

THE UNIVERSITY OF THE WEST INDIES, MONA
ECON6032: Economic Development Theory 1
Semester I, 2019-20

Lecturer: Wesley Hughes
Lectures: Tuesdays, 1:00 – 3:00 (GLT1)
Thursdays, 12:00 – 1:00 (GLT1)
Office Hours: Tuesday, 11:00 – 12:00 (Upon Request)
Room E207 McIntyre Building Thursdays, 1:00 – 2:00

Description

This course will encourage students to understand, critique and challenge orthodox concepts and theories of economics, particularly as they relate to developing economies. It will also expose students to alternative concepts and theories, which will be critically reviewed. The development experience of selected Developed economies and newly industrialized countries will be examined vis-a-vis dominant theories of economic development. Students will be required in class discussions and formal presentations to assess the applicability of economic development theories and experiences to Jamaica and the rest of the Caribbean.

INDEPENDENT READING PRIOR TO LECTURES IS HIGHLY RECOMMENDED.

Modes of Delivery

Two lecture hours and one tutorial hour per week.

In the tutorials, students will be required to make presentations and contribute to discussions in the format of an academic conference. Participation will contribute to final grade.

Syllabus, Learning Outcomes and Resources

1. Development of Economic Ideas: Orthodoxy and Alternatives

In this unit students will be briefly introduced to and be expected to understand and critique different concepts of economics. Students are required to explain and critically review the following:

- Commonalities in the ‘type’ of economics typically taught in undergraduate and graduate economics programmes;
- Orthodox economics and reasons for its dominance;
- Alternatives to the orthodoxy, i.e. heterodox economics (including but not limited to Behavioural and institutional economics); and
- The relevance of, and alternative directions in, development economics (including concepts and measures of development).

Prescribed Reading:

- Angresano, James (2007) 'Orthodox Economic Education, Ideology and Commercial Interests: Relationships that Inhibit Poverty Alleviation', *Post-Autistic Economics Review*, Issue No. 44, pp. 37-58
- Estley, J.A. (1936) 'Orthodox Economic Theory: A Defense', *The Journal of Political Economy*, Vol. 44, No. 6, pp. 791-802
- Mearman, Andrew (2007) 'Teaching Heterodox Economics Concepts', www.economicnetwork.ac.uk/handbook/heterodox/
- Toye, John (2006) 'Changing Perspectives in Development Economics', in Ha-Joon Chang, eds, *Rethinking Development Economics*, Anthem Press
- Chang, Ha-Joon (2006) 'The Market, the State and Institutions in Economic Development', in Ha-Joon Chang, eds, *Rethinking Development Economics*, Anthem Press
- Chang, Ha-Joon (2006) 'Introduction', in Ha-Joon Chang, eds, *Rethinking Development Economics*, Anthem Press
- Chang, Ha-Joon (2002) 'Breaking the Mould: An Institutionalist Political Economy Alternative to the Neo-liberal Theory of the Market and the State', *Cambridge Journal of Economics*, Vol. 26, pp. 539-559
- Fullbrook, Edward (2005) 'Economics and Neoliberalism', Essay for *After Blair: Politics After the New Labour Decade*, forthcoming spring 2006
- <http://www.othercanon.org/papers/index.html>
- Hodgson, Geoffrey (1998) 'The Approach of Institutional Economics' *Journal of Economic Literature*, Vol. 36, pages 166-192, <http://www.econ.uchile.cl/uploads/documento/2f31e37b95de09feb3bc22d401535f237e5aa31a.pdf>
- Szentes, Tamas (2005) 'Development in the History of Economics', in Jomo KS and Erik Reinert, eds, *The Origins of Development Economics: How Schools of Economic Thought Have Addressed Development*

2. The Growth Theories: Understanding and Critiquing the Orthodoxy

In this unit students will be introduced to the old and new growth theories as a means of understanding the theoretical foundations of the policy prescriptions under the Washington Consensus. Major critiques of these theories will be discussed both in a theoretical setting and using a number of case study analyses. Students are required to compare, critically review and assess the applicability of the following models and case studies to the Caribbean context:

- Solow's model
- Harrod-Domar model
- Romer's model
- Neo-Schumpeterian model
- Washington Consensus
- Post-Washington Consensus

Prescribed Reading:

- Todaro, Michael, *Economic Development*, Reading: Addison-Wesley Longman (newest edition) (Chapter 3)
- Onis, Z. (1995) 'The Limits of Neo-liberalism: Toward a Reformulation of Development Theory', *Journal of Economic Issues*, Vol. 29.
- Fine, Ben (2006) 'New Growth Theory', in Ha-Joon Chang, eds, *Rethinking Development Economics*, Anthem Press
- www.unctad.org/en/docs/dp_122.en.pdf
- Bosworth, Barry P. And Collins, Susan M. (2003) 'The Empirics of Growth: An Update', *Brookings Papers on Economic Activity*, No. 2
- Vamvakidis, Athanasios (2002) 'How Robust is the Growth-Openness Connection? Historical Evidence', *Journal of Economic Growth*, Vol. 7, pp. 57-80
- Sender, John (1999) 'Africa's Economic Performance: Limitations of the Current Consensus', *Journal of Economic Perspectives*, Vol. 13, No.3, pp. 89-114

- *IMF Performance in the run up to the financial and economic crisis. IMF Surveillance in 2004-2007.* Available online at [http://www.imo-imf.org/imo/files/completedevaluations/crisis-%20main%20report%20\(without%20moises%20signature\).pdf](http://www.imo-imf.org/imo/files/completedevaluations/crisis-%20main%20report%20(without%20moises%20signature).pdf)

3. How did the Developed Countries Develop? Economic History as a Challenge to the Orthodoxy

A brief historical overview of the process of economic development in a number of OECD countries will be discussed. Students will assess whether policy prescriptions derived from orthodox growth theories were applied in these countries at critical stages in their development. The use and sequencing of the following types of policies will be evaluated:

- Protectionism in OECD development
- Industrial policy in OECD development
- Role of institutions in OECD development
- Neo-liberal policies in OECD development

Prescribed Reading:

- Chang, Ha-Joon (2003) *Kicking Away the Ladder: Development Strategy in Historical Perspective*, Anthem Press: London (Chapter 1)
- Chang, Ha-Joon and Grabel, Ilene (2004) *Reclaiming Development: An Alternative Economic Policy Manual*, Fernwood Publishing: Canada (Chapters 1-4)
- Nayyar, Deepak (2006) 'Globalization, History and Development: A Tale of Two Centuries', *Cambridge Journal of Economics*, Vol. 30, pp. 137-159
- Reinart, Erik (2006) 'Increasing Poverty in a Globalized World: Marshall Plans and Morgenthau Plans as Mechanisms of Polarization of World Incomes', in Ha-Joon Chang, eds, *Rethinking Development Economics*, Anthem Press

4. Other Theories of Growth and Development: Alternatives to the Orthodoxy?

Students will review, critique and compare the following major theories of economic growth, development and underdevelopment. Students will also be required to assess their applicability to the Caribbean context.

- Rostow's Stages of Growth Theory
- Lewis' Dualistic Model
- External Dependency Theories
- Plantation Economy

Prescribed Reading:

- Todaro (Chapter 3)
- Martinussen, John (1997) *Society, State and Market: A Guide to Competing Theories of Development*, London: Zed Books (Chapters 5, 6 and 7)
- Rostow, W.W. (1960) *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge: Cambridge University Press
- Lewis, W.A. (1958) 'Economic Development with Unlimited Supplies of Labour', in A.N. Agarwala and S.P. Singh, (Eds.) *The Economics of Underdevelopment*, Oxford University Press
- Best, Lloyd (2005) 'A Model of Pure Plantation Economy' in Dennis Pantin eds, *The Caribbean Economy: A Reader*, Kingston: Ian Randle Publishers

5. The East Asian Mystery: Success of Orthodoxy or Vindication of Heterodoxy?

The debate as to the causes of the East Asian miracle will be reviewed, with orthodox and heterodox arguments being presented, as outlined below. Students will be required to evaluate the merits of these arguments with reference to the historical development of the countries in the region, and the policies pursued in each.

- Neo-liberal explanations of the East Asian miracle
- Historical overview of East Asian development and Policies pursued in East Asian countries
- Causes of the East Asian financial crisis

Prescribed Reading:

- Chang, Ha-Joon (2006) *The East Asian Development Experience: The Miracle, the Crisis and the Future*, Zed Books: London and Third World Network: Malaysia (Chapter 1)
- Page, John M. (1994) 'The East Asian Miracle: An Introduction', *World Development*, Volume 22, No. 4, pp. 615-625
- Kwon, Jane (1994) 'The East Asian Challenge to Neoclassical Orthodoxy', *World Development*, Volume 22, No. 4, pp. 635-644
- Lall, Sanjaya (1994) 'The East Asian Miracle: Does the Bell Toll for Industrial Strategy?' *World Development*, Volume 22, No. 4, pp. 645-654
- Akyuz, Yilmaz, Chang, Ha-Joon, and Kozul-Wright, Richard (1998) 'New Perspectives on East Asian Development', *Journal of Development Studies*, Vol. 34, No. 4, pp. 4-34

- Balassa, Bela (1988) 'The Lessons of East Asian Development: An Overview', *Economic Development and Cultural Change*, Vol. 36, No. 3, Supplement
- Rodrik, Dani (1994) 'King Kong meets Godzilla: The World Bank and the East Asian Miracle', *CEPR Discussion Paper*, No. 944
- Stiglitz, Joseph E. (1996) 'Some Lessons from the East Asian Miracle', *The World Bank Research Observer*, Vol. 11, No. 2, pp. 151-177

Assessment

1. Participation in tutorial discussions - 10%

This includes the oral presentation of an answer to a past exam question, as well as participation in class discussions throughout the semester

2. Presentation of Research Proposal - 15%

A graded oral presentation will be made, students will then be given an opportunity to incorporate comments, after which the typed proposal will be submitted for grading. The typed proposal should not exceed 5 type-written, double-spaced, letter size pages

3. Research paper - 35%

The type-written essay should not exceed 20 type-written, double-spaced, letter size pages (excluding tables and bibliography).

4. Final Examination - 40%

Research Question

Hypothetical Case:

One of three institutions: The Inter-American Development Bank, World Bank or Caribbean Development Bank, has launched a research grant for the Caribbean region entitled:

Tackling Critical Economic Development Problems: Distilling and applying lessons from comparative analyses.

It is open to graduate researchers who are conducting research on countries in the Caribbean that have faced particularly challenging developmental problems since the early 1990s. The project is intended to utilize cross-country comparative analyses to identify the causes of these problems and to propose policy solutions.

The Development Institution specifically requires the proposal to:

1. Select a Caribbean country and identify **one** major developmental problem that it has faced in the past 15 years. The problem chosen has to be carefully justified with reference to appropriately analyzed data. Problems to be considered include: low rates of economic growth; high levels of poverty; high levels of income inequality; climate change resilience, Health care

cost for the poor, poor education outcomes, low infrastructure investment, high debt, low productivity growth, high levels of corruption.

2. Select a country outside of the Caribbean region that has in the past 15 years performed considerably better in the area identified in part (1). The researchers are required to provide appropriately analyzed data to highlight the divergent performance of both countries in the area identified.

3. Provide current and relevant explanations for the divergent performance by the selected countries in the area selected. This is to be done by conducting a thorough contextual analysis, which should include a comparison of, for example: political; social; cultural; historical; institutional; and sectoral factors.

4. Conduct a comparative analysis of the policies implemented by the respective countries to tackle the problem identified; and

5. Present policy proposals for the Caribbean country. These proposals must be carefully conceptualized and justified, with thought given to feasibility and challenges to implementation.

The proposals must be based on sound growth and development theories.

Detailed research proposals should be developed for presentation to a panel of advisors. The proposal should highlight the plan for the research, specifying: (i) the literature to be reviewed; (ii) the data to be collated (along with likely sources); (iii) methods of analysis; and (iv) expected results. The proposal should be presented in a manner that will give the panel a good feel for how the final project report will look.

Do submit a broad budget outline with the proposal, bearing in mind that this is a hypothetical case.

Researchers are expected to incorporate the comments of the panel into the submitted written proposal and final report.