The Political Economy of Growth, Stabilization, and Distribution

Short title: POL ECON GROWTH, STAB, & DIST

This course addresses the study of three kinds of national economic performance: the growth of gross domestic product, the stabilization of prices and of financial markets, and the distribution of income and wealth. As is elaborated in the schedule of meetings, topics and assignments, the course examines the following questions: Why are some nations rich and others poor? Are financial crises avoidable or inevitable? Does economic growth reduce poverty, increase inequality, or both? What do political and economic institutions have to do with the answers to the above questions? What do geography and culture have to do with them? To what extent are the answers to these questions under human control? What kinds of difference can and do governments make?

This class meets 26 times. A list of dates, topics, detailed assignments and supplementary readings is below.

Course Requirements: You are expected to do all of the reading assignments, to attend class ready to discuss the assignments, and to write a substantial research paper. Three fifths of your grade will be based on the paper, and two fifths on participation.

Participation: You can't participate unless you are in class. You will be given two unexcused absences, and otherwise absence will cut into your participation grade.

You are asked to formulate one question or comment on the readings for each class, whether you attend or not, and these questions will be graded as follows: Satisfactory, Marginal, and Unsatisfactory. Not submitting a question will result in an Unsatisfactory grade for that class. You are permitted two grades of U for the semester. After that, one point will be subtracted from your total final grade for each U. I will not be able to respond individually to each question, but if you don’t hear from me, you may assume a “Satisfactory.” Please aim at about 100 words for your questions.

A good question or comment will not be obvious, but will have some subtlety. It may relate the reading at issue to other readings or to general knowledge or conventional wisdom. These questions shall be available to me and to all of the class by 7:00 am on the day of the reading in question. Your participation grade will also be based on the quality and regularity of your oral participation in class.
Research paper: You are asked to write a substantial research paper of 5,000 to 7,000 words. (Four double spaced pages of 12 point type comprise about 1,000 words.) You must negotiate your topic with me, and you are asked to pick a general topic by September 12 (meeting 6). We should begin discussing this as soon as possible.

A prospectus will be due September 26 (meeting 10). This means a title, a problem or issue statement in a paragraph, and an outline in sentences of how you will address the topic.

A first draft will be due October 22 (meeting 17). This first draft will have a title, an abstract, and will flesh out an outline with prose paragraphs. You will make a short presentation to the class on October 29 or 31, or November 5 or 7 (meetings 19 - 22). The final paper will be due at the beginning of class on November 21, the last day of class. Late papers will lose one letter grade per day, starting then.

Of the 60% of your grade based on the paper, 10% of your total grade will be based on the first draft, and 50% of your total grade will be based on the final paper. You are expected to be in regular communication with me about your paper from the identification of the topic through the time you submit the prospectus, the first draft and up to the final product.

Eligible undergraduate political science majors should consider using the paper assignment for this course as a means to achieve Honors in Political Science. Information on eligibility for and requirements of the honors program is available at: http://polisci.duke.edu/undergraduate/honors.

Reading assignments: One book is on sale at the Duke Bookstore, and all other readings are available online or through Sakai resources. Journal articles are accessible from on campus with a Duke account, or elsewhere with a VPN. Other online readings will be .pdf files in Resources on Sakai, or have their URL below on the Schedule of meetings, topics, and assignments.


Grading: Grading is a matter of judgment that I seek to make as fair and transparent as possible. Here is a rough guide to what I think standards should be.

A: Truly outstanding work.
B: Very good work. A solid achievement.
C: Mediocre work. (This is not considered passing for a graduate course like this one.)
F: Unacceptable.

Meeting 1: 8/27/2014
Overview of course

1. The Place of Economic Performance in Human Well-Being

Meetings 2 and 3: 8/29 and 9/3 (Please note: Class will not meet on 8/29 because of APSA)

**Read:** Angus Deaton. 2013. *The Great Escape: Health, Wealth and the Origins of Inequality.* Introduction and Chapter 1 (pp. 1-56). The eBook above is immediately accessible for unlimited users at the following URL:


**For further reading:**


Hans Rosling:  http://www.youtube.com/watch?v=jbkSRLYSoyo


Diane Coyle. 2014. *GDP: A Brief but Affectionate History*


OECD Better Life Index  www.oecdbetterlifeindex.org
2. The Miracle of Economic Growth

Meeting 4: 9/5 Basics


Introduction (pp. 1-8)
1 A Hypothesis of Wealth (pp. 9-50)

For further reading:

Joel Mokyr. 1990. The Lever of Riches: Technological Creativity and Economic Progress


Meeting 5: 9/10 Growth theories


Introduction and chapters 3-4, (especially chapter 4) (Sakai resources)

For further reading:

Daron Acemoglu. 2009. Introduction to Modern Economic Growth


Meeting 6: 9/12  

**Growth regressions**


Dani Rodrik. 2005. Why We Learn Nothing from Regressing Economic Growth on Policies. (Sakai Resources)

**For further reading:**


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Meeting 7: 9/17  

**The absence of growth recipes**

**Read:** Dani Rodrik. 2007. *One Economics, Many Recipes: Globalization, Institutions and Economic Growth.* Introduction, chapters 1, 5, 6. (Sakai resources)

**For further reading:**


3. Stabilization of Prices and Financial Markets

Meeting 8: 9/19  Stabilization I: Prices and Inflation

Read: Peter Bernholz. 2003. *Monetary Regimes and Inflation: History, Economic and Political Relationships* chapters 1, 2  (Sakai resources)


For further reading:


Meeting 9: 9/24  Stabilization II: Hyperinflation


For further reading:


Meeting 10: 9/26  Stabilization III: The Recent U.S. Financial Crisis


Carmen Reinhart and Kenneth Rogoff. 2009. This Time is Different: Eight Centuries of Financial Folly (Preface, Preamble, Part V: Chapters 13, 14, 16. Skim or skip chapter 15)

Prospectus due September 26

Meeting 11: 10/1  Stabilization IV: The Financial Economy

Read: Reinhart and Rogoff. (Chapters 1, 2, 4, 7, 8, 10, 17)

For further reading:

Alan S. Blinder. 2014. After the Music Stopped: The Financial Crisis, the Response, and the Work Ahead

Atif Mian and Amir Sufi. 2014. House of Debt: How They (and You) Caused the Great Recession and How We Can Prevent it from Happening Again


Charles Calomiris and Stephen Haber. 2014. Fragile by Design: The Political Origins of Banking Crises and Scarce Credit.

4. The Distribution of Income and Wealth

Meeting 12: 10/3  Distribution I: Introduction

Read: Weining Koh, 2014. The Impact of Income Inequality on Growth: Updates and Extensions (Sakai resources)

Thomas Piketty. 2014. Capital in the Twenty-First Century. Introduction (Sakai resources)

For further reading:


Meeting 13: 10/8

Read:

Piketty, chapter 1 Income and Output (Sakai resources)

Meeting 14: 10/10

Read:

Piketty, chapter 3 The Metamorphoses of Capital (Sakai resources)

Meeting 15: 10/15

Read:

Piketty, chapter 7 Inequality and Concentration: Preliminary Bearings

For further reading:


Branko Milanovic, 2011. *The Haves and the Have-Nots* Vignettes 1.9, 2.2, 2.3 (Sakai resources)


5. Case Studies

Meeting 16: 10/17 Chile


Sebastian Edwards. 2010. Left Behind: Latin America and the False Promises of Populism. Ch. 5. Chile, Latin America’s Brightest Star. (Sakai resources)

For further reading:

Andres Solimano. 2012. Chile and the Neoliberal Trap: The Post Pinochet Era Ch. 4 Economic growth and macroeconomic performance under Concertación (Sakai resources)

Meeting 17: 10/22 China


Meetings 18: 10/24 China, cont.


Meeting 19  10/29 presentations
Meeting 20  10/31 presentations
Meeting 21  11/5 presentations
Meeting 22  11/7 presentations

There are at least four more meetings, which will deal with China, and with general explanations of economic performance. I will specify the readings after the class reaches equilibrium size