

**Fulbright Economics Teaching Program
Masters in Public Policy
Academic Year 2011-2012
Spring Term**

**SYLLABUS
Development Policy**

Teaching Team

Co-Instructors: Jonathan Pincus (Email: jonathan.pincus@fetp.vnn.vn)
Chau Van Thanh (Email: thanhcv@fetp.vnn.vn)
Dinh Vu Trang Ngan (Email: ndinh@fetp.vnn.vn)
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Translator: Nguyen Quy Tam (Email: quytam@fetp.vnn.vn)

Office Hours

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Chau Van Thanh						
Jonathan Pincus						
Dinh Vu Trang Ngan	15:00 – 17:00		15:00 – 17:00			
Tran Tien Khai						

Students should feel free to consult with the instructors or tutor during their office hours or by appointment.

Objective

The objective of the course is to familiarize students with the main themes of development economics and to discuss the policy implications for Vietnam and other countries of contemporary development theory. The course introduces a wide range of topics and also extends beyond economics narrowly defined to address issues relating to demography, social policy and environmental sustainability. The course emphasizes the complexity of the development process and seeks to provide students with the analytical tools needed to make sense of economic development and social change.

Course Description

The course consists of 24 lectures and seven review classes. A new topic is introduced each week and typically covered in two lectures. Review classes will be held periodically to discuss written assignments and to help prepare students for midterm and final exams.

The course begins with an overview of development patterns from the second half of the twentieth century to the present. We then review the theory of economic growth and examine growth patterns and trends in the developing world. We consider the relationship between growth and inequality and growth and poverty reduction. Emphasis is placed on policy implications rather than on the growth models themselves. Students are encouraged to examine the data and to reach their own conclusions about the relevance of growth models to Vietnam's development.

The next set of lectures address sectoral issues, including the role of primary product exports and the nature of the industrialization process. We touch on the role of demography in economic development and health and education policy. The final weeks of the course address environmental sustainability and return to issues in macroeconomics relating to external economic relations, including trade, foreign debt and development aid.

One of the main themes of the course is that development policy should be *evidence based*. All theoretical propositions and assumptions should be subjected to rigorous empirical analysis. Throughout the course we will highlight “development myths” that many people believe to be true but which are not supported by facts. Students will learn to formulate testable hypotheses and objectively assess the evidence before accepting or rejecting each proposition. This is essential preparation for writing a master’s thesis in the second year of the MPP program.

Readings

Required readings are listed for each lecture in the course outline below. Students are expected to come to the lecture having read the required reading. Supplemental or suggested readings (some in English and some in Vietnamese) may be read in conjunction with written assignments or in preparation for examinations. These are often not translated into Vietnamese and will be made available to students in the library.

Main Textbook

Perkins, Dwight, Steven Radelet and David Lindauer, *Economics of Development* (Sixth Edition), New York: WW Norton and Company, 2006 (hereafter referred to as Perkins et al. 2006).

Useful Websites

Asian Development Bank: <http://www.adb.org/>

Center for Global Development: <http://www.cgdev.org/>

ELDIS: <http://www.eldis.org/>

IDEAs: <http://www.ideaswebsite.org/>

International Monetary Fund: <http://www.imf.org/>

National Bureau of Economic Research: <http://www.nber.org/>

Vietnamese language website of UNDP: <http://www.undp.org.vn/>

Vietnamese language website of the World Bank: <http://www.worldbank.org.vn/>

World Development Indicators: <http://data.worldbank.org/data-catalog/world-development-indicators>

Review Classes

Review classes will be held at 8:30 a.m. on the following days:

- February 17
- March 2
- March 16
- April 13
- April 27
- May 18
- May 25

Review classes will provide an opportunity for students to discuss lectures, readings and written assignments with instructors. Review classes are mandatory and attendance will be taken.

Requirements

Students are required to attend class regularly, read the assigned readings before class, participate actively in class discussions and complete all course requirements. Participants are encouraged to meet with teaching team members to discuss any aspect of the course.

Student Assessment

To complete the course, students are required to submit three short memos, one longer policy paper, and to take one midterm and one final exam. *Active class participation accounts for one fifth of the total grade.* Exams will be based on information presented in all lectures, required readings, and group discussions. No materials or books are allowed in exam rooms.

Short memos: Students will answer open questions that are designed to deepen their knowledge of the issues and topics covered in class. Participants must read the required readings and draw from the suggested readings and material from the library and the internet as needed.

Policy papers: Each paper will consist of no more than five typed pages of A4 paper. The policy paper is a group assignment prepared by pre-selected groups of three students. The group will decide on a topic relating to the course lectures and submit a proposal for approval by the co-instructors. The paper will take the form of an official report, analyzing the issue in question and putting forth practical and coherent policy recommendations. *The two best papers* will be posted on the program's website.

Grading structure:

Short memos	20%
Class Participation	20%
Policy paper	20%
Midterm exam	20%
Final exam	20%

<i>Assignments</i>	<i>Distribution date</i>	<i>Due date</i>	<i>Exam Date</i>
Memo 1	February 14	February 28	
Memo 2	February 28	March 13	
Memo 3	April 10	April 24	
<i>Midterm exam</i>			March 28
Policy paper (proposal)		February 21	
Policy paper (outline)		March 6	
Policy paper (draft)		April 17	
Policy paper (final)		May 15	
<i>Final Exam</i>			May 28

Class Schedule

WEEK 1: INTRODUCTION (February 6-10, 2012)

Lecture 1: Patterns of Development

Chau Van Thanh

Required Readings: Perkins et al. 2006. Chapter 1.

Suggested Readings:

Michael P. Todaro and Stephen C. Smith, *Economic Development*, Chapter 1: Economics, Institutions, and Development: A Global Perspective (10th Edition), London: Pearson Education, 2009.

Lecture 2: Measuring Economic Growth and Development

Chau Van Thanh

Required Readings: Perkins et al. 2006. Chapter 2.

Suggested Readings:

Human Development Report 2010, *The Real Wealth of Nations: Pathways to Human Development*. 20th Anniversary Edition. Available online in English at <http://hdr.undp.org/en/>.

WEEK 2: POPULATION (February 13-17, 2012)

Lecture 3: Population Growth

Development Myth 1: Rapid population growth locks poor countries in poverty.

Dinh Vu Trang Ngan

Required Readings:

William Easterly (2001) *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, Cambridge: MIT Press. Chapter 5: "Cash for Condoms?"

Lecture 4: Migration

Development Myth 2: Migration results in a "brain drain" and therefore should be restricted.

Dinh Vu Trang Ngan

Required Readings:

Corydon Ireland (2010) "Brain Gain: China Embraces Valuable Returnees, *Harvard Gazette*, July 20.

Suggested Readings

John Page and Sonia Plaza (2006) "Migration Remittances and Development: A Review of Global Evidence, *Journal of African Economies*, 15:2, p. 245-336.

http://jae.oxfordjournals.org/content/15/suppl_2/245.full

Michel Beine, Frederic Docquier and Cecily Oden-Defoort (2011) "A Panel Data Analysis of the Brain Gain," *World Development*, in press.

WEEK 3: EDUCATION AND HEALTH (February 20-24, 2012)

Lecture 5: Education Policies

Development Myth 3: Schools in developing countries fail because there are not enough resources.

Dinh Vu Trang Ngan

Required Readings:

Abhijit Banerjee and Esther Duflo (2011), *Poor Economics, A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs. Chapter 4: "Top of the Class."

Suggested Readings:

Richard Wilkinson and Kate Pickett (2010), *The Spirit Level, Why Equality is Better for Everyone*," Chapter 8, "Education Performance," Penguin Books

Glewwe and Kremer (2006), "Schools, Teachers, and Education Outcomes in Developing Countries," *Handbook of the Economics of Education*, eds: Eric Hanushek and Finis Welch, North-Holland.

Lecture 6: Health Policies

Development Myth 4: Poor countries cannot afford to provide universal access to health care

Dinh Vu Trang Ngan

Required Readings:

Abhijit Banerjee and Esther Duflo (2011), *Poor Economics, A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs. Chapter 3: "Low-hanging fruit for better (global) health."

Suggested Readings:

Eddy van Doorslaer, *et al.* (2006) "Effect of Payments for Health Care on Poverty Estimates in 11 Countries in Asia: An Analysis of Household Survey Data, *Lancet*, 368, 1357-64.

Hsiao *et al.* (2007), "Social Health Insurance for Developing Nations," *WBI Development Studies*, The World Bank, Washington, D.C.

WEEK 4: POVERTY AND INEQUALITY (February 27-March 2, 2012)

Lecture 7: Is growth good for the poor?

Development Myth 5: Economic growth is all that is needed to reduce poverty.

Jonathan Pincus

Required Readings:

Wuyts, Marc (2011) "Growth, Employment and the Productivity-Wage Gap: Revisiting the Growth-Poverty Nexus," *Development and Change*, 42:1, 437-447.

Suggested Readings:

Dollar, David and Aart Kraay (2002) "Growth IS Good for the Poor," http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/05/11/000094946_01042806383524/Rendered/PDF/multi0page.pdf

Foster, James and Miguel Szekely (2008) "Is Income Growth Good for the Poor? Tracking Low Incomes Using General Means," *International Economic Review*, 49:4, p. 1143-1172.

Lecture 8: Growth and Distribution

Development Myth 6: Within-country income distribution gets worse as countries get richer.

Jonathan Pincus

Required Readings:

Bowman, Kirk (1997) "Should the Kuznets Curve Be Relied on to Produce Equalizing Growth? Evidence from Post-1950 Development," *World Development*, 25:1, pp. 127-143.

Suggested Readings:

Szekely, M. and Marianne Hilgert (1999) "What's Behind the Inequality We Measure: An Investigation Using Latin American Data," Inter-American Development Bank, Research Department Working Paper No. 409, (December), <http://www.iadb.org/res/publications/pubfiles/pubWP-409.pdf>

WEEK 5: INDUSTRIALIZATION (March 5-9, 2012)

Lecture 9: Industrial Policy

Development Myth 7: Industrial policy is impossible because governments cannot pick winners.

Dinh Vu Trang Ngan

Required Readings:

Dani Rodrik (2008), "Normalizing Industrial Policy," *Commission on Growth and Development*, World Bank Working Paper No. 3.

Lecture 10: Global R&D

Development Myth 8: R&D is for the rich countries.

Dinh Vu Trang Ngan

Required Readings:

Edward Steinfeld (2010), *Playing Our Game: Why China's Rise Doesn't Threaten the West*, Oxford University Press. Chapter 6: "Playing to Win? China's Advance into High-Tech Research and Development"

Suggested reading:

Athukorala and Kohpaiboon (2010), "Globalization of R&D by US-based multinational enterprises," *Research Policy* 39, 1335-1347.

WEEK 6: INDUSTRIALIZATION CONTINUED (March 12-16, 2012)

Lecture 11: Small and Medium Scale Industries

Development Myth 9: Small is beautiful.

Jonathan Pincus

Required Readings:

Thorstein Beck, Asli Demirgüç-Kunt and Ross Levine (2005) "SMEs, Growth and Poverty," National Bureau of Economic Research Working Paper 11224, March, http://www.nber.org/papers/w11224.pdf?new_window=1

Suggested Readings:

Bennett Harrison (1994) "The Myth of Small Firms as the Predominant Job Generators," *Economic Development Quarterly*, vol. 8, p. 13-18.

Lecture 12: The Global Business Revolution

Development Myth 10: "The World is Flat."

Jonathan Pincus

Required Readings:

Peter Nolan, Jin Zhang and Chunhang Liu (2008) "The Global Business Revolution, the Cascade Effect, and the Challenge for Firms from Developing Countries," *Cambridge Journal of Economics*, 32, p. 29-47.

Suggested Readings:

Daniel Pink (2005) "Why the World is Flat," *Wired*, May.

Thomas Friedman (2005) *The World is Flat: A Brief History of the Twenty-first Century*, New York: Farrar, Straus & Giroux.

WEEK 7: NATURAL RESOURCES AND DEVELOPMENT (March 19-23, 2012)

Lecture 13: Sustainable Development

Development Myth 11: The world is running out of natural resources.

Jonathan Pincus

Required Readings: Perkins et al. 2006. Chapter 20

Suggested Readings:

Howarth, Richard B. (2007) "Towards an operational sustainability criterion," *Ecological Economics*, 63, pp. 656–663.

Lecture 14: Natural Resources: Blessing or Curse?

Jonathan Pincus

Development Myth 12: A large natural resource endowment is a curse: exporters of natural resources grow more slowly than other countries.

Required Readings:

Wright, Gavin and Jesse Czelusta (2004) "The Myth of the Resource Curse," *Challenge*, 47:2, 6-38.

Suggested Readings:

Van der Ploeg, Frederick (2011) "Natural Resources: Curse or Blessing?" *Journal of Economic Literature*, XLIX(2): 366-420.

Andrew Williams (2011) "Shining a Light on the Resource Curse: An Empirical Analysis of the Relationship Between Natural Resources, Transparency and Economic Growth," *World Development*, in press.

WEEK 8-9: Midterms (March 26-April 6, 2012) MIDTERM EXAM

Midterm Examination March 28, 2012

WEEK 10: RURAL TRANSFORMATION I (April 9-13, 2012)

Lecture 15: Role of Agriculture in Economic Development

Tran Tien Khai

Bruce F. Johnston and John W. Mellor (1961) "The Role of Agriculture in Economic Development," *American Economic Review*, 51:4, p. 566-593.

Suggested Readings:

Massoud Karshenas (2001) "Agriculture and Economic Development in Sub-Saharan Africa and Asia," *Cambridge Journal of Economics*, 25, 315-342.

Lecture 16: Role of the State in Rural Development

Tran Tien Khai

Required Readings:

Timmer, Peter C (1999) "The Role of the State in Agricultural Development," in C. Peter Timmer (ed.). *Agriculture and the State*. Ithaca, NY: Cornell University Press.

Suggested Readings:

Colin MacAndrews, Alex Brillantes, and Ammar Siamwalla (2001) "[Devolution and Decentralization](#)" in [Ammar Siamwalla](#) (ed.), *The Evolving Roles of the State, Private, and Local Actors in Rural Asia, Study of Rural Asia: Volume 5*, Oxford University Press.

Dorward, Andrew, Jonathann Kydd, Jamie Morrisison and Ian Urey (2004) "A Policy Agenda for Pro – Poor Agricultural Growth." *World Development*, 32:1, 73 – 89.

Hart, Gillian (1985) "Agrarian Change in the Context of State Patronage," *In Agrarian Transformation: Local Processes and the State in Southeast Asia*, Berkeley: University of California Press.

WEEK 11: RURAL TRANSFORMATION II (April 16-20, 2012)

Lecture 17: Land Tenure and Rural Development

Tran Tien Khai

Required Readings

Deininger, Klaus (2003) "Executive Summary." In Klaus Deininger (ed.). *Land Policies for Growth and Poverty Reduction*, World Bank.

Suggested Readings

Quan, Julian (1998) "Land Tenure and Sustainable Rural Livelihoods," in Diana Carney, ed., *Sustainable Rural Livelihoods: What Contribution Can We Make?* UK: Department for International Development Press.

Feder, Gershon and David Feeny (1991) "Land Tenure and Property Rights: Theory and Implications for Development Policy," *The World Bank Economic Review*, 5:1, 135 – 153.

Feder, Gershon and Akihiko Nishio (1999) "The Benefits of Land Registration and Titling: Economic and Social Perspectives," *Land Use Policy*, 15:1, 25-43.

Hue Le (2008) "Economic Reforms and Mangrove Forests in Central Vietnam," *Society & Natural Resources*, 21:2, 106-119.

Quy-Toan Do and Lakshmi Iyer (2008) "Land Titling and Rural Transition in Vietnam," *Economic Development and Cultural Change*, 56:3, 531-579.

Lecture 18. Value Chain Approach in Agri-business

Tran Tien Khai

Required Readings:

Markets4Poor (2008) "Để chuỗi giá trị hiệu quả hơn cho người nghèo: Sổ tay thực hành phân tích chuỗi giá trị,"

http://www.markets4poor.org/sites/default/files/file/Publications/M4P1/VC%20toolbook_vns.pdf.

Suggested Readings

Raphael Kaplinsky and Mike Morris (2001) "A Handbook for Value Chain Research," <http://www.inti.gob.ar/cadenasdevalor/manualparainvestigacion.pdf>

GTZ ValueLinks Manual: The Methodology of Value Chain Promotion, <http://www.value-links.de/manual/distributor.html>.

WEEK 12: TRADE AND GROWTH (April 23-27, 2012)

Lecture 19: Trade, Growth and Poverty Reduction

Development Myth 13: Globalization leads to a race to the bottom, in which poor countries compete on the basis of low wages and willingness to tolerate polluting industries.

Chau Van Thanh

Required Readings: Perkins et al. 2006. Chapter 19.

Suggested Readings:

Daniel W. Drezner (2006), "The Race to the Bottom Hypothesis – An Empirical and Theoretical Review".

Michael P. Todaro and Stephen C. Smith, *Economic Development*, Chapter 12: International Trade Theory and Development Strategy (10th Edition), London: Pearson Education, 2009.

Lecture 20: Policies Supporting Outward Orientation

Chau Van Thanh

Required Readings: Perkins et al. 2006. Chapter 19.

Suggested Readings:

John Weiss (2005), "Export Growth and Industrial Policy: Lessons from the East Asian Miracle experience", ADB Institute Discussion Paper No. 26.
Michael P. Todaro and Stephen C. Smith, *Economic Development*, Chapter 12: International Trade Theory and Development Strategy (10th Edition), London: Pearson Education, 2009.

David Dapice (2009), Trade in the Real World, What Policies Make Sense for a Developing Economy (lecture notes).

WEEK 13: Labor Day Holiday and Development Field Trip (April 30-May 4, 2012)

WEEK 14: FOREIGN DEBT, FOREIGN AID AND MANAGING AN OPEN ECONOMY (May 7-11, 2012)

Lecture 21:

- **The Uses and Abuses of Foreign Debt/and Financial Crises**
- **Foreign Aid, Growth and Development**

Chau Van Thanh

Required Readings: Perkins et al. 2006. Chapters 14 & 15.

Suggested Readings:

Michael P. Todaro and Stephen C. Smith, *Economic Development*, Chapter 13: Balance of Payments, Developing-Country Debt, and the Macroeconomic Stabilization Controversy (10th Edition), London: Pearson Education, 2009.

Nicholas D. Kristof (2006) "Aid: Can it Work?" *New York Review of Books*, October 5, <http://www.nybooks.com/articles/archives/2006/oct/05/aid-can-it-work/>.

Lecture 22: Equilibrium in a Small Open Economy and Stabilization Policies

Chau Van Thanh

Required Readings: Perkins et al. 2006. Chapter 19 & 21.

WEEK 15: Guest Lectures (May 14-18, 2012)

Lecture 23: TBA

Lecture 24: TBA

WEEK 16: REVIEW AND FINAL EXAM (May 21-June 1, 2012)

Review class May 25

Final Examination May 28