

ECN325/335 Economic Development (3 credit hours)*

Instructor: Hiroya Ichikawa, PhD

Spring Semester

Office : A4-5(Bldg A, 4F)

Office hours: XXX and by appointment

Meeting times: XXX

email: hiroya@aiu.ac.jp

* Japanese students who matriculated prior to April 2008 will do an additional one-credit project to earn 4 credits for this course.

Description: From the last decade of the 20th century up to present, debates about development issues have focused on the need for economic reforms to establish macroeconomic stability, the need for strong institutions and governance, and the need for social justice – involving people in decisions that affect them. In addition to the three sets of issues above, we examine in some detail three important topics involving major international organizations: the United Nations Development Program (UNDP), the World Trade Organization (WTO), and World Bank/International Monetary Fund (IMF) and their roles in the areas of poverty reduction, trade and development, and climate change. This year, particular emphasis will be placed on UNDP’s “Millennium Development Goals,” and related activities of the United Nations Committee for Development Policy (CDP), which provides inputs and independent advice to the Economic and Social Council of the United Nations. We will review specific CDP activities regarding the status of Least Developed Countries (LDCs). Students will gain insight into the complex nature of coordination among international organizations and member nations’ limits, and problems related to the effectiveness of UN activities. LDC issues will be connected to the desirability of a liberal system of international trade. This course will examine trade-related issues facing developing countries. We will look closely at some of the IMF program and ask questions: Does foreign aid work? What is structural adjustment? Finally, we will discuss climate change and development. Students will learn about new directions in development thinking, the changing world and its implications for development policies, and competing paradigms for economic development. While we examine critically UN Millennium goals- promises that world leaders have made to work together to meet concrete targets for advancing development and reducing poverty by 2015. We will study the theories of Amartya Sen, and New Institutional economists, which challenge the orthodoxies of development. Students interested in UN activities, and practical development issues are encouraged to take this course.

Objectives: The objective of this course is to provide students with opportunities to apply concepts and theories learned in previous economic courses to gain more insight into complex international development issues, using specific examples of UN CDP activities, UNDP, and Bretton Woods Organizations.

Background of the Instructor: By way of nomination of the United Nations Secretary-General, the instructor serves as one of “24 Experts” members of the United Nations Committee for Development Policy (CDP). The instructor also served as chief economist at NIPPON KEIDANREN (日本経済団体連合会).

Study Materials:

<Text Books>

Meier, Gerald M. and James E. Rauch, Leading Issues in Economic Development, 8e. Oxford University Press, 2005.

< Reference books, sources of readings and other information >

- UNDP Human Development Report 2005. Oxford University Press, 2006.
- Amartya Sen. Inequality Reexamined, Russell Sage Foundation. Oxford University Press, 1992.
- Harris, John, Janet Hunter, and Colin M. Lewis, ed. New Institutional Economics and Third World Development. Routledge, 2003.
- United Nations. “Strengthening the International Partnership for Effective Poverty Reduction,” Committee for Development Policy. October 2007.
- United Nations. “The International Development Agenda and the Climate Change Challenge,” Committee for Development Policy. October 2007.
- United Nations. “Development Challenges in sub-Saharan Africa and post-conflict countries,” Committee for Development Policy. 2005.
- United Nations. “Overcoming Economic Vulnerability and Creating Employment,” Committee for Development Policy. October 2006.
- World Bank. World Development Report. 1999/2000.
- World Bank. “Assessing Aid, what works, what doesn’t, and why.” 1998.
- Hunt, Diana. Economic Theories of Development ,an Analysis of Competing Paradigms. Harvester, Wheatshea.1989.
- Jones, Charles I. Introduction to Economic Growth. W W Norton & Company, 1998.

- Ichikawa, Hiroya. "Protecting the environment: How to Balance Economic Needs." Presented before the second conference on Human Security in Asia Pacific Region, Singapore. July 1999.
- Ichikawa, Hiroya. "Post-Reisen Jidai no Kaihatuenjo to Nichibei Kyouryoku," Kaihatu Journal Publishing Company. 1995 (Japanese translation of "Common Vision, Different Paths: The United States and Japan in the developing world, Overseas Development Council. Washington DC, 1993.)
- Ichikawa, Hiroya and Aiko Sakurai. "A Critical look at Japan's Official Development Assistance and Some Suggestions," in Strategic Development Policy towards Middle East Peace and Future ODA Policy. Edited by Kouhei Hashimoto. PHP Book, 1995 (in Japanese).
- Ichikawa, Hiroya. "Japanese Direct Investment and Development Finance," in Yen for Development: Japanese Foreign Aid and the Politics of Burden-Sharing. Edited by Shafiqul Islam. Council on Foreign Relations Press, 1991.
- Ichikawa, Hiroya. "Nihon no ODA nomondaiten to minnkann keizai kyouryoku no yakuwari," in *International Affairs*, June 1989, No.351.
- Ichikawa, Hiroya. "Towards a New Japan's Official Development Assistance Regime and the Role of the Private Business Sector," presented at the Second ASEAN-Japan Conference, March 1989.
- Punyaratabanchu, Suchitra. "Commitment to Good Governance" in *Development and Poverty Reduction: Methodological Issues in the Evaluation of Progress at National and Local level,* a paper prepared at the sixth Session of the Committee on Development Policy, March 29-April 2, 2004.
- United Nations. *UNDP Human Development Report 2003*. Chapter 3, (pp.123-131)
- Coase, Ronald H. "The problem of Social Cost," in the *Journal of Law and Economics*, 3, October 1960, (pp.1-44).
- United Nations. "Mobilizing Grass Roots Support for Goals," in the *UNDP Human Development Report 2003*, Chapter 7, (pp133-162)

< Website General Reading >

Students are encouraged to read articles at the website of World Bank, IMF, UNDP, and the WTO, paying particular attention to news related to development issues.

Assessment: News report analysis (10%); Class presentation / discussion (20%); Midterm examination (20%); Term paper (40%); Other factors (10%).

Academic Preparation: Principles of Economics, Statistics (or equivalents courses). A course in elementary econometrics is also desirable.

Policies: All assignments, examinations and term papers must be completed to receive a passing grade. Unexcused absences will negatively impact your grade. Students are expected to report news items on development issues every class.

Course Format and activities: Students are expected to actively participate in class discussion based on reading assignments and individual research. Students will be required to write a term paper.

<Schedule>

<Week 1>

Theme: Course introduction

Activity: Formation of groups; leaders and sub-leaders to be decided.

<Week 2>

Theme: Peace in post-conflict countries

Reading: paper by Panic, prepared for the March 2005 meeting of the UN Committee for Development Policy in New York. Presentation by Group 1.

<Week 3>

Theme: UNDP Human Development Report 2003

Readings: (1) Millennium Development Goals: A compact among nations to end human poverty. Overview (pp.1-13). Presentation by Group 2. (2) Chapter 1 (pp. 27-32).

Presentation by Group 3.

(3) Priority challenges in meeting the goals (pp. 33-67). Presentation by Group 4.

<Week 4.>

Theme: Equality , Poverty, and Welfare – the approach of Amartya Sen

Readings: Amartya Sen. Inequality Reexamined. (1) Introduction: Questions and Themes (pp. 1-11). (2) Equality of what? (pp. 12-30)

<Week 5>

Theme: Equality , Poverty, and Welfare – the approach of Amartya Sen (continued)

Readings: (1) Freedom, achievement and resources (pp. 31-38). (2) Functioning and Capability (pp. 39-55). Presentation by Group 5.

<Week 6>

Theme: Overcoming Structural barriers to growth- to achieve the goals

Readings: UNDP Human Development Report 2003.(67/84). Presentation Group 6.

<Week 7>

Themes: Measuring Development. Human Development Index (HDI). HDI ranking compared to US\$ per capita GDP ranking. Evolution of measures of development. Exchange Rate Deviation Index in relation to real GDP per capita.

Readings: Gerald M. Meier/ James E. Rauch. Leading Issues in Economic Development, 8th ed. Oxford University Press.2005. Chapter 1. (pp. 1-34). Presentation by Group 7.

<Week 8>

Readings: “Strengthening the International Partnership for Effective Poverty Reduction,” Committee for Development Policy, United Nations, October, 2007.

Presentation by Group 8.

<Week 9

Theme: An introduction to the new institutional economics:

Readings: (1) Douglass C. North,” The New Institutional Economics and Third World Development” edited by John Harris, Janet Hunter, and Colon M.Lewis. Routledge.

Presentation by group 9. (2) Christopher Clague “The New institutional Economics and Economic Development, (pp. 13-36). Presentation by Group 10. (3) Mancur Olson, “The New Institutional Economics: The Collective Choice Approach to Economic Development (pp. 37-64). (The latter two articles are from Christopher Clague, ed “Institutions and Economic Development-Growth and Governance in Less-Developed and Post-Socialist Countries. Johns Hopkins University Press, 1997. Presentation Group 11.

<Week 10>

Theme: Social Dilemmas and Rational Individuals: An assessment of the new institutional economics.

Readings: (1) Robert H. Bates, “Social Dilemmas and Rational Individuals.” (2) John

Toye, "The New Institutional Economics and its implications for development policy."
Presentation by Group 12.

<Week 11>

Theme: Neoclassical (Solow model) and new growth (Romer model)

Reading: Charles I. Jones, Introduction to Economic Growth. W W Norton.1998.

Presentation by Group 13.

Alternative readings: (1) Romer.Paul M. " Increasing returns and Long-Run Growth." Journal of Political Economy, (October) 94:1002-37. (2) Lucas Robert. E. Jr. "On the mechanism of economic development." Journal of Monetary Economics, (July) 22:3-42.

<Week 12>

Theme 1: Public policies to improve people's health and education

Reading 1: UNDP Human Development Report 2003 Chapter 4. Presentation Group14.

Theme 2: State Failure in Weak States

Reading 2: Musbtaq Kban."State Failure in Weak State: A critique of New Institutional Explanations. Presentation by Group 15.

<Week 13>

Themes: Historical Perspective. Division of the world. Spread of economic growth to Third World. State-Owned Enterprises and privatization. Factoral terms of trade. Why not export first? The Lewis model of the world economy. Agricultural productivity, comparative advantage, and economic growth. Income distribution, market size, and industrialization. Factor endowments. New world economies. Divergence. Big Time.

Reading: Meier/Rauch. "Leading Issues in Economic Development,"(pp.81-131).

Presentation by Group 16.

<Week 14>

Themes: Investment and Finance. The Engines of growth? Investment and financial indicators in fast and slow growth economies. The AK model. Is fixed investment the key to economic growth? Financial development and economic growth. Taming international capital flows. Can foreign aid buy growth? The microfinance promise.

Reading: Meier/Rauch" Leading Issues in Economic Development," Chapter3, (pp. 293-330). Presentation by Group 16.

<Week 15>

Themes:

Reading: “The International Development Agenda and the Climate Change Challenge,”
Committee for Development Policy, United Nations, October, 2007. Presentation by
Group 17.

Final Exam