

Global Inequality

– The Wealth of (Some) Nations –
POLS 324 - 501
Fall 2015

INSTRUCTOR: Florian M. Hollenbach

Email: fhollenbach@tamu.edu; **Web:** fhollenbach.org

Office: 2061 Allen Building; **Phone:** 979-845-5021

Office Hours: Monday, Wednesday, & Friday: 10:45am - 11:45pm or by appointment

Class Meeting Time: Monday, Wednesday, Friday: 9:45 am – 10:35 am

Class Location: Bush Academic Building West 1016

COURSE DESCRIPTION: Why do some countries develop, while others remain poor and are caught in poverty traps? How did the West take off, increasing living standards for many millions, while the rest of the world stayed poor? How and why does economic development vary across the world and how much does politics have to do with it? These are the questions we will try to answer in this class. We will aim to understand the causes of economic development and how economic growth affects the distribution of incomes between and within nations.

To gain a better understanding of economic development and its causes and consequences, we will first cover some fundamental theoretical approaches to political economy, starting with some of the classics on markets and economic interaction, such as Adam Smith, Karl Marx, David Ricardo, and Douglas North. We will then study more modern theoretical and empirical work about the causes of economic development. We will use comparative, historical, and analytical approaches to understanding how certain characteristics affect a country's propensity to grow. For example, does democracy matter for economic development? How do natural endowments affect growth in the short and long run? Is economic inequality good or bad for growth? We will discuss how well these proposed theories and mechanisms can explain the data across space and time. For part of this class, we will be discussing how to read scholarly work as well as understand and work with data. In addition, you will become an expert on one country of your choice and hand in a written report about that country's history in development (excluding the USA).

LEARNING OUTCOMES: At the end of the semester, after completing this course students are expected to:

- Have gained an understanding of the level of economic inequality around the world, different levels of economic development, and the history of economic development
- Demonstrate detailed knowledge of one country's historic development, political institutions, and inequality
- Explain common concepts and measures used in economics and political science, such as: GDP, GINI, power purchasing parity (PPP), measures of democracy, Pareto optimality.
- Understand and know common theories of economic development that are covered in the course:
For example, how is economic growth affected by:
 - trade,
 - institutions,
 - geography,
 - foreign aid?
- Be able to critically assess different theories based on empirical evidence

COURSE STRUCTURE & REQUIREMENTS: The class will meet three times a week¹, 9:45am - 10:35am on Monday, Wednesday, and Friday. Topics and readings are structured around a full week of class. Each week we will cover approximately 100 pages of reading and I expect you to have *all* of the required reading for the week done *prior* to class on Monday.

The material covered in class and in the readings will be coming from both economics and political science. Moreover, readings will include empirical models and will in part come from actual scientific journal articles. For some weeks, the readings will be quite technical and challenging. I do not want to discourage you from taking this class if you do not have any background in economics, however, it may require more work from you. While not required, students who have taken a class on research design (such as POLS 209 or 309) will have an easier time with the readings and class material. If you do not understand part of the week's readings, please raise questions in class. I guarantee you will not be the only one that has trouble with the material and by asking questions, you are providing a service to your classmates. Any questions asked will reflect positive on your performance.

While the class is taught as a lecture, I encourage you to participate frequently with questions and comments. This will make class time more fun for all of us.

¹Please note deviations from the schedule in the class schedule below.

You are expected to do all readings *prior* to class on Monday, participate in class discussions, submit all assignments on time, and take exams as scheduled.

Grading & Your Responsibilities: Your grade will be based on two exams (50 % combined) at the middle and end of the semester, three short data reports (15% combined), and an original country report (35%). The first exam will cover material up until that point, while the second exam will be about the material covered after the first exam. The three data reports are due via email at 11:59 pm (CT) on 09/28, 11/09, and 11/23. The full country report is due via email at 9 am (CT) on the day that the final exam would be scheduled for this class (December 14th, 2015). See below for more detail on the country report.

I expect you to do the assigned readings for each week before the lecture on Monday, participate in class discussions, and come prepared with questions. You will be graded on:

- 3 short data reports on your country (15% combined)
- Exam 1 (25 %)
- Exam 2 (25 %)
- Country Report (35 %)

The grading scale (in %) used in this class for all assignments and exams will be the following:

- A = ≥ 89.5
- B = $\geq 79.5 - < 89.5$
- C = $\geq 69.5 - < 79.5$
- D = $\geq 59.5 - < 69.5$
- F = < 59.6

COUNTRY REPORT: At the beginning of the semester you will choose a country for your country report (excluding the USA). Throughout the semester you should think about your country in terms of the weekly topic. In weeks 5, 11, & 13 you will hand in short reports, that will become part of the longer report at the end of the semester.

In week 5, we will cover regime types and their effect on economic development. You will hand in a short write up (maximum 1 page, double spaced) of the history of your country in terms of regime type, based on indicators used in political science. For week 11, you are expected to collect data on current and historical inequality in your country and describe the overall development (Again, maximum 1 page, double spaced). For week 13, you will collect data and write up a short report on current and historical levels of taxation and general government spending for your country of choice (maximum 1.5 pages, double spaced).

Throughout the semester we will talk about possible data sources. If you have trouble finding data, come talk to me during office hours. Lastly, at the end of the semester you will use the three short reports to create a longer, full country report describing the country's history of institutional, political, and economic development. You also ought to give possible reasons for its fast or slow development (based on what we have discussed in class). The overall country report should be 5-6 pages double spaced and should include some description of data for your country (plots and/or tables).

ACADEMIC HONESTY: All students should follow the highest standards of academic integrity. Cheating or plagiarism will not be tolerated in any way. We will discuss in class how to properly cite other scholars' work for your research papers. The university library also has resources to help you with properly citing your sources for any papers you write (<http://guides.library.tamu.edu/CitingSources>). If you are unsure what entails plagiarism, come talk to me. For more info, see: <http://student-rules.tamu.edu/aggiencode> & <http://aggiehonor.tamu.edu>. **“An Aggie does not lie, cheat or steal, or tolerate those who do.”**

READINGS: We will read several chapters of the “The Political Economy Reader: Markets as Institutions” (denoted PER below) by Naazneen H. Barma and Steven K. Vogel as well as parts of Paul Collier's “The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It” (denoted BB below). Additionally, other texts will be provided in the form of PDFs on e-reserve (<http://library-reserves.tamu.edu>).

Required Books

- Collier, Paul. 2007. **“The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It”**. Oxford University Press: Oxford, UK.
- Barma, Naazneen H. and Steven K. Vogel. 2007. **“The Political Economy Reader: Markets as Institutions”**. Routledge: London, UK.
- Acemoglu, Daron and Robinson, James A. 2012. **“Why Nations Fail: The Origins of Power, Prosperity, and Poverty”**. Crown Publishing Group: New York, NY.

CLASSROOM BEHAVIOR, PARTICIPATION, & ELECTRONIC DEVICES: We will usually meet three times a week during the semester. You can expect me to be prepared, give lecture and answer questions. As outlined above, when you come to class, I expect you to be prepared as well and have the particular week's reading done before class on Monday. I will not require attendance, but class is a resource to you. The exams will be based on all lectures and the discussions in class. Thus, *only* doing

the required readings or *only* attending class will not be sufficient. I will not give out copies of my notes. It is your responsibility to obtain the notes and announcements from colleagues if you are absent during class. If you do not regularly attend, it will be very difficult to pass this class.

While laptops are not forbidden, I encourage you to take notes by hand, as it has been shown to be much more efficient.² Please use all electronic devices respectfully and arrive to class on time.

EXAM ABSENCES & LATE POLICY: Make-up exams will be permitted only in the case of university-excused absences. To be eligible for a make-up exam, you will have to present original written documentation of legitimate circumstances that prevented you from taking the exam on time. Except in the case of observance of a religious holiday, to be excused, the student must notify his or her instructor in writing (acknowledged e-mail message is acceptable) prior to the date of absence. In cases where advance notification is not feasible (e.g. accident or emergency) the student must provide notification by the end of the second working day after the absence. This notification should include an explanation of why notice could not be sent prior to the class. Accommodations sought for absences due to the observance of a religious holiday can be sought either prior or after the absence, but not later than two working days after the absence. Legitimate circumstances include religious holidays, illness (verified by a doctor), serious family emergencies and participation in group activities sponsored by the University, etc. See <http://student-rules.tamu.edu/rule07> for additional information. Please note that I do not accept Xeroxed copies of medical excuses from students. Unexcused absences from either exam will result in a score of 0 for the exam.

Unexcused late work will be penalized by a 7.5 percentage point deduction for each day your work is late. For example, if you hand in the country report at 0:01 am on December 10th, your maximum score will be 92.5%, at 0:01 am on December 11th it will be 85%, and so on. Late work will be excused only in the case of university-excused absences.

RE-GRADING POLICY: Students that want to appeal a grade received on an exam or assignment must submit a regrading request in written form (no email). This request has to be turned in within five working days after the graded exams or assignments are returned to the class. The written statement must explain exactly why the student believes the current grade is incorrect. I will then regrade the entire assignment or exam extra carefully. NOTE, as a consequence your grade may go up or down.

COMMUNICATION:

The best place to ask questions is in the class room. If your question is not related to class material or relevant to other students, we can discuss it after class. I encourage you to visit my office hours to discuss any difficulties with the readings or country reports.

You can expect me to reply to emails within 24 hours during the work week. I will not reply to emails on the weekend, except for urgent matters. As with all business related

²<http://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/>

correspondence, please include an appropriate salutation, identify yourself, and write in complete sentences.

DISABILITY: All discussions will remain confidential. University policy is in accordance with the Americans with Disabilities Act Policy Statement.

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact Disability Services, in Cain Hall, Room B118, or call 845-1637. For additional information visit <http://disability.tamu.edu>.

Reasonable accommodations will be made for all students with disabilities, but it is the student's responsibility to inform the instructor early in the term. Do not wait until just before an exam to decide you want to inform the instructor of a learning disability; any accommodations for disabilities must be arranged well in advance.

DIVERSITY POLICY: The Department of Political Science supports the Texas A&M University commitment to diversity, and welcomes individuals from any racial, ethnic, religious, age, gender, sexual orientation, class, disability, and nationality. (See <http://diversity.tamu.edu/>). In the spirit of this vital commitment, in this course each voice in the classroom has something of value to contribute to all discussions. Everyone is expected to respect the different experiences, beliefs and values expressed by fellow students and the instructor, and will engage in reasoned discussion that refrains from derogatory comments about other people, cultures, groups, or viewpoints.

BEYOND CLASS ACTIVITIES: While not required, I encourage you to keep up with current events in economics and politics. Apart from newspapers and magazines (e.g. *New York Times*, *Washington Post*, *Wall Street Journal*, *Financial Times*, *The Economist*, etc.), nowadays a whole array of economists and political scientists blog regularly about topics in economic development. Often these posts cover important debates within academia and the policy world. I encourage you to follow at least some of the blogs on this list:

- <http://chrisblattman.com/>
- <https://growthecon.wordpress.com/>
- <http://charleskenny.blogs.com/weblog/>
- http://rodrik.typepad.com/dani_rodriks_weblog/
- <http://blogs.worldbank.org/impactevaluations/>
- <http://glineq.blogspot.com>

- <http://whynationsfail.com/>
- <http://www.nyudri.org/>
- <http://oxfamblogs.org/fp2p/>
- <https://www.washingtonpost.com/blogs/monkey-cage/>

**CLASS SCHEDULE:
(Subject to Change)**

**** In the following list of readings, the books “Bottom Billion” and “Political Economy Reader” are denoted “BB” and “PER” respectively.****

Week 1 (08/31 - 09/04): Introduction, Syllabus, Logistics, and Defining & Measuring Inequality

IMPORTANT: No class on Friday, September 4th

READINGS:

- W. Easterly. 2002. The Elusive Quest for Growth: Economists’ Adventures and Misadventures in the Tropics. MIT Press. Chapter 1 & Intermezzo, pages 5–19.
- A. V. Banerjee and E. Duflo. 2007. The Economic Lives of the Poor. Journal of Economic Perspectives, 21(1):141–168.
- Bottom Billion. Chapter 1. Pages 3 – 17.

Week 2 (09/07 - 09/11): Important Concepts in Economics & What Do We Mean by Development?

READINGS:

- D. Weil. 2012. Economic Growth. Pearson Addison-Wesley. Chapter 1.
- A. Deaton. 2013. The Great Escape: Health, Wealth, and the Origins of Inequality. Princeton University Press. Chapter 1. Pages 1 – 22.
- A. Sen. 1988. The Concept of Development. In H. Chenery and T. Srinivasan, editors, The Handbook of Development Economics, Volume 1. Chapter 1. Pages 9–26. Elsevier Science Publishers.

Week 3 (09/14 - 09/18): Markets and the Division of Labor

READINGS:

- **PER:** A. Smith. An Inquiry into the Nature and Causes of the Wealth of Nations. Chapter 1. Pages 27 – 40.
- **PER:** C. Lindblom: The Market System. Chapter 13. Pages 243 – 258.

- **PER:** K. Marx & F. Engels: The Communist Manifesto. Chapter 2. Pages 41 – 62.

Week 4 (09/21 - 09/25): Rules, Property Rights, & “Institutions”

READINGS:

- D. North. 1990. Institutions, Institutional Change, and Economic Performance. Cambridge University Press. Chapters 1, 2, 4, & 12. Pages 3–16, 27–35, 107–117
- **PER:** O. Williamson. The Economic Institutions of Capitalism. Chapter 9. Pages 185 – 194.
- D. Rodrik, A. Subramanian, F. Trebbi. 2004. Institutions Rule: The Primacy of Institutions Over Geography in Economic Development. Journal of Economic Growth. 9(2). 131–165.

Week 5 (09/28 - 10/2): Democracy, Dictatorships, & Development

***** Short report on Political Regimes, Due at 11:59 pm, September 28, 2015 *****

READINGS:

- A. Przeworski. 1991. Democracy and the Market. Cambridge University Press. Chapter 1. Pages 1 – 50.
- M. Olson. 1993. Dictatorship, Democracy, and Development. American Political Science Review. 87(3). Pages 567–576.
- Why Nations Fail: Pages 70 – 123

Week 6 (10/5 - 10/7): Historical Legacies: Colonialism & Geography

READINGS:

- Why Nations Fail 45– 69 & 245 – 273
- W. Easterly and R. Levine. 2003. Tropics, Germs, and Crops: How Endowments Influence Economic Development. Journal of Monetary Economics. 50(1). Pages 3 – 39.
- N. Nunn. 2008. The Long-term Effects of Africa’s Slave Trades. Quarterly Journal of Economics. 123(1). Pages 139 – 176.

Friday, 10/9: Review Session

☺ ☺ ☺ **Monday, 10/12: EXAM 1** ☺ ☺ ☺

Week 7 (10/14 - 10/16): Conflict: Cause or Consequence of Underdevelopment

READINGS:

- J. Herbst. 2000. States and Power in Africa: Comparative Lessons in Authority and Control. Princeton University Press. Chapters 1 & 9. Pages 11–32 & 251 – 272
- Bottom Billion. Chapter 2. Pages 17 – 37.
- C. Blattman & E. Miguel. 2010. Civil War. Journal of Economic Literature. 48(1). Pages 3 – 57.

Week 8 (10/19 - 10/23): Foreign Aid

READINGS:

- W. Easterly. 2006. The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done so much Ill and so Little Good. Penguin Books. Chapters 1 & 2. Pages 1–59.
- **PER:** J. Sachs. The End of Poverty. Chapter 18. Pages 359 – 374.

Week 9 (10/26 - 10/30): Corruption & Governance

READINGS:

- 2002. The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics. MIT Press. Chapter 12 & Intermezzo, pages 241 – 253.
- D. Treisman. 2007. What Have We Learned About the Causes of Corruption From Ten Years of Cross-National Empirical Research? Annual Review of Political Science. 10. Pages 211 – 244.
- R. Pande & B. Olken. 2012. Corruption in Developing Countries. Annual Review of Economics. 4. Pages 479 – 505.

Week 10 (11/2 - 11/6): Globalization & Trade

READINGS:

- **PER:** J. Stiglitz. Globalization and Its Discontents. Chapter 19. Pages 375 – 398.
- C. M. Meissner. 2014. Growth from Globalization? A View from the Very Long Run. In P. Aghion and S. N. Durlauf, editors, Handbook of Economic Growth. Volume 2. Chapter 8. Pages 1033 – 1069. Elsevier Science Publishers.

Week 11 (11/9 - 11/13): Domestic Inequality & Economic Development

***** Short report on Inequality, Due at 11:59 pm, November 9 2015 *****

READINGS:

- L. Putterman & D. N. Weil. 2010. Post-1500 Population Flows and the Long-Run Determinants of Economic Growth and Inequality. Quarterly Journal of Economics. 125(4). Pages 1627-1682
- W. Easterly. 2007. Inequality Does Cause Underdevelopment: Insights from a New Instrument. Journal of Development Economics. 84(2). Pages 755 – 776.

Week 12 (11/16 - 11/20): Education & Technology

READINGS:

- W. Easterly. 2002. The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics. MIT Press. Chapter 4 & Intermezzo, pages 71 – 85.
- S. Becker, E. Hornung. & L. Woessmann. Education and Catch-Up in the Industrial Revolution. American Economic Journal: Macroeconomics. 3(3). Pages 92 – 126.

Week 13 (11/23, 11/30): Taxation, Domestic Spending, & and the Effect on Growth

***** Short report on Taxation & Spending, Due at 11:59 pm, November 23 2015 *****

READINGS:

- T. Besley & T. Persson. 2014. Why Do Developing Countries Tax So Little? *Journal of Economic Perspectives*. 28(4). Pages 99 – 120.
- W. Easterly & S. Rebelo. 1993. Fiscal Policy and Economic Growth: An Empirical Investigation. *Journal of Monetary Economics*. 32(3). Pages 417 – 458.

12/2: Review Session

☺ ☺ ☺ Friday, 12/04: EXAM 2 ☺ ☺ ☺

Week 14 (12/7, 12/9): Research Methods, Measurement Problems, & What Have We Learned

READINGS:

- M. Jerven. 2013. *Poor Numbers: How Are We Misled by African Development Statistics and What to Do about it*. Cornell University Press. Introduction & Chapter 1. Pages 1– 32.
- D. Rodrik. 2009. The New Development Economics: We Shall Experiment, but How Shall We Learn? In J. Cohen and W. Easterly, editors, *What Works in Development? Thinking Big and Thinking Small*. The Brookings Institution. Chapter 2 & Comments. Pages 24 – 54.