

# Economic Development - International Aspects

ECO 6172

University of Ottawa

Fall 2007

Wednesdays: 2:30 to 5:30 p.m.

**Professor:** Yazid Dissou

**Office:** DMS 10116

**Tel.:** 613-562-5800 (ext. 1686)

**E-mail:** [ydissou@uottawa.ca](mailto:ydissou@uottawa.ca)

**Office hours:** Thursday 10:00 - 12:00

## 1. Course Description

The course will focus on the economic challenges faced by developing countries from an international perspective. Its objective is to equip students with the understanding of some policy debates and issues faced by these countries with respect to their relationship with the rest of the world. It also aims at providing students with a good understanding of the theoretical models that have been developed to understand these issues. In reviewing these models, an emphasis will be put on the roles played by different empirical assumptions in the conclusions they reach.

Even though this not a course on international trade or international finance, the course will borrow some analytical tools used in these two fields to analyze issues pertaining to the themes of this course. Among other themes, we will analyze issues related to the choice of exchange regime and exchange rate management, to aid external debt and growth, to openness to trade and growth, and to macroeconomic stabilization programs in developing countries.

## 2. Organisation

The course will combine lectures on the theoretical models, during the first part of the session, with in-class presentations by students on empirical or policy-related issues in the second part of the session.

## 3. Grading

The course will be graded based on

- In-class presentation along with a 15-20-page paper (without tables and references) to be handed in the last day of classes: (50%)
- A three-hour final examination (50%)

## 4. Textbooks

The required textbook for the course is:

- Agénor, P. R., and Montiel, P. J. (AM) *Development Macroeconomics* (second edition), Princeton University Press, 1999 that is a very useful graduate-level book in which you can find a compilation of “open macroeconomics”-type topics relevant to developing countries.

The recommended textbook is:

- Agénor, P. R., *The Economics of Adjustment and Growth* (second edition), Harvard University Press, 2004

In addition to these books, a list of additional readings by topic is suggested; it will be updated during the course.

## 5. Outline

### 1. Introduction

- AM ch. 1 & 2

### 2. Exchange regime and exchange rate management

- AM ch. 7 & 8
- Calvo, G. and C. Reinhart. 2002. "Fear of Floating," *Quarterly Journal of Economics* 117(2): 379-408.
- Edwards, S., Savastano, M.A. 1999. "Exchange Rates in Emerging Economies: What Do We Know? What Do We Need to Know?" *NBER Working Paper No. W7228*. July.
- Fischer, S. 2001. "Exchange Rate Regimes: Is the Bipolar View Correct?" *Journal of Economic Perspectives* 15(2): 3-24.
- Frankel, Jeffrey A. 1999, "No Single Currency Regime Is Right For All Countries Or At All Times", Working Paper 7338, NBER
- Gylafson, T. and M. Schmid (1983) "Does Devaluation Cause Staflagtion", Canadian Journal of Economics, 16, pp.641-654.
- Reinhart, C. "The Mirage of Floating Exchange Rate" *The American Economic Review*, May 2000. Available at [www.puaf.umd.edu/papers/reinhart/aer2000.pdf](http://www.puaf.umd.edu/papers/reinhart/aer2000.pdf)

### 3. Aid, External Debt and Growth

- AM ch. 14 & 15
- Boone, Peter, "Politics and the Effectiveness of Foreign Aid," *European Economic Review*, 40, 1996: 289-329.
- Burnside, Craig and David Dollar, "Aid, Policies, and Growth," *American Economic Review* 90(4) (September 2000): pp. 847-68.
- Easterly, William, 1999. "The Ghost of Financing Gap: Testing the Growth Model Used in the International Financial Institutions," *Journal of Development Economics*, Volume 60, Issue 2, pp. 423-438
- Easterly, William, 2005. "What Did Structural Adjustment Adjust?: The Association of Policies and Growth with Repeated IMF and World Bank Adjustment Loans," *Journal of Development Economics*, Volume 76, Issue 1, pp. 1-22.
- Easterly, W., "The Big Push Déjà vu: A Review of Jeffrey Sachs's The End of Poverty: Economic Possibilities for Our Time," *Journal of Economic Literature*, Vol. XLIV (March 2006), pp. 118-127.
- Easterly, W., Ross Levine, and David Roodman "New Data, New Doubts: A Comment on Burnside and Dollar's "Aid, Policies, and Growth"(2000). " *American Economic Review*, 2003
- Peter Boone. "Politics and the Effectiveness of Foreign Aid." *European Economic Review*, 1996, 40(2), pp. 289-329.
- Radelet, S., Michael A. Clemens, Rikhil Bhavnani (2004). "Counting Chickens when they Hatch: The Short-term Effect of Aid on Growth." Center for Global Development Working Paper No. 44

- Raghuram G. Rajan and Arvind Subramanian, "Aid and Growth: What Does the Cross-Country Evidence Really Show?" IMF Working Paper, June 2005
- Svensson Jakob, "Foreign Aid and Rent-Seeking", *Journal of International Economics*, 2000, Vol. 51 (2): 437-461.
- Svensson Jakob, "Why Conditional Aid Doesn't Work and What Can Be Done About It?", *Journal of Development Economics*, 2003, vol. 70 (2): 381-402.

#### 4. Openness to trade and growth

- AM ch. 18
- Colin I. Bradford, Jr. (1994), *From Trade-Driven Growth to Growth-Driven Trade: Reappraising the East Asian Development Experience*, Paris: OECD Development Centre
- Hausmann, Hwang and Rodrik (2005) "What You Export Matter", CID Working Paper #123, available from: <http://www.cid.harvard.edu/cidwp/123.htm>
- Frankel, Jeffrey and David Romer (1999). "Does Trade Cause Growth?" *American Economic Review*, Vol. 89, No. 3 (Jun.), pp. 379-399.
- Freeman, Richard (2004). "Trade Wars: The Exaggerated Impact of Trade in Economic Debate," *World Economy*, Vol. 27, No. 1 (Jan.), pp. 1-23.
- Rodríguez, Francisco and Dani Rodrik, "Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Literature," in Ben S. Bernanke and Kenneth Rogoff, eds., *NBER Macroeconomics Annual 2000*, Cambridge, MA, MIT Press, 2001.
- Rodrik, D. 2001. "Trade Policy Reform and Institutional Reform," in B. Hoekman et al. (eds.) *Development, Trade and the WTO: A Handbook*. Washington, DC:
- Rodrik, Dani "Feasible Globalizations," NBER Discussion Paper No. 9129, 2002.
- Srinivasan, T. N. and J. Bhagwati. 2001. "Outward Orientation and Development: Are Revisionists Right?" in D. Lal and R. Snape (eds.) *Trade, Development and Political Economy*. New York: Palgrave.
- Winters, L. Alan, Neil McCulloch, and Andrew McKay. 2004. "Trade Liberalization and Poverty: The Evidence So Far," *Journal of Economic Literature*, XLII(1): 72-115.

#### 5. Macroeconomic stabilization programs in an open economy

- AM ch. 13
- Khan, Mohsin, "The Macroeconomic Effects of IMF-Supported Adjustment Programs: An Empirical Assessment," *IMF Staff Papers*, June 1990: 195-231.
- Rodrik, Dani (2006) Goodbye Washington Consensus, Hello Washington Confusion? Mimeo, Paper prepared for the Journal of Economic Literature
- Weaver, James H. "What Is Structural Adjustment?," in Daniel M. Schydlosky (1995) (ed.), *Structural Adjustment: Retrospect and Prospect*, Westport: Praeger, pp. 3-17.
- Williamson, John (1990), "Ten Areas of Policy Reform", in John Williamson, *The Progress of Policy Reform in Latin America*, Washington: Institute for International Economics, January 1990, pp. 1-33.
- Williamson, John (1997), "The Washington Consensus Revisited", in Louis Emmerij (ed) (1997), *Economic and Social Development into the XXI Century*, Washington: Inter-American Development Bank, pp. 48-61.