

**Prof. David B.H. Denoon**

**Office Hours:**

**Fall 2006  
G53.2770  
G31.2610**

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## **THE POLITICAL ECONOMY OF NORTH-SOUTH RELATIONS**

The purpose of this course is to provide a broad survey of the policy debates between the wealthy and low-income countries as well as an assessment of the proposals for restructuring the international economic system. It is designed to explore the politicized world of international negotiations and compare them with the policy recommendations from development economists. Graduate students in both politics and economics should thus be able to explore the inter-relationship between theory and practice in an arena of current controversy.

There is a substantial amount of reading necessary; and, since much of this is in recent articles, there is no single text for the course. The course will be taught, to the maximum extent possible, in seminar fashion, so you must do the reading BEFORE COMING TO CLASS.

We will be covering a broad range of controversial topics which involve an intricate blend of technical and ideological questions. There are also obvious moral considerations in several of the topics. Given the breadth of legitimate approaches to the North-South dialogue, this course will not focus on any "agreed perspective" and the course is designed to encourage a lively interchange of views.

### **Requirements:**

- A) Reading: Assignments are on the attached list.
- B) Papers: There will be no required paper, though, if you want to do an optional paper, it is due on November 22. It will substitute for the grade on the mid-term exam.
- C) Exams: There will be a Mid-term Exam on October 25 and a Final Exam in Exam Period.
- D) Class Participation: Each student will be expected to participate fully in class discussion.
- E) Grading: Mid-Term Exam 30%, Class Participation 20%, Final Exam 50%

**THE POLITICAL ECONOMY OF NORTH-SOUTH RELATIONS**

I. Orienting Concepts  
**Sept. 06**

- T. Kuhn                    The Structure for Scientific  
Revolutions, Chap. I,V, XII
- A.G. Frank                “The Development of Underdevelopment”  
Monthly Review, 1966
- D. Ray                     Development Economics, Chapt. 2, 3, 4
- D. Acemoglu  
et.al.                      “The Colonial Origins of Comparative Development,”  
American Economic Review, Dec. 2001, Vol. 91,  
No. 5, 1369 - 1401

II. What Was the New International Economic Order (NIEO)?  
**Sept. 13**

- D. Denoon                The New International Economic Order:  
A U.S. Response, Chapt. 1
- D.P. Moynihan            “The U.S. in Opposition,”  
Commentary, March 1975, Vol. 59, #3  
31-44
- United Nations           Declaration on the Establishment of the NEIO,  
May 1974
- A. Krueger                “Trade Policy and Economic Development”  
American Economic Review, March 1997,  
Vol. 87, No. 1, 1-22
- A. Taylor                 “The Costs of Inward-Looking Development,”  
Journal of Economic History, March 1998  
Vol. 58, No. 1, 1 - 28

III. Are North-South Issues Different from NEIO Issues?  
**Sept. 20**

- P.T. Bauer                    Dissent on Development, Chapt. 1 & 2
- D. Rodrik                    “Understanding Economic Policy Reform,”  
Journal of Economic Literature, March  
1996, Vol. XXXIV, 9-41
- I.M.F.                        World Economic Outlook, April 2006  
1-70

IV. Trade and Capital Flow:  
**Sept. 27**

- R. Caves, Frankel  
& Jones                    World Trade & Payment, 10<sup>th</sup> ed.  
Chapts. 2-6
- J. Sachs, Tornell  
& Velasco                    “Financial Crises in Emerging Markets:  
The Lessons From 1995, Brookings Papers  
on Economic Activity, 1996, Issue 1,  
147-215
- M. Obstfeld                    “The Global Capital Market: Benefactor or  
Menace?” Journal of Economic Perspectives,  
Vol. 12, No. 2, Fall 1998, 9-30
- D. Farrell                    Mapping Global Capital Markets, McKinsey  
Global Institute, 2006

V. Trade Policy:  
**Oct. 04**

- A. Krueger &  
S. Rajapitrana                    “World Bank Policies Toward Trade,”  
World Economy, 1999, Vol. 22, No. 6, 717 - 740
- World Bank                    The East Asian Economic Miracle,  
Chapts. 1,3 & 6
- J. Frankel &  
D. Romer                    “Does Trade Cause Growth?” American Economic  
Review, Vol. 89, No. 3, June 1999, 378-399
- M. Feldstein                    "The Return of Saving," Foreign Affairs, May / June  
2006, 87-93

VI. Employment and Strategic Trade:

**Oct. 11**

- I.L.O. Employment, Growth and Basic Human Needs,  
Chaps. 1&2
- P. Krugman (ed) Strategic Trade and the New International Economics  
Chaps. 1 (Krugman), 2 ( Brander) and 8 (Yamamura)
- R. Feenstra "Integration of Trade," Journal of Economic Perspectives,  
Vol. 12, No. 4, Fall 1998, 31-50
- A. Ghose "Trade Liberalization, employment and global  
inequality," International Labour Review,  
2000, Vol. 139, No. 3, 281-305

VII. The International Monetary System: How should It be Run?

**Oct. 18**

- B. Eichengreen & A. Fishlow Contending with Capital Flows, 1-45
- C.R. Henning East Asian Financial Cooperation, 1-48
- J. Bhagwati "The Capital Myth," Foreign Affairs, May/June 1998.  
Vol. 77, No. 3 7-12
- M. Feldstein "The Case Against Trying to Stabilize the Dollar," AER,  
79:2, 36-40
- J. Williamson "The Case for Rough Stability in the Real Value of the  
Dollar," AER, 79:2, 41-45
- M. Moffitt and B. Davis "Booming Economy Leaves the IMF Groping for a  
Mission," Wall Street Journal, April 21, 2006, A-1

VIII. Midterm Exam

**Oct. 25**

IX. The 1997 Financial Crisis:  
**Nov. 01**

S. Haggard                    The Pol. Econ. of the Asian Financial Crisis, pp. 1-88

D. Denoon                    The Economic and Strategic Rise of China and India (forthcoming 2007), Chapt. 2

K. Jackson, ed.,            The Asian Contagion, Chapt. 4,6,7

X. The Significance of Japan, China and India:  
**Nov. 08**

D. Denoon                    Real Reciprocity, Chapt. 1,3

M. Goldstein &  
N. Lardy                    "China's Exchange Rate Policy Dilemma,"  
American Economic Review, Vol. 96, No. 2,  
May 2006, 422-426

R. McKinnon                "China's Exchange Rate Trap: Japan Redux?"  
AER, Vol. 96, No. 2, May 2006, 427-431

K. Sato                        "From Fast to Last: The Japanese Economy in the 1990s,"  
Journal of Asian Economics, 2002, No. 164,1-23

M. Ahluwalia                "Economic Reforms in India Since 1991," Journal of Economic Perspectives, Vol. 16, No. 2, Summer 2002, 67-88

XI. Latin American and African Development:  
**Nov. 15**

W. Easterly                 "The Lost Decades...1980-1998," Journal of Economic Growth, Vol. 6, No. 2, 135-157

P. Collier &  
J. Gunning                 "Explaining African Economic Performance", Journal of Economic Literature, Vol. XXXVII, March 1999, 89-11

M. Chamon &  
M. Kremer                 "Asian Growth and African Development," American Economic Review, Vol. 96, No. 2, May 2006, 400-404

XII. Foreign Aid, Loans and Conditions:

**Nov. 22**

S. Forman & S. Patrick                    Good Intentions: Pledges of Aid, 1- 33

J. Bulow & K. Rogoff                    “Grants versus Loans for Development Banks”  
AER, Vol. 96, No. 2, May 2006, 394-397

D. Rodrik & R. Wacziarg                    “Do Democratic Transitions Produce Bad  
Economic Outcomes?” AER, Vol. 96, No. 2,  
May 2006, 50-55

XIII. Structural Adjustment: How to Minimize the Pain

**Nov. 29**

D. Denoon                    Devaluation Under Pressure: India, Indonesia  
And Ghana, Chapt. 1, 4, 5

S. Fischer, et. al                    “Stabilization and Growth in Transition Economies,”  
Journal of Economic Perspectives, Vol. 10, No. 2.  
Spring 1996, 45-66

XIV Globalization:

**Dec. 06**

I.M.F.                    World Economic Outlook - 2006,  
“Inflation and Globalization” 97-124

G. Calvo et al.                    “Sudden Stops and Phoenix Miracles in  
Emerging Markets,” AER, Vol. 96, No. 2,  
May 2006, 405-410

**FINAL EXAM**

**In Exam Period**