

Political Economy of Developing Countries

IPEC4302
Spring 2016
M W 4:00-5:15
PHY 1.202

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Course Description

We typically assume that Democracy is good for economic growth. But if this is the case, how do we explain China's economic success? Similarly, economic theory tells us that governments should not interfere with the market, but why did South Korea industrialize at an incredible pace by doing exactly that, while Argentina failed miserably? Why are natural resources a blessing in Botswana but a curse in Nigeria? If we have learned anything from developing countries' experiences, it is that there is no universal one-size-fits-it-all answer. This course explores the conditions under which grand theories of development are valid. Taking into account differences in local conditions is crucial for developing policy recommendations or investment strategies. Using case studies in every class, this course offers students opportunities to sharpen their analytical skills for making sense of a complicated world.

Course Objectives and Learning Outcomes

Discussions concerning topics in political economy are typically both interesting and heated. For any given topic, several legitimate positions can typically be adopted – even though they might contradict each other. Which of these positions is the ‘best’ position often depends on the criteria used to evaluate the problem: Is the objective to reduce costs or to uphold ethical standards? Is it about benefiting consumers or favoring producers? In other words, there might not be a ‘correct’ answer, but there might be a ‘best’ answer given the criteria by which you judge what is most appropriate in a certain situation. The objective of this course is to enable you to evaluate the validity of competing arguments in order to identify the ‘best’ answer. To achieve this, the course offers the opportunity to sharpen your analytical skills. We focus on two learning outcomes: a) how to evaluate the theoretical merit of competing arguments, and b) how to obtain and understand empirical evidence to adjudicate between competing arguments. In sum, you will learn how to make sense of messy real-world situations by examining competing arguments in a theoretically-informed and evidence-based way.

Teaching Method

Issues in political economy often offer no ‘correct’ answer but only a ‘best’ answer that are most appropriate given some criteria by which to evaluate the possible answers. Consequently, this course offers an opportunity to prepare for a career in settings where there are no clear-cut answers either, such

as consulting, finance and law. In addition to the analytical skills, skills such as teamwork, argumentation, writing and independent project management are required as well.

I use teaching methods that offer the opportunity to develop these workplace-related skills while you are investigating Political Economy issues. For example, the class will be divided in teams that work together for the entire semester. During class time I frequently give small in-class assignments that need to be solved by the teams in order to facilitate your ability to work in a team. Further, I require students to produce written output such as short memos. These assignments convey basic writing and argumentation skills, which you need at your workplace later on.

I subscribe to these teaching methods not only to prepare you for the workplace, but also from a pedagogical perspective. Research shows that student learning is enhanced by providing active learning opportunities. In other words, you will learn more if I engage you with tasks than if I would simply lecture to you.

Course readings

Required Textbooks and Materials Considering the cost of most books, I do not require you to purchase a textbook. Instead, the readings primarily consist of excerpts from articles in scientific journals or book chapters. Most readings will be available on eLearning, while others can be downloaded via the library's website at <http://www.utdallas.edu/library/>. You are not required to print material made available electronically.

Technical Equipment I encourage you to bring your laptop. We will utilize it heavily in class.

Assignments and Academic Calendar

1/11 – Lecture 1: Introduction

No readings

1/13 – Lecture 2: Causality and Opinion

No readings

1/18 – No class (MLK Day)

1/20 – Lecture 3: Institutions and economic development

Daron Acemoglu. Root causes. *Finance and Development*, 40(2):27–43, 2003. [pages: 27-30]

1/25 – Lecture 4: Institutions and power

Ha-Joon Chang. *Kicking away the ladder*. Development Strategy in Historical Perspective. Anthem London, 2002. [pages: 51 - 58 and 81 - 85]

A. Przeworski. Institutions Matter? *Government and Opposition*, 39(4):527–540, 2004. [pages: 529 - 532]

1/27 – Lecture 5: How to get good institutions

D.C. North and B.R. Weingast. Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England. *The Journal of Economic History*, 49(4):803–832, 1989. [Pages: 803-805 and 808-819]

Edward L Glaeser, R. La Porta, F. Lopez-de Silanes, and Andrei Shleifer. Do Institutions Cause Growth? *Journal of Economic Growth*, 9(3):271, 2004. [Pages: 271-275]

2/1 – Lecture 6: Democracy and development

M. Olson. Dictatorship, Democracy, and Development. *The American Political Science Review*, 87(3):567–576, 1993. [Pages: 567-573]

2/3 – Lecture 7: How to become a Democracy? I

Charles Boix and S.C. Stokes. Endogenous Democratization. *World Politics*, 55(4):517–549, 2003. [Pages: 517-521 and 539-544]

2/8 – Lecture 8: How to become a Democracy? II

A. Przeworski and Fernando Limongi. Modernization: Theories and Facts. *World Politics*, 49(2):155–183, 1997. [Pages: 155-169]

2/10 – Lecture 9: Hurdles for Policy Implementation

Dani Rodrik. Understanding economic policy reform. *Journal of Economic Literature*, pages 9–41, 1996. [Pages: 21-38]

2/15 – Lecture 10:- Leadership and Development

⇒ *Due: Writing Assignment 1*

Benjamin F Jones and Benjamin A Olken. Do Leaders Matter? National Leadership and Growth since World War II. *The Quarterly Journal of Economics*, 120(3):835–864, August 2005. [Pages: 835-840 and 844-850]

2/17 – Lecture 11: The perils of State Intervention

Anne O Krueger. Government Failures in Development. *The Journal of Economic Perspectives*, 4(3):9–23, 1990. [Pages: 9-20]

2/22 – Lecture 12: Industrialization and Development

H.J. Chang. The political economy of industrial policy in Korea. *Cambridge Journal of Economics*, 17(2):131, 1993. [Pages: 138-150]

2/24 – Lecture 13: When does state intervention work?

Dani Rodrik. Industrial policy: don't ask why, ask how. *Middle East Development Journal*, 1(01):1–29, 2009. [Pages: 4-10 and 18-23]

2/29 – Lecture 14: Corruption

Mushtaq H Khan. Rent-seeking as Process. In M.H. Khan and KS Jomo, editors, *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia*. Cambridge University Press, 2000. [Pages: 17-31]

3/2 – Midterm

3/7 – Lecture 15: Foreign aid

Clint Peinhardt and Todd Sandler. *Transnational Cooperation: An Issue-Based Approach*. Oxford University Press, 2015. [Pages:123-130]

3/9 – Lecture 16: Who gets aid and why?

Nathan Nunn and Nancy Qian. The Determinants of Food Aid Provisions to Africa and the Developing World. In S Edwards, S Johnson, and D Weil, editors, *African Successes: Sustainable Growth*. University of Chicago Press, 2014. [Pages: 15-26]

3/14 – No class (Spring Break)

3/16 – No class (Spring Break)

3/21 – Lecture 17: What are the effects of aid

Michael A Clemens, Steven Radelet, Rikhil R Bhavnani, and Samuel Bazzi. Counting Chickens when they Hatch: Timing and the Effects of Aid on Growth. *The Economic Journal*, 122(561):590–617, December 2011. [Pages: 590-600]

Richard A Nielsen, Michael G Findley, Zachary S Davis, Tara Candland, and Daniel L Nielson. Foreign Aid Shocks as a Cause of Violent Armed Conflict. *American Journal of Political Science*, 55(2):219–232, January 2011. [Pages: 219-225]

3/23 – Lecture 18: What could donors do differently?

Nancy Birdsall. Working Paper Number 50 December 2004 (revised December 2005). *Center for Global Development Working Paper*, 2004(50):1–37, December 2005. [Pages: 4-19]

3/28 – Lecture 19: Supply of IMF loans

Mark S Copelovitch. Master or servant? Common agency and the political economy of IMF lending. *International Studies Quarterly*, 54(1):49–77, 2010. [Pages: 49-59]

3/30 – Lecture 20: Demand for IMF loans

James Raymond Vreeland. Why do governments and the IMF enter into agreements? Statistically selected cases. *International Political Science Review*, 24(3):321–343, 2003. [Pages: 321-338]

4/4 – Lecture 21: The IMF and Labor

James Raymond Vreeland. The effect of IMF programs on labor. *World Development*, 30(1):121–139, 2002. [Pages: 121-124 and 126-133]

4/6 – Lecture 22: The IMF and the poor

Irfan Nooruddin and Joel W Simmons. The Politics of Hard Choices: IMF Programs and Government Spending. *International Organization*, 60(04):1001–1033, October 2006. [Pages: 1001-1012]

4/11 – Lecture 23: Natural Resources and Development

Jeffrey D. Sachs and Andrew M. Warner. The curse of natural resources. *European Economic Review*, 45(4-6):827–838, 2001. [Pages: 827 - 837]

4/13 – Lecture 24: Natural Resources and Democracy

Michael L. Ross. Does Oil Hinder Democracy? *World Politics*, 53(3):325–361, 2001. [Pages: 325-337]

4/18 – Lecture 25: Natural Resources and Society

⇒ *Due: Writing Assignment 2*

Michael L. Ross. Oil, Islam, and Women. *American Political Science Review*, 102(01):107–123, February 2008. [Pages: 107-111 and 117-120]

4/20 – Lecture 26: Natural Resources and Global Cooperation

Readings tba.

4/25 – Lecture 27: Review session

4/27 – Second Midterm

Grading Policy

Assignments in this course This course will use several types of assignments to assess your learning.

- 12 journal entries, lowest 3 scores will be dropped (20 points each = 180 points): Journal entries are short written responses to questions about the readings assigned in each week. Their purpose is to ensure that you have completed the readings, and therefore are prepared for the other in-class and team activities. The journals are administered on eLearning, which implies that technical or scheduling difficulties are no valid excuse. Also, there will be no make-up quizzes because I am dropping the a certain number of your lowest quiz scores at the end of the semester. Journal entries have a word limit of 300 words. They are open-book so that you can use all the notes that you have taken when you did the readings. The journal entries have to be submitted by the beginning of each lecture.
- 2 Team Peer Reviews (20 points each = 40 points): Many learning activities will involve permanent teams of 5 students which will be formed at the beginning of the semester. Later in the semester, you will have the opportunity to assess the behavior of your teammates and evaluate how much and how well they have contributed to the work of your team. These assessments of your performance as judged by your teammates will be part of your overall performance evaluation.
- 1 Midterm (50 points): The midterm will be an in-class exam.
- 2 Writing Assignments (50 points each = 100 points): Each writing assignment will ask you to evaluate a selection of journal articles in a 5 page paper (double-spaced 12 point font, 1 inch margins).
- 1 Final (50 points): The final will be an in-class exam.
- Class Attendance and Participation (30 points): Class participation includes, but is not limited to, (a) attendance, (b) participation in class, and (c) participation in group work. The grade balances quality and quantity of participation. Please note that I will take attendance.

‘One off’ Policy You are allowed to drop one of the following: the midterm or one writing assignment. In other words, you can choose either to write two writing assignments and drop the midterm, or to write the midterm and only one writing assignment. However, you can also complete both writing assignments and take the midterm. In this case I will drop your lowest grade of these three assessments and count only the two highest grades towards your final grade. The final, the reading quizzes, and the peer reviews are required.

The rationale for this policy is two-fold. First, some students are good test takers, others are better writers. This policy therefore allows students to choose the assessment method that they feel most comfortable with. Second, in return for granting this option to students I do not allow for no make-up exams. If you miss an exam or a deadline for an assignment this will count as your ‘one off.’ I do not offer extra credit for the same reason. You can complete all three assignments to then drop your lowest grade (i.e., exchange a ‘bad’ grade with a ‘better’ grade).

Final course grade calculation In sum, the assessment of your learning will be based on both your individual performance and quality of your group’s output. The individual components will be weighted in the following manner:

- 18 journal entries: 180 points
- 1 first midterm + 1 writing assignment OR 2 writing assignments: 100 points
- 1 final: 50 points
- 2 team peer reviews: 40 points
- attendance and participation: 30 points
- **Total: 400 points**

Your final letter grade will be determined by the percentage of points that you achieve relative to the maximum number of points a student accomplished in the course. The following scale will be used:

- 94% - 100% = A
- 90% - 93% = A-
- 87% = 89% = B+
- 83% - 86% = B
- 80% - 82% = B-
- 77% - 79% = C+
- 73% - 76% = C
- 70% - 72% = C-
- 67% - 69% = D+
- 63% - 66% = D
- 60% - 62% = D-
- 0% - 59% = F

Note: Please consider the course policies on late work, missed exams, and grade disputes at the end of this document.

Expectations

What I expect of my students

- Willingness to work: As a general rule, one credit represents three hours of academic work per week (including lectures, laboratories, recitations, discussion groups, field work, study, and so on), averaged over the semester. In other words, you need to invest time into this course, otherwise the benefits and the grades you get might not be what you want.
- Classroom etiquette: You are expected to complete the assigned readings prior to the class session for which they are scheduled. Lectures and discussions will not duplicate, but instead will build on, and hence assume prior familiarity with the assigned readings. Your active, informed, and civil participation in discussion and class activities is expected. You are responsible for remaining attentive in class, arriving prepared to discuss course materials, and respecting other members of the class as you and they participate.
- Obligations to other students: You will be assigned to a team of about 5 students that will work together the entire semester. Each team will have the opportunity to agree on how the teamwork should happen. You are expected to work with your teammates in the manner that all team members agreed upon.
- Course policies: Please read the course policies at the end of this syllabus. They facilitate a learning experience that is as efficient and effective as possible. Further, they represent the professional code of conduct in the real world.

What you can expect from the instructor

- I offer a learning environment that challenges you in order to provide opportunities for growth. I will be prepared to the best of my abilities.
- I encourage you to explore your own ideas in response to the assigned tasks. I will be open-minded in responding to your ideas and suggestions. I will offer constructive feedback.
- I am open to constructive feedback from you on my performance. If you have ideas or suggestions, please do not hesitate to discuss them with me. I am committed to make this the best possible classroom experience.

Course Policies

Attendance, Participation, and Lecture Notes Regular attendance is essential to your success in this course. Since I will be using interactive elements and group exercises during class time, it is difficult to "make up" for missed classes.

We are jointly responsible for maintaining a constructive learning environment in the classroom. Students whose behavior is disruptive either to me or to other students will be asked to refrain from such behavior or, in severe cases, to leave the classroom. Mutual respect is expected of everyone in the classroom, and personal attacks will not be tolerated. Please contact me if you have any concerns in this regard.

Late work and missed exams

- Missed exams: Make-up exams will not be permitted. However, you are allowed to drop the lowest grade on one of either the midterm or one of the writing assignments (see detailed description above). Thus, if you miss an exam this will count as your 'one off'.

The only exception is if you have an excused absence. This requires that you notify me **before** the assignment is administered. Coming to me several days after the test with a doctor's note does not

constitute sufficient grounds to let you complete your missed exam. Further, I expect you to present written documentation of the circumstances (e.g. a doctor's note). I will accept the following as legitimate circumstances justifying lateness or taking a makeup exam: religious holidays, verifiable illness, serious family emergencies, subpoenas, jury duty, military service, and participation in group activities sponsored by the University. However, in all cases, you must speak to me directly, and not via email, and ahead of the exam date or assignment deadline.

Further, please note that if you arrive late to an exam you will not be given extra time to complete it. You will have to finish by end of the examination period.

If you have a serious problem affecting your studies (e.g. a major illness, family problems, or a death in the family) you must speak to me personally, not via email, and ahead of the exam or assignment deadline about any adjustments needed to complete the course. Telling me after the course has ended that your work suffered because of xyz leaves me with no options to help you. Do come and speak with me in such a situation as soon as possible.

- Late papers, writing assignments, projects, homework, and other assignments: Late assignments will not be permitted either since you are allowed to drop the lowest grade on one of either the midterm or one of the writing assignments (see detailed description above). Thus, if you miss an assignment deadline this will count as your 'one off'.
- Missed Journal Entry Only the 18 best journal entries will count towards your final grade, while a number of your lowest journal entries will be dropped. It is therefore not possible to make up a missed journal entry.
- Incomplete coursework: Incompletes will be granted only in the case of documented long-term illness, and if you and I jointly complete the required paperwork with the Undergraduate Associate Dean of EPPS, which is available here:
<http://catalog.utdallas.edu/2013/undergraduate/policies/academicincomplete-grades>
- Extra credit: Extra credit activities or coursework resubmission are not available. See the 'one off'-policy above that allows you to improve on the previously received grades if you are dissatisfied with your current standing.

Grade disputes It is understandable that, at times, you have questions or concerns with regard to a grade you received on one of your assignments or exams. However, in order to turn questions about your grade into a learning experience, your grade dispute will be received in the following way:

1. Cooling off period: Neither I nor my TA will consider any grade related inquiries within the first 48 hours after the grades have been handed out. This 'Cooling off'-period provides the opportunity to let the initial emotions subside and think more clearly about the issue at hand.
2. Written memo: Write a short memo explaining why you believe that your answer is correct, and why you therefore should have received full points. It is expected that you address the comments that the grader has given you. Email this note to me or the TA at least 24 hours prior to meeting me or the TA during my office hours. Bring your exam with you to the office hours. This step serves the purpose of encouraging you to critically re-evaluate the answer you gave on the exam. Looking through your notes and developing a case for your answer is an additional learning opportunity.
3. First TA, then instructor: If this course has a TA, contact her or him first with your dispute (using the two steps described above). After all, she or he has graded your assignment and therefore knows best how your performance compares to the one of your classmates. However, if your meeting with the TA has not resolved the issue, then you may contact me.

Academic Misconduct Students are expected to do their own assigned work. If it is determined that a student has engaged in any form of Academic Dishonesty, he or she may be given an *F* or an *N* for the course, and may face additional sanctions from the University. Academic dishonesty in any portion of the academic work for a course shall be grounds for awarding a grade of *F* or *N* for the entire course.

Sexual Harassment University policy prohibits sexual harassment as defined in the University Policy Statement (<http://www.utdallas.edu/legal/title9/contactharass.html> and <http://www.utdallas.edu/hrm/er/complaints/harassment.php5>). This is a serious offense, and I feel strongly about addressing it. Complaints about sexual harassment should be reported to the Dean of Students, Office of Student Life, Student Union Room 1, phone 972-883-6391 or email gene.fitch@utdallas.edu. However, I also want you to know that you can also talk to me as well about any issues that come up.

Accommodations for Students with Disabilities Participants with special needs are strongly encouraged to talk to me as soon as possible to gain maximum access to course information. It is important to me that everyone who wants to take this class is not prevented from doing so due to special needs. University policy is to provide, on a flexible and individualized basis, reasonable accommodations to students who have documented disability conditions (e.g., physical, learning, psychiatric, vision, hearing, or systemic) that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities are encouraged to contact the Office of Student AccessAbility and their instructors to discuss their individual needs for accommodations. The Office of Student AccessAbility is located in SSB 3.200. Staff can be reached at studentaccess@utdallas.edu or by calling 972-883-2098. For more information see <http://www.utdallas.edu/studentaccess/>. Please note, however, that if you have any concerns regarding how special needs might affect the assessment of your performance, you have to talk to me *prior* to the date of the assessment. I cannot make grade adjustments after the fact.

Statement regarding diversity I strongly believe that diversity is an asset rather than a liability. For one, in a globalized world you will be exposed to people who are different from you. Therefore, it is necessary to recognize that people who are different in almost all cases bring something valuable to the table: Experiences that you can learn from, insights that were not apparent to you, skills that you do not have, or knowledge that you can benefit from. It is my intention to create a learning environment in this class that allows everyone to share their unique strengths. This is not only my personal belief. After all, research shows that the best work is usually produced by groups that combine the different comparative advantages of their group members.

I therefore emphasize that I welcome anyone to my class, regardless of your sexual orientation, religious observances, political orientation, physical characteristics, cultural background, nationality, or any other characteristic. I recognize that I myself am not perfect, but I promise you to make every effort. If you have any concerns with respect to your acceptance in the classroom I strongly encourage you to talk with me.

Technology in the classroom Laptops are allowed and even encouraged in the classroom. Bring yours to classes, as we will frequently use it for group activities and short in-class writing assignments. However, I do expect you to use the laptop for activities related to the class only. That is, no gaming, no facebook, no emails, no chatting. I reserve the right to administer sanctions if your behavior does not align with these expectations.

However, any other technological items such as cell phones, iPods, MP3 players, pagers, and PDAs need to be turned OFF during class. That's right: turn it off, rather than just setting it to vibrate. The purpose for this policy is that I want to minimize distractions during class. I do want you to be focused

on the learning activities that will be going on. If I notice that you are not paying attention but instead are focused on your cell phone I reserve the right to do something about it. Further, you are not allowed to make video- or audio-recordings of the classes without my prior permission. I reserve the right to legal action in case I observe you doing so. The reason why the dialogue between professors and students should stay within the closed community of the classroom is simple. After all, academic freedom and completely honest communication in the classroom requires a certain degree of privacy for all the people in the classroom. Students and teachers alike need to be able to be frank, and they need to express their emotions honestly. A video- or audio recording will seriously impede the willingness of students to come forward and engage in an open and honest discussion.

Communication

- E-mail: E-mail is the most reliable way to get in touch with me outside of class and office hours. While I may sometimes be able to return e-mail more quickly, in general you should expect a response within 48 hours.

On a more general note, here are some tips for e-mail success (and requirements for success on the job later on):

- Provide a useful and descriptive subject line (ex: Question about my thesis for Essay 1)
 - Begin with a greeting (ex: "Dear Prof. Bunte") and end with a signature (ex: "Sincerely, Student"). Launching straight into the message is bad, but "Hi!" is poor form and "Hey Prof!" is an unmitigated disaster. "Dear" and "Hi" are fine, so long as you follow both by a name or title: "Hi Professor" or "Hi Mr. Bunte".
 - Check to see whether your question is already answered in the syllabus or other course materials before sending an e-mail. Also, don't ask for information before you've looked on Google. "Can you send me paper X?" is annoying.
 - Use your official school email address. The email address from high school like "hotmuffin92@hotmail.com" and "mikeyg@gmail.com" are not appropriate.
- Office Hours: I will hold regular office hours (see the top of this document). I am committed to being available to you for questions and concerns. However, in return, I ask you to observe some simple guidelines:
 - If you make an appointment to see me at my office, be on time. If you are late and I do not have to be there, I will leave. Do not show up for office hour appointments with me if you are drunk, stoned, or hung-over.
 - If you come to see me at my office and another student is already speaking to me, do not enter my office or stand in the doorway. Please go around the corner and wait your turn. Every student deserves privacy when discussing class issues with me.

Statement on classroom conduct / general etiquette guidelines The following suggestions embody some general guidelines of courtesy that I strongly recommend.

- Do not carry on side discussions while someone else is speaking.
- Do not begin gathering or packing your belongings until class is dismissed.
- Learn my name and the Teaching Assistants' names. I have met students who after a term in my class could not name me. As Shania Twain states, that does not impress me much. You should want to know your professors, and you should want them to know you, especially if you will require reference letters from them to go on to graduate school, a professional college, or to get a job.

- The Teaching Assistants and I are happy to help you. But remember that we are not your servants. You are my student, not my client.
- Please do not tell me that you need an *A* in my class to get into law school/teacher's college or to remain in the dorms or on a University sports team. As I have laid out above, such things are not part of my formal evaluation process. I can grade only the quality of work that you give to me.
- Please do not tell me that you are getting *As* in your other classes if you are not doing as well in my class as you would like. I do not grade your other course work.

UT Dallas Syllabus Policies and Procedures

The information contained in the following link constitutes the University's policies and procedures segment of the course syllabus. Please go to <http://go.utdallas.edu/syllabus-policies> for these policies.

The descriptions and timelines contained in this syllabus are subject to change at the discretion of the Professor.