

GB2346 10: GROWTH IN THE DEVELOPING WORLD AND THE GLOBAL ECONOMY SYLLABUS PROFESSOR: Peter Blair Henry FALL 2020

Please read this syllabus carefully before the first meeting on September 21. It contains essential information about schedules, assignments, and the commitments you must make to take this course.

Contact Information:

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URL for the course:

<http://tophat>

Join code: 518560

INTRODUCTORY NOTE

The course meets on Tuesdays from 6:30-9:30 pm. Six of our 12 sessions will meet in-person in **KMC 1-170**, the other 6 sessions will meet online. We will alternate in-person versus online in accordance with the following schedule:

Sept 22	ONLINE
Sept 29	IN PERSON
Oct 6	IN PERSON
Oct 13	ONLINE: FIRST (MINI) GROUP PRESENTATIONS
Oct 20	IN PERSON
Oct 27	ONLINE
Nov 3	IN PERSON
Nov 10	ONLINE: SECOND GROUP PRESENTATIONS
Nov 17	IN PERSON
Nov 24	ONLINE
Dec 1	IN PERSON
Dec 8	ONLINE: FINAL GROUP PRESENTATIONS

You will have three to four weeks to prepare the final presentation and paper. The presentations will be on Dec 8 to the entire class. Based on past experience, this last class will be long. We will aim to start promptly at 6:30 pm and continue until we are finished. So please hold that entire evening for your presentations. We have experimented with alternatives in the past by splitting this up. But the result is to have only some of the class

present for some of the presentations and it does not work very well.

There may be some additions and a few changes to the syllabus as we go through the course. In particular, as the public health situation evolves, we may have to hold more sessions online than the above schedule indicates. We will adjust as necessary, and in accordance with NYU guidance.

CONTENT OF THE COURSE

The central topic of this course is economic growth in the set of countries classified by the International Monetary Fund (IMF) as emerging and developing economies (EMDEs). EMDEs account for roughly two-thirds of global growth and half of global GDP. Based on experience and research, we will attempt to identify key ingredients that generate growth in EMDEs. For this we will need to spend a little time on where growth comes from in general, and how it is in various ways constrained. With this framework in place, we will talk about what impedes growth and what unleashes it.

To the end of understanding what impedes, unleashes and sustains growth, we will discuss leadership, governance, and political economy, focusing on the role of leadership in changing the expectations, behavior and dynamics associated with a shift from no growth or low growth to a high-growth equilibrium. In the process, we will discuss the impact of political systems and policy choices on equity as well as efficiency.

Additionally, we will discuss issues of structural change, adverse distributional trends and growth challenges in developed countries that are related in part to the rising size, impact, and systemic importance of the developing countries, as well as to important trends in technology and the environment. Additionally, we will identify and discuss some of the new challenges associated with completing the second half of the century of convergence that began after World War II when significant growth in developing countries began for the first time.

We will also discuss middle-income transitions (roughly the challenge of sustaining growth) when per capita incomes reach the \$4,000 to \$12,500 dollar range. We will talk about China's crucial middle-income transition, which is underway, and spend some time on India's high growth, as well as on developing countries in the past ten years: including the COVID Crisis and five years of Global Financial Crisis (GFC) and post GFC adaptation to imbalances, attempted recoveries and slower than normal growth in the advanced or industrialized countries.

The final section of the course will deal with financial sector openness, infrastructure, and the importance of strategy and policy choices in relation to institutional development, with lessons of general applicability (including to advanced countries) of the experiences of growth or its absence in developing countries.

CLASS STRUCTURE AND COMMUNITY

We will meet at 6:30 pm and continue (with a break) to 9:30 pm or whenever we run out of energy. We will generally have a presentation (with discussion and debate) a break, and then more discussion and debate. Notwithstanding the presentation of some ideas by me, I enjoy discussion and debate throughout the class. It is more fun, interesting, and engaging that way.

Our class is a community of communities. There are 37 students registered for the course, and I have assigned each of you to one of 6 study groups, creatively named “Group 1”, Group 2, Group 3”, and so on through “Group 6”. I created the groups in the following manner. Proceeding in alphabetical order by last name, I gave each of you a number 1 through 6. I then placed together all of the “1’s”, then the “2’s”, and so on through the “6’s”. After making a few minor adjustments to achieve approximate gender balance (and adjusting for the fact that 37 is a prime number) I arrived at the final group assignments. Groups 1 through 5 have six members, Group 6 has seven. Within each group, I used a similar algorithm to assign each of you a “reading partner”. The groups with 6 members contain 3 pairs of 2 reading partners; the group with 7 members contains 3 “pairs”, two with two study partners, and the other with three. Our course, therefore, consists of four learning communities: the “Class”, “Study Groups”, “Reading Partners”, and “You”. Each of these four communities has important contributions to make to the class as a whole.

REQUIREMENTS

Starting with “You”, **BEFORE EACH MEETING**, do the reading posted on the course website for that day, and give it a think.

Second, discuss the reading with your study partner, help each other analyze and absorb the key ideas, and jointly come up with a question about the reading.

Third, study partners will share their question with their assigned group.

Finally, each group shares all of their questions—three per group—with me (more later in the syllabus about the means by which we will facilitate the sharing of questions)

Finally, each group: (1) aggregates their questions; (2) designates a group member to email them to me in a single document before class on Tuesday evening (subject line “**GB2346 GROUP #**”); (3) comes to class prepared to engage in a conversation about the readings.

The questions asked will vary greatly, but the goal of them all is the same: to help me help you learn. I want to know what parts of the reading you: (a) struggled with, for whatever reason, (b) would like to investigate further, and/or (c) find fault with, vehemently disagree with, etc. Your questions will therefore range from statements such as, “I did not understand X; can you please explain what X is?” to “I would like to understand more about the implications of Y for citizens in country Z; can we explore this further in class?” The questions you submit will signal where I need to devote more class time to explaining things that were unclear, or to eliciting different points of view. The questions will also help me guide class discussion toward a deeper dive on topics that are of particular interest to the class. I will not attribute the questions to any

individual, so you need not feel self-conscious about asking any question. “The admission of ignorance is the beginning of wisdom.”

In addition to submitting questions to me before meeting, each group will also be assigned a date on which they are responsible for “driving” a significant part of the day’s discussion. The driving group must submit to me their aggregated questions by midnight on the Monday before the Tuesday meeting during which they will drive. I will use the questions that the driving group submits to me in advance to adjust where I focus my time, explaining things about the readings that our colleagues find most challenging, interesting, or difficult to follow.

ASSIGNMENTS

In the first half of the course, there will be a set of mini presentations, done in your assigned groups, on October 13. For this first presentation, I will assign you a topic.

In the second half of the course, there will be a short, written assignment (a page or two), analyzing some topic of your group’s own choosing that is relevant to the course. This assignment will be done in the same groups as the first presentation (see item 5 below), and will also involve a preliminary presentation.

Building on the short, written assignment, the main assignment, due at the end of the course, is to prepare a concise paper (between 8 and 10 double-spaced pages). Each group will also prepare a final presentation summarizing the key points and deliver the presentation during the final class on Dec 8.

The focus of the final paper/presentation can be policy (domestic or international), investment, multinational business, entrepreneurship (private and social), or civil society organization strategy and impact. In other words, it is wide open. I will say more about this in class.

Preparation for the final paper/presentation should start fairly early and include a consultation with me to get input on your topic selection. Ideally, the topics for the final group project should be agreed on by October 27. You will then have just over a month to work on the paper and presentation.

Please email the final papers to me with the group number and the members of the group on the title page. I would like the papers in **word format** so that I can provide comments in and around the text and send back an edited version of your paper with the comments. I will read and grade the final papers and send back comments after the end of the course.

OFFICE HOURS

Due to COVID-19 precautions, these will be virtual. You can arrange a time to see me by sending an email to schedule a time. Please use the subject line “GB2346”. You can also just email me or call my cell if you have a quick question.

COURSE MEETINGS AND TOPICS

A “*” indicates required reading. Other listed readings are optional items for those who want to dig deeper.

September 22: Introduction, Building Blocks, and Expectations

September 29: Turnaround: From “Third World Countries” to “Emerging Markets”; Facts, Fiction, and Historical Context. **GROUP 1 DRIVING**

Readings: *Chari, Anusha, Peter Blair Henry, and Hector Reyes. 2020. “The Baker Hypothesis” NBER Working Paper 27708 (PDF accessible via Top Hat course website)

Williamson, John. 1989. “What Washington Means by Policy Reform.” *In Latin American Readjustment: How Much Has Happened?*, edited by John Williamson. Washington, DC: Institute for International Economics. <https://www.piie.com/commentary/speeches-papers/what-washington-means-policy-reform>

Rodrik, Dani. 2006. “Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform” *Learning from a Decade of Reform Journal of Economic Literature* 44(4): 973-987. https://inequality.stanford.edu/sites/default/files/media/_media/pdf/Reference%20Media/Rodrik_2006_Development%20Economics.pdf

Ha, Jongrim, M. Ayhan Kose, and Franziska Ohnsorge. 2019. *Inflation in Emerging Economies: Evolution, Drivers, and Policies*, Chapter 1 (pp. 5-52). <https://openknowledge.worldbank.org/handle/10986/30657> (contains link to PDF download)

October 6: Evolving Structure of the Global Economy and Sustained High Growth in Developing Countries. **GROUP 2 DRIVING**

Readings: *Commission on Growth and Development. (2008). [*The Growth Report: Strategies For Sustained Growth And Inclusive Development*](#). The International Bank for Reconstruction and Development / The World Bank, pages 1-29.

*Lewis, W. Arthur “Is Economic Growth Desirable” PDF (PDF accessible via Top Hat course website)

Spence, Michael, *The Next Convergence: The Future of Economic Growth in a Multispeed World*. Preface, Introduction, Chapters 1-12

Capital in the Twenty First Century, Thomas Piketty, March 2014, Introduction, chapters 1 and 2

Review global economic and demographic data by country looking at poverty levels, GDP, per capita GDP, population, and Gini coefficients (a standard measure of income inequality). For example:

- Per capita GDP: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>
- GDP: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
- Population: <http://data.worldbank.org/indicator/SP.POP.TOTL>
- Gini: <http://data.worldbank.org/indicator/SI.POV.GINI>

Important Note:

Per the “ASSIGNMENTS and REQUIREMENTS” section of the syllabus above, there will be an assignment in groups for the October 13, November 10, and December 8 classes. I will explain the October 13 assignment in class. Each group will be assigned a number. Please observe that when you hand in your assignment, the assignment should state in the front page both the number assigned to the group as well as all the group students’ names and numbers.

October 13: Trade Policy and Growth

Readings: *Sachs, Jeffrey and Andrew Warner. 1995. “Economic Reform and the Process of Global Integration” *Brookings Papers on Economic Activity* 1: 1-118

https://www.brookings.edu/wp-content/uploads/1995/01/1995a_bpea_sachs_warner_aslund_fischer.pdf

*Wacziarg, Romain and Karen Welch. 2008. “Trade Liberalization and Growth: New Evidence” *World Bank Economic Review* 22: 187-231

<http://documents.worldbank.org/curated/en/660841468162283031/pdf/775730JRN020080alizati0n0and0Growth.pdf>

October 20: Traded Goods, Non-Traded Goods, and the Dependent Economy Model.

GROUP 3 DRIVING

Readings: *“The BB-NN Model” (PDF accessible via Top Hat course website)

Sachs, Jeffrey and Felipe Larrain. 1993. “Traded and Nontraded Goods,” Chapter 21 of *Macroeconomics in a Global Economy* Prentice Hall

http://www.gdsnet.org/S&L_Chapt21Color2wNotes.pdf

October 27: Leadership and Growth. GROUP 4 DRIVING

Readings:

*Henry, Peter Blair and Conrad Miller. 2009. "Institutions vs. Policies: A Tale of Two Islands" *American Economic Review*, 99(2), 261-67. ((PDF accessible via Top Hat course website)

*Rodrik, Dani and Romain Wacziarg. 2005. "Do Democratic Transitions Produce Bad Economic Outcomes?" *American Economic Review*, 95(2):50-55 · February 2005.
<https://www.jstor.org/stable/pdf/4132789.pdf?refreqid=excelsior%3A8db4fe00b6c5deabf3521502875d1fa0>

David Brady and Michael Spence. 2009. "Leadership and Politics: A Perspective From the Growth Commission," *Oxford Review of Economic Policy*, 25: 205-218.
<https://www.jstor.org/stable/pdf/23607045.pdf?refreqid=excelsior%3A907519af82db91ed304984120f42c9bd>

November 3: Capital Flows and Growth. GROUP 5 DRIVING

Readings: *Henry, Peter Blair. 2003. "Capital Account Liberalization: Theory, Evidence, and Speculation" *Journal of Economic Literature*, 45 (4): 887-935 (PDF accessible via Top Hat course website)

November 10: Assignment (First Group Project)

Your team is to pick a country, the European Union, or some other regional unit, and analyze the effectiveness of its economic policy/leadership in light of the complexity of the political challenges it faces. Your report should weigh the relative factors at play and summarize the results of your analysis in three to four slides. The group should prepare, based on the slides, a short (five to ten minute) class presentation.

During the November 10 class, each group will present their analysis, which will then lead into a general discussion of the topic. **Your group will build on this preliminary presentation for your final paper and presentation.**

Observe that when you hand in your assignment to be evaluated, the assignment should state on the first page both the number assigned by the TA to the group and all the group students' names and numbers.

November 17: Infrastructure and Growth. GROUP 6 Driving

Readings: *Henry, Peter and Camille Gardner. 2019. "Global Infrastructure: Potential, Perils, and a Framework for Distinction". https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3415942

November 24: Collaborative online group work on final presentations moderated by me. I will explain this in class.

December 1: Selected Topics on Growth; **Slow Growth in Europe; Sustainable Growth Patterns; Climate Change and Future Growth**

Readings: [*The New Climate Economy, Synthesis Report*](#), The Global Commission on The New Climate Economy

[*"How to Fight Secular Stagnation"*](#), Michael Spence, Project Syndicate, August 2016

[*"The Evolving Structure of the American Economy and the Employment Challenge"*](#), Sandile Hlatshwayo and Michael Spence, Council on Foreign Relations, Working Paper, February 2011

[*"Globalization and Unemployment: The Downside of Integrating Markets"*](#), Michael Spence, Foreign Affairs, July-August 2011. <https://www.foreignaffairs.com/articles/united-states/2011-06-02/globalization-and-unemployment>

The Second Machine Age: Work, Progress, and Prosperity in a Time Brilliant Technologies by Erik Brynjolfsson and Andrew McAfee, chaps 1-4

Capital in the Twenty First Century, Thomas Piketty, March 2014, chaps 6-1

[*"Why Are There So Many Jobs: The History and Future of Workplace Automation"*](#), David Autor, Journal of Economic Perspectives, Summer 2015

[*"New World Order: Labor, Capital, and Ideas in the Power Law Economy"*](#), Erik Brynjolfsson, Andrew McAfee, Michael Spence, Foreign Affairs, July/August.

December 8: Final Presentations

TOP HAT

To facilitate partner-to-partner, within-group, and group-to-group conversations, as well as communications with the entire class, we will be using Top Hat Pro (www.tophat.com) You will be able to share questions with your group members and me using Apple or Android smartphones and tablets, laptops, or through text message. For instructions on how to create a Top Hat account and enroll in our Top Hat Pro course, please refer to the invitation sent to your email address or consult Top Hat's Getting Started Guide (<https://bit.ly/31TGMLw>).

If you already have a Top Hat account, go to <https://app.tophat.com/e/518560> to be taken directly to our course. If you are new to Top Hat, follow the link in the email invitation you received or go to <https://app.tophat.com/register/student> and search for our course with the following join code: 518560

Top Hat Pro requires a paid subscription. The cost for a semester subscription for course is \$30.

LOGGING INTO CLASS

Every other week our class will meet online via Zoom (connect through NYU classes). When you use Zoom, please follow the instructions **in every NYU Classes course**. (For those who haven't used NYU's Zoom since spring, things have changed!) As a reminder, it is important that you sign into your **Zoom app**, and choose the **SSO option**. Doing so will prevent a wide variety of problems and allow you to skip the waiting room and access class recordings. Just logging in via NYU Classes or through a browser will not guarantee that you are logged in properly. **You must log into the app** on your computer or mobile device following the instructions below. If you have any questions or run into any issues, please contact the Stern Help Desk at (212) 998-0180 or email helpdesk@stern.nyu.edu

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