

GLOBAL 130, SPRING 2013
GLOBAL ECONOMY AND DEVELOPMENT
MONDAY & WEDNESDAY 3:30-4:45 PM
1104 HAROLD FRANK HALL

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Course Description

This is primarily a course about economic development. It starts from the premise that the key struggles faced by developing economies today relate to a lack of resources, a poor distribution of those resources, and domestic/international institutional/policy weaknesses that result in these resources being utilized in sub-optimal ways. It is therefore concerned with questions about:

1. Economic growth: Why are some societies so much poorer than others and what can they do about this?
2. Inequality: Why are resources unevenly distributed, how/why is this changing, and what can/should be done about it?
3. Institutional/policy development: How can the citizens of developing countries coordinate through markets, government and other institutions to better utilize the resources available to them to pursue developmental objectives?

The first set of questions motivates an overview of the evidence on the determinants of economic growth, and the history of attempts to raise growth rates in the developing world. To properly consider the second set of questions, we will study how inequality and poverty are measured and why, before going on to use these measures to examine how inequality has evolved globally, and within countries. To treat the third set of questions, we will review some simple economic models in order to understand what markets are and are not expected to achieve, and some reasons why they can fail. This includes an overview of basic theories of international trade, and environmental regulation. We will emphasize the interplay between these three sets of questions, asking, for example, how the nature of the growth process determines its distributional effects, what the distributional consequences of freeing up markets and trade in the developed and developing world have been, and how shortcomings in the delivery of public services in developing countries might affect both growth and inequality.

Economic globalization involves the liberalization and thickening of international markets for goods, services, labor and capital. These processes present developing economies with new challenges and opportunities. We will look at the reasons why, for all the criticism of liberal economic policies, most countries have opened up to international trade and investment flows. We will do this through a brief historical review of development paradigms, their implementation and effects. This review will open up a discussion of financial crises (including the current one), aid-flows, and debt relief.

We approach these issues from theoretical and empirical perspectives, with an emphasis on the latter. We will also emphasize that although it is useful, when seeking a global perspective, to study “the developing world”, the answers to the questions posed vary considerably across economies, and depend upon, amongst other things, history, culture, and geography. Finally, this is a survey course, intended to introduce some of the major policy debates in the developing world, and explain why they are so difficult to resolve - not to study them exhaustively.

Requirements:

Successful completion of Global 2 (or its equivalent) is a pre-requisite for the course. To do well in this course you are expected to attend all the lectures, work diligently on your homework assignments, and do all the readings (roughly 75 pages per week). I will provide leading questions to help you focus on the key points of particular readings.

You are expected to attend sections for this class. This will provide you with an opportunity to engage in group discussion of reading materials and lectures, prepare for exams, and review homework assignments. Section attendance will be taken, and participation in section meetings and other indicators of effort will count 10% towards your final grade. Note that it is the quality rather than the quantity of your contributions in section that will matter. To ensure useful class discussions and high participation scores, participate more when you have completed your homework and readings and less at other times, and be respectful of your classmates and TAs. You may not attend sections other than your own. You may switch sections, if you can find somebody willing to exchange seats with you. In such a case, the switch must be permanent, and you must inform both your TAs about it.

Sections will be held in computer labs during the weeks of 29 April -10 May. See the course outline for details.

Homework assignments will be due at the start of lecture on the day listed in the course outline (below). Please place your homework in the box corresponding to your discussion section. Homework handed in up to one week late will be graded, but will be docked 40%. Your final homework grade will include the best 7 of your 8 homework assignments. Note: You are required to write up answers to your homework assignments in complete sentences, using perfect spelling grammar. Failure to do so will be penalized.

You are encouraged to solve homework in groups. Two people may even write up their homework assignment together. If you do so, turn in only one copy of the homework assignment with both of your names and section times on it. However, each person or pair turning in a homework assignment is required to write up the solutions independently of other groups. Any obviously identical write-ups will receive zero credit. Keep your graded homework assignments once they have been handed back to you. If you feel that there has been an error in the recording of grades, you will need to produce the graded assignments.

There will be two in-class multiple-choice *midterm exams* (on Monday, 29 April, and Wednesday, 29 May), and a multiple choice *final exam* on Friday, June 14, 12-3 pm. The first midterm will include material from lectures until (& including) 24 April. The second midterm will include material from lectures covered during 1-22 May. The final will cover the entire course. All exams will be closed-book tests.

Ethics:

Violations of standard ethical norms will be dealt with harshly, per university rules. Violations include: copying answers on exams, plagiarism on homework assignments, impersonation of another student, lying regarding the submission of assignments, and illegally accessing or making images of exam materials. If you are in doubt about the ethics of any action you are about to take, ask!! Ignorance will not be treated as an excuse.

Grade Percentages:

Mid-terms: 15% each (30% total)

Final: 25%

Homework: 5% each for the best 7 out of 8 (35% total)

Participation in Section meetings: 10%

Office Hours

Each of the TAs will hold office hours twice weekly, for a total of 3 hours per TA per week. I will be available to answer questions during my office hours and after lectures. Feel free to attend the office hours of both TAs, irrespective of which section you are in. Given these extensive hours, we will not respond to questions on the material or homework sent via email. Nor will we make appointments outside office hours to meet with students to discuss course material. However, do seek out an individual appointment if you wish to discuss a private matter.

Course Website and Use of Email:

There is a course website available through Gauchospace. Access to this website is a requirement for the course. Lecture notes will be posted on the site. I will occasionally also post other materials of interest. Please also check email regularly, as your teaching assistants and I will contact you from time to time by email.

Required Reading

- William Easterly. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. MIT Press. 2002.
- The Global 130 reader is available from the Alternative Copy Shop at the UCen.

Use of Mathematics

The use of math will be limited to the extent possible. However, economic arguments are well presented and validated using simple mathematics. In addition to performing basic arithmetic and (occasionally) high-school level algebra, you will be required to work with compound interest, interpret graphs and understand the equation for a straight line. We will introduce some basic statistical concepts, which you will use on your homework. Expect lots of graphs. A review of the above mathematical skills will be conducted during section the first week. Do not wait until the eve of your midterm to get up to speed on this. The class materials will not make much sense if you do so.

Tips for success:

Concepts will build on each other. If you don't understand one, the next may not be intelligible. Therefore, study regularly, ask questions in section, and visit your TAs' and my office hours regularly. Remember - we are here to help you understand course material, but not to help you cram for exams. Also – I recommend you study in groups, solve homework assignments in pairs, and teach the answers to each other. Bring printouts of PowerPoint slides to class, and take copious notes on them. Always read before or immediately after lecture and before section. In this way, you will see most material for the third time in section. Three is the magic number – concepts covered won't always make sense the first or second time around.

Special Needs/Language/Personal Situations;

If you have a learning disability or a language barrier that requires special consideration or arrangements, please speak with me and your TA about it. You may use a dictionary during exams. Inform your TA early in the quarter if you are working more than 20 hours per week or are experiencing language or personal problems. Do NOT wait until the end of term to inform us of personal difficulties. Such concerns are only actionable when communicated in a timely fashion.

Session	Topic	Reading	Homework Due
Part I: Introduction			
Mon. 1 Apr. Lecture 1	Introduction. Today's economic landscape and convulsions.	-The Economist: India's Monsoon - NYTimes: Power failures hit millions - Rajan: Faultlines, pp. 1-20.	
Wed. 3 Apr. Lecture 2	What is Development? Growth matters, but is insufficient.	-T&S, Chapter 1, pp. 15-32 -T&S, Chapter 2, pp.37-71 -Easterly, Chapter 1. -Pritchett & Summers, 1996, "Wealthier is Healthier."	
<i>Sections: 1-5-Apr.</i>	Math review.	-Krugman & Wells (K&W) Ch. 2 appendix.	
Part II: Markets and Trade			
Mon. 8 Apr. Lecture 3	Markets; supply and demand; and efficiency. Externality.	-K&W, Chapter 3.	HW # 1: Graphing
Wed. 10 Apr. Lecture 4	Markets and efficiency Externality Markets and Equity	-K&W, Chapter 19 (Optional) -Sen, 1981, <i>Poverty and Famines</i> , Ch7.	
<i>Sections: 8-12 Apr.</i>	"Wealthier is healthier" Supply & Demand		
Mon. 15 Apr. Lecture 5	Government intervention: Price ceilings, price floors, redistribution and safety nets.	-K&W, Chapter 4 - "Availability of Kerosene to rural households: a case study from India"	HW#2: Markets and efficiency.
Wed. 17 Apr. Lecture 6	- Interventions in the Market (Concluded) -Opportunity Cost: Why wages in the developing world are low.	- Nigeria's latest frustration. - Nigerian president relents. - Prices and anger rise in Nigeria -K & W, pp. 20-25 - The Economist "The Problem with Made in China" - NYT "Killing of Bangladeshi Labor Organizer" - NYT "Bangladesh finds gross negligence in factory fire"	
<i>Sections:15-19 Apr.</i>	Intervention in the Market		
Mon. 22 Apr. Lecture 7	-The Ricardean Model, comparative advantage and gains from trade - Objections to the gains from trade - Heckscher-Ohlin (the distributional	-K&W Ch. 17 - The Economist "Booming Mongolia: Mine, all mine" - Atlas of Economic Complexity, pp. 6-7, 27-31	HW#3: Intervention in the market.

	consequences of trade liberalization - in theory).		
Wed. 24 Apr. Lecture 8	The political economy of Trade - Winners, Losers, Politics and the Compensation Principle The WTO – a mainstream economic perspective	- K&W Ch. 17 (contd.) -Bowring, 2006, “When Free Trade Sinks into the Noodle Bowl.” International Herald Tribune. -Bhagwati, 2011, “America’s Free Trade Abdication.” - Spence, 2011, “Globalization and Unemployment” - The WTO: About the WTO.	
<i>Sections: 22-26 Apr.</i>	Trade, mid-term review.		
Mon. 29 Apr.	MIDTERM 1		HW#4: Trade Theory.
Part 3: Inequality and Growth			
Wed. 1 May, Lecture 9	Poverty, Inequality and Growth.	-T&S Ch. 5 - World Bank, 2012, “An update to the World Bank’s estimates of consumption poverty in the developing world.” -Notes on the Mathematics of Growth and Distribution	
<i>Sections: 29 Apr-3 May</i>	Excel Introduction/HW#5 help; Exam postmortem.	<u><i>Sections meet in computer labs.</i></u>	
Part 4: Prescriptions for Growth			
Mon. 6 May, Lecture 10	Linear Stages Models (Harrod-Domar) Structural Change	-T&S Ch. 3 -Course note on the Harrod-Domar & Solow Models -Easterly Ch. 2	HW#5: Measuring poverty and inequality.
Wed. 8 May, Lecture 11	Dependency Theory The Trade Policy Debate	-T&S Ch. 3 -T&S, Ch 12 (pp. 607-14), Ch.13	
<i>Sections: 6-10 May</i>	Excel – Help with HW#6 Harrod-Domar	<u><i>Sections meet in computer labs.</i></u>	
Mon. 13 May, Lecture 12	The Neoclassical counter-revolution, and the Washington Consensus	-Course note on the Harrod-Domar & Solow Models -Easterly Ch. 3, 11, 12. -Williamson, 1990, “What Washington means by policy reform”	HW#6: Growth and Investment
Wed. 15 May, Lecture 13	The convergence hypothesis The Financial Sector	- Pritchett, 1997, “Divergence, Big Time.” - Sala-i-Martin, 2006, “The World Distribution of Income: Falling Poverty and ...Convergence, Period” -Levine, 1997, “Financial Functions, Institutions and Growth” in <i>Sequencing?</i> Harwood/Smith (eds.) - Appendix to T&S Ch. 5	

<i>Sections: 13-17 May</i>	Discussion – Prescriptions for Growth		
Mon. 20 May, Lecture 14	The Financial Crisis	- Video: Inside Job (library) - Rajan – Faultlines (Introduction & Chapter 1) - Stiglitz – Freefall, Ch. 4	HW #7: The convergence hypothesis.
Wed. 22 May	SLACK DAY – GET CAUGHT UP, DISCUSS		
<i>Sections: 20-25 May</i>	Discussion: The convergence hypothesis; Human Capital & Growth		
Mon. 27 May	MEMORIAL DAY – NO CLASS.		
Part 5: Other Problems and Solutions			
Wed. 29 May, Lecture 15	MIDTERM 2		
<i>Sections: 27-31 May</i>	Midterm Post-mortem		
Mon. 3 Jun. Lecture 16	Human Capital: the missing input? Climate Change	-Easterly, Ch. 4 -Hanushek & Woessman, 2007, “Education Quality and Economic Growth” -K&W Chapter 19	
Wed. 5 Jun. Lecture 17	Climate Change (contd.) Conclusions		
<i>Sections: 3-7 Jun.</i>	Externalities and climate change.		HW # 8: Climate Change (due Friday, June 8).