

EC938 Trade and Development

Module Outline and Reading List

Details of assessment and submission deadlines are contained in the Postgraduate Economics Handbook, available from room. 5B.206. Further information about the course is contained in the University's course catalogue, see <http://www2.essex.ac.uk/courses/>.

Textbooks

There is no main textbook for this course. However, Agenor P-R and P. J. Montiel, 2008, 3rd edition, *Development Macroeconomics*, Princeton University Press and Agenor, P.-R., 2004, *The Economics of Adjustment and Growth*, 2nd ed., Harvard University Press are useful books for those interested in macroeconomic issues and policies.

Course Materials

Lecture notes will be made available online in the Course Material Repository. The most important readings for the course are starred (*).

Formative Assessment:

Short assignment (essay) to be handed by no later than 12:00 noon Wednesday 07 December 2011 aiming to provide feedback about your understanding of the course. *Participation in the formative assessment is compulsory: failure to do so is evidence of unsatisfactory academic progress.*

TOPIC 1: Trade, Growth, Inequality and Poverty

1.1 Trade, Growth and Productivity (Autumn Term, university weeks 2, 3, 4)

Macro-evidence

*Agenor, P.-R., 2004, pp. 490-492 (Ch. 12) and pp. 547-555, 560-563 (Ch.14)

*Edwards, S., 1998, Openness, Productivity and Growth: What Do We Really Know?, *Economic Journal*, 108(447), pp. 383-398.

*Rodríguez F. and D. Rodrik, 1999, Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National-Evidence, NBER WPS7081. Published also in NBER Macroeconomic Annual, 2000, Vol 15, pp261-325.

*Frankel, J. A. and Romer, D., 1999, Does Trade Cause Growth?, *American Economic Review*, 89(3), pp. 379-399.

*Harrison, A. and G. Hanson, 1999, Who Gains from Trade Reform? Some Remaining Puzzles, *Journal of Development Economics*, 59(1), pp. 125-154.

*Warcziarg R and K. H. Welch, 2008, Trade Liberalization and Growth: New Evidence, *The World Bank Economic Review*, 22 (2), pp187-232

Feder G., 1982, On Exports and Economic Growth, *Journal of Development Economics*, 12, pp 59-73.

Greenaway D. and C. H. Nam, 1988, Industrialisation and Macroeconomic Performance in Developing Countries under Alternative Trade Strategies, *Kyklos*, 41.

Baldwin, R., 2004, Openness and Growth: What's the Empirical Relationship, in Robert E. Baldwin and L. Alan Winters (ed.), *Challenges to Globalization: Analyzing the Economics*, also *NBER Working paper W9578*

Firm and industry level evidence

* Tybout J. R., 2003, Plant and Firm level Evidence on the 'New' Trade Theories in E. Kwan Choi and J. Harrigan ed., *Handbook of International Trade*, Oxford: Basil-Blackwell, and NBER Working Paper No. 8418. Available at <http://econ.la.psu.edu/~jtybout/Harrigan7.pdf>

*Krishna, P. and Mitra, D. ,1998, Trade Liberalization, Market Discipline and Productivity Growth: New Evidence from India, *Journal of Development Economics*, 56(2), 447–462.

*Topalova, P., 2004, Trade Liberalization and Firm Productivity: The Case of India. *IMF Working Paper* 04/28.

*Pavcnik, N., 2002, Trade Liberalization, Exit, and Productivity Improvements: Evidence from Chilean Plants, *Review of Economic Studies*, 69(1), pp. 245-276.

*Aghion, P., Burgess, R., Redding, S. and Zilibotti, F., 2003, The Unequal Effects of Liberalization: Theory and Evidence from India, *Discussion Paper*, London School of Economics and Political Science, London. <http://econ.lse.ac.uk/staff/rburgess/wp/abrz031002.pdf>

Tybout J. R, 2000, Manufacturing Firms in Developing Countries: How Well Do They Do, and Why? *Journal of Economic Literature*, 38 (March), pp.11-44. Available at http://econ.la.psu.edu/~jtybout/JEL_Tybout.pdf

Epifani, P, 2003, Trade Liberalization, Firm Performance and Labor Market Outcomes in the Developing World: What can we learn from Micro-Level Data, World Bank Policy Research Working Paper, WBS 3063.

1.2 Trade and Wage Inequality (Autumn Term, university week 5)

*Agenor, P.-R. ,2004, pp. 555-563.

*Goldberg, N. and N. Pavcnik ,2007, Distributional Effects of Globalization in Developing Countries, *Journal of Economic Literature*, 45(1), pp. 39-82.

*Hanson, G. and A. Harrison , 1999, 'Trade Liberalization and Wage Inequality in Mexico', *Industrial & Labor Relations Review*, 52(2), pp. 271-288.

*Wood, A., 1999, Openness and Inequality in Developing Countries: The Latin American Challenge to East Asian Conventional Wisdom, *World Bank Economic Review*, Vol. 11(1), pp.33-57.

Arbache .S., Dickerson A. and F. Green ,2004, Trade Liberalisation and Wages in Developing Countries, *Economic Journal*, 2004, 114 ,pp. F73-F96.

Goldberg, N. and N. Pavcnik ,2007, Distributional Effects of Globalization in Developing Countries, *Journal of Economic Literature*, 45(1), pp. 39-82.

1.3 Trade and Poverty (Autumn Term, university week 6)

*Nicita, A, 2004, Who Benefited from Trade Liberalization in Mexico? Measuring the Effects on Household Welfare, *World Bank Policy Research Working Paper* No. 3265.

*Topalova, P ,2007, Trade Liberalization, Poverty, and Inequality: Evidence from Indian Districts in *Globalization and Poverty*, Ann Harrison (ed.), 291-336 , University of Chicago Press. Available at <http://www.nber.org/chapters/c0110.pdf>

*Topalova, P., 2010. Factor Immobility and Regional Impacts of Trade Liberalization: Evidence on Poverty from India." *American Economic Journal: Applied Economics*, 2(4): 1–41.

Winters, A., N. McCulloch, and A. McKay ,2004, Trade Liberalization and Poverty: The Evidence so Far, *Journal of Economic Literature* 62, 72-115 (section 4)

Hertel, T. and Reimer, J.,2005, Predicting the Poverty Impacts of Trade Reform. *Journal of International Trade and Economic Development*, Vol. 14(4), 377-405.

TOPIC 2: Foreign Aid and Development

2.1. Definition and brief history of foreign aid

*Easterly W., 2003, Can Foreign Aid Buy Growth?, *Journal of Economic Perspectives*, 17 (3), pp 23-48

Hansen H. and F Tarp, 2000, Aid Effectiveness Disputed, *Journal of International Development*, 12 (3) pp. 375–98. Available at <http://scholar.google.co.uk/scholar?hl=en&lr=&newwindow=1&q=%3Ah-hansen&btnG=Search>

Kanbur R., 2006, The Economics of International Aid, in S-C Kolm and J M Ythier (eds) *Handbook of the Economics of Giving, Altruism and Reciprocity*, vol II, chap 26, pp 1559- 1584. Earlier version available at <http://www.arts.cornell.edu/poverty/kanbur/handbookaid.pdf>

2.2 Aid effectiveness, donor motivations and coordination (Autumn Term, university week 7)

*Alesina, A. and D. Dollar, 000, Who Gives Foreign Aid To Whom And Why?, *Journal of Economic Growth*, 5(1), pp. 33-63.

*Katada S.N. ,1997, wo Aid Hegemons: Japanese-US Interaction and Aid Allocation to Latin America and the Caribbean, *World Development*, 25(6), pp. 931-945.

*Svensson, J. ,2006, The Institutional Economics of Foreign Aid, *Swedish Economic Policy Review*, 13, pp. 115-137. Available at http://www.qog.pol.gu.se/qog_course/readings/Svensson%20SEPR%202006.pdf

2.3. Aid effectiveness and the recipient countries (Autumn Term, university weeks 8,9)

Aid, good economic polices and poverty

*Burnside, C. and Dollar, D. ,2000,, Aid, Policies and Growth, *American Economic Review*, 90(4), pp. 847-868. Comment by Easterly, W., Levine, R. and Roodman, D. ,2004,New Data, New Doubts: Revisiting Aid, Policies and Growth, *American Economic Review* 94 (3), pp. 774-780, also in <http://www.cgdev.org/content/publications/detail/2764>.; reply by Burnside and Dollar in the same journal.

*Easterly W., 2003, Can Foreign Aid Buy Growth?, *Journal of Economic Perspectives*, 17 (3), pp 23-48

*Collier, P. and Dollar, D. ,2002,, Aid Allocation and Poverty Reduction, *European Economic Review* 46 (8), pp. 1475-1500.

Chen, S., Ren, M. and Ravallion, M. ,2006, Are there Lasting Impacts of Aid to Poor Areas? *World Bank Policy Research Working Paper* 4084.

Aid, Fungibility and Fiscal Effects

*Feyzioglu T., Swaroop V. and M. Zhu, 1998, A Panel data Analysis of the Fungibility of Foreign Aid, *The World Bank Economic Review*, 12. (1), pp .29-58.

*McGillivray, M., and O. Morrissey ,2004, Fiscal Effects of Aid in T. Addison and A. Roe (eds.), *Fiscal Policy for Development*, Basingstoke: Palgrave Macmillan/WIDER, pp. 72-96. Also as WIDER Discussion Paper 2001/61, <http://www.wider.unu.edu/publications/dps/dp2001-61.pdf>.

Devarajan, S., Rajkumar, A. S. and Swaroop, V., 1999, What Does Aid to Africa Finance? *World Bank Policy Research Working Paper* No. 2092.

TOPIC 3: Effects of Private Foreign Direct Investment in LDCs (Autumn Term, university weeks10, 11)

*Mello de, L.R. ,1999, Foreign Direct Investment-led Growth: Evidence from Time Series and Panel Data, *Oxford Economic Papers*, 51 (1), pp. 133-151.

*Borenstein, E., Gregorio de, J. and Lee, J.-W. ,1998, How Does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, 45 (1), pp.115-135.

* Aitken, B.J. and Harrison, A.,1999, Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela, *American Economic Review*, 89(3), pp. 605-618.

*Greenaway, D. and Gorg, H. ,2004, Much Ado About Nothing? Do Domestic Firms Really Benefit from Foreign Direct Investment?, *World Bank Research Observer*, 19(2), pp. 171-197. (also IZA Discussion Paper 944).

Javorcik, B. S. , 2004, Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In search of Spillovers through Backward Linkages, *American Economic Review*, 94(3) pp.605-627

Blalock G. and P. J. Gertler, 2008, Welfare Gains from Foreign Direct Investment through Technological Transfer to Local Suppliers, *Journal of International Economics*, 74 (2), pp.402-421.