**Development Macroeconomics**

**Georgia Tech, Spring Semester 2015**

**International Affairs 8803/4803**

Thomas D. Boston, Professor of Economics and International Affairs

Class Location: Molecular Science and Engineering Building, room 1224

Class hours: 3:05 to 5:55 Thursday

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Office hours: 1:00 – 2:30 TTH and by apt.

This course explores economic development of low income and middle income countries from a historical and contemporary standpoint. Course also goes beyond the exploration of history to examine how various macroeconomic policies can accelerate or retard domestic economic progress and the quality of life in low and middle income countries. The historical exploration involves and examination of the mechanisms and processes that transformed one segment of the world’s population into industrialized high income countries and a larger segment into underdeveloped low income countries. The class traces the origins of political economy and the growth of economic thought as related to how nations develop. The history of economic thought, including prevailing concepts and theories, is conceptualized within the within the context of institutions, interests and competing worldviews prevailing at the time. The paradigms of development macroeconomics are traced historically from mercantilism, classical economics, Marxism, neoclassical economics, Keynesian economics and modern development economics. Accompanying this examination will be an investigation of the competing views of economic development: Modernization (growth as factor accumulation and structural transformation); Dependency (underdevelopment as a product of center-periphery relations); Neoclassical theory (the role of free markets and structural adjustment and accelerating growth and development); Institutional and Human Centered theories of Development (as embodied in concepts such as Millennium Development Goals and Sustainability).

Most practical examples of historical and contemporary dynamics will be based on the experiences of sub-Saharan Africa; the region where low income developing countries are most heavily concentrated and problems, challenges and barriers to development are most complex.

Toward the end of the semester, the class will also explore a series of key topics and challenges confronting low income developing countries in Africa. These include the following: youth unemployment, gender equality, poverty and inequality, food security and Post harvest loss, industrial policy, entrepreneurship and development, macro stabilization policies, and sustainable development.

The class will combine formal lectures with a seminar style format to facilitate teaching and learning. Material to be covered in the next class will be assigned ahead of time. Students are expected to read the material and come to class prepared to actively engage in discussions. In all cases, the instructor will, and students must, give full respect and consideration to informed differences of opinion, conceptions and philosophical outlooks.

**Learning Outcomes:**

**Social Science Learning Objectives**

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* + - * Compare and contrast the leading theories and concepts of the economic development process
      * Understand the historic connection between industrialization and underdevelopment
      * Understand macroeconomic stabilization theories and policies and how they affect outcomes in developing countries
      * Understand the current state of development in low income and middle income developing countries
      * Understand the historic and institutional factors that contribute to the current state of underdevelopment
      * Understand the key challenges confronting low income developing countries

**Global Perspective Learning Outcomes**

* + - * Develop an in-depth knowledge of the state of developing countries and the human, social and economic challenges within which resides a large percentage of the world’s population
      * Understand economic development and the outcome of global historic processes
      * Become familiar with the world’s progress towards attaining Millennium Development Goals
      * Gain a better appreciation of how global macroeconomic policies can affect domestic stabilization

**INTA Group Outcomes**

* + - * Develop problem solving skills in International Affairs.  Students will be able to use their knowledge of the macroeconomic policy framework to understand and propose practical solutions to improve economic development conditions.  They will gain knowledge of how macro policies have impeded or contributed to solutions for unemployment, price stability, food security, stabilization and sustainable development.
      * Cultural and ethical awareness.  Students will become more aware of the diversity of cultural and ethical systems in the world and how history has conditioned current views and outcomes regarding continuing factors of underdevelopment.
      * Develop skills at interpreting and measuring economic and social progress in developing countries.

**Class Specific Outcomes**

* + - * Develop an understanding of various theories and paradigms of economic development
      * Be able to interpret measurements of development and underdevelopment
* Be able to use macroeconomic theory to anticipate the outcome of stabilization policies
  + - * Be able to interpret the philosophical foundations of computing economic theories of development
      * Be able to interpret the current state of world development
      * Be able to understand how global economic policies will affect low income developing countries
      * Be able to write and present a research paper on a current topic in economic development

**Required book:**

Trevor Williams and Victoria Turton . 2014. Trading Economics: a Guide to Economic Statistics for Practitioners and Students. (Great Britain: Wiley)

**Supplemental Books (not required)**

Damien Kingsbury, Joe Remenyi , John McKay and Janet Hunt. 2004. Key Issues in Development Economics (New York: Palgrave McMillan)

H.W.Arndt. 1987. Development Economics: The History of an Idea. (Chicago: the University of Chicago press)

Robert J Gordon. 2011. Macroeconomics . 9 - 12th Editions. (New York: Pearson). Or, you may refer to any comparable intermediate macroeconomics textbook

Ernesto Screpanti and Stefano Zamagni 2004. An Outline of the History of Economic Thought (Great Britain: Oxford University Press). Or, you may refer to any comparable book on the history of economic thought

1. **Grading**

Grades will be based the following activities (1) two examinations; (2) informed participation in seminar discussions (3) leadership in the presentation of selected subject topics to be assigned, and (4) final required research paper research paper on economic development topic.

1. **Georgia Tech Honor Code will be enforced at all times.**

Since many assignments require writing, it is particularly important that you observe MLA guidelines in writing. This is particularly important in regards to quoting, paraphrasing, or copying and pasting from material written by others, including “word”. *“For any questions involving these or any other Academic Honor Code issues, please consult me, my teaching assistants, or* [*www.honor.gatech.edu*](http://www.honor.gatech.edu)*.”* Unless informed otherwise, all assignments, examinations and presentations are to be accomplished independently

1. **Basis for calculating final grade:**

* Examination #1-30%
* Examination #2 – 30%
* Seminar Participation - 10%
* Assigned Discussion Topic Presentation - 10%
* Final Research Paper – 20%

1. **Grading Scale**

The grading scale is as follows: A = 90% to 100%; B = 80% to 89.9%; C = 70% to 79.9%; D = 60% to 69.9%.

**Institutes Official Observance Dates**

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| --- | --- | --- |
| Date | Activity | Topic |
| January 19, 2015 | Official School Holiday |  |
| March 16-20, 2015 | Spring Break |  |
| April 24, 2015 | Last Day of Classes |  |
| April 28, 2015 | Start of Final Exams |  |
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**Lectures Topics**

1. Topic #1 Introduction to the Course, Student Introductions, discussion of course objectives, overview of course material.

Development Macroeconomics: an Overview of Concepts, Methods and Topics

1. Topic # 2: A Further Look at Development Economics and the Current State of World Development
2. Topic #3: Merchant Capitalism and the Age of Exploration: Historical Origins of Development and its Impact on Africa
3. Topic #4: Slavery, the Industrial Revolution and Colonialism: Implications for Development
4. Topic #5: Classical Political Economy: Free-Market Theories of Progress and Development
5. Topic #6: Marxian Theory of Capital Accumulation, the Struggle over Methods and the Great Depression
6. Topic #7: Role of History and Institutions in Economic Development
7. Topic #8: Theory of the Macro Economy
8. Topic #9: Macroeconomy Stabilization: The role of Fiscal and Monetary Policy
9. Topic #10: Measuring the Macro Economy
10. Topic #11: Theories of Development in the Post World War II Era, Part 1: Growth, Dualism, Structural Transformation, Dependency and Neoclassical Theory and the Washington Consensus
11. Topic #12: Millennium Development Goals in Africa: What Have we Learned?
12. Topic #13: Where to from Here? Stabilization Policies and Sustainable Development
13. Topic #14: Development Challenges in Africa: Student Presentations
14. Topic #15: Development Challenges in Africa: Student Presentations
15. Topic #16: Open Discussion

**Schedule of Lectures, Exams and Assignments**

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| --- | --- | --- |
| Class Dates | Activity | Topic |
| January 8 | Topic 1 | Introduction to the Course, Student Introductions, discussion of course objectives, overview of course material. |
| January 8 | Topic 1 | Development macroeconomics: an overview of concepts, methods and topics |
| January 15 | Topic 2 | A further look at development economics and the current state of world development |
| January 15 | Topic 3 | Merchant Capitalism and the Age of Exploration: Historical Origins of Development and its Impact on Africa |
| January 22 | Topic 3 continued and Topic 4 | Slavery, the Industrial Revolution and Colonialism |
| January 29 | Topic 5 | Classical Political Economy: Free-Market Theories of Progress and Development |
| January 29 | Topic 5 continued and Topic 6 | Marxian Theory of Capital Accumulation and the Struggle Methods and Great Depression |
| February 5 | Topic 6 continued and Topic 7 | Role of History and Institutions in Economic Development |
| February 12 | Topic 8 | Theory of the Macro Economy |
| February 19 | Topic 9 | Macroeconomy Stabilization: Fiscal and Monetary Policy |
| February 26 | Topic 10 | Measuring the Macro Economy |
| March 5 |  | **Examination #1** |
| March 12 | Topic 11 | Theories of Development in the Post World War II Era: Growth, Dualism, Structural Transformation, Dependency and Free-Market Capitalism |
| March 19 |  | **Spring Break** |
| March 26 | Topic 12 | Millennium Development Goals in Africa: What have we Learned |
| April 2 |  | **Proposals for Final Research Papers are due** |
| April 2 | Topic 13 | Where to from here- Stabilization Policies and Sustainable Development |
| April 9 |  | **Examination #2** |
| April 16 | Topic 14 | Development Challenges in Africa, **Student Presentations** |
| April 23 | Topic 15 | Development Challenges in Africa, **Student Presentations** |
| April 23 | Topic 16 | Impact Evaluation in Developing Countries |
| April 30 |  | **Final Research Papers Due** |

**Assigned Readings: (Full bibliographic citations will be provided)**

1. Topic #1 Introduction to the Course, Student Introductions, discussion of course objectives, overview of course material.

Development Macroeconomics: an Overview of Concepts, Methods and Topics

1. Topic # 2: A Further Look at Development Economics and the Current State of World Development

**Required Readings**

Ioannis Lianos, A. Mateus and A Rasian. 2012. Development Economics and Competition: A Parallel Intellectual History. Centre for Law, Economics and Society. CLES Working Paper Series, 1/2012.

Debraj Ray. 2007. Development Economics. New Palgrave Dictionary of Economics. It is about Lawrence Blume and Stephen Durlauf.

**Supplemental**

Dani Rodrik. 2010. Diagnostics before Prescription. The Journal of Economic Perspectives Line 24, N0 3 pp33-44.

Richard Contreras. Competing Theories of Economic Development

The World Bank. 2014. 2014 World Development Indicators. (Washington: International Bank for Reconstruction and Development).

1. Topic #3: Merchant Capitalism and the Age of Exploration: Historical Origins of Development and its Impact on Africa

**Required**

Patrick J O’Brien. 2006. The Formation of the Mercantilist State and the Economic Growth of the United Kingdom 1453 – 1815. Research Paper Number 2006/75. United Nations University

History of Civilizations: Prehistory Two 1615, Lecture 26: the Age of European Exploration

1. Topic #4: Slavery, the Industrial Revolution and Colonialism: Implications for Development

**Required Readings**

Warren Whatley. 2012. The Trans-Atlantic Slave Trade in the Evolution of Political Authority in West Africa. Munic Personal RePEc Archive

Morgan Henderson, Warren Watley. 2013. The Impact of Colonialism on African Development: Evidence from the Ethnographic Atlas. Working Paper

**Supplemental Readings**

Warren Whatley. 2008. Guns for Slaves: the 18th Century British Slave Trade in Africa. Working Paper Department of Economics, University of Michigan

Nathan Nunn 2008. The Long-Term Effects of Africa’s Slave Trades. The Quarterly Journal of Economics, Page 139 through 176

Nathan Nunn and Leonard Wantchekon. 2011. The Slave Trade and the Origins of Mistrust in Africa. American Economic Review. 101 pp3221-3252.

1. Topic #5: Classical Political Economy: Free-Market Theories of Progress and Development

**Required Reading**

Ernesto Screpanti and Stefano Zamagni 2004. An Outline of the History of Economic Thought (Great Britain: Oxford University Press) Chapter 2. The Laissez-Faire Revolution and Smith in Economics

**Supplemental Readings**

Op. cit. chapter 1. The Birth of Political Economy.

1. Topic #6: Marxian Theory of Capital Accumulation, the Struggle over Methods and the Great Depression

**Required Readings**

Ernesto Screpanti and Stefano Zamagni 2004. Op cit. Chapter 4. Socialists Economic Thought and Marx.

**Supplemental Readings**

Op. cit. Chapter 5. The Triumph of Utilitarianism in the Marginalist Revolution. Chapter 7.2 John Maynard Keynes.

1. Topic #7: Role of History and Institutions in Economic Development

**Required Readings**

Nathan Nunn. 2009. The Importance of History for Economic Development. NBER working paper series, working paper 14899.

Ha-Joon Chang 2006 Understanding the Relationship between Institutions and Economic Development: Some Theoretical Issues. United Nations University Discussion Paper no. 2006/05.

**Supplemental Readings**

Ha-Joon Chang 2007 Straighter Than Fiction? Understanding Institutional Changes and Economic Development. United Nations University Policy Brief.

Julius Kiiza 2006. Institutions in Economic Performance in Africa: a Comparative Analysis of Mauritius, Botswana and Uganda. United Nations University Research Paper Number2006/73.

Erik Reinert 2006. Institutionalism Agent, Old and New: a Historical Perspective on Institutions and Uneven Development. United Nations University Research Paperno. 2006/77.

1. Topic #8: Theory of the Macro Economy

**Required Readings**

Robert Gordon. 2003. Macroeconomics. Nine tradition (New York: Addison Wesley). Chapter 3. The Simple Keynesian Theory of Income Determination. Chapter 4 the ISL the Model.

1. Topic #9: Macroeconomy Stabilization: The role of Fiscal and Monetary Policy

**Required Readings**

Robert Gordon. 2003. Macroeconomics. Nine tradition (New York: Addison Wesley). Chapter 5 Monetary Policy, Fiscal Policy and the Government Budget.

**Supplemental Readings**

Carlos Rodriguez 2003. Macroeconomic Policies: Can We Transfer Lessons across LDCs?. In Advances in Macroeconomic Theory.ed. by Jacques Dreze. (New York: Palgrave McMillan pp310 331.

1. Topic #10: Measuring the Macro Economy

**Required Readings**

Trevor Williams and Victoria Turton. 2014. Trading Economics: a Guide to Economic Statistics for Practitioners and Students. Chapter 2. Economic Growth; Chapter 3. Labor Markets;

**Supplemental Readings**

Op. Cit. Chapter 4. Inflation; Chapter 7. Global Trade Statistics

1. Topic #11: Theories of Development in the Post World War II Era, Part 1: Growth, Dualism, Structural Transformation, Dependency and Neoclassical Theory and the Washington Consensus

**Required Readings**

Nicholas Crafts 2000. Development History. Working paper, Department of economic history, London school of economics

**Supplemental Readings**

H.W. Arndt 1987. Economic development: The History of an Idea. (Chicago: University of Chicago press

Damien Kingsbury, Joe Remenyi , John McKay and Janet Hunt. 2004. Key Issues in Development Economics (New York: Palgrave McMillan) chapter 1. What Is Development?, Chapter 2. Reassessing Development Theory: Modernization and beyond.

1. Topic #12: Millennium Development Goals in Africa: What have we learned?

**Required Readings**

United Nations Economic Commission for Africa: MDG 2014 Report: Assessing Progress in Africa Towards the Millennium Development Goals. Analysis of the Common African Position on the Post 2015 Development Agenda (Addis Ababa Ethiopia: ECA).

**Supplemental Readings**

United Nations Economic Commission for Africa and OECD2014. The Mutual Review of Development Effectiveness in Africa: Promise and Performance. (Addis Ababa Ethiopia: ECA).

1. Topic #13: Where to from Here? Stabilization Policies and Sustainable Development

**Required Readings**

Pierre Richard Agenor, N. Bayraktar, et al. 2005. Achieving the Millennium Development Goals in Sub-Saharan Africa: the Macro Economic Monitoring Framework. World Bank Working Paper Series 3750

**Supplemental Readings**

United Nations Economic Commission for Africa. 2014. Frontier Markets in Africa – Misperceptions in the Sea of Opportunities.

David Hulme 2009. Governing Global Poverty? Global Ambivalence and the Millennium Development Goals. Brooks World Poverty Institute and the Institute for Development Policy and Management, University of Manchester

1. Topic #14 and 15 Development Challenges in Africa: Student Presentations

**Readings and Subjects to Present:**

**Gender Equality:**

World Development Report. 2012. Gender Equality and Development

**Supplemental Readings**

Janet Hunt. Gender and Development, chapter 10 in Damien Kingsbury, Joe Remenyi , John McKay and Janet Hunt. 2004. Key Issues in Development Economics (New York: Palgrave McMillan)

**Youth Unemployment and Development**

Deon Filmer, Louise Fox . 2014. Youth Employment in Sub-Saharan Africa. The World Bank African Development Forum

**Supplemental Readings**

Federike Rother. 2006. Interventions to Support Young Workers in Sub-Saharan Africa. The World Bank Report 40606.

**Industrial Policy and Development**

United Nations Commission for Africa. 2014. Dynamic Industrial Policy in Africa.

**Food Security**

The World Bank. 2011. Missing Food: the Case of Postharvest Grain Losses in Sub-Saharan Africa.

**Sustainable Development**

World Bank Group, Policy Research Report. 2015. A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data and the Twin Goals

Supplemental Reading

Ambar Narayan, et al. Shared Prosperity: Links to Growth, Inequality and Inequality of Opportunity.

**Risk Management and Development**

The World Bank. 2014. Risk and opportunity: managing risk for development.

1. Impact Evaluation in Developing Countries

Morra Imas, Linda and Ray Rist 2009. The Road to Results: Designing and Developing Evaluations. (New York: The World Bank)