

DEMOCRACY & DIVERSITY GRADUATE INSTITUTE

CAPE TOWN, JANUARY 2007

ECONOMIC DEVELOPMENT & DEMOCRACY

Course leaders: Professors Stephen Gelb & Will Milberg

This course starts by exploring the challenge of economic development in the context of democracy and the reasons for the failure of development in most parts of Africa. It then turns to consider processes of globalisation and their governance. In looking at a wide range of aspects of globalisation, the course will explore the options for economic development strategy which remain available at the international and national levels.

Schedule

Session	Lead	Date	Topic
1	SG	Jan 6	(Un) development in Africa: institutions? geography? poverty traps?
2	SG	Jan 7	Democracy & development: transitions and outcomes
3	SG	ETC.	Building an effective state: comparative perspectives
4	SG		Global economics & global governance: HIV/AIDS, TRIPS & pharmaceuticals
5	SG		Globalized production: multinational corporations, FDI & value chains
6	WM		Trade, employment and income distribution
7	WM		Corruption, rents, industrial policy
8	WM		Global governance & trade: WTO & the Doha round
9	WM		Capital flows and economic development
10	WM		Aid & development

Reading list

Part 1: Stephen Gelb

Session 1. (Un) development in Africa: Institutions? Geography? Poverty traps? Dependency? Why has Africa not developed? We will look at competing explanations, including institutional weaknesses linked to the nature of the state in Africa, geographical factors such as landlocked economies and tropical disease patterns, ‘vicious circle’ arguments such as poverty traps, and the impact of the international economy. We will also begin to evaluate the development strategies implicit in each diagnosis.

Paul Collier & Jan-Willem Gunning (1999), “Why has Africa grown so slowly?” Journal of Economic Perspectives, 13(3), pp 3-22

Yilmaz Akyuz & C. Gore (2001) “African economic development in a comparative perspective,” Cambridge Journal of Economics, 25, pp 265-288

Nicholas van de Walle (2001), Chapter 3, “Decision making in postcolonial Africa” in African Economies and the Politics of Permanent Crisis, 1979-99, (Cambridge UP) pp 113-151

Jeffrey Sachs et al (2004), “Ending Africa’s poverty trap”, Brookings Papers on Economic Activity, 1, pp 1-35

D Rodrik, “Getting institutions right” Mimeo, Harvard University 2004, pp 1-13

Session 2. Democracy & development: transitions and outcomes

The view that democracy favours growth and development is widely-held today, but not too long ago, conventional wisdom was the contrary view, that authoritarianism best supported

development. Is there a causal relationship - in either direction - between political regimes and economic growth? Does the answer differ if we examine an established and stable democratic polity or a process of political transition and democratization? What political system makes economic policy reform possible?

Adam Przeworski, Michael E. Alvarez, Jose Antonio Cheibub & Fernando Limongi (2000), Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990 (Cambridge UP) pp 78-137

Sylvia Chan (2002), Liberalism, Democracy and Development (Cambridge UP) [pages to be specified]

Nicolas van de Walle (2001), Chapter 6, "Democratization and the prospects for change" in African Economies and the Politics of Permanent Crisis, 1979-99 (Cambridge UP) pp 235-270

Session 3. Building an effective state: comparative perspectives

A focus of the discussion in the first two sessions has been the role and nature of the state as a key determinant of development outcomes. In this session we examine theoretically and historically how effective states have emerged or failed to do so. Can state capacity be *built*? What are the interactions between political culture and political history on the one hand, and state effectiveness on the other? What continuities and discontinuities resulting from political ruptures such as revolution or decolonisation impact upon state capacity?

M Lange (2005), "The rule of law & development" in M Lange & D Rueschemeyer (ed), States and Development: Historical Antecedents of Stagnation and Advance (Palgrave Macmillan, New York) pp 48-65

D Rueschemeyer (2005), "Building states: Inherently a long-term process?", in Lange & Rueschemeyer (ed), pp 143-164

Evan Lieberman (2003), Race and Regionalism in the Politics of Taxation in Brazil and South Africa (Cambridge UP) pp 68-90, 106-137, 167-71

P Engberg-Pedersen & B Levy (2004), "Building state capacity in Africa: Learning from performance and results", in B Levy & S Kpundeh (ed), Building State Capacity in Africa: New Approaches, Emerging Lessons (World Bank Institute, Washington DC) pp 87-108

Atul Kohli (2004), "Understanding states and state intervention in the global periphery", in State-directed Development: Political Power and Industrialization in the Global Periphery (Cambridge UP) pp 381-408

Session 4: Global economics & global governance: HIV/AIDS, TRIPS & pharmaceuticals

Throughout Sub-Saharan Africa, HIV/AIDS is one of the major challenges for development, and the affordability of treatment one of the major constraints facing societies. We will examine the international intellectual property rights regime and its impact on the ability to address the epidemic. How is this regime shaped by the interactions between private (corporate) power and public (government) power, on one hand, and domestic politics versus international policy on the other, within the most powerful economies? How in turn do these interactions impact on 'North-South' relations between developed and developing states, to affect the latter's policy choices?

J. Stiglitz (2000), "Knowledge as a global public good", in I Kaul et al (ed) Global Public Goods:

International Cooperation in the 21st Century, (Oxford UP) pp 308-325

Peter Drahos (2002), "Negotiating Intellectual Property Rights: between coercion & dialogue" in Peter Drahos & Ruth Mayne (ed), Global Intellectual Property Rights (Palgrave Macmillan for Oxfam) pp 161-182

Kenneth Shadlen (2004), "Patents and Pills, Power and Procedure: The North-South Politics of Public Health in the WTO", Studies in Comparative International Development 39 (3) pp76-108

Martin Khor (2002), "Rethinking intellectual property rights and TRIPS", in Drahos & Mayne (ed), pp 201-213

Sol Picciotto (2002), "Defending the public interest in TRIPS and the WTO", in Drahos & Mayne (ed), pp 224-244

Session 5: Globalized production: multinational corporations, FDI & value chains

This session will examine the reorganisation of global production as a result of corporations' production and other location decisions leading *inter alia* to the geographical dispersion of value chains. These shifts have fundamentally impacted upon the ways countries engage in trade and foreign direct investment, and thus the process of industrialization. What factors impact upon these location decisions? What can - and should - governments do to facilitate their economies' involvement in these process? What can they do to maximise the benefits and minimise the costs of foreign direct investment and related processes?

Peter Dicken (2003), "A new geo-economy: Unravelling the complexity", in Global shift: Transforming the world economy 4th ed (Paul Chapman Publishing) pp 14-25

John Dunning (2000), "Assessing the costs & benefits of foreign direct investment: Some theoretical considerations", in P Artisien-Maksimenko (ed), Multinationals in Eastern Europe (Macmillan) pp 10-57

Theodore H Moran (2005), "How does FDI affect host country development? Using industry case studies to make reliable generalisations", in TH Moran, EM Graham & M Blomstrom (ed), Does Foreign Direct Investment Promote Development? (Centre for Global Development & Institute for International Economics, Washington DC) pp 281-313

Todd Moss, Vijaya Ramachandran & Manju Shah (2005), "Is Africa's scepticism of foreign capital justified? Evidence from East African firm survey data", in Moran et al (ed), pp 337-366
Also: Peter Dicken, Chap 8 "'Webs of enterprise': The geography of transnational production networks", in Global shift: Transforming the world economy 4th ed.

Part 2: Will Milberg

Session 6: International Trade, Employment and Income Distribution

This session focuses on the effects of trade liberalization and the expansion of world trade on developing countries, with an emphasis on employment and income distribution. We start with a quick overview of the theory of international trade and income distribution and then look at the historical record regarding trade liberalization and economic growth. Finally, we consider how poverty and child labor are affected by trade liberalization.

Wolf, M. (2005) Why Globalization Works, New Haven, Yale Note Bene Book, chapter 10.

Chang, Ha-Joon (2003) "Institutions and Economic Development in Historical Perspective," in

Rethinking Development Economics, London: Anthem Press, Ch. 22.

Freeman, R. (2005) “China, India and the doubling of the global labor force: Who pays the price of globalization?” The Globalist, June 3, posted at Japan Focus, 8/26/05.

Joekes, Susan (1999) “A gender-analytical perspective on trade and sustainable development,” mimeo, United Nations.

Kaplinsky, R. (2005) Globalization, Poverty and Inequality, London: Polity Press, Chapters 2, 5, 6, 7.

Edmonds, E. and N. Pavcnik (2005) “Child Labor in the Global Economy,” Journal of Economic Perspectives, V. 19, No. 1, Winter, pp. 199-220.

Session 7: International Capital Flows: Possibilities and Pitfalls

This session will consider how capital market liberalization has affected development prospects, both in terms of macroeconomic performance and policy autonomy. We will look first at the causes for the explosion of gross international capital flows, then at their impact. Finally we will discuss how capital markets can be regulated at the national and international levels by reviewing a number of recent proposals for “reform of the international financial architecture.”

Morrissey, O. and R. Osei, (2004) “Capital flows to developing countries: trends, volatility and policy implications,” IDS Bulletin, V. 35, No. 1, January.

Chang, H-J., Editor (2003) Rethinking Development Economics, London: Anthem Press, Chapter by Grabel.

Stiglitz, J. (2001) “More Instruments and Broader Goals: Moving toward the Post-Washington Consensus,” chapter 1 in The Rebel Within: Joseph Stiglitz and the World Bank, edited by H. Chang, London: Anthem.

Rodrik, D. (2006) “Godbye Washington Consensus, Hello Washington Confusion?” mimeo, Harvard University.

D. Nayyar, editor, Governing Globalization: Issues and Institutions, Oxford: Oxford University Press, chapters by Taylor and Ocampo.

Session 8: Corruption, Rents, and Industrial Policy

This session considers the issue of corruption and how it affects economic development. We will look at corruption from a number of different perspectives, first as “rent-seeking” with its potentially devastating impact on development, and then as a dimension of industrial policy, in which “distortions” from free market principles can guide pro-development forces.

Mair, G. and J. Rauch, Leading Issues in Economic Development (2005) New York: Oxford University Press, pp. 502-535.

Rodrik, D. (2004) "Industrial Policy for the 21st Century," mimeo, Harvard University.

Amsden, A. (2001) The Rise of the Rest: Challenges to the West from the Late-Industrializing Nations, New York: Oxford University Press, Chapters 1, 8.

Nolan, Peter (2003) "Industrial Policy in the Early 21st Century: The Challenge of the Global Business Revolution," Ch. 14 in H. Chang, editor, Rethinking Economic Development, London: Anthem Press

Session 9: Global Governance of Trade: The Doha Round and Beyond

In this session we will review the main components of the Doha round (the "development round") of negotiations in the WTO. We will discuss why the negotiations collapsed and what a future agreement might contain. Finally, we turn to the more speculative question of what a global governance structure might look like that included international production as part of international trade.

United Nations Development Program (2003) Making Global Trade Work For People, Chapters 1, 2, 3, 9, 10, 13, 14.

Polaski, S. (2006) "The Future of the WTO," Carnegie Endowment Policy Outlook, September.

Elliot, K. (2006) "Can Doha Still Deliver on the Development Agenda?" Institute for International Economics, Policy Brief, June.

Challenge Magazine symposium on "Developing Countries and the Collapse of the Doha Round," November-December 2006.

Gereffi, G. (2006) "Globalization and the Demand for Governance," ILO/IILS, Singer Lectures (lecture 3 only).

Session 10: Aid and Development

In this final class session we take up the issue of foreign aid and its effects on economic development. We will first assess the issue of debt relief and then turn to aid. We will consider the political and economics problems with aid for development and some recently proposed solutions to these problems.

Weeks, J. (2006) "Forty Years of ODA and Conditionality in Africa," mimeo SOAS, London.

Easterly, W. (2006) The White Man's Burden, New York: Oxford University Press, selected chapters.

Sachs, J. (2004) The End of Poverty, London: Penguin, chapters 10-16.