

# The Political Economy of Development

V53.0725

Fall 2010 Syllabus

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Phone: 212-992-8074  
Office hours: Monday 9 am – 11 am

Class time: Tuesdays, Thursdays from 11 am – 12:15 pm  
Class location: Silver 414  
Website: via Blackboard  
Grader: Sukwon Lee, [sl2647@nyu.edu](mailto:sl2647@nyu.edu)

## What is this course about?

This course focuses on the inter-relationship between politics and economic development. It will examine both how socio-political factors influence poverty and economic growth, and how economic factors, in turn, shape the political trajectories of developing nations. We will explore: what is the legacy of historical institutions such as slavery and colonialism on development and growth? How do socio-political factors such as democracy, ethnic fractionalization, gender and corruption influence economic outcomes? What are the economic causes and consequences of conflict in developing countries? And, to what extent has international aid promoted development of the third world?

## Requirements

Students are required to have taken International Politics, V53.0700. Those who have not taken his prerequisite can only be enrolled with permission, on the basis of previously completed coursework. Enrollment is limited to 60 students.

## Grading

- 3 short assignments: 15%
- 1 longer assignment: 15%
- Midterm Exam: 30%
- Final Exam: 40%

There will be 3 short assignments. These will require responses to structured questions on key concepts covered in the course. The 4<sup>th</sup> assignment will contain similar questions but be longer in length.

## Important Dates

The midterm will be held in class on **Thursday, October 21<sup>st</sup>**. The final exam will be on **December 21<sup>st</sup>**, 10 am – 11:50, also in the room where class is held (Silver 414). The due dates of the 3 assignments and paper appear in the schedule below.

## Policies

**Grading concerns.** Any concerns regarding grading should be directed toward me, not the grader for the course.

**Submitting assignments.** Assignments must be handed in at the beginning of class on the date which they are due. They should be printed out – please do **not** send these by email.

**Late Assignments.** You will be penalized 1/3 of a grade (e.g. from an A- to a B+) per day late. This policy will be maintained independent of the reason why the assignment is handed in late.

**Missing exams.** Students missing an exam will receive a grade of zero. If a true emergency situation arises, contact me prior to the scheduled test time. If I determine that the excuse is justified (e.g., in serious matters such as illness), we will schedule a make-up. Travel plans (e.g., a plane ticket purchased for departure before the day of the exam) are not an acceptable excuse.

**Academic dishonesty.** The work you do in this course must be your own work. Academic dishonesty is not only against the rules, it is cowardly, unfair to your classmates, and a waste of your tuition money. It will simply not be tolerated in this class. The University's penalties for academic dishonesty are severe, and can include receipt of a failing grade in the course for which plagiarized work was submitted; probation, suspension, or expulsion.

**Class Participation.** Class attendance is mandatory. Most of the material covered in lecture is not covered in the readings. You simply have to attend class to be able to understand key concepts.

## Books and Readings

There are 4 required books for this course, for purchase at the NYU bookstore:

- (1) Helpman, Elhanan. 2004. *The Mystery of Economic Growth*. Cambridge: Harvard University Press.
- (2) Collier, Paul. 2007. *The Bottom Billion* Oxford: Oxford University Press.
- (3) Fisman, Raymond and Ted Miguel. 2008. *Economic Gangsters* Princeton: Princeton University Press.

(4) Easterly, William. 2002. *The Elusive Quest for Growth* Cambridge: Harvard University Press.

We will also have select chapters from: Todaro, Michael P. and Stephen Smith *Economic Development* (10<sup>th</sup> edition) New York: Pearson Addison Wesley, which will be posted. These materials  
Additional readings either appear as hyperlinked readings in the syllabus or will be posted on blackboard. While lectures will lay out key concepts, you are expected to draw on readings for assignments and exams, and you will be tested on this material.

In addition to the required readings, some sections also include additional recommended readings, which are usually articles from academic journals. Since these articles are more technical, you should read these articles with an eye toward understanding basic ideas and gaining more background information on the topic, without worrying about the statistical methodology used to arrive at conclusions.

## Schedule

### I. Introduction

(Week 1: September 7<sup>th</sup> and September 9<sup>th</sup>)

*The Bottom Billion*, Chapter 1: “Falling Behind and Falling Apart,” p. 3-13.

*The Mystery of Economic Growth*, Chapter 1-3, p. 1-33

*The Elusive Quest for Growth*, p. 21-70

>> *Economic Development* p. 39-67

### II. Models of Economic Growth and Development

(Week 2: September 14<sup>th</sup> and September 16<sup>th</sup>)

*The Mystery of Economic Growth*, Chapter 6, p. 86-110 (Inequality)

*The Elusive Quest for Growth*, Chapters 2, 3, 4, 5, p. 71-98

*The Elusive Quest for Growth*, Chapter 8, p. 145-170

>> *Economic Development* Chapter 4

### III. Historical legacies

(Week 3: September 21<sup>st</sup> and September 23<sup>rd</sup>)

*The Mystery of Economic Growth*, Chapter 7, pg. 111-132 (Institutions)

Nunn, Nathan, "[The Importance of History for Economic Development](#)", Annual Review in Economics 2009. 1: 65-92.

Sokoloff, Kenneth L. and Stanley Engerman. 2000. [Institutions, Factor Endowments and Paths of Development in the New World](#). *Journal of Economic Perspectives* 14(3): 217-232.

>> Sachs, Jeffrey D. Andrew Mellinger, and John Gallup. [The Geography of Poverty and Wealth](#). *Scientific American*, March 2001, p.71-74.

Acemoglu, Daron Simon Johnson and James Robinson. [Disease and Development in Historical Perspective](#). *Journal of the European Economic Association* April–May 2003 1(2–3):397–405

#### **Recommended readings:**

Dell, Melissa. [The Persistent Effects of Peru's Mining Mita](#) *Econometrica*, forthcoming

Daron Acemoglu, Simon Johnson, James A. Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation" *The American Economic Review*, Vol. 91, No. 5 (Dec., 2001), pp. 1369-1401  
<http://www.jstor.org/stable/2677930>

Nunn, Nathan. "The long-term effect of Africa's Slave Trades." *Quarterly Journal of Economics*. 123:139–76. 2008.  
[http://www.economics.harvard.edu/faculty/nunn/files/empirical\\_slavery.pdf](http://www.economics.harvard.edu/faculty/nunn/files/empirical_slavery.pdf)

Banerjee, Abhijit and Lakshmi Iyer. "History, Institutions and Economic Performance." 2004. *American Economic Review* 95:1190–213  
<http://econ-www.mit.edu/files/511>

#### **IV. Political Institutions (Week 4: September 28<sup>th</sup> and September 30<sup>th</sup>)**

>> *The Bottom Billion*, Chapter 6: "On Missing the Boat: the Marginalization of the Bottom Billion in the World Economy"

*The Mystery of Economic Growth*, Chapter 7, p. 132-142 (Politics)

>> Przeworski and Limongi (1997), "[Modernization: Theory and Facts](#)," *World Politics*, 49, 155-83.

Adam Przeworski and Fernando Limongi. Regimes and Economic Growth. [The Journal of Economic Perspectives](#), Vol. 7, No. 3 (Summer, 1993), pp. 51-69

Bardhan, Pranab. [Symposium on Democracy and Development](#). *The Journal of Economic Perspectives*, Vol. 7, No. 3 (Summer, 1993), pp. 45-49

Evelyne Huber, Dietrich Rueschemeyer, John D. Stephens. The Impact of Economic Development on Democracy [The Impact of Economic Development on Democracy](#) *The Journal of Economic Perspectives*, Vol. 7, No. 3 (Summer, 1993), p. 71-8

## V. Ethnic diversity and fractionalization (Week 5: October 5<sup>th</sup> and October 7<sup>th</sup>)

>> *Economic Development* Chapter 5. "Poverty, Inequality and Development"

- **Inequality:**

Inequality measures p. 208-216 (read carefully up to first paragraph of p. 216 only; skim through p. 216-222 to get the general idea)

Inequality and Social Welfare (read carefully p. 222-238)

- **Economic Characteristics of Poverty Groups: p. 238-251**

Focuses on rural poverty, women, and ethnic minorities

Alesina, Alberto and Eliana La Ferrara. "[Ethnic Diversity and Economic Performance](#)," *Journal of Economic Literature*, September 2005, 43: 762-800

- Read this article in entirety except:

- skim the model in p. 764-770

- **SKIP sections 4.2 and 4.3**

*The Elusive Quest for Growth*, Chapter 13, p. 255-283 (Polarized Peoples)

### Recommended readings:

Alesina, Alberto, William Easterly and Janina Matsuzeski. "[Artificial States](#)." *Journal of the European Economic Association*, forthcoming

\*\*\* Assignment 1 due: Tuesday, October 5<sup>th</sup> \*\*\*

## VI. Gender (Week 6: October 12<sup>th</sup> and October 14<sup>th</sup>)

Duflo, Esther (2005). "[Gender Equality and Development](#)," Mimeo, MIT.

Sen, Amartya. 1990. "[Over 100 million women are missing](#)." *New York Times Review of Books*. 37(20).

*Economic Gangsters*, Chapter 6, p. 136-146 (Witch hunts)

**\*\*\* Assignment 2 due: Tuesday, October 19<sup>th</sup> \*\*\***

**VII. Midterm review (Week 7: October 19<sup>th</sup>)**

**\*\*\* October 21<sup>st</sup>: MIDTERM \*\*\***

**VIII. Religion and the economy (Week 8: October 26<sup>th</sup>)**

Meier, Gerald M., and James E. Rauch. (2005). "Appendix: How to Read a Regression Table", *Leading Issues in Economic Development*, Eight Edition, p. 561-566. (Posted under "Additional Readings")

Barro, Robert and Rachel M. McCleary. 2002. [Religion and Political Economy in an International Panel](#). Mimeo, Harvard University

**IX. Corruption (Week 8/9: October 28<sup>th</sup> and Nov 2<sup>nd</sup>)**

**Detecting Corruption:**

*Economic Gangsters*. Chapter 2-4, p. 22-110

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

**Corruption and Growth:**

Treisman, D. (2007). "[What Have We Learned about the Causes of Corruption from Ten Years of Cross-National Empirical Research?](#)" *Annual Review of Political Science* 10: 211-244.

*The Elusive Quest for Growth*, Chapters 11-12, p. 217-252.

**X. Public Accountability (Week 9: Nov 4<sup>th</sup>)**

Banerjee, Abhijit and Esther Duflo. [Addressing Absence](#). Mimeo, MIT.

Keefer, Philip and Stuti Khemani [Why Do the Poor Receive Poor Services?](#)  
Economic and Political Weekly, Vol. 39, No. 9 (Feb. 28 - Mar. 5, 2004), pp. 935-943

Reinikka, Ritva and Jakob Svensson. 2002. [Measuring and Understanding Corruption at the Micro Level.](#) World Bank Working Paper.

***Skim to get the main idea behind:***

Martina Björkman and Jakob Svensson. (forthcoming). [Power to the People: Evidence from a Randomized Field Experiment on Community-Based Monitoring in Uganda.](#) *Quarterly Journal of Economics*

**XI. The “curse” of natural resources? (Week 10: Nov 9<sup>th</sup> and Nov 11<sup>th</sup> )**

*The Bottom Billion.* Chapter 3: “The Natural Resource Trap,” p. 38-52.

Ross, Michael. [“Review: The Political Economy of the Resource Curse”](#)  
World Politics, Vol. 51, No. 2 (Jan., 1999), pp. 297-322.

**XII. The economic causes and consequences of conflict (Week 11: Nov 16<sup>th</sup> and Nov 18<sup>th</sup>)**

**\*\*\* Assignment 3 due: Thursday Nov 18<sup>th</sup> \*\*\***

**Economic causes:**

Collier, Paul. 2007. *The Bottom Billion.* Chapter 2: “The Conflict Trap,” p. 17-37.

Fisman, Raymond and Ted Miguel. *Economic Gangsters.* Chapter 5: “No Water, No Peace,” p. 111-135

Ross, Michael. [What do we know about Natural Resources and Civil War?](#) *Journal of Peace Research* 2004. 41(3): 337

Ross, Michael. [How do Natural Resources Influence Civil War? Evidence from Thirteen Cases](#) International Organization. Vol. 58, No. 1 (Winter, 2004), pp. 35-67

**Economic consequences:**

Fisman, Raymond and Ted Miguel. *Economic Gangsters.* Chapter 7: “The Road Back from War,” p. 159-185.

>> *The Bottom Billion*. Chapter 8, “Military Intervention”

>> Easterly New York Times Book Review:

<http://www.nybooks.com/articles/archives/2008/dec/04/foreign-aid-goes-military/>

### **XIII. The Foreign Aid Industry: November 23<sup>rd</sup>**

Dani Rodrik. “[Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform](#)”. *Journal of Economic Literature*. Vol. XLIV (December 2006), pp. 973-987.

Kanbur, Ravi. (2008). “[The Co-Evolution of the Washington Consensus and the Economic Development Discourse](#)”. Mimeo, Cornell University.

**\*\*\* November 25<sup>th</sup>: No Class – Thanksgiving Holiday \*\*\***

### **XIV. Foreign Aid (Week 13: November 30<sup>th</sup> and December 2<sup>nd</sup> )**

**Nov 30<sup>th</sup> : Foreign Aid Industry continued**

>> Easterly, William and Thomas Pfütze. 2008. “Where does the Money Go? Best and Worst Practices in Foreign Aid.” *Journal of Economic Perspectives*. 22(2): 29-52.  
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.22.2.29>

**Dec 2<sup>nd</sup> : Aid and Growth**

Easterly, William. 2003. [Can Foreign Aid Buy Growth](#) *The Journal of Economic Perspectives*, 17(3), pp. 23-48

>> Easterly, William. 1006. “Planners vs. Searchers in Foreign Aid.” Asian Development Bank address.  
<http://people.usd.edu/~clehmann/courses/Ideas/Easterly.pdf>

>> Dambisa Moyo. *Dead Aid*. 2009. Chapters 2-4. To be posted. Farrar, Strauss and Giroux: New York.

### **XV. Aid, Stability and Development: Week 14: December 7<sup>th</sup> and 9<sup>th</sup>**

**Dec 7<sup>th</sup>: Aid and Stability**



*Economic Gangsters*. Chapter 6, “Death by a thousand small cuts,” p. 149-158  
*The Bottom Billion*. Chapter 7, “Aid to the Rescue,” p. 99-124.

**Dec 9<sup>th</sup>: Aid on the Micro level and Development**

Easterly, William. [Can the West Save Africa?](#) *Journal of Economic Literature*, 47, no. 2, (June 2009): 373-44.

**\*\*\* Assignment 4: Tuesday, December 14<sup>th</sup> \*\*\***

**XVI. Wrap-up and final review (Week 15: December 14<sup>th</sup>)**

**\*\*\* Final Exam: Tuesday December 21<sup>st</sup> 10 am – 11:50 am (Silver 414) \*\*\***