



THE HENRY M. JACKSON  
SCHOOL OF INTERNATIONAL STUDIES

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Office: THO 218

Class time: TBA

Final exam; TBA

Office hour: TBA

## **Course Syllabus JSIS 331 B**

### **Political Economy of Development**

#### **Course Description and Objectives:**

This course examines the political economy of development in both developed and developing countries, with a focus on the latter. Throughout the quarter we will study many possible determinants of economic growth including institutions, human capital, international trade, and financial development. We will also examine various strategies that governments could employ to promote growth, such as poverty relief programs, public investment in education, intellectual property right protection, and industrial policies.

The course is organized into two broad segments: 1) development in the long run, which focuses on history, political systems, and economic institutions, and 2) development in the short run, which analyzes the impact of poverty relief programs, foreign aid, international trade, and financial crisis. The course will complement a course on political economy or economic development that focuses on micro-level interventions, but a prior expertise in the field is not required.

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The course is designed with several goals in mind: 1) to provide students with basic conceptual tools and frameworks for analyzing economic development issues; 2) to give students a basic understanding of the economic development process in several regions of the world, and 3) to give students a chance to practice academic debate on complex economic issues. The evaluation of the course will be based on two exams, a group project, homework assignments, and class participation.

## **Assessment and Logistics**

### **Exams:**

There will be two exams, each covering approximately one-half of the course materials. The exams will be in class, closed-book, and take approximately one hour and a half. Exam one will be held in session 10, covering material from sessions 1 to 9. The final exam will be held during the final exam week, covering material from sessions 11 to 20. The dates of the exams are listed below in the Course Outline Table. Please make sure you can attend the exams as they cannot be re-scheduled and no alternative test could be offered.

### **Group Projects:**

There will be four group projects for this course, and each group project will require two groups to participate. Students should form into groups of 4-5 (depending on the class size), and submit their list of members as well as their preferred project topics (ranked by preference) by the end of week 2. The projects will take the form of academic debate on a topic related to development. The two participating groups will be randomly assigned a position on the topic. Each group will prepare for a 20-25 min presentation supporting their argument, and other students are encouraged to ask questions challenging the group's arguments. The presentation could be led by one or more students. At the end of the quarter, there will be a survey asking everyone to evaluate their fellow group mates' contribution to the project, and an individual grade will be given based on both the score of the group project and the student's contribution.

The group should also hand in a group report on the day of presentation. The report would be 5-10 pages (double-spaced, excluding tables, figures, and references) and in the form of a brief literature review.

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**Homework assignments:**

Each week I will post homework assignments on Canvas related to the reading assignments. Students should bring their typewritten answers to class and hand them in at the end of the class. The assignments will not be graded, but will be part of the participation grades. We will also discuss the questions in class and similar questions will appear on the exams.

**Grading:**

60% Exams (30% for each)

30% Group project and report

10% Homework and class participation

**Honor Code:**

Any cases of cheating on tests (which includes allowing others to copy your work) or plagiarism will be referred to the University Disciplinary Committee. All of your homework answers must be in your own words, with citations from the reading materials highlighted appropriately. Here is a link to information about expected student conduct and plagiarism:

<https://depts.washington.edu/grading/pdf/AcademicResponsibility.pdf>

All students taking this class automatically give the instructor consent to check their work for plagiarism. This class does not tolerate plagiarism. You will fail the class if your work is not your own.

## Course Outline

Session		Topics discussed
1	Welcome and Introduction	Introduction; course requirements; development in the very long run; the reversal of fortunes
<b>Part I: Development in the Long Run</b>		
2	Geography, Colonialism, and Institutional Overview	Institution overview; inclusive vs. extractive institutions; obstacles to institutional change; colonialism and institution; the government's credibility issue;
3	Contract and Property Right Protection	Property rights protection; decision tree; contract enforcement and the hold-up problem; solutions to contract failure
4	Corruption	Costs of corruption; corruption and growth; the selectorate theory; the curse of natural resources; the cause of corruption and its cure
5	Autocracy vs. Democracy	Autocracy vs. democracy; political instability; state capacity; policy uncertainty <i>Group Project 1: does democracy promote growth?</i>
6	Political Competition	Electoral competition; inter-jurisdictional competition (Federalism); promotional competition (Bureaucracy)
7	Economic Reforms	Economic transitions; <i>Group Project 2: comparison of the economic reforms in China versus Russia</i>
8	No class (A review session can be added if necessary)	
9	<b>Mid-term Exam</b>	
<b>Part II: Development in the Short Run</b>		
10	No class	
11	Poverty Trap	Poverty; poverty trap and the need for external intervention; issues with micro intervention programs;
12	Foreign Aid and the World Bank	Types of foreign aid; the role of World Bank <i>Group Project 3: does foreign aid help promote growth?</i>
13	Microfinance and Entrepreneurship	The risk of being poor; the lack of credit for the poor; microfinance and its limitations; entrepreneurship
14	Short-Run Growth Overview and Human Capital	The Solow Growth Model; the convergence theory; overview of growth-promoting

		strategies; human capital and East Asian Miracles;
15	Trade I: Comparative Advantage and the Benefit of Trade	Why trade is good; the production possibility frontier; comparative advantage vs. absolute advantage; common fallacies about trade
16	Trade II: National Development and Industrial Policy	Potential issues with trade; The Dutch disease; national strategy for development; <i>Group Project 4: should the government in developing countries take an active role in designing industrial policies?</i>
17	Financial Development	Financial development and growth; financial crisis overview; the role of central bank, government, and the IMF during crisis; currency crisis;
18	Environment	Global environmental issues; concept of externality; mechanisms to internalize externality; emission trading;
19	A Course Review	
20	<b>Final exam</b>	

## Reading List:

**This is a tentative reading list. Final version of the reading list will be provided on Canvas in the first week of class.** Papers under “Required Reading” are to be discussed in class. Students are expected to read them before each class. Papers under “Recommended Reading” are not required but are recommended for further research on the relevant topics. Journal articles are available online through the UW Library E-Journal collection or by clicking the links provided in this syllabus. Books are available for purchase online or at the University Book Store. Additional readings will be available on Canvas.

The following books marked with \* are required for this course, others recommended:

1. \* Banerjee and Duflo, *Poor Economics* (2011)
2. \* Moyo, *Dead Aid* (2009)
3. Acemoglu and Robinson, *Why Nations Fail* (2012)
4. Buenode de Mesquita and Smith, *The Dictator’s Handbook* (2011)

## Introduction

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### **Session 1: Introduction**

No required reading for this class.

## **Part I: Development in the Long Run**

### **Session 2: Geography, Colonialism, and Institution Overview**

**Due:** List of group members and choices for group project.

#### **Required Reading**

Acemoglu, Daron, and James A. Robinson. *Why nations fail: The origins of power, prosperity, and poverty*. Crown Business, 2013. Chapter 1: "So close and yet so different". P 7-44.

North, D. C., & Weingast, B. R. (1989). Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England. *The journal of economic history*, 49(04), 803-832. (Section 1 & 2 only.)

### **Session 3: Contract and Property Right Protection**

#### **Required Reading:**

No required reading for this class.

### **Session 4: Corruption**

#### **Required Reading**

De Mesquita, Bruce Bueno, and Alastair Smith. *The dictator's handbook: why bad behavior is almost always good politics*. Public Affairs, 2011. Chapter 1 "The Rules of Politics" (Page 1-20), and Chapter 6 "Absolute Corruption Empowers Absolutely" (Page 127-128, Page 141-148 "Private Goods in Small Coalition Settings", and Page 158-160).

### **Session 5: Democracy vs. Autocracy**

*Group Project 2: does democracy cause growth?*

#### **Required Reading:**

No required reading for this class.

#### **Recommended Reading**

Barro, Robert J. "Democracy and growth." *Journal of economic growth* 1.1 (1996): 1-27. (Opening, page 1-2, Section 2 "Empirical Findings on Growth Across Countries" page 4-15, Section 4 "Concluding Observation".)

Jones and Olken, "Do Leaders Matter? National Leadership and Growth since World War

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II," Quarterly Journal of Economics, August 2005 (Introduction, Page 835-837; Section 5 "how do country level characteristics interact with leaders", Page 854-858; Conclusion, page 861-862).

Acemoglu, Daron, Suresh Naidu, Pascual Restrepo, and James A. Robinson. *Democracy does cause growth*. No. w20004. *Journal of Political Economy*, forthcoming.

Egorov, Georgy, Sergei Guriev, and Konstantin Sonin. "Why resource-poor dictators allow freer media: A theory and evidence from panel data." *American political science Review* 103.4 (2009): 645-668.

## **Session 6: Political Competition**

### **Required Reading:**

Qian, Yingyi, and Barry R. Weingast. "Federalism as a commitment to perserving market incentives." *The Journal of Economic Perspectives* 11, no. 4 (1997): 83-92. (Section 1: Introduction and Section 3: The Incentive Effects of Jurisdictional Competition)

Alesina, Alberto, and Guido Tabellini. "Bureaucrats or politicians? Part I: a single policy task." *The American Economic Review* 97.1 (2007): 169-179. (Introduction and Conclusion only)

## **Session 7: Economic Reforms**

*Group Project 3: comparison of the economic reforms in China versus Russia*

### **Required Reading:**

[VIDEO] The commanding heights, [episode 2](#).

### **Recommended Reading**

Blanchard, O., & Shleifer, A. (2001). Federalism with and without Political Centralization: China Versus Russia. *IMF Staff Papers*, 171-179.

Commission on Growth and Development at the World Bank. "The growth report: Strategies for sustained growth and inclusive development." Washington, DC (2008).

Sachs, Jeffrey D. "Privatization in Russia: some lessons from Eastern Europe." *The American Economic Review* 82, no. 2 (1992): 43-48.

Shleifer, Andrei. "Government in transition." *European Economic Review* 41, no. 3 (1997): 385-410.

Huang, Yasheng. "How did China take off?" *The Journal of Economic Perspectives* 26, no. 4 (2012): 147-170.

Xu, Chenggang, "The Fundamental Institutions of China's Reforms and Development," *The Journal of Economic Literature*, 2011, 49:4, 1076-1151.

## **Session 8: No class. A review session if necessary**

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## **Session 9: MIDTERM EXAM**

### **Part II: Development in the Short Run**

#### **Session 10: no class**

#### **Session 11: Poverty Trap**

##### **Required Reading**

Banerjee, Abhijit V., and Esther Duflo. *Poor economics: A radical rethinking of the way to fight global poverty*. Public Affairs, 2011. Chapter 1: Think again, again. And Chapter 6 "Barefoot hedge-fund managers", P.133-155.

#### **Session 12: Foreign Aid**

*Group Project 4: does foreign aid help promote growth?*

##### **Required Reading**

Moyo, Dambisa. *Dead aid: Why aid is not working and how there is a better way for Africa*. Macmillan, 2009. Chapter 3-4 (P.29-68).

##### **Recommended Reading**

Moss (2011), *African Development*, Chapters 8 and 9

Easterly and Pfutze (2008), "Where Does the Money Go? Best and Worst Practices in Foreign Aid," *Journal of Economic Perspectives*, 22 (2): 29-52

Bueno de Mesquita and Smith, *The Dictator's Handbook* (2011), Chapter 7: "Foreign Aid"

Gates, B. and M., "2014 Gates Annual Letter: 3 Myths that Block Progress for the Poor"

[<http://annualletter.gatesfoundation.org/#section=home>]

Easterly, *The Elusive Quest for Growth*, 2001

#### **Session 13: Microfinance and Entrepreneurship**

##### **Required Reading**

Banerjee, Abhijit V., and Esther Duflo. *Poor economics: A radical rethinking of the way to fight global poverty*. Public Affairs, 2011. Chapter 7 "The Men from Kabul and the Eunuchs of India: The (Not So) Simple Economics of Lending to the Poor". P.157-181.

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## **Session 14: The Growth Theory and Human Capital**

### **Required Readings:**

Tilak (2002), "Building Human Capital in East Asia: What Others Can Learn," IBRD/World Bank [http://siteresources.worldbank.org/WBI/Resources/wbi37166.pdf] (Introduction, P.1-5; Summary and Concluding Observation, P. 40-45)

## **Session 15: Trade I: Comparative Advantage and WTO**

### **Required Reading**

World Trade Organization, "Trends in Globalization," *World Trade Report 2008* [http://www.wto.org/English/res\_e/booksp\_e/anrep\_e/wtr08-2b\_e.pdf]

## **Session 16: Trade II: National Development and Industrial Policies**

*Group Project 5: should the government take an active role in designing trade policies?*

### **Required Reading:**

Justin Lin, Ha-Joon Chang. [Debate: Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy It?](#) *New structural economics: A framework for rethinking development and policy.* (Chapter 2 - Debate)

Commission on Growth and Development at the World Bank. "The growth report: Strategies for sustained growth and inclusive development." Washington, DC (2008). P.48-49 (Export Promotion and Industrial Policy).

### **Recommended Reading**

Rodrik (2011), *The Globalization Paradox*, Chapter 8: "Trade Fundamentalism in the Tropics"

Moss (2011), *African Development*, Chapter 12: "Africa and World Trade"

Oatley (2010), *Debates in International Political Economy*, Chapter 11: "Trade Promotes Growth vs. Trade does not Promote Growth"

Frieden, Jeffrey (2006), *Global Capitalism*, Chapter 13: "Decolonization and Development"

Kuznets (1988) "An East Asian Model of Economic Development: Japan, Taiwan, and South Korea," *Economic Development and Cultural Change* 36 (3), supplement: S11-S43

[http://www.jstor.org.offcampus.lib.washington.edu/stable/pdfplus/1566537.pdf]

"Protectionism in Brazil," *The Economist*, September 24, 2011

Kang, David, "Bad Loans to Good Friends: Money Politics and the Developmental State in Korea," *International Organization*, Vol. 56, No.1 (Winter 2002): pp. 177-207.

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## **Session 17: Financial Development and Growth**

### **Required Reading:**

Moyo, Dambisa. *Dead aid: Why aid is not working and how there is a better way for Africa*. Macmillan, 2009. Chapter 6-7 (P.29-68).

Radelet, Steven and Sachs, Jeffrey, "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects," Harvard Institute for Economic Development, 1998. (pages 1-32 only)

[<http://www.cid.harvard.edu/archive/hiid/papers/bpeasia.pdf>]

## **Session 18: Environment**

### **Required Reading:**

TBA

## **Session 19: A review session**

## **Session 20: Final exam**