, 8	Problem Solving and Research Capability
4, 6	Engaged and Ethical Local and Global citizens
4, 8, 9	Creative, Innovative and capable of Professional Judgement
1, 2, 4	Effective Communication
4, 6, 9	Socially and Environmentally Active and Responsible

TEACHING AND LEARNING STRATEGY

The teaching strategy in ECON336 recognises that students learn independently and assume responsibility for the learning process and with academic integrity. The teaching philosophy is articulated as follows:

Lectures - large group learning (3 hours each teaching week, except for seminar presentations)

Lectures are intended to provide an overview economic development both in theory and practice. The lectures will also provide students with a good understanding of major and current issues on development.

Independent Learning - learning by doing (approximately 6 hours each teaching week and 9 hours each week during the mid-semester recess)

ECON336 relies heavily on independent learning where students read the relevant chapters, revise lecture notes, understand questions that will be regularly asked in class and extend themselves by doing additional reading, questions, exercises and problems.

Seminars – small group presentations in Week’s 5, 7, 9, 11 and 13

In seminars (Weeks 5, 7, 9, 11, 13) all students in the entire course will be required make a short group presentation to the entire group on a current topic in economic development. The seminars topics will be an extension of the lecture material where students will be expected to thoroughly research and present their findings to the entire class.

NOTE: THE STRUCTURE AND ALLOCATION OF STUDENTS TO THEIR RESPECTIVE SEMINAR GROUPS WILL BE DONE IN WEEK 3 OF CLASS LECTURES.

ASSESSMENT

The total marks for ECON336 will be calculated as follows:

Assessment	Weighting	Date	Learning Outcomes
Statistical Exercise (Compulsory)		Week 3 (Lectures)	1,2
Class Test 1	10%	Week 6 (Lectures)	1-4
Class Test 2	15%	Week 12 (Lectures)	1-9
Seminar Report and Presentations	15%	Allocated	1-9
Final Examination	60%	Examination Period	1-9
TOTAL	100%		

Statistical Exercise:

It is a requirement of this course that each student undertake a simple statistical analysis. This statistical exercise is attached to this unit outline. Students are required to download data to a spreadsheet file and then compile a set of clearly labelled charts and tables with their own explanations and interpretations. The statistical exercise is due in Week 3 of lectures.

Class Tests: (Total 25 %)

Class tests 1 and 2 will be conducted in the **first hour** of lectures in Week 6 and 12, respectively, of the scheduled classes. The structure and examinable content will be provided to students in due course. It is important to note that absence from class tests will result in a mark of zero, unless a student's absence is supported by acceptable documented (medical) evidence.

Seminar Presentations: (15%)

There will be 6 seminar meetings (Weeks 3, 5, 7, 9, 11, 13) during the semester. Attendance at seminars, preparation for seminars and participation in class discussion is compulsory. To re-emphasise, attendance at seminars and contribution to seminar discussion are partial requirements for completing this course satisfactorily. At each seminar meeting a class roll will be taken. **For each seminar missed, you will lose 1% of the TOTAL assessment marks. PLEASE NOTE: SEMINAR MATERIAL IS EXAMINABLE FOR BOTH THE MID-TERM AND FINAL EXAMINATION.**

Each student will be allocated to a seminar group in **Week 3** of Lectures. Each group will be required to present their allocated topic to the lecture group in their allocated week. In addition, each group will be required to submit a 5-6 page hard copy **AND electronic copy** on the seminar that they are presenting **ON THE DAY** of their presentation. This report is a **GROUP** submission and

therefore students in each seminar group should meet several times before the seminar presentation to discuss the topic and to make arrangements for the seminar presentation as well as the submission of the report. These arrangements should include the division of the topic so that each student participates in the group presentation.

The submission of the hard copy and electronic version of the seminar report on the **day of your allocated** seminar is **compulsory** and each student must participate in a verbal presentation on their allocated topic. Failure to fulfil any one of these conditions will mean that course requirements will not have been met and will involve automatic failure in the unit. The non-attendance at a seminar meeting when an individual is due to present a paper is clearly regarded as unacceptable. If you do have genuine problems of misadventure which affect the presentation of your seminar please let me know **before** the relevant seminar meeting is due to be held.

In the evaluation of a student's seminar presentation/ report the following factors will be considered:

1. The standard displayed in English expression and sentence construction and the level attained in the written articulation of ideas.
2. The ability to exhibit critical analysis in the subject area.
3. The ability to develop ideas in a logical or sequential fashion.
4. **STUDENTS MUST NOT SIMPLY READ FROM THEIR PAPERS.**
5. Students will also have the opportunity to evaluate their peers, via a Peer Evaluation form, which students will be allowed to examine at the end of the semester.

SEMINAR TOPICS

Seminar 1 (Week 3)

The purpose of this seminar is to allocate seminar topics, **submission of the Compulsory Statistical Exercise**, which is attached at the back of this Unit Outline, and the remainder of the time for the first seminar will be devoted to the following questions:

- (i) Why is an understanding of development crucial to policy formulation in developing nations? Do you think it is possible for a nation to agree on a rough definition of development and orient its strategies accordingly?
- (ii) What are the main points raised in Amartya Sen's article?

Todaro, Chs. 1-4.

Sen, Amartya (1988) The concept of Development, *Handbook of Development Economics, Volume 1, Edited by H. Chenery and T.N Srinivasan*. (This chapter will be placed on the ECON336 website, under Seminar 1). Note: it will be in your interest to read this article as it will be examinable in the final examination.

Seminar 2 (Week 5)

In 1973, Robert McNamara (President of the World Bank and former Professor at Harvard Business School) wrote: *"The greatest single obstacle to the economic and social advancement of the majority of the peoples in the underdeveloped world is rampant population growth"* (McNamara, R., 1973, *One Hundred Countries, Two Billion People*. New York: Praeger, p.31).

What is the relationship between population growth and economic development? Explain why population growth may be an impediment to achieving sustainable economic development? If it is a problem, should the government try to limit population growth? Discuss counter-arguments that view population growth as a positive driver of economic development.

Suggested References:

Todaro, Ch. 6.

Perkins *et al*, Ch. 7

Thirwall, Ch. 8

Nancy Birdsall (1988-89), "Economic Approaches to Population Growth," in Hollis B. Chenery and T. N. Srinivasan (eds.), *Handbook of Development Economics*, North Holland, vol. 1, 478-542.

Williamson, Jeffrey (1988), "Migration and Urbanization" in H. Chenery and T. N. Srinivasan (eds.), *Handbook of Development Economics*, Volume 1, Chapter 11, pp. 425-465.

Kelly, A.C. (1988), Economic Consequences of Population Change in the Third World, *Journal of Economic Literature*, 26 (4), pp. 1685 - 1728.

Partha Dasgupta (1995), "The Population Problem: Theory and Evidence," *Journal of Economic Literature*, 33(4), December, 1879-1902.

Ronald Lee (2003), "The Demographic Transition: Three Centuries of Fundamental Change", *Journal of Economic Perspectives*, Vol 17 (4), pp.167-190.

Seminar 3 (Week 7)

How do the trade policies of developed countries affect the ability of less developed countries to benefit from greater participation in the world economy? How do non-trade domestic economic policies of wealthier nations affect the export earnings of developing countries? What is meant by adjustment assistance, and why is it so important to the future of LDC manufactured export prospects?

Suggested References:

Todaro, Ch. 13.

Perkins et al, Ch. 18.

Hogendorn, Chs. 13, 14 & 15.

David Dollar, Aart Kraay, (2004), "Trade, Growth and Poverty", *Economic Journal*, Vol. 114 (493), February.

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

Bela Balassa (1985) "Exports, Policy Choices and Economic Growth in Developing Countries After the 1973 Oil Shock", *Journal of Development Economics*, 18, January, 23-35.

Jeffrey Frankel and David Romer (1999) "Does Trade Cause Growth?" *American Economic Review*, 89, no.3 June, pp. 379-99.

David Greenaway, Wyn Morgan and Peter Wright (2002), Trade Liberalisation and growth in developing countries, *Journal of Development Economics*, Vol. 67, pp.229-244.

Seminar 4 (Week 9)

“The Stern Review: The Economics of Climate Change, released in October 2006, immediately captured the attention of governments, policymakers and the public. The Review’s central message is that climate change is a serious threat to human welfare that demands urgent global action now. It warns that climate change has the potential to lead to major economic and social disruption- on a scale similar to the world wars and the great depression - later in this century and beyond.” (Productivity Commission, p. IX, 2008).

What are the main objectives of the Stern Review? What empirical evidence is being put forward to suggest that there *is* a serious threat to our environment, particularly if we do not act? Is the evidence credible? What, if any, are the drawbacks of a study of this nature (paying particular attention to the assumptions of the models and the recent report by the Productivity Commission (2008)? You may wish to discuss the implications of climate change at the recently held United Nations Climate Conference in Copenhagen, Denmark.

Suggested References:

Stern Review Source: http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm

Baker, R., Barker, A., Johnston, A. and Kohlhaas, M. (2008) *The Stern Review: an assessment of its methodology*, Productivity Commission Staff Working Paper, Melbourne, January.
<http://www.pc.gov.au/research/staffworkingpaper/sternreview>

The Intergovernmental Panel on Climate Change (IPCC, 2007) <http://ipcc-wg1.ucar.edu/index.html>

World Development Report 2003: Sustainable Development in a Dynamic World
World Bank (Available on World Bank Website).

The Garnaut Climate Change Review (2008)
<http://www.garnautreview.org.au/index.htm>

United Nations Climate Change Conference, 2009, Copenhagen, Denmark
<http://en.cop15.dk/>

Seminar 5 (Week 11)

What is foreign aid (how is it defined)? What are the different types of foreign aid? Who are the big providers of foreign aid? Who are the big recipients of foreign aid? Is foreign aid effective?

Suggested References:

Cypher & Dietz pp 583 – 589.

Todaro & Smith Ch 14.

World Bank (1998) *Assessing Aid*. Washington, DC: World Bank.
Students must do their own extra research on this topic.

Moyo, Dambisa. 2009. "Why Foreign Aid is Hurting Africa." *The Wall Street Journal*, March 21. <http://online.wsj.com/article/SB123758895999200083.html>

Sachs, Jeffrey D. (2005) "The Development Challenge." *Foreign Affairs*, March/April, 78-90.

Easterly, William (2003), "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives*, 17(3): 23-48.

Feeny, Simon (2003), "The Impact of Foreign Aid on Poverty and Human Well-Being in Papua New Guinea." *Asia Pacific Development Journal*, 10(2): 73-93.

Wolf, Susanna (2007) "Does Aid Improve Public Service Delivery?" World Institute for Development Economic Research (UNU-WIDER) Research Paper No. 2007/71.

Neanidis, Kyriakos C. and Dimitrios Varvarigos (2005) "The Impact of Foreign Aid on Economic Growth: Volatility of Disbursements and Distribution of Receipts." University of Manchester Centre for Growth and Business Cycle Research Discussion Paper Series No. 056.

Luis Angeles and Kyriakos C. Neanidis (2009), Aid effectiveness: the role of the local elite, *Journal of Development Economics*, Vol 90(1), pp.120-134.

Bräutigam, Deborah A. and Stephen Knack (2004), "Foreign Aid, Institutions, and Governance in Sub-Saharan Africa." *Economic Development and Cultural Change*, 52(1):255–285.

Seminar 6 (Week 13)

Suggested References:

Child labour and its elimination has become a big topic in the study of development and a big issue politically at both the national and the international level.

What is the extent of the problem of child labour? Students should distinguish between the different classifications of working children: “economically active children”, “child labour”, “children in hazardous work” and “children in unconditional worst forms of child labour”. Students should also look at the problem globally, regionally, by age, by gender and by country if interesting and possible.

Describe and explain the relevance to the problem of child labour of the ILO’s Minimum Age Convention 1973 (No. 138), the UN’s Convention for the Rights of the Child and the ILO’s Worst Forms of Child Labour Convention 1999 (No. 182).

What are the costs and benefits associated with the elimination of child labour? What are the different policy approaches to the problem of child labour? Provide examples of policy initiatives which have been used to combat the problem of child labour.

Suggested readings

Grimsrud, B (ed) (2002) *The Next Steps: Experiences and Analysis of How to Eradicate Child Labour*. Oslo, Norway: Institute of Applied Social Science (FAFO).

Available for free at: www.fafo.no/pub/rapp/932/932.pdf.

International Labour Office (ILO) (2006) *End of Child Labour: Within Reach*. Geneva: ILO. Available for free at:

<http://www.ilo.org/ipec/lang--en/index.htm>

International Labour Office (ILO) (2002) *Every Child Counts: New Estimates on Child Labour*. Geneva: ILO. Available for free at:

www.ilo.org/public/english/standards/ipec/simpoc/others/globalest.pdf

ILO (2003) *Investing in Every Child: An Economic Study of the Costs and Benefits of Eliminating Child Labour*. Geneva: ILO. Available for free at:

www.ilo.org/public/english/standards/ipec/pubeducation/edu_costben_2003.htm

ILO International Programme for the Elimination of Child Labour (IPEC) web site:

www.ilo.org/public/english/standards/ipec/

and

UNICEF web site: www.unicef.org Also see the collection of papers in the World Bank Economic Review (2003), vol. 17, No. 2. This journal is available electronically from the library.

Todaro & Smith Ch 8

Final Examination: (60%)

The final examination will be of two (2) hour duration and all the material in the entire course is examinable. The information on the structure of the final examination will be provided in due course. You are expected to present yourself at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations. The relevant website is <http://www.timetables.mq.edu.au/exam>

IMPORTANT NOTICE ON FINAL EXAM

Students **MUST** pass the **FINAL EXAMINATION** in order to satisfactorily complete an economics unit. Failure to fulfil this condition will involve **automatic** failure in the unit.

SUPPLEMENTARY EXAMINATIONS

The ONLY exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may consider applying for Special Consideration http://www.mq.edu.au/policy/docs/s/procedure_specialconsideration.htm

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

Note: It is also Macquarie University policy **NOT** to set early examinations for individual or groups of students. All students are expected to ensure that they are available until the end of the teaching semester; that is the final day of the official examination period. Therefore, please **DO NOT REQUEST** an earlier exam.

The following range of standardised numerical grades applies as follows:

HD	= High Distinction (85-100)
D	= Distinction (75-84)
Cr	= Credit (65-74)
P	= Pass (50-64)
PC	= Conceded Pass (45-49)
F	= Fail (0-44)

Raw marks are given on each assessment task. The scaled marks are then derived from raw marks. The student's grade of achievement in a unit is based on an assessment of **all** relevant work in the unit including performance at examinations (Refer to Student Undergraduate Handbook <http://www.handbook.mq.edu.au/2009/Home.php>).

COURSE OVERVIEW

- (a) Meaning of Development, Historical Experience and Major Theories of Economic Development
- (b) Income Distribution and Poverty, Social Indicators and distribution.
- (c) Population Growth and Economic Development and Rural-Urban Migration
- (d) Issues of Education and the Agricultural Sector in Development
- (e) International Aspects of Development: The Structure of World Trade: The Classical Arguments for International Trade - Static Allocative Effects and Dynamic Growth Effects.
- (f) Trade Policies in Developing Countries: Export Promotion, Import Substitution, and Economic Integration
- (g) Economic Growth and Development
- (h) Sustainable Development
- (i) The World Bank, IMF and Structural Adjustment; Global Financial Crisis.
- (j) Third World Debt and Foreign Aid
- (k) Health Development

LECTURE OUTLINE

WEEK 1

Meaning of Development, Historical Experience and Classic Theories of Economic Development

Todaro and Smith, Chs. 1-4.

Cypher and Dietz, Chs. 3-4

Perkins *et al.*, Chs. 1-4.

Ray, Debraj. Development Economics, The New Palgrave Dictionary of Economics. Second Edition. Eds. Steven N. Durlauf and Lawrence E. Blume. Palgrave Macmillan, 2008.

Banerjee, Abhijit and Esther Duflo (2006). "The Economic Lives of the Poor," *Journal of Economic Perspectives*, 21(1), 141-167.

WEEK 2

Income Distribution, Poverty, Social Indicators and Distribution

Todaro and Smith, Ch. 5.

Perkins *et al.*, Ch. 6.

Partha Dasgupta, "The Place of Nature in Economic Development," in D. Rodrik and M. Rosenzweig, eds., *Handbook of Development Economics*, vol. 5, North-Holland, 2009.

François Bourguignon and Christian Morrisson (2002), "Inequality Among World Citizens: 1820-1992", *American Economic Review*, Vol. 92(4), September, pp. 727-744.

Forbes, Kristin J. (2000) "A reassessment of the relationship between inequality and growth," *American Economic Review*, Vol. 90(4), pp. 869-887.

Schultz, T Paul (1998), "Inequality in the Distribution of Personal Income in the World: How It Is Changing and Why", *Journal of Population Economics*, Vol.11 (3), August, pp. 307-44.

Alesina, Alberto and Dani Rodrik (1994), "Distributive Politics and Economic Growth," *Quarterly Journal of Economics* 108: 465-90.

Gary S Fields, *Distribution and Development*, A New Look at the Developing World, MIT Press Cambridge, Massachusetts London, England, 2001.

Chen, Shaohua, and Martin Ravallion (2004) "How Have the World's Poorest Fared since the Early 1980s," *The World Bank Research Observer*, vol. 19, no. 2.

Deaton, Angus, "Global patterns of income and health: facts, interpretations, and policies", WIDER Annual Lecture, September 2006.

Deaton, Angus, "Income, ageing, health and wellbeing around the world: Evidence from the Gallup World Poll," Princeton University, August 2007.

WEEK 3

Population Growth, Economic Development and Rural-Urban Migration

Todaro and Smith, Chs. 6 & 7

Cyper and Dietz, Ch. 12

Perkins *et al*, Ch. 7

Ronald Lee (2003), "The Demographic Transition: Three Centuries of Fundamental Change", *Journal of Economic Perspectives*, Vol 17 (4), pp.167-190. Note: Excellent article which outlines the issues on population growth and Demographic Transition.

Fields, Gary. S (2004) Dualism in the Labor Market: A Perspective on the Lewis Model after Half a Century, *Manchester School*, Vol. 72 (6), pp. 724-735.

WEEK 4

Issues of Education and the Agricultural Sector in Development

Todaro and Smith, Chs. 8 & 9.

Cyper and Dietz, Chs. 11 &12

Perkins *et al*, Ch. 8.

Kremer, Michael, Edward Miguel, and Rebecca Thornton January (2009)
"Incentives to Learn," mimeo
http://elsa.berkeley.edu/~emiguel/miguel_incentives.pdf

Krueger, A. B. and Mikael Lindahl "Education for growth" *Journal of Economic Literature*, 2001

Benhabib, J. and M. Spiegel (1994). "Role of Human Capital in Economic Development: Evidence from Aggregate Cross-Country Data," *Journal of Monetary Economics*, 34: 143-73.

Banerjee, Abhijit (2004), "Educational Policy and the Economics of the Family", *Journal of Development Economics*, Vol. 74 (1), pp. 3-32.

WEEK 5

The Structure of World trade: The Classical Arguments for International Trade - Static Allocative Effects and Dynamic Growth Effects.

Todaro and Smith, Ch. 12.

Hogendorn, Ch. 13.

Thirlwall, Ch. 16.

WEEK 6

Mid-Semester Class Test (1st Hour)

Trade Policies in Developing Countries: Export Promotion, Import Substitution, and Economic Integration

Todaro and Smith, Ch. 12

Jeffrey Frankel and David Romer (1999) "Does Trade Cause Growth?" *American Economic Review*, 89, no.3 June, pp. 379-99.

Sebastian Edwards (1998), "Openness, Productivity, and Growth: What Do We Really Know?" *Economic Journal*, 108, March, pp.383-98.

Global Economic Prospects and the Developing Countries (2003), World Bank Report <http://www.worldbank.org/prospects/gep2003/toc.htm>

WEEK 7

Economic Growth and Development

Todaro and Smith Ch. 3

Thirwall Ch.4

Barro, Robert, and Xavier Sala-i-Martin (2004), *Economic Growth*, Introduction. Second Edition.

Weil, David N. (2005). *Economic Growth* Pearson, Addison Wesley.

Temple, Jonathan (1999) "The New Growth Evidence", *Journal of Economic Literature*, 37/1, March, pp.112-156.

Mankiw, G.N. and Weil, D (1992), "A Contribution to the Empirics of Economic Growth", *The Quarterly Journal of Economics*, Vol. 107 (2), pp. 404-437.

Pritchett, Lant (2000), "Understanding Patterns of Economic Growth", *World Bank Economic Review*, May (Available online from World Bank Website)

Caselli, Francesco, "Accounting for Income Differences Across Countries," chapter 9 in the *Handbook of Economic Growth Vol. 1A*, P. Aghion and S. Durlauf, eds., North Holland, 2005.

Weil, David, (2007) "Accounting for the Effect of Health on Economic Growth," *Quarterly Journal of Economics*.

Bosworth, Barry, and Susan M. Collins, "The Empirics of Growth: An Update," *Brookings Papers on Economic Activity*, 2003: 2.

Hall, Robert E. and Charles I. Jones (1999), "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *The Quarterly Journal of Economics* 114: 83-116.

Hsieh, Chang-Tai and Peter Klenow (2007) "Relative Prices and Relative Prosperity," *American Economic Review*.

WEEK 8

Economic Growth and Development & Sustainable Development

Todaro and Smith Ch.10

Thirwall Ch.4

Barro, Robert, and Xavier Sala-i-Martin (2004), *Economic Growth*: Introduction. Second Edition.

Weil, David N. (2005). *Economic growth* Pearson, Addison Wesley.

The World Bank (2002), *World Development Report 2003: Sustainable Development in a Dynamic World*, New York: Oxford University Press for the World Bank. (Available free on the World Bank Internet Site, <http://econ.worldbank.org/wdr/wdr2003/>)

Glaeser, E., R. La Porta, and F. Lopez-de-Silanes, and A. Shleifer, (2004) "Do Institutions Cause Growth?" *Journal of Economic Growth*, September.

Timothy Besley and Maithreesh Ghatak, "Property Rights and Economic Development," in D. Rodrik and M. Rosenzweig, *Handbook of Development Economics*, vol. 5, North-Holland, 2009.

Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi, (2004) "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development" *Journal of Economic Growth*, vol. 9, no.2.

Kaufmann, Daniel, Aart Kraay, and Massimo Mastruzzi, "Governance Matters VI: Governance Indicators for 1996-2006," World Bank, July 2007.

Svensson, Jakob, (2005), "Eight Questions about Corruption," *Journal of Economic Perspectives*, 19(3), 19-42.

WEEK 9

Sustainable Development

Todaro and Smith Ch. 10

Thirwall pp. 284-90

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Class Test 2 (Week 12)

The World Bank, the IMF, and the Effectiveness of Structural Adjustment and Stabilisation Policies: The international context: financial crisis and beyond

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WEEK 13

Health and Development

Todaro & Smith, Ch 8.

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Websites for Food & Agricultural Organization (FAO) - www.fao.org and for the World Health Organization (WHO) - www.who.int. Both the FAO and the WHO are UN organizations and their websites are full of lots of information, reports and papers that can be accessed for free. You can also check the World Bank website again as it has information on health and nutrition. In particular, the FAO's ***The State of Food Insecurity in the World Reports 1999-2004*** are referenced regularly in the lectures.

Svedberg, P. (1999) "841 Million Undernourished?" ***World Development***, 27(12), 2081-98.

Duflo, Esther, (2001) "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review*, Vol. 91, No. 4, pp. 795-813.

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PLAGIARISM

The University defines plagiarism in its rules: "Plagiarism involves using the work of another person and presenting it as one's own." Plagiarism is a serious breach of the University's rules and carries significant penalties. The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

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BESS

The (Faculty of) **B**usiness and **E**conomics **S**tudent **S**ervices is a drop-in centre for students who are taking units in the Faculty of Business and Economics. It is located in **Room 106, Building E4B**.

http://www.businessand economics.mq.edu.au/for/new_and_current_students/undergraduate_current_students/bess

ECON336

ECONOMIC DEVELOPMENT

COMPULSORY STATISTICAL EXERCISE

2010

DUE: WEEK 3, LECTURES

Compulsory Statistical Exercise

Part A:

Select the following country according to the beginning letter of your own surname and answer the following questions:

- A - D - Mexico
- E - H - Argentina
- I - L - Brazil
- M - P - China
- Q - T - Columbia
- U - Z - Ukraine

1. For your selected country listed above visit the following website <http://devdata.worldbank.org/data-query/> and find out the latest data on the following:
 - GNI (Formerly GNP) per capita (US dollars)
 - Three other indicators of the level of development (your choice).

Justify, in one sentence, why you selected the three other indicators.

2. For the same country, taking the most recent date possible, what is the GDP per capita at common (US, i.e. PPP) prices as measured in the Summers and Heston project (http://pwt.econ.upenn.edu/php_site/pwt62/pwt62_form.php)
3. Using the same country go to the following website <http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp> and calculate the various measures for the latest period available and then copy this data into an Excel spreadsheet, which you then copy and include in your hard copy submission.

Part B:

Cross-country data are frequently used for the inductive analysis of development patterns and also for testing theoretical hypotheses about development. Consider differences in the child mortality rate (CMR) across the continuum of development, as measured by GNP (GNI) per capita (call this Y). The database for this exercise is given in the Table 1 below.

(a) From the data in Table 1 below calculate the average values of CMR and Y for:

- (i) Low- income countries
- (ii) Low-middle –income countries
- (iii) Upper-middle-income countries

Table 1

Child Mortality Rates (CMR) and Per Capita Income for 24 Selected LDC's

	GNP (GNI) per capita (PPP\$)	Under-5 Mortality Rate per 1,000 live births
Low-Income Economies		
Ethiopia	340	216
Tanzania	630	158
India	1,210	104
Bangladesh	1,230	127
Kenya	1,360	110
Senegal	1,750	113
China	1,910	43
Honduras	1,930	70
Low-Middle-Income Economies		
Pakistan	2,130	142
Bolivia	2,270	115
Cameroon	2,300	124
Philippines	2,480	56
Sri Lanka	2,810	24
Indonesia	2,970	98
Peru	3,080	75
Egypt	3,670	93
Upper –Middle Income Economies		
Tunisia	5,130	63
Brazil	5,250	76
Hungary	5,740	21
Columbia	5,760	29
Argentina	6,080	38
Mexico	7,490	49
Malaysia	8,050	20
Korea, Republic	8,950	18

Source: World Bank, World Development Report 1994, pp.214-15, 220-21.

- (b)
- (i) Plot the three points corresponding to the averages you calculated in part (a). (*Note: Label GNP(GNI) per capita on the horizontal axis and Child Mortality on the vertical axis*)
 - (ii) What do you observe about the general relationship between Y and CMR?
- (c) Now examine several individual countries in relation to the pattern that you derived from the group averages.

(i) **From Table 1, what are the values of CMR and Y for each of the following eight countries?**

Ethiopia
China
Honduras
Pakistan
Cameroon
Sri Lanka
Brazil
Malaysia

(ii) Plot these eight points on the same diagram from part (b).

(iii) What factors other than Y might account for the deviations between CMR values and the average pattern established in part b? Provide two plausible answers.

(d) Do the country – specific statistics invalidate the presumption that there is a pattern to the changes in child mortality rates that occur in the course of economic development?

NOTE: LENGTH NO MORE THAN 2 PAGES (INCLUDING DIAGRAMS).

MACQUARIE UNIVERSITY
ECON336 ECONOMIC DEVELOPMENT

Coversheet Declaration

Unit Assignment

Name Student number

I certify that

- This assignment is my own work, based on my personal study and/or research
- I have acknowledged all material and sources used in the preparation of this assignment, including any material generated in the course of my employment
- If this assignment was based on collaborative preparatory work, as approved by the teachers of the unit, I have not submitted substantially the same final version of any material as another student
- Neither the assignment, nor substantial parts of it, have been previously submitted for assessment in this or any other institution
- I have not copied in part, or in whole, or otherwise plagiarised the work of other students
- I have read and I understand the criteria used for assessment
- The assignment is within the word and page limits specified in the unit outline
- The use of any material in this assignment does not infringe the intellectual property / copyright of a third party
- I understand that this assignment may undergo electronic detection for plagiarism, and a copy of the assignment may be retained on the database and used to make comparisons with other assignments in future

Signature

Date

This declaration is a summary of the University policy on plagiarism. For the policy in full, please refer to Student Information in the Handbook of Undergraduate Studies or www.student.mq.edu.au/plagiarism/