

**SCHOOL OF PUBLIC POLICY  
UNIVERSITY OF MARYLAND**

**PUAF 648: Development Challenges in the Globalization Process  
Spring 2006**

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**Instructor:** Professor Carol Graham  
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**Lectures:** Thursdays, 4:15-6:45 @ 2101 Van Munching Hall

**Course Description:**

This course introduces students to the range of opportunities and challenges that the increasing integration of the world economy poses for developing economies and for their citizens. Topics include: the links between growth, trade, capital market integration, and poverty reduction; the interaction between global economic integration and poverty and inequality trends, both within and among countries; the effects of those trends and the increasing availability of global information on public perceptions of the process; the links between globalization related economic trends and ethnic, religious, and other forms of civil violence; and global public health challenges that result from many of these trends. The course introduces students to both standard and novel measures for assessing the welfare effects of these trends, and develops their ability to apply those measures to empirical data. *Prerequisites: micro and macro economics and/or comparable background courses.*

**Course Objectives:**

- To provide a broad overview of the challenges to economic development in poor countries and how they relate to the increasing integration of global trade, capital, and labor markets, and to the diffusion of information technology and of global public health and other public policy challenges across national borders.
- To learn about the conceptual and measurement challenges involved in accurately assessing these trends and proposing public policy solutions
- To gain in-depth knowledge of one topic in this broad area, and to apply the tools acquired to a relevant policy question and preferably to the analysis of a primary data set via an individual project/research paper

**Course Requirements:**

Performance in this course will hinge on three major elements: broad knowledge of the course materials and topics covered, as gauged by a final exam; participation in the class discussion sessions; and an individual paper and presentation and topic of your choice. Each student will choose a topic by week three of the course. The topic should be analytically tractable and at the same time relevant to some of the current public debates on globalization and development issues. Students will be expected to bring their increasing familiarity with their topics to bear on the more general discussion sessions in class. Each student will also present his/her research and draft paper to the class in a 10-15 minute presentation in the final weeks of the course.

Late submissions of papers, without valid excuse, will be penalized by a full grade per day. Note also that students are required to abide by the Code of Academic Integrity available on the web at <http://www.inform.umd.edu/CampusInfo/Departments/JPO>

Recommended books:

- William Easterly, *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics* (Oxford: MIT Press, 2001).
- Branko Milanovic, *Worlds Apart: Measuring Global and International Inequality* (Princeton University Press, 2005).
- Susan Collins and Carol Graham, *Brookings Trade Forum 2004: Globalization, Poverty, and Inequality* (Brookings, 2005). (available on line at: <http://muse.jhu.edu> – link for Brookings periodicals)
- Carol Graham and Stefano Pettinato, *Happiness and Hardship: Opportunity and Insecurity in New Market Economies* (Brookings, 2002).

Hand-outs of some of what is in these books will be made available, particularly the chapters in Collins and Graham; used or paperback editions of the others should be available, including from Amazon.

## **Course Schedule**

### **Week 1 – January 26**

**Introduction to Course Themes**  
**Discussion of Criteria for Individual Projects**

### **Week 2 – February 2**

**Selection of Analytical Tools for Individual Projects**  
**Measurement Issues and Challenges**  
**Cross Country Regressions – Promises and Pitfalls**  
**Novel Approaches to Assessing Development Outcomes: Survey Research, Randomized Trials, Experiments**  
**Finding Appropriate Data sets**

## Readings:

- Angus Deaton and Valerie Kozel, “The Great Indian Poverty Debate”, *World Bank Research Observer*, Vol. 20, No.2, Fall 2005.
- Carol Graham, “The Economics of Happiness: Insights on Globalization from a Novel Approach”, *World Economics*, Vol.6, no.3, July-Sept 2005 (handout).
- Bertrand, Marianne and Sendhil Mullainathan (2004) “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination”, *NBER working paper 9873* (available at <http://post.economics.harvard.edu/faculty/mullainathan/papers/emilygreg.pdf>) (also published in the *American Economic Review*)
- Paul Glewwe and Michael Kremer, “Schools, Teachers, and Education Outcomes in Developing Countries”, Chapter in the *Handbook on the Economics of Education*, forthcoming (handout). [Skim and then pay particular attention to section III on methodological issues.]
- Esther Duflo, “Remedying Education”, available at: [http://econ-www.mit.edu/faculty/download\\_pdf.php?id=677](http://econ-www.mit.edu/faculty/download_pdf.php?id=677)

## Week 3 – February 9

### Why the Best Intentions Have Failed: Development Challenges and Foreign Aid

## Readings:

- William Easterly, *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics* (Oxford: MIT Press, 2001).
- Carol Graham and Michael O’Hanlon, “Making Foreign Aid Work”, *Foreign Affairs*, Vol. 76, No.4, July/August 1997.
- Nancy Birdsall, Dani Rodrik, and Arvind Subramanian, “How to Help Poor Countries”, *Foreign Affairs*, July-August 2005 (also available at [www.cgdev.org](http://www.cgdev.org) )

## Week 4 – February 9

### Globalization, Poverty, and Inequality

- Branko Milanovic, *Worlds Apart: Measuring Global and International Inequality* (Princeton University Press, 2005).
- Martin Ravallion, “Competing Concepts of Inequality in the Globalization Debate” in Collins and Graham, eds., *Brookings Trade Forum 2004* (hand-out).
- William Easterly, “Channels from Globalization to Inequality: Productivity World Versus Factor World” in Collins and Graham, ed., *Brookings Trade Forum 2004* (hand-out).

## Week 5 – February 16

## **Growth, Convergence, and Poverty Reduction**

- David Dollar, “Globalization, Poverty, and Inequality Since 1990”, *World Bank Research Observer*, Vol.20, No.2, Fall 2005. (hand-out)
- Kenneth Rogoff, “Some Speculation on Growth and Poverty over the Twenty-First Century”, in Susan Collins and Carol Graham, *Brookings Trade Forum 2004: Globalization, Poverty, and Inequality* (Brookings, 2005).
- Angus Deaton, “Measuring Poverty in a Growing World (or Measuring Growth in a Poor World)”, NBER Working Papers 9822, National Bureau of Economic Research (available at [www.nber.org](http://www.nber.org) )
- Nancy Birdsall and Augusto de la Torre, *Washington Contentious: Economic Policies for Social Equity in Latin America* (Carnegie Endowment/Inter-American Dialogue, 2001). Available on line at: <http://www.cgdev.org/content/publications/detail/2923>

## **Week 6- February 23**

### **Dynamic Conceptualizations of Poverty and Inequality: Opportunity, Insecurity, and Subjective Well Being**

- Nancy Birdsall and Carol Graham, “Mobility and Markets: Conceptual Issues and Policy Questions”, in Nancy Birdsall and Carol Graham, *New Markets, New Opportunities? Economic and Social Mobility in a Changing World* (Brookings/Carnegie, 2000). (hand-out)
- Carol Graham and Stefano Pettinato, *Happiness and Hardship: Opportunity and Insecurity in New Market Economies* (Brookings, 2002).
- Ed Diener, “Challenges for National Indicators of Well-Being and Ill-Being”, *Social Indicators Network News*, Number 84, November 2005. (hand-out)

## **Week 7 – March 2**

### **Macro Regime Choices: Trade, Capital Markets, and Exchange Rates Regimes**

- Obstfeld, Maurice and Kenneth Rogoff, “The Mirage of Fixed Exchange Rates”, *Journal of Economic Perspectives*, Vol.9, Fall 1995. (available from Jstor)
- Penelopi Goldberg and Nina Pavnick, “Trade, Inequality, and Poverty: What Do We Know? Evidence from Recent Trade Liberalization Episodes in Developing Countries” in Collins and Graham, eds., *Brookings Trade Forum 2004*.
- William Cline, “Financial Crises and Poverty in Emerging Market Economies”, Center for Global Development, Working Paper #7, June 2002. Available at [www.cgdev.org](http://www.cgdev.org) .

- Jere Behrman, Nancy Birdsall, and Miguel Szekely, “Economic Reform and Wage Differentials in Latin America”, Working Paper 435. Washington, D.C.: Inter-American Development Bank ([www.iadb.org](http://www.iadb.org)).

### **Week 8 – March 9**

#### **Joining the Global Economy: Market Reforms and Regime Transitions**

- John Williamson, “In Search of a Manuel for Technopols”, in J. Williamson, ed., *The Political Economy of Policy Reform* (Washington, D.C.: IIE, 1994). (handout).
- Eduardo Lora and Mauricio Olivera, “The Electoral Consequences of the Washington Consensus”, *Economia*, Vol. 5, No.2, Spring 2005 (available on line at <http://muse.jhu.edu> – look for Brookings periodicals).
- Carol Graham and Sandip Sukhtankar, “Does Economic Crisis Reduce Support for Market Reforms in Latin America? Some Evidence for Surveys of Public Opinion and Well Being”, *Journal of Latin American Studies*, Vol. 36, 2004. (hand-out)
- Clifford G. Gaddy and Barry W. Ickes, “Russia’s Virtual Economy,” *Foreign Affairs*, September/October 1998.

### **Week 9 – March 16**

#### **Global Public Health Issues**

- Angus Deaton, “Health in an Age of Globalization” in Collins and Graham, eds., *Brookings Trade Forum, 2004* (and discussants’ comments).
- Ruth Levine and the What Works Working Group with Molly Kinder, Millions Saved: What Works With Global Health Interventions”, CGD Policy Brief, November 30, 2004. Available at [www.cgdev.org](http://www.cgdev.org)
- Rachel Glennerster and Michael Kremer, “A World Bank Vaccine Commitment”, *Brookings Policy Brief #57*, May 2000. available at [www.brookings.edu](http://www.brookings.edu).

### **Week 10 – March 30**

#### **Development Failures and Civil Violence – Are There Linkages?**

- Nicholas Sambanis, “Poverty and the Organization of Political Violence”, in Collins and Graham, eds., *Brookings Trade Forum 2004*.
- Joshua Epstein, John D. Steinbruner, and Miles T. Parker, “Modeling Civil Violence: An Agent-Based Computational Approach”, *Center on Social and Economic Dynamics Working Papers*, No. 20, The Brookings Institution, Washington, D.C., January 2001. Available at [www.brookings.edu/es/dynamics](http://www.brookings.edu/es/dynamics). Also available in the Proceedings of the National Academy of Sciences.
- Timothy R. Gulden, “Spatial and Temporal Patterns in Civil Violence: Guatemala 1977-1986”, *Center on Social and Economic Dynamics Working Papers*, No. 26, The Brookings Institution, February 2002. Available at [www.brookings.edu/es/dynamics](http://www.brookings.edu/es/dynamics).
- John Steinbruner, “Containing Civil Violence”, Chapter 4 in *Principles of Global Security* (also by Steinbruner) (Brookings, 2000).

**Week 11 – April 6**  
**Foreign Aid Revisited – Can We Save the World?**

- Jeffrey Sachs, “A Global Compact to End Poverty”, *World Economics*, Vol. 6, No.4, October-December 2004 (hand-out).
- William Easterly and Ross Levine, “Tropics, Germs, and Crops: How Endowments Influence Economic” CGD Working Paper 15, October 2002. [www.cgdev.org](http://www.cgdev.org)
- Progres article – Gertler
- Gary Fields and Ravi Kanbur, “Minimum Wages and Poverty”, Cornell Working Paper, May 2005. (hand-out).
- Michael Kremer, “Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons” *American Economic Review* 93(2), May 2003, pp. 102-106. (hand-out)

**Week 12- April 13**  
**Individual Project Presentations**  
**(20 minute slot for each)**

**Week 13- April 20**  
**Individual Project Presentations**

**Week 14 – April 27**  
**Individual Project Presentations**

**Week 15 – May 4**  
**Individual Project Presentations**

**Week 16 – May 11**  
**Are Labor Markets Really Global?**

Assignments/Readings:

- Attend one or two sessions of the *Brookings Trade Forum 2006*, hosted by Susan Collins and Carol Graham, at the Brookings Institution. Details on sessions to be announced.
- Read Pritchett paper on migration; Andrew Warner paper on “Wages and Salaries in 58 Countries” (hand-outs)

**Final Exam: To Be Held During Exam Week – May 13-19**

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**IMPORTANT MESSAGE FROM THE STUDENT COUNCIL:**

"The University of Maryland, College Park has a nationally recognized

Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards for academic integrity at Maryland for all undergraduate and graduate students. As a student you are responsible for upholding these standards for this course. It is very important for you to be aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information on the Code of Academic Integrity or the Student Honor Council, please visit <http://www.studenthonorcouncil.umd.edu/whatis.html>."