

# Politics of Economic Development in the World

POLSX3801

(Spring 2018)

**Instructor:** Xiaobo Lu

**Time and Room:** Wed 4:10-6pm, 404 Barnard Hall

**Office Hours:** Wed 2-4pm, 207 LeFrak

**Course overview:** This undergraduate colloquium aims to study political and social factors behind economic development and exam empirical cases of the success and failure in economic growth in order to understand the key features as well as causes and consequences of the development processes.

In the last two centuries, some countries successfully achieved economic growth and development, while other failed to do so. Even in the post-WWII period, the world has witnessed the rise and decline of economies around the world. Why do nations succeed or fail in economic development? How do political institutions affect economic outcomes? Is a strong state necessary for economic development? What are the ways in which state and market interact and influence each other? Can democracy be considered a cause of development, an outgrowth of development, or neither and to which extent? How do external factors such as foreign aid encourage or discourage development? We will try to examine these questions by taking a historical-institutional and comparative approach and take a critical look at the role of political and other institutions by applying theoretical guidelines and empirical cases. We will explore competing explanations for the successes and failures of economic development in the world.

**Objective:** Through readings, discussions, and research writing, students are expected to understand some important concepts, theories and cases in economic development. We will explore the interconnections between politics, economy, and society in the context of development policy and practice. As a result, students are expected to have a good understanding of various factors that shape economic development and underdevelopment in the world.

**Requirements:** Class discussion is the main form of learning. Each week a specific topic will be chosen as the main theme for class discussion. Students will be expected to fulfill weekly reading assignments and participate in class discussions. The instructor will lecture some 30 minutes with background information and key concepts. Then class discussion will be led by a student assigned to that week. Students are also encouraged to read some additional print and internet material as part of their research projects.

*Prerequisites:* Open to undergraduate students with junior standing in any social science majors, but preference to Barnard political majors for fulfilling major requirements. A prior introductory course in comparative politics (POS V1501) will be helpful. Prior exposure to macroeconomics is a plus.

Grades are based on:

1. A weekly short reaction essay on the readings to be posted on the class coursework discussion board (starting on Week 2). Students are also expected to make comments or raise questions on postings by others. Please note that the reaction essay should be posted online before the time of class. 20% of course grade;
2. A research paper of any topic related to the course (20-25 pages), 60% of course grade;
3. Class participation including leading at least one discussion session 20%.

There is no required textbook for the class. All the readings will be available through library E-journal collection and/or posted on class website @coursework. The only book recommended to purchase is *Why Nations Fail? The origin of power, prosperity and poverty* by Daron Acemoglu and James Robinson (2012)

## **Part 1. Introduction to Development: Patterns and Theories**

### **Week 1. Why economic development?**

Introduction to the course

### **Week 2. Theories and patterns of growth and development**

#### 1) *What is "development"?*

Ranis, G. (2004), "The Evolution of Development Thinking", working paper.

Dang, G, and Sui Peng, L (2015), "Theories of Economic Development",

Easterly, W. (2009). "The ideology of development". *Foreign Policy*, 161, 30-35.

Rostow, W. W. (1959). "The stages of economic growth." *The Economic History Review*, 12(1), 1-16.

Szostak, R. (2009). *Causes of Economic Growth: interdisciplinary perspectives*. Springer. Chapter 4 (pp99-134).

### **Week 3. Institutions, political regimes, and development**

- *Democracy, authoritarianism and development*

Przeworski, A., & Limongi, F. (1993). "Political Regime and Economic Growth", *Journal of Economic Perspective*, 7 (2), 51-69.

Varshney, A. (2000). "Why Have Poor Democracies Not Eliminated Poverty? A suggestion". *Asian Survey*, 718-736.

Gerring, J., Bond, P., Barndt, W. T., and Moreno, C. (2005). "Democracy and Economic Growth: A historical perspective". *World Politics*, 57(03), 323-364.

- *Institutions and development*

Mann, M. (1984). "The Autonomous Power of the State: its origins, mechanisms and results". *European journal of sociology*, 25(02), 185-213.

Acemoglu, D. and Robinson, J. (2012). *Why Nations Fail? The origin of power, prosperity and poverty* Chapters 1, 2.

Bardhan, P. (2006). "Institutions and Development" *The Elgar Companion to Development Studies*, Edward Elgar Publishing, 2-56.

#### **Week 4. Natural endowment and economic development**

##### 1) *"Natural Resources Curse" and "Dutch Disease"*

Szostak, R. (2009). *Causes of Economic Growth: interdisciplinary perspectives*. Springer. Chapter 6.5 (pp186-190).

Robinson, J. A., Acemoglu, D., Johnson, S., & Rodrik, D. (2003). "An African Success Story: Botswana." *In Search of Prosperity: Analytic Narratives on Economic Growth*.

Weinthal, E., & Luong, P. J. (2006). "Combating the resource curse: An alternative solution to managing mineral wealth." *Perspectives on Politics*, 4(01), 35-53.

Frankel, J. A. (2010). "The natural resource curse: a survey" (No. w15836). *National Bureau of Economic Research*.

- *"Rentier State": consequence of natural resources dependence*

Ozyavus, A., and Schmid, D. (2015) "Persistence and Evolution of the Rentier State in Gulf Countries", working paper.

##### 3. *Geography and economic development*

Gallup, J. L., Sachs, J. and Mellinger, A. (1999), "Geography and Economic Development" *International Regional Science Review*.

#### **Week 5. Culture, Society and economic development**

Szostak, R. (2009). *Causes of Economic Growth: interdisciplinary perspectives*. Springer. Chapter 8 (pp233-266).

Webber, M (2001) *The Protestant Ethics and The Spirit of Capitalism*. Routledge, pp1-50; 102-125.

Hamilton, G. and Biggart, N. (1988), "Market, Culture, and Authority: a comparative analysis of management and organization in Far East", *American Journal of Sociology*, 94, pp. S52-S94.

Guiso, L., Sapienza, P., and Zingales, L. (2006) "Does Culture Affect Economic Outcomes?", *NBER Working Paper* n.11999.

## **Part 2. Comparative Development Experiences**

### **Week 6. Industrialization and early development**

- *The emergence of the European world-system and the rise of the core economies*

North, D. and Thomas, R. (1973). *The Rise of the Western World: a new economic history*. Cambridge University Press, pp1-24.

Tilly, C. (1975). "Reflections on the History of European State-making". *The formation of national states in Western Europe*, 38.

Gorski, P. S. (1993). "The Protestant ethic revisited: Disciplinary revolution and state formation in Holland and Prussia." *American Journal of Sociology*, 265-316.

Tan, L. (2013). "Market-Supporting Institutions, Guild Organisations, and the Industrial Revolution: A Comparative View" *Australian Economic History Review*, 53 (3): 221

- *Reconstruction: lessons of external assistance*

Williams, A. (2005). "Reconstruction before the Marshall Plan", *Review of International Studies*, 31, 541-558.

### **Week 7. Communist states and central planning**

- *Soviet economic development*

Ericson, R. E. (1991). "The classical Soviet-type economy: Nature of the system and implications for reform." *The Journal of Economic Perspectives*, 11-27.

Mazat, N. and Serrano, F (1995) "An analysis of the Soviet economy from 1950s to the collapse of the USSR", unpublished paper.

Lazarev, V. and Gregory, P. (2002). "The Wheels of a Command Economy: allocating Soviet vehicles", *The Economic History Review*, 55(2): 324-348.

- *Maoist industrialization of China*

Riskin, C. (1987). *China's political economy: the quest for development since 1949* Oxford: Oxford University Press, pp. 201-222.

Kanbur, R., & Zhang, X. (2005). "Fifty years of regional inequality in China: a journey through central planning, reform, and openness". *Review of development Economics*, 9(1), 87-106.

## **Week 8 State-led Economic Development: the “East Asian Miracle”**

Routley, L. (2012). *Developmental states: a review of the literature*.

Johnson, C. (1987). “Political institutions and economic performance: the government-business relationship in Japan, South Korea, and Taiwan” in Fred Deyo, ed. *The political economy of the new Asian industrialism*, 136-164.

Sen, A. (1983). “Lessons for Development from the Japanese Experience.” *Journal of Economic Issues*, 415-422.

Rodrik, D. (1995). “Getting interventions right: how South Korea and Taiwan grew rich”. *Economic Policy* Vol. 10, No. 20.

Johnson, C. (1999). “The developmental state: Odyssey of a concept.” *The developmental state*, 32-60.

Yusuf, S. (2001). “The East Asian miracle at the millennium” in Stiglitz and Yusuf eds, *Rethinking the East Asian Miracle*, 1-54.

Siddiqui, K. (2010). “The Political Economy of Development in Singapore”. *Research in Applied Economics*

**Research paper statement (topic and research questions) is due on March 7.**

## **Week 9. Politics of reforms: from central planning to market economy**

### 1) *Reform and opening-up in China*

Barry Naughton (1996), *Growing out of the Plan*, chapter 4, “the Growth of non-State Sector”

Lardy, N. R. (2014). *Markets over Mao: the rise of private business in China*, chapter 1 and 3 (“State vs Capitalist Market” and “The Rise of the Private Sector”).

Brandt, L. and Rowski, T. (2008) “China’s Great Economic Transformation”, the Introduction chapter.

### 2) *Shock therapy and economic transition*

Burawoy, M. (1996), “The state and economic involution: Russia through China lens”, *World Development*, vol 24, no.6.

Murrell, P. (1993). “What is shock therapy and what did it do to Poland and Russia?” *Post-Soviet Affairs*, vol.9, no.2.

Popov, V. (1998). “Shock Therapy vs Gradualism”.

## **Week 10. Legacies, dependency development, and world-system**

- *Dependency development theory and Latin America*

Cardoso, F. H., & Faletto, E. (1979). *Dependency and Development in Latin America*. University of California Press.

Stern, S. J. (1988). "Feudalism, capitalism, and the world-system in the perspective of Latin America and the Caribbean." *The American Historical Review*, 829-872.

Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). *Reversal of fortune: geography and institutions in the making of the modern world income distribution* (No. w8460). National bureau of economic research.

- *The "Washington Consensus"*

Williamson, J. (1990). "What Washington means by policy reform". *Latin American adjustment: How much has happened*, 1.

Kanbur, R. (2009). "The co-evolution of the Washington Consensus and the economic development discourse." *Macalester International*, 24(1), 8.

- *Institutional legacies, import substitution industrialization, debt crisis, inflation and privatization*

Johnson, L. J. (1967). "Problems of import substitution: the Chilean automobile industry". *Economic Development and Cultural Change*, 202-216.

Przeworski, A. and Curval, G. (2008) "Does Politics Explain the Gap between Latin America and United States", in Frances Fukuyama, ed, *Falling Behind*, Oxford University.

Fukayama, F. (2008), "Do Defective Institutions Explain the Gap between US and Latin America?", in Fukuyama, *Falling Behind*.

## **Week 11. Foreign aid, trade, and external factors for development**

Boone, P. (1996). "Politics and the effectiveness of foreign aid". *European economic review*, 40(2), 289-329.

Edwards, S. (2014). "*Economic development and the effectiveness of foreign aid: A historical perspective*" *NBER Working Paper 20685*

Bräutigam, D. and Stephen Knack (2004) "Foreign Aid, Institutions, and Governance in Sub-Saharan Africa", *Economic Development and Cultural Change*, 52 (2).

Moss, T. J., Pettersson, G., & Van de Walle, N. (2006). "An aid-institutions paradox? A review essay on aid dependency and state building in sub-Saharan Africa". *Center for Global Development working paper*, (74), 11-05.

## **Week 12. Religion, democratic institutions, and the politics of liberalization**

- *Federalism, causes and consequences of liberalization in India*

Varshney, A. (1998). "Mass politics or elite politics? India's economic reforms in comparative perspective". *The Journal of Policy Reform*, 2(4), 301-335.

Ahluwalia, M. S. (2002). "Economic reforms in India since 1991: has gradualism worked?." *The Journal of Economic Perspectives*, 16(3), 67-88.

Sinha, A. (2004). "The changing political economy of federalism in India: A historical institutionalist approach." *India Review*, 3(1), 25-63.

- *Ethnic conflict, labor and class politics*

**Ghani, E. and Iyer, L. (2010), "Conflict and Development", VOX, <http://www.voxeu.org/article/conflict-and-development-lessons-south-asia>**

Sinha, A. (2007). "Economic growth and political accommodation". *Journal of Democracy*, 18(2), 41-54.

- *Poverty and democracy co-existence in India*

Kphli, A. (2006) "Politics of Economic Growth in India, 1980-2005: Part I: The 1980s" and "Part II: the 1990s and Beyond", *Economic and Political Weekly*, 41, (13 and 14), pp. 1251-1259.

Drèze, J., & Sen, A. (2013). *An uncertain glory: India and its contradictions*. Princeton University Press. Chapters 1 & 8.

### **Part 3: New Challenges**

#### **Week 13. The "Middle-income trap" facing newly industrializing economies**

- *The concept and theory*

Agenor, P-R, and et al. (2012), "Avoiding Middle-Income Growth Traps", Work Bank, Economic Promise, no.98.

Paus, E. (2014), "Latin America and the Middle-Income Trap", *ECLAC, Financing for Development Series*, No. 250.

- *The "New-normal" of Chinese economic development*

Eichengreen, B., Park, D., & Shin, K. (2012). "When Fast-Growing Economies Slow Down: International Evidence and Implications for China. *Asian Economic Papers*, 11(1), 42-87.

Islam, N. (2014), "Will Inequality Lead China to the Middle-Income Trap?" *Front. Econ. China* 9(3): 398–437.

- *Inflating and bursting bubble and financial crisis in Japan*

Pempel, T. J. (1998). *Regime Shift: Comparative dynamics of the Japanese political economy*. Cornell University Press, Chapter 4.

Grimes, W. W. (2002). *Unmaking the Japanese miracle: macroeconomic politics, 1985-2000*. Cornell University Press.

- *The lost decade continued in Japan*

Hayashi, F., & Prescott, E. C. (2002). "The 1990s in Japan: A lost decade." *Review of Economic Dynamics*, 5(1), 206-235.

Callen, T., & Ostry, J. D. (Eds.). (2003). *Japan's lost decade: policies for economic revival*. International Monetary Fund.

- *Failure and success of reform and deregulation*

Magara, H. and Stefano Sacchi (2013), *Politics of Structural Reforms: social and industrial policy changes in Italy and Japan*, Edward Elgar, Chapters 2 and 4.

Lee, C.H. (2005) "Institutional Reform in Japan and Korea: Why the Difference?" working paper.

## **Week 14. Accountability, corruption, globalization, and development**

### *1. Accountability, corruption and development*

Sen, A. (2001). *Development as freedom*. Oxford University Press, Chapter 12.

Evans, P. (2004). "Development as institutional change: the pitfalls of monocropping and the potentials of deliberation." *Studies in comparative international development*, 38(4), 30-52.

Sandbrook, R., Edelman, M., Heller, P., & Teichman, J. (2006). "Can social democracies survive in the global south?" *Dissent*, 53(2), 76-83.

Uma, K.E. and Eboh, F.E (2013), "Corruption, Economic Development and Emerging Markets: the case of Nigeria", *Asian Journal of Management Science and Education*, 2(3).

### *2. Globalization, inequality, and the rise of populism in industrialized countries*

Duane Swank and Hans-Georg Betzs, (2003) "Globalization, the welfare state and right-wing populism in Western Europe" *Socio-Economic Review* (2003) 1, 215–245



20. Mughan, C. Bean, and I. McAllister, (2003), "Economic globalization, job insecurity and the populist reaction", *Electoral Studies*, Vol 20.

Jagdish Bhagwati (2005), "In Defense of Globalization:: It Has a Human Face", unpublished paper.

Francois Bourguignon, (2016) "Inequality and Globalization: How the Rich get Richer and the Poor Catch Up", *Foreign Affairs*, January 2016.

IMF (2008), "Globalization and Inequality", IMF Report.

***Research Paper Due on 6pm on Monday May 7, 2018.***