



## Course Syllabus

### The integration of the developing countries into the world economy: challenges and opportunities

Course Organiser:

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#### Description

This course introduces students to key stylised facts about the nature and impact of economic integration during the last three decades. Particular emphasis is placed on the experience of developing countries. The course then shows how models of Economic growth can be used to think about the real-life linkages between economic integration and economic development. Its aim is to teach students how the new growth theory can be employed to analyse the benefits from economic integration, and to diagnose its problem .

The course is organized around a series of questions about Economic integration and Development

- Why have not all countries benefited to the same extent from economic integration?
- How does international trade affect economic growth?
- What are the risks of this influx of foreign capital?
- Why is financial globalization so important for emerging market economies?

- What about income inequality? Some say that globalization will increase the gap between the rich and the poor.

### **Pre-requisites**

Students should have passed at least three Economics courses – covering Macroeconomics, International Economics and Introductory Econometrics – at grade B or above.

### **Course Structure**

The outline of the course is indicated below. Each session will be a mix of lectures and class discussion.

### **Course requirements**

Students are required to participate in class by presentation one of selected papers to be covered in class and participating in class discussions. Every student will develop an in-depth analysis of the topic and prepare a 15 minute presentation on an assigned research paper. For some students this exercise will be closely linked with their research goals. For others, it will be a chance to explore new ideas that later inform their research.

## **Class Meetings and Readings :**

### **I. Introduction**

### **II. Economic integration**

1. Economic Integration: A Review of the Concept
2. The Field of Economic Integration
3. Economic Integration Forms
4. The Dimensions of Economic Integration
5. Effects of Economic Integration ( static & dynamic )
6. Measuring International Economic Integration

### **III. Trade openness, Growth and Unven development**

1. Trade openness : What does it really mean?
2. Trade and development – an overview
3. Trade and growth theory
4. Trade and growth – brief overview of empirical findings
5. Why institutions and openness interact ?

### **IV. Financial Integration, Foreign capital flows, and Economic performance**

1. Trend and Composition of Foreign Capital Inflows
2. Measuring foreign Capital Mobility
3. Lucas Paradox
4. The determinants of foreign capital flows
5. Foreign Capital Inflows and Economic Growth
6. Financial Market Integration, foreign Capital Flows and economic performance : theory

and evidence

## V : Economic integration, Inequality and Poverty

- 1 .Growth and Poverty
2. Economic integration and Inequality
3. Economic integration and Growth
4. Economic integration and Poverty

### Reading List

Articles assigned below will be available online

#### I Economic Integration

Balassa, B. (1961a) *The Theory of Economic Integration*, Homewood, Illinois: Richard D. Irvin Inc ..

Balassa, B. (1961b) "Towards a Theory of Economic Integration". *Kyklos*, XIV: 1-17.

Balassa, B. (1967) "Trade Creation and Trade Diversion in the European Common Market", *Economic Journal*, 77: 1-21.

Bhagwati, J. (1992b) "Regionalism versus Multilateralism", *The World Economy*, 15:535-555

Hine, R. C. (1992) "Regionalism and the Integration of the World Economy", *Journal of Common Market Studies*, 30: 115-123

Koné Salif (2012), « Is Economic Integration Between Developing Countries a Singular Process? .  
Journal of Economic Integration

Lindert, Peter H. and Jeffrey G. Williamson. 2001. "Does Globalization Make the World More Unequal?"  
National Bureau of Economic Research Working Paper 8228.

Mayes, D.G.(1978)" The Effect of Economic Integration on Trade", *Journal of Common Market Studies*,  
27(1):1-25

Miroslav N. Jovanović ( 2015) « The Economics of International Integration », Second Edition  
Samaratunga R. H. S and E. A. Weerasinghe(2002) **Economic Integration: A Review of the Concept'**  
*Journal of Management Science* 1 (J &2) 2002: 168-196

Tinbergen. J. (1954) *International Economic Integration*. Amsterdam: Elsevier.

Viner, J. (1950) *The Customs Union Issue* New York, Carnegie Endowment for International Peace:

## **II Openness Trade, growth and Unven development**

Acemoglu, D., Introduction to Modern Economic Growth, Princeton Univ. Press, 2009. Referred to as DA x.y.

Acemoglu, D.; S. Johnson and J.A. Robinson (2001): 'The Origins of Comparative Development: An Empirical Investigation', *American Economic Review*, 91 (5): 1369–1401.

Aghion, P. and P. Howitt (1998): *Endogenous Growth Theory*. Cambridge, MA: MIT Press.

Baldwin, Richard, and Rikard Forslid, "Trade Liberalization and Endogenous Growth," *Journal of International Economics*, 50 (April 2000), 497-517

Barro, R. J. and X. Sala-i-Martin (1995): *Economic Growth*. New York: Mc-Graw Hill.

Ben-David, D. (1993): 'Equalizing Exchange: Trade Liberalization and Income Convergence', *Quarterly Journal of Economics*, 108 (3): 653–73.

Barro, R. J. and X. Sala-i-Martin (1995): *Economic Growth*. New York: Mc- Graw Hill.

Ben-David, D. (1993): 'Equalizing Exchange: Trade Liberalization and Income Convergence', *Quarterly Journal of Economics*, 108 (3): 653–73.

Chang, H. (2002): *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press.

Chang, R.; L. Kaltini and N. Loayza (2005): *Openness Can Be Good for Growth: The Role of Policy complementarities*. National Bureau of Economic Research, Working Paper 11787.

Dollar, D. (1992): 'Outward-oriented Developing Economies Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976–1985'. *Economic Development and Cultural Change*, 40(3): 523–44.

Dollar, D. and A. Kraay (2003): 'Institutions, Trade and Growth', *Journal of Monetary Economics*, 50: 133–62.

Dollar, D. and A. Kraay (2004): 'Trade, Growth and Poverty', *Economic Journal*, 114 (February): F22–F49.

Edwards, S. (1998): 'Openness, Productivity and Growth: What do We Really Know?', *Economic Journal*, 108 (447): 383–98. Black, J. (20

Frankel, J. A. and D. Romer (1999): 'Does Trade Cause Growth?', *American Economic Review*, 89 (3): 379–99.

Grossman, G. and E. Helpman (1991): *Innovation and Growth in the Global Economy*. Cambridge, MA: MIT Press.

Grossman, G. and E. Helpman (1995): Technology and Trade',

Knack, S. and P. Keefer (1995): 'Institutions and Economic Performance: Cross Country Tests Using Alternative Institutional Measures', *Economics and Politics*, 7 (3): 207–27.

Knack, S. and P. Keefer (1997): 'Why Don't Poor Countries Catch Up? A Cross-National Test of an Institutional Explanation', *Economic Inquiry*, 35 (July): 590–602.

Kose, M.A. and E.S. Prasad (2002): 'Thinking Big', *Finance and Development*, 39 (4): 38–41.

Kuznets, S. (1955): 'Economic Growth and Income Inequality', *American Economic Review*, 45(1): 1–28.

Leamer, E. and J. Levinsohn (1995): 'International Trade Theory: The Evidence', in G. Grossman and K. Rogoff: *Handbook of International Economics, Vol. 3*. Amsterdam: Elsevier Science

Levine R. and D. Renelt (1992): 'A Sensitivity Analysis of Cross-Country Regressions', *American Economic Review*, 82 (4): 942–63.

Lipsey R. and K. Lancaster (1956): 'General Theory of the Second Best', *Review of Economic Studies*, 24(1): 11–32.

Lucas, R. E. (1988): 'On the Mechanics of Economic Development', *Journal of Monetary Economics*, 22 (1): 3–42.

Prebish, R. (1959): 'Commercial Policy in the Underdeveloped Countries', *American Economic Review*, 49 (2): 251–73.

Pritchett, L. (1996): 'Measuring Outward Orientation in the LDCs: Can It Be Done?', *Journal of Development Economics*, 49: 309–55.

Rivera-Batiz, L. A., et Romer, P. (1991), "Economic integration and endogenous growth", *Quarterly Journal of Economics* 106, 531-555.

Rodrik, D. (1991): 'Policy Uncertainty and Private Investment in Developing Countries', *Journal of Development Economics*, 36 (2): 229–42.

Rodrik, D. (1997): *Has Globalization Gone Too Far?* Washington, DC: Institute for International Economics.

Rodrik, D. (1998a): 'Why Do More Open Economies Have Bigger Governments?', *Journal of Political Economy*, 106 (5): 997–1032.

Rodrik, D. (1998b): *Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses*, National Bureau of Economic Research, Working Paper 6350.

Rodrik, D. (1999a): 'Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses', *Journal of Economic Growth*, 4 (Dec.):385–412.

Rodrik, D. (1999b): *The New Global Economy and Developing Countries: Making Openness Work*. Washington, DC: Overseas Development Council, Policy Essay

Rodrik, D. and F. Rodriguez (2001): 'Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence', pp. 261–325 in B.

Romer, P. (1986), "Increasing returns and long-run growth", *Journal of Political Economy* 94, 1002- 1037.

Romer, P. (1990), ““Endogenous technological change”, *Journal of Political Economy* 98, 71-102. • de Salisbury, J. (1159), *Metalogicon*, manuscrit.

Thirlwall, A.P, 1979. ., “The Balance of Payments Constrained Growth as an Explanation of International Growth Rate Differences, *Banca Nazionale del Lavoro Quarterly Review*, no. 128, 1979.

Todaro Michael P. Stephen C. Smith, George (2012) « *Economic Development* » 11th Edition Washington University

### **III Financial Integration, Foreign Capital flows, and economic performance**

Agénor Pierre-Richard , Montiel Peter J (2008),, *Development Macroeconomics* Princeton University Press, 41 William Street, Princeton, New Jersey 08540

Agosin, Manuel R., and Ricardo Mayer, “Foreign Investment in Developing Countries: Does it Crow in Domestic Investment?,” *Discussion Paper No. 146*, United Nations Conference on Trade and Development (February 2000)

Arteta, Carlos, Eichengreen, Barry, and Charles Wyplosz (2001), “When Does Capital Account Liberalization Help More Than it Hurts?” *NBER Working Paper*, No. 8414.

Bailliu, Jeannine (2000), “Private Capital Flows, Financial Development, and Economic Growth in Developing Countries,” *Bank of Canada Working Paper*, 2000-15.

Berthélemy, Jean-Claude, and Sylvie Démurger, “Foreign Direct Investment and Economic Growth: Theory and Application to China,” *Review of Development Economics*, 4 (June 2000), 140-55.

Borensztein, E., J. De Gregorio and J.-W. Lee(1995), “ How Does Foreign Direct Investment Affect Economic Growth?” *NBER Working Paper*, No. 5057.

Dobson, Wendy and Gary C. Hufbauer (2001), *World Capital Markets: Challenge to the G-10*, Institute for International Economics.

*Economist*, the (2003), *A Cruel Sea of Capital: A Survey of Global Finance*, May 3<sup>rd</sup>, 2003, by Clive Crook.

Edison, H., M. Klein, L. Ricci, and T. Slok (2002), “Capital Account Liberalization and Economic Performance: Survey and Synthesis,” *IMF Working Paper*, WP/02/120.

Edwards Sebastian( 2001), » capital mobility and economic performance : Are Emerging Economies Different? \* NBER working paper 8076

Feldstein, Martin,and Charles Horioka, "Domestic Saving and International Capital Flows," *Economic Journal*, 1980, 90, 314-329.

Frankel, Jeffrey,"Quantifying International Capital Mobility in the 1990s," in *National Saving and Economic Performance*, D.

Bernheim and J. Shoven, eds., Chicago: University of Chicago Press, 1991.

Frankel, Jeffrey, Dooley Michae, Mathieson Donald (1986), international capital mobility in developing countries vs. Industrial countries: what do saving-investment correlations tell us? NBER Working paper N2043

Klein, Michael, and Giovanni Olivei, "Capital Account Liberalization, Financial Depth, and Economic Growth," unpublished, Fletcher School of Law and Diplomacy, Tufts University (April 2001).

Montiel Peter J. (1998), « The Capital Inflow Problem » Economic Development Institute The World Bank Washington, D.C.

Montiel Peter J (1993) ,Capital Mobility in Developing Countries Some MeasuremenIts issues and Empirical Estimates , the policy reaserch working paper ,1103.

Obstfeld, Maurice, 1986 ? "Capital Mobility in the World Economy: Theory and Measurement," Carnegie-Rochester Conference Series on Public Policy, , 31, 1-24.

Obstfeld, Maurice, 2008 ? International Finance and Growth in Developing Countries: What Have We Learned? University of California, Berkeley, CEPR, and NBER Prasad, E., K. Rogoff, S-J Wei and M. A.

Kose (2003), "Effects of Financial Globalization on Developing Countries—Some Empirical Evidence," *International Monetary Fund, Occasion Paper No. 220*.

Soto, M. (2000), "Capital Flows and Growth in Developing Countries: Recent Empirical Evidence," *OECD Development Center, Technical Papers, No. 160*.

Taylor Mark P. and Sarno Lucio (1997) , « Capital Flows to Developing Countries: Long- and Short-Term Determinants » The world bank economic review, vol. 11, no. 3: 45-70

#### **IV Economic integration, Inequality and poverty**

Dinopoulos Elias, Pravin Krishna, Arvind Panagariya , Arvind Panagariya, Kar-yiu Wong (2008) **Trade, Globalization and Poverty » , édité par Roudtlege**

Bhagwati, J. and T.N. Srinivasan (2001), "Trade and Poverty in the Poor Countries". American Economic Review. December.

Bhagwati, Jagdish. 2004. In Defense of Globalization. New York, NY: Oxford University Press. Bhalla, Surjit. 2002. Imagine There's No Country. Poverty, Inequality, and Growth in the Era of Globalization. Washington, DC: Institute for International Economics. [http://bookstore.iie.com/merchant.mvc?Screen=PROD&Product\\_Code=348](http://bookstore.iie.com/merchant.mvc?Screen=PROD&Product_Code=348)



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Bourguignon, Francois, and Christian Morrison. 2002. "Inequality Among World Citizens: 1820-1992." *American Economic Review* 92(4): 727-44.

Cobham Alexander (2001) Capital Account Liberalisation and Poverty QEH Working Paper Series –

Dollar, David. 2004. "Globalization, Poverty, and Inequality Since 1980." World Bank Policy Research Working Paper 3333.

Foster, James and Miguel Szekely (2001). "Is Economic Growth Good for the Poor? Tracking Low Incomes Using Generalized Means". Interamerican Development Bank Working Paper No. 453.

Ann Harrison (2007) *Globalization and Poverty: An Introduction*

Kraay, Aart (2006). "When is Growth Pro-Poor? Cross-Country Evidence". *Journal of Development Economics*. 80(1):198-227.

Stiglitz, Joseph. 2002. *Globalization and Its Discontents*. New York, NY: Norton & Company, Inc.

Winters, L.A. (2000), "Trade and Poverty: Is there a Connection?," in *WTO: Special Studies #5: Trade, Income Disparity and Poverty*, Geneva.