

DEVELOPMENT AND GROWTH ECONOMICS

IE University

Professor: **OTTON SOLIS FALLAS**

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Academic year: 23-24

Degree course: FIRST

Semester: 2^o

Category: BASIC

Number of credits: 6.0

Language: English

PREREQUISITES

SUBJECT DESCRIPTION

The course will survey the fields of economic growth theory, development and some key controversies regarding development concepts and policies.

OBJECTIVES AND SKILLS

The objective of the course is to familiarize students with the concept of development, the relationship between development and economic growth, the incidence of underdevelopment, some major theoretical controversies, and specific policy issues. At the end of the course students will be able to identify the contribution of economic growth theory to development policies, examine those contributions within the context of actual agenda setting, and make inroads into the challenge of incorporating institutional and ethical considerations into the design and implementation of development policies.

METHODOLOGY

1. The course style will be a combination of students' presentations with professor's lectures.
2. Pre designated students (by alphabetical order) will start each class with a presentation, summarizing the readings, raising questions and bringing forward points for discussion. When relevant, they will identify conflicting viewpoints. The rest of the class is expected to have an informed (readings based) participation.
3. Two weeks before the corresponding session I will indicate the student (s) responsible for the class presentation, the compulsory reading (s) and the core issues that ought to be tackled.
4. The designated student (s) for each class must hand in a minimum three pages essay based on the topic (s) of the session. Its quality will be reflected in the evaluation-item Class Participation.
5. Course success will depend on students' full participation.
6. The alphabetical order might be modified by request should there be convincing arguments.

7. Read the material in order to answer questions. Depart from an original hypothesis. It is much more productive and motivating to read trying to test one's own hypothesis than to read with a "flat" attitude towards the topic. So, be opinionated about the topic before you start reading.
8. Development, economic growth and their connections are controversial issues. Ideology, inertia, party politics, vested interests and even pride lurk behind the design of policy. I want you to immerse yourselves into that controversy **with informed arguments** . I will sometimes introduce the nature of the controversy before you do your reading.

Teaching methodology	Weighting	Estimated time a student should dedicate to prepare for and participate in
Lectures	20.0 %	30 hours
Discussions	6.67 %	10 hours
Exercises	13.33 %	20 hours
Group work	0.0 %	0 hours
Other individual studying	60.0 %	90 hours
TOTAL	100.0 %	150 hours

PROGRAM

SESSION 1 (LIVE IN-PERSON)

GDP and GDP related variables as a tool to measure development. Concept of human Development, SDGs

Technical note: GDP nominal, ppp, percapita (s-c)

Technical note: Human Development Index 2021 (s-c)

Book Chapters: Economics of Development. 7th edition, pages 27 to 32 (Chapter 2) (See Bibliography) (ced)

Other / Complementary Documentation: Human Development Index and its components (UNDP. 2021. Human Development Report 2020, New York, page 343 (UNDP 2021)

Other / Complementary Documentation: Sustainable Development Goals (UNDP. 2021. The SDGs in Action) (UNDP)

SESSION 2 (LIVE IN-PERSON)

Poverty, inequality, relationship with GDP/capita

Article: Economic Growth and Income Inequality (1955, American Economic Review 65, pp 1-28) (ced)

Book Chapters: Regional Human Development Report 2021. High Inequality and Low Growth in Latin America and the Caribbean, Chapter 1 (ced)

Article: Ancient History Shows How We Can Create a More Equal World (New York Times, Nov 4, 2021)

SESSION 3 (LIVE IN-PERSON)

Development as Freedom

Book Chapters: Development as Freedom (1999. Oxford University Press, Chapters 1 and 2) (ced)

SESSION 4 (LIVE IN-PERSON)

Incorporating sustainability concepts in the measurement of development

Book Chapters: Mis-measuring our lives. Why GDP doesn't add up, 2010. New York: The New Press, Executive Summary (ced)

Book Chapters: Mis-measuring our lives. Why GDP doesn't add up, New York: The New Press, Preface (ced)

Book Chapters: Human Development Report 2020. The Next Frontier Human Development and the Anthropocene, New York, Chapter 1 & 2 (ced)

SESSION 5 (LIVE IN-PERSON)

History of Development, the long run

Video: Hans Rosling's 200 Countries, 200 Years, 4 Minutes - The Joy of Stats - BBC Four (Youtube)

Article: "Divergence, Big Time" (Journal of Economic Perspectives, Volume 11, Number 3, 1997.

Pages 3-17) (ced)

Book Chapters: "Economic Growth from the Very Long-Term Perspective of History", in Economic Growth in the 1990s: Learning from a Decade of Reform, 2005., Washington D.C, pp 56- 58 (ced)

Book Chapters: Economic Backwardness in Historical Perspective, 1962, Belnak Press, pp 5-30 (ced)

SESSION 6 (LIVE IN-PERSON)

Historical comparative evolution of development levels

Book Chapters: Late Victorian Holocausts: El Niño Famines and the Making of the third world. 2001. London: Verso,, pp 292-340 (ced)

Working Paper: "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China", (Department of Economics University of California, 1992, Working Paper No 650)

Article: "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution", (The Quarterly Journal of Economics, 2002, November 2002) (ced)

Working Paper: "Families, Welfare Institutions and Economic Development: Chile and Sweden in Comparative Perspective (Kellogg Institute for International Studies (University of Notre Dame). 2011, Working Paper # 374)

SESSION 7 (LIVE IN-PERSON)

Theories of Economic Growth and some evidence

Book Chapters: Economics of Development. 2006, 7th edition. Norton, Chapter 3 (See Bibliography) (ced)

Book Chapters: Inclusive Growth, Full Employment and Structural Change. Implications and Policies for Developing Asia, 2010, Anthem Press & ADB, Chapter 2 (ced)

SESSION 8 (LIVE IN-PERSON)

The Harrow-Domar economic growth model

Book Chapters: Theories of Economic Growth, in Economics of Development. 7th edition. 2006. Norton, Chapter 4 until page 103 (ced)

SESSION 9 (LIVE IN-PERSON)

The Solow economic growth model

Book Chapters: Economics of Development. 7th edition. 2006. Norton. Chapter 4 from page 103 (See Bibliography) (ced)

SESSION 10 (LIVE IN-PERSON)

Heterodoxy in growth economics

Book Chapters: Economics of Development. 7th edition. Norton. 2006, Chapter 5 until page 144 (See Bibliography)

SESSION 11 (LIVE IN-PERSON)

Development as a sequence of stages

Book Chapters: The Stages of Economic Growth, A Non-Communist Manifesto, 1960, Chapters 2, 3 and 4 (ced)

SESSION 12 (LIVE IN-PERSON)

A changing paradigm

Book Chapters: Rethinking Development Economics, 2003. London: Anthen Press., Chapter 6 (Palma). (ced)

Book Chapters: Rethinking Development Economics, 2003. London: Anthen Press, Chapter 1 (Toye) (ced)

SESSION 13 (LIVE IN-PERSON)

Development frustration and the origins of ISI

Article: "Raul Prebisch and the Origins of the Doctrine of Unequal Exchange", (Latin American Research Review. 1980, Vol. 15, No. 3, pp. 45-72) (ced)

Article: "The Political Economy of Import-Substituting Industrialization in Latin America" (The Quarterly Journal of Economics, Vol. 82, 1968, No. 1 pp. 1-32) (ced)

SESSION 14 (LIVE IN-PERSON)

The economics of protectionism

Book Chapters: Economics of Development. 7th edition. Norton. 2006. Chapter 19, until page 725 (See Bibliography)

SESSION 15 (LIVE IN-PERSON)

From ISI to export promotion

Book Chapters: Economics of Development, 7th edition. 2006. Norton, Chapter 19 from page 725 to page 736 (See Bibliography)

Article: "Getting Interventions Right: How South Korea and Taiwan Grew Rich", (*Economic Policy*, Vol. 10, No. 20 (Apr., 1995), pp. 53-107) (ced)

SESSION 16 (LIVE IN-PERSON)

Mid-term Exam

SESSION 17 (LIVE IN-PERSON)

Washington Consensus: from industrial policies to market forces

Book Chapters: Economics of Development. 7th edition. 2006, Norton, Chapter 5, pp 144-153 (See Bibliography)

Book Chapters: Latin American Adjustment: How Much Has Happened? Institute for International Economics, Washington DC, Chapter 2 (What Washington Means by Policy Reform) (Peterson Institute for International Economics, November 1, 2002)

Article: "What Should the World Bank Think about the Washington Consensus?" (*The World Bank Research Observer*, Vol 15, no. 2, 2000. pp. 251-64 (see pp 157 and 158))

SESSION 18 (LIVE IN-PERSON)

Post Washington Consensus: mixed outcomes

Book Chapters: Economics of Development. 7th edition. Norton, 2006, Chapter 5, from page 153 (See Bibliography)

Article: "The Rise and Fall of the Washington Consensus Paradigm for Developing Countries", (*World Development*, 2000, Vol. 28, No. 5, pp. 789-804) (ced)

Working Paper: "Governance, Economic Growth and Development", (United Nations, Department of Economic and Social Affairs, 2007, Working Paper No. 54, until page 7)

SESSION 19 (LIVE IN-PERSON)

Globalization opportunities and challenges

Other / Complementary Documentation: Trading for Development in the Age of Global Value Chains, Washington D.C.: The World Bank, 2020, Chapters 1

Other / Complementary Documentation: Trading for Development in the Age of Global Value Chains, Washington D.C.: The World Bank, 2020, Chapter 2

SESSION 20 (LIVE IN-PERSON)

State? Market? Pro market fundamentalism and the roots of neoliberalism

Book Chapters: Capitalism and Freedom, University of Chicago Press, 1962, Chapter 2 (ced)

Book Chapters: The Road to Serfdom, Routledge, 1944, Chapter IV & Chapter VIII (ced)

SESSION 21 (LIVE IN-PERSON)

State? Market? Mix views

Article: "The Economics of Development: a Survey", (*The Economic Journal*, 1989, Section pp 615-622) (ced)

Working Paper: "Capitalism, the state, and the underlying drivers of human development", (*Human*

Development Research Paper 2010/09, UNDP, NY)

SESSION 22 (LIVE IN-PERSON)

Role of the state

Book Chapters: The Entrepreneurial State: Debunking Public vs. Private Sector Myths. London: Anthem, 2013, Chapter 4 (ced)

Book Chapters: MITI and the Japanese Miracle, SUP, 1982, Chapter 1 (ced)

SESSION 23 (LIVE IN-PERSON)

Development in China: success in spite -or because of- weak property rights?

Working Paper: "A Theory of Ambiguous Property Rights in Transition Economies: The Case of the Chinese Non-State Sector", (The William Davidson Institute University of Michigan Business School, Working Paper No 8, 1996)

Working Paper: "Explaining Economic Growth in China and India: An Institutional Approach" (Wellington Conference on Contemporary China, April 2010, Peking University)

SESSION 24 (LIVE IN-PERSON)

Development in China: the visible-invisible hand cocktail

Working Paper: "How Reform Worked in China.", (The William Davidson Institute University of Michigan Business School, Working Paper Number 473, 2002)

Working Paper: "Special Deals with Chinese Characteristics", (Becker Friedman Institute, Working Paper No. 2019-74, 2019. Until page 12, from page 20 to 34, and from page 37 onwards.)

Article: "China's Communist authorities reinvent state capitalism", (The Economist, 2021, Nov 14th)

SESSION 25 (LIVE IN-PERSON)

Other Asian models of economic growth and development

Book Chapters: How Asia Works. Success and Failure in the World's Most Dynamic Region, Grove Press, NY. 2013, Part 4: Where China Fits In, pp 221-266 (ced)

Book Chapters: Leading Issues in Economic Development, Oxford University Press, 2005, pp163-169 (ced)

SESSION 26 (LIVE IN-PERSON)

Financing Economic Growth: finance and the financial system

Book Chapters: Leading Issues in Economic Development, 8th Edition, Oxford University Press, 2005, pp 293-295 (ced)

Article: "Financial Development And Economic Growth: Views And Agenda", (Journal of Economic Literature 35 (June 1997), until page 703) (ced)

SESSION 27 (LIVE IN-PERSON)

External finance: borrowing, aid, foreign investment

Book Chapters: Leading Issues in Economic Development, 8th Edition, Oxford University Press, 2005, Selections V.3 and V.4 pp 309-319 (ced)

Article: "Can Foreign Aid Buy Growth?", (*The Journal of Economic Perspectives*, 2003, Vol. 17, No. 3, pp. 30-41) (ced)

Working Paper: *Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty*. 2011. Chapter 3: "Private Capital flows: foreign Direct Investment and Portfolio Investment"

Working Paper: "Subsidizing Multinational Corporations: Is that a Development Policy?" (*Kellogg Working Papers*, No. 381, 2011)

SESSION 28 (LIVE IN-PERSON)

Cultural constraints on development and economic growth

Book Chapters: *Culture Matters. How Values shape Human Progress*, New York: Basic Books, 2000, Chapters 1 and 2 (ced)

Working Paper: "The Effects of Corruption on Growth, Investment, and Government Expenditure", (*International Monetary Fund*, Washington DC, 1996, Working Papers 96/98, until page 88)

SESSION 29 (LIVE IN-PERSON)

Transaction costs, institutional quality, development and economic growth

Book Chapters: *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, 2009, Chapters 4 and 7 (ced)

SESSION 30 (LIVE IN-PERSON)

Final Exam

BIBLIOGRAPHY

Compulsory

- Perkins, Radelet, Lindauer. (2006). *Economics of Development*. 7th edition. Norton. ISBN 9780393934 (Digital)

Readings from this book have been included in various Sessions of the Syllabus; all of them are compulsory

Recommended

- North, Douglass C. (2009). *Institutions, Institutional Change and Economic Performance*, Chapters 4 and 7. Cambridge University Press. ISBN 9780521397 (Printed)

For Session 29

- Harrison, L. and Samuel P. Huntington. (2000). *Culture Matters. How Values shape Human Progress*, Chapters 1 and 2. Basic Books. ISBN 9780465031 (Printed)

For Session 28

- Meir, G and Rauch, James. (2005). *Leading Issues in Economic Development*, Selections V.3 and V.4 pp 309-319. 8th. Oxford University Press. ISBN 9780195179606 (Printed)

For Session 27

- UNDP. (2021). *Trapped: High Inequality and Low Growth in Latin America and The Caribbean, Chapter 1*. United Nations. ISBN 9789210057844 (Printed)

For Session 2

- Sen, Amartya. (1999). *Development as Freedom, Chapters 1 and 2*. Oxford University Press. ISBN 0192893300 (Printed)

For Session 3

- Siglitz, Joseph E., Amartya Sen and Jean P. Fitoussi. (2010). *Mis-measuring our lives. Why GDP doesn't add up, Preface and Executive Summary*. The New Press. ISBN 9781595585196 (Printed)

For Session 4

- Gerschenkron, A. (1962). *Economic Backwardness in Historical Perspective, pp 5-30*. Belnak Press. ISBN 978067422600 (Printed)

For session 5

- Rostow. W. W. (1960). *The Stages of Economic Growth, A Non-Communist Manifesto, Chapters 2, 3 and 4*. Cambridge Press. ISBN 0521081009 (Printed)

For Session 11

- Chang, H. J. (ed). (2003). *Rethinking Development Economics, Chapters 1 (Toye) and 6 (Palma)*. Anthen Press. ISBN 9781843311 (Printed)

For Session 12

- Friedman, Milton. (1962). *Capitalism and Freedom, Chapter 2*. University of Chicago Press. ISBN 0226264017 (Printed)

For Session 20

- Hayek, Friedrich. (1944). *The Road to Serfdom, Chapter IV & Chapter VIII*. Routledge. ISBN 0415253896 (Printed)

For Session 20

- Mazzucato, M. (2013). *The Entrepreneurial State: Debunking Public vs. Private Sector Myths, Chapter 4*. Anthem. ISBN 9781610396134 (Printed)

For Session 22

- Studwell, Joe. (2013). *How Asia Works. Success and Failure in the World's Most Dynamic Region. pp 221-266*. Grove Press. ISBN 9780802193 (Printed)

For Session 25

EVALUATION CRITERIA

Criteria	Percentage	Comments
Demonstration of familiarity with the readings and the professor's lectures	45 %	Questions on the whole program

Demonstration of familiarity with the readings and the professor's lectures	30 %	Questions on the program up to the 15th session
Individual Presentation	10 %	Predesigned presentations and class participation
Evaluates the acquaintance with the readings related to the chosen topic	15 %	Each student has to write an essay choosing from 5 questions or statements

GENERAL OBSERVATIONS

Each student has four attempts over two consecutive academic years to pass this course. For every BIE Program mandatory class, students are required to obtain the minimum grade of 5 required to pass the course. Students whose grade in the Final Exam (or the largest assignment) is below 5 will fail the course. The rule applies to whichever assignment carries the greatest weight to the final grade. Dates and location of the final exam will be posted in advance and will not be changed.

Students must attend at least 70% of the sessions. Students who do not comply with the 70% attendance rule will receive a 0.0 on their first and second attempts and go directly to the third one (they will need to enroll in this course again the following academic year).

Students who are in the third or fourth attempt must contact the professor during the first two weeks of the course.

ATTENDANCE

In-person attendance is mandatory at IE University, as it is an essential factor of IE's learning methodology. While we do closely monitor attendance in each course, we also consider our students responsible for their own agenda and commitments, as adult university students.

With that in mind, each student may miss up to 30% of the sessions within a given course and still maintain the possibility of passing that given course. This 30% "buffer" is to be used for any absences, such as: illnesses, personal emergencies, commitments, official/governmental matters, business and/or medical appointments, family situations, etc. Students should manage their various needs, and situations that may arise, within that 30% buffer. If a student is absent to more than the allowed 30% of the sessions (regardless of the reason), s/he will obtain a 0.0 grade for that course in both the ordinary and extraordinary calls of the current academic year, and s/he will have to retake the course during the following academic year.

Please pay close attention to your attendance. The program strongly encourages attending 100% of the sessions as it will improve your learning outcomes, it will increase the class performance and it will benefit your participation grade. Noncompliance with deadlines for Non-Classroom Learning activities or assignments will result in an absence for the session.

Extreme cases involving emergencies such as: extended hospitalizations, accidents, serious illnesses and other cases of force majeure, are to be consulted with the Program Management (bir.biemadrid@ie.edu) for assessment of the situation and corresponding documentation, in order to support and guide each student optimally.

For more information about the university attendance policy, please check; <https://www.ie.edu/student-guide/bir/policies-and-guidelines/attendance/>

RETAKE POLICY

Any student whose weighted final grade is below 5 will be required to sit for the retake exam to pass the course (except those not complying with the attendance rules, whom are banned from this possibility).

Grading for retakes will be subject to the following rules:

? The retakes will consist of a comprehensive exam or equivalent assignment. The grade will depend only on the performance on this exam; continuous evaluation over the semester will not be taken into account.

? Dates and location of the retakes will be posted in advance and will not be changed.

? The exam/assignment will be designed bearing in mind that the passing grade is 5 and the maximum grade that can be attained is 8 out of 10.

PLAGIARISM / ACADEMIC HONESTY

Plagiarism is the dishonest act of presenting another person's ideas, texts or words as your own. This includes in order of seriousness of the offense:

- ? providing faulty sources;
- ? copy-pasting material from your own past assignments (self-plagiarism) without the instructor's permission;
- ? copy-pasting material from external sources even while citing them;
- ? using verbatim translations from sources in other languages without citing them;
- ? copy-pasting material from external sources without citing them;
- ? and buying or commissioning essays from other parties.

IEU students must contact the professor if they don't know whether the use of a document constitutes plagiarism. For help with your academic writing, contact the Writing Center (writingcenter@faculty.ie.edu). The professor will also advise the student on how to present said material. All written assignments must be submitted through Turn-it-in, which produces a similarity report and detects cases of plagiarism. Professors are required to check each student's academic work in order to guarantee its originality. If the originality of the academic work is not clear, the professor will contact the student in order to clarify any doubts. Students using external tutorial support should report it to the professor and the BIR Program from the moment they began receiving this support. In the event that the meeting with the student fails to clarify the originality of the academic work, the professor will inform the Director of the Bachelor Program about the case, who will then decide whether to bring the case forward to the BIR Academic Review Panel. Very high similarity scores will be automatically flagged and forwarded to the Academic Review Panel. Plagiarism constitutes a very serious offense and may carry penalties ranging from getting a zero for the assignment to expulsion from the university depending on the severity of the case and the number of times the student has committed plagiarism in the past.

PROFESSOR BIO

Professor: **OTTON SOLIS FALLAS**

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OTTON SOLIS FALLAS

Otton Solis, is an economist by training, with BA and licence degrees from the University of Costa Rica and a Diploma in Economic Development and a MA in Economics, both from the University of Manchester (UK). He advanced on his doctoral degree in monetary economics, also at Manchester, but moved to Costa Rica before finishing it in order to take up the post of Minister of Planning and Economic Policy. He has combined the exercise of his profession, as consultant and as lecturer in macroeconomics and development economics, with politics. He has had teaching and research stints in UK, USA, Spain and Costa Rican universities. Besides his ministerial position he was elected to Congress for two non consecutive terms, founded a political party and became its presidential candidate. As a center left politician he has supported a critical role for the state in human development, however, contrary to most academics and politicians with progressive views, he has strongly advocated for the elimination of waste and privileges and for drastic improvements on public sector performance. Up until 2021 he worked as director before the board of the Central American Bank of Economic Integration, representing Costa Rica. There he fought against what he considered an excessive and corrupt remuneration and privileges for directors. He resigned to this post and continued as special advisor to the President of Costa Rica. This is the third year he teaches this course at IE University.

OTHER INFORMATION

Once I am informed of my teaching schedule I will let students know the office hours I am available. At any rate, we can always meet at other office hours by appointment, agreed via osolis@faculty.ie.edu or the blackboard mailing tool

CODE OF CONDUCT IN CLASS

1. Be on time. Students arriving more than 5 minutes late will be marked as "Absent". Only students that notify in advance in writing that they will be late for a specific session may be granted an exception (at the discretion of the professor). Students attending online must always have their cameras on during the session or risk being marked absent.
2. If applicable, bring your name card and strictly follow the seating chart. It helps faculty members and fellow students learn your names.
3. Do not leave the room during the lecture: Students are not allowed to leave the room during lectures. If a student leaves the room during lectures, he/she will not be allowed to re-enter and, therefore, will be marked as "Absent". Only students that notify that they have a special reason to leave the session early will be granted an exception (at the discretion of the professor).
4. Do not engage in side conversation. As a sign of respect toward the person presenting the lecture (the teacher as well as fellow students), side conversations are not allowed. If you have a question, raise your hand and ask it. If you do not want to ask it during the lecture, feel free to approach your teacher after class. If a student is disrupting the flow of the lecture, he/she will be asked to leave the classroom and, consequently, will be marked as "Absent".
5. Use your laptop for course-related purposes only. The use of laptops during lectures must be authorized by the professor. The use of Social Media or accessing any type of content not related to the lecture is penalized. The student will be asked to leave the room and, consequently, will be marked as "Absent".
6. No cellular phones: IE University implements a "Phone-free Classroom" policy and, therefore, the use of phones, tablets, etc. is forbidden inside the classroom. Failing to abide by this rule entails expulsion from the room and will be counted as one absence.
7. Escalation policy: 1/3/5. Items 4, 5, and 6 above entail expulsion from the classroom and the consequent marking of the student as "Absent." IE University implements an "escalation policy": The first time a student is asked to leave the room for disciplinary reasons (as per items 4, 5, and 6 above), the student will incur one absence, the second time it will count as three absences, and from the third time onward, any expulsion from the classroom due to disciplinary issues will entail 5 absences.