1. COURSE DESCRIPTION:

This course is designed to give students an appreciation of the problems facing underdeveloped and developing countries and the measures which may be taken to encourage economic development.

2. LECTURERS:

Weeks 1 – 9  
Joseph Macri (Lecturer-in-Charge)  
Room: E4A415  
Tel: 9850 9469  
Email: jmacri@efs.mq.edu.au

Weeks 10 - 13  
Craig Macmillan  
Room: E4A427  
Tel: 9850 7290  
Email: craig.macmill@efs.mq.edu.au

3. ASSESSMENT:

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistical Exercise</td>
<td>Compulsory (Due Week 3 in allotted Seminars)</td>
</tr>
<tr>
<td>Seminars</td>
<td>15%</td>
</tr>
<tr>
<td>Multiple Choice Test 1</td>
<td>10% (Week 6 in Lectures)</td>
</tr>
<tr>
<td>Multiple Choice Test 2</td>
<td>10% (Week 12 in Lectures)</td>
</tr>
<tr>
<td>Final Examination</td>
<td>65%</td>
</tr>
</tbody>
</table>

IMPORTANT NOTICE

It is the POLICY of the Department of Economics that 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.
(a) Compulsory Multiple Choice Tests

Two (2) Multiple Choice tests will be held during your normal lecture times in the first hour of Week 6 and Week 12 of lectures. The tests will account for 20% of the total marks used to assess your grade for the course. Attendance at the test is compulsory. If you fail to attend the test you will be awarded a zero mark. Students who experience serious misadventure and are unable to attend the test should contact Joseph Macri - E4A415 (Tel: 9850 9469) and provide full documentation explaining their non-attendance. As a matter of justice to all students, flimsy excuses will be rejected outright.

4. PRESCRIBED TEXTBOOK FOR COURSE:


5. OTHER USEFUL RECENT BOOKS:


6. OTHER REFERENCES:


Various World Development Reports (available free online). Excellent source of relevant material.

7. Resources on the Internet:

The following online resources will prove to be very useful.

(vii) Oneworld [http://www.oneworld.net/](http://www.oneworld.net/)
(viii) Center for International Development at Harvard University: [http://www.cid.harvard.edu/](http://www.cid.harvard.edu/)
(ix) Institute of Development Studies: [http://www.ids.ac.uk/ids/](http://www.ids.ac.uk/ids/)
(x) Asian Development Bank: [http://www.adb.org](http://www.adb.org)

8. A SELECTED LIST OF USEFUL ECONOMIC DEVELOPMENT JOURNALS:

*Developing Economies;*
*Development and Change;*
*Economic Development and Cultural Change;*
*Journal of Developing Areas;*
*Journal of Development Studies;*
*Journal of Development Economics;*
*World Development*
9. COURSE OVERVIEW:

(a) Historical Experience and Major Theories of Economic Development
(b) Income Distribution and Poverty
(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
(j) Third World Debt and Foreign Aid
(k) Health, Nutrition and Development

10. LECTURE OUTLINE:

Week 1 (28th February).

**Historical Experience and Classic Theories of Economic Development**

Todaro and Smith, Chs. 1-4.

Cypher and Dietz, Chs. 3-4


Hogendorn, Chs. 1, 3

Meier, Chs. 1-2.

Week 2 (6th of March).

**Income Distribution and Poverty**

Todaro and Smith, Ch. 5.

Perkins *et al.*, Ch. 4.

Hogendorn, Ch. 2.

Meier, Ch. 1.


**Week 3 (13th of March).**

**Population Growth, Economic Development and Rural-Urban Migration**

Todaro and Smith, Chs. 6 & 7

Cyper and Dietz, Ch. 12

Perkins *et al*, Ch. 8

Meier, Ch. 6.


**Week 4 (20th of March)**

**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. 10 & 16.

Krueger, Alan B. and Mikael Lindahl “Education for growth” Journal of Economic
Literature, 2001


**Week 5 (27th of March)**

**International Aspects of Development: 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 (3rd of April)**

**Mid – Semester Multiple Choice Test (1st Hour)**

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

Todaro and Smith, Ch. 13


**Weeks 7 (10th of April)**

**Economic Growth and Development**

Todaro and Smith Ch. 3

Thirwall Ch.4


**MID - SEMESTER BREAK (Saturday April 12th - Sunday April 26th)**

**Week 8 (1st of May)**

**Economic Growth and Development & Sustainable Development**

Todaro and Smith Ch.10

Thirwall Ch.4


**Week 9 (8th of May)**

**Sustainable Development**

Todaro and Smith Ch. 10

Thirwall pp. 284-90


Week 10 -12 (15th and 22nd May; 29th May)

The World Bank, the IMF, and the Effectiveness of Structural Adjustment and Stabilisation Policies

Todaro & Smith Ch 14.
Cypher & Dietz Ch 17

World Bank web site; www.worldbank.org

IMF web site; www.imf.org

Bretton Woods Project web site; www.brettonwoodsproject.org


**Week 13 (5th of June)**

**Nutrition, Health and Development**

Todaro & Smith, Ch 8.


Hess & Ross, Ch 7.

Hogendorn, Ch 10.


 Websites for Food & Agricultural Organization (FAO) - [www.fao.org](http://www.fao.org) and for the World Health Organization (WHO) - [www.who.int](http://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.


11. SEMINARS

There will be two-hour lectures each week and six (6) seminar meetings held for each group during the semester. Attendance at lectures, 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 lecture and 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.

There will be a meeting for each seminar group during the third week of the semester in which the primary purpose is to allocate all students to seminar groups. Each student will be allocated to one group in which the group will be required to present their allocated topic to the seminar. 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 can play a role in the joint 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 at the appropriate seminar. 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 us know before the relevant seminar meeting is due to be held. The slipping under staff members doors of notes of explanation or merely a seminar paper when non-attendance has taken place is not acceptable. Also note that turning up late after the seminar has started, on the day you are due to present your seminar paper is also clearly not acceptable. 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 1 (Week 3)

The purpose of this seminar is to allocate seminar topics, submission of the Compulsory Statistical Exercise, which is attached to the end of the 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 ECON235 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)

What is the relationship between population growth and economic development? Is population growth as serious a problem as many people believe, or is it just a problem of underdevelopment and the unequal use of resources between rich and poor nations? If it is a problem, should the government therefore try to limit population growth?

Suggested Readings:

Todaro, Ch. 6.

Perkins et al, Ch. 7
Thirwall, Ch. 8


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 Starting References:

Todaro, Ch. 13.

Perkins et al, Ch. 18.

Hogendorn, Chs. 13, 14 & 15.


**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 has been put forward in the Stern Review that suggests that there is a serious threat to our environment? Are we doomed? Why or why not?

Suggested Starting References:

Stern Review Source: [http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economicsclimate_change/stern_summary.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economicsclimate_change/stern_summary.cfm)


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

World Bank (Available on World Bank Website).

**Seminar 5 (Week 11)**

Newspapers regularly carry major articles about the high levels of external (foreign) indebtedness in the developing world. Moreover, people take to the streets in cities of both the developed and developing worlds to protest against the intolerable burden that foreign debt imposes on struggling nations and demanding the forgiveness or cancellation of debts by the richer countries. This seminar is designed to examine how the debt crisis began, what has been done about it and to consider whether a debt crisis still exists today.

Describe the evolution of the Third World debt crisis of the 1980s. Students should look at such things as the causes of the debt crisis and also at what regions of the developing world were most effected by the crisis?
What initiatives have been pursued to deal with the debt crisis? Students should look at initiatives such as the Brady Plan and the Heavily Indebted Poor Countries (HIPC) initiative.

What debt conversion instruments have been used to assist countries in the management of external debt? Students should look at instruments like debt buy-backs, debt-for-development swaps, debt-for-equity swaps and debt-for-equity swaps.

Does the debt crisis still exist? Students should consider external debt levels for the developing world as whole, by region, by income group and special category such as the severely indebted category.

Suggested Readings:

Suggested Starting References:


World Bank and IMF web sites have lots of material on external debt, in particular, information on the HIPC. See [www.worldbank.org](http://www.worldbank.org) and [www.imf.org](http://www.imf.org).

Other useful websites include: [www.jubileeplus.org](http://www.jubileeplus.org), [www.eldis.org](http://www.eldis.org) and [www.dri.org.uk](http://www.dri.org.uk).

World Bank (2003) *Global Development Finance*. Washington, D.C: World Bank. See previous years. In particular, the statistical appendix to Volume 1 is very useful for debt statistics. Prior to 1997 this publication was called *World Debt Tables*.

**Seminar 6 (Week 13)**

**The development experience of the Indian state of Kerala has been the subject of considerable interest among development economists particularly and development scholars more generally.**

What has been the development experience of Kerala? What are the causes of this experience? Why has it stimulated so much interest and controversy? What are the future prospects for Kerala?

Suggested Starting references:

12. **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. You must read the University’s practices and procedures on plagiarism. These can be found on the web at: [http://www.student.mq.edu.au/plagiarism/](http://www.student.mq.edu.au/plagiarism/). 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 a unit, and/or referral to the University Discipline Committee.

13. **UNIVERSITY POLICY ON GRADING**

Academic Senate has a set of guidelines on the distribution of grades across the range from High Distinction to Fail. Your final result will include one of these grades plus a standardised numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may NOT be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should achieve similar results. The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.
ECON235

ECONOMIC DEVELOPMENT

COMPULSORY STATISTICAL EXERCISE

2008

DUE: SEMINAR 1, WEEK 3 IN ALLOTTED SEMINAR CLASS
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

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


(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

ECON235 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/