

Syllabus for PSC 8000:  
Development and Aid  
Villanova University  
3 units, Spring 2010  
Driscoll Hall, 223  
5:20-7:20, W

Instructor:  
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## INTRODUCTION

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The main preoccupation of this graduate level course is to explore current controversies in the scholarly development aid literature as they relate to economic growth. Therefore, we do not spend much time in looking at other important issues related to development that include specific humanitarian needs, aid conditionality, impact evaluation, monitoring or philosophical approaches. I reserved the last few class sessions to discuss issues such as neutrality for non-governmental organizations, the role of conflict and global shocks. But the overarching goal of the course is to give you a sense of the international financial architecture of development assistance.

No doubt, the course content will leave many of you unsatisfied, but the scope of the course is necessarily limited. Many of you will find the course too scholastic and divorced from the passions that development issues frequently fire up. My defense of this is that, often, scholarly analysis is the best way to yield tangible improvements that we CAN get excited about. Too much of development aid is already delivered without good empirical reasons behind it. Even when good empirical foundations are not elusive, implementing the right policies is difficult.

You will also find this course to be “donor-centric” in that most of the issues we encounter will come from the perspective of donor coordination problems, donor preferences and Western prescriptions for growth. Further, the course is “state-centric” in the sense that private initiatives, the role of NGOs, and individuals are given short shrift in as autonomous actors. However, this will give us ample opportunity to ask what we mean by the “state” and its various agents, state actors, state motives, and international cooperation. The scope of the course limits us here too.

Some of the topics related to development aid we take are as follows:

1. Growth;
2. organizational differences among donors;
3. markets versus planning;
4. empirical analyses of aid effectiveness
5. global forces that affect aid disbursement, impact and effectiveness.

The course is introductory in the sense that you need not have any prior background on the topic of development assistance. Occasionally, I will recommend additional readings for those who are unfamiliar with certain institutions, concepts or definitions.

## COURSE MATERIALS

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All reading assignments may be downloaded through the course's Blackboard/WebCT site.

## GRADING

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Attendance and participation = 50%.

As in all graduate level courses in political science, this is a seminar, not a lecture course. Your preparedness and participation are vital to its functioning. This portion of your grade will depend on your regular and frequent contributions in seminar and through the online discussion forum.

Research projects = 50%

You will complete two research projects for this course. The first will be an 8-10 page, (double-spaced) case study of a given OECD donor country's aid infrastructure and aid disbursements. The second involves analysis of a country's aid effectiveness, as rated by a widely-used indicator, the Center for Global Development's Commitment to Aid Index. Each project is worth 25% of your grade.

**IMPORTANT:** All written assignments should be uploaded to the Blackboard/WebCT "Assignments" folder as Word document or pdf file. This ensures that an electronic record can be maintained throughout the semester. Do not email assignments to the instructor.

## COURSE POLICIES

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Note on academic (dis)honesty. All students must uphold Villanova's Academic Integrity policy. Any incident of academic dishonesty will be reported to the appropriate university officials, per regulations in the *ENCHIRIDION Student Handbook*. The instructor retains the right to administer grade penalties for any infractions. Among the most serious breaches of academic integrity is plagiarism. If you are not clear on what constitutes plagiarism, please come to our office hours to discuss it in person *before* you turn in your assignment.

Attendance is mandatory for all class sessions. Unexcused absences will count against your grade. Examples of unexcused absences are extended weekends, oversleeping, or work. Excused absences, such as illness or a death in the family, or participation in university-sanctioned sports, must be properly documented in order not to count against your grade.

*All readings must be completed prior to the class for which they are assigned.* Assignments are due as noted in the syllabus. Late assignments are not accepted unless you have an excused absence.

Reasonable accommodations will be made for disabled students upon presentation of verification and registration with the Learning Support Office. Please see the instructors as soon as possible if you wish for us to work with you on this.

## SEMINAR SCHEDULE and READING LIST

**IMPORTANT NOTE:** THE READINGS LISTED BELOW ARE INCOMPLETE. This is because the field changes rapidly and I would like as often as possible to assign up-to-date literature. I may add additional readings and change things around from time to time. These changes will be reflected on the WebCT learning module. It helps me keep up with the literature and I think it will also benefit

you, provided I give you enough background to put the papers into context. The reading assignments may change as the course progresses, but generally, the workload will remain consistent.

Many of the articles we will read are by economists. For those unfamiliar with economics terminology and methods, some of the readings might be a challenge. However, we will spend time in class going through these more difficult assignments to ensure you understand the primary conclusions.

Recommended *optional* readings are marked as either providing background to the topic (BG), or more extensive discussion (EX). All other readings are required assignments.

1. January 13	<p>Course introduction Syllabus review What counts as aid? What counts as official development assistance? (ODA) What is DAC-OECD? What is modernization theory?</p> <ol style="list-style-type: none"> <li>(EX): Adam Przeworski and Fernando Papaterra Limongi Neto. 1997. Modernization: Theories and Facts. <i>World Politics</i> 49(2): 155-183.</li> </ol>
2. January 20	<p>Economic growth models Why should we be preoccupied with growth? What are growth models? What is the state of growth economics today?</p> <ol style="list-style-type: none"> <li>Reinert, Erik. 2008. <i>How Rich Countries Got Rich . . . and Why Poor Countries Stay Poor</i>. New York: Public Affairs, 2008, Chapter 2.</li> <li>Hausman, Ricardo. 2009. "The Other Invisible Hand: High Bandwidth Development Policy ." in <i>What Works in Development?: Thinking Big and Thinking Small</i>, Jessica Cohen and William Easterly, eds. Washington, D.C.: Brookings Institution Press: 174-206.</li> <li>(BG) Paul Krugman. "How Did Economists Get It So Wrong?" <i>New York Times Magazine</i>. September 6, 2009.</li> <li>(BG) James K. Galbraith. "Who are these Economists Anyway?" <i>Thought and Action</i>. Fall 2009: 85-97.</li> <li>(EX) Dennis P. Quinn and A. Maria Toyoda. 2008. "Does Capital Account Liberalization Lead to Growth?" <i>Review of Financial Studies</i>, 21: 1403-1449.</li> <li>(EX) Antonio Ciccone and Marek Jarocinski. 2009. "Determinants of Economic Growth: Will Data Tell?" European Central Bank (September). Typescript.</li> <li>(EX) Steven N. Durlauf, Andros Kourtellos and Chih Ming Tan. 2008. "Are any growth theories robust?" <i>The Economic Journal</i>, 118 (March), 329-346.</li> </ol>
3. January 27	<p>No class Instructor is away</p> <p>I strongly suggest getting a head start on the long list of readings for the following week, and taking some time to explore some optional readings (especially the "BG" readings).</p>

<p>4. February 3</p>	<p>Does Aid Lead to Growth? How would we know? What is random experimentation (RE)? How is it an alternative to econometric modeling?</p> <ol style="list-style-type: none"> <li>1. Jessica Cohen and William Easterly. 2009. Introduction: Thinking Big versus Thinking Small, in <i>What Works in Development?: Thinking Big and Thinking Small</i>, Jessica Cohen and William Easterly, eds. Washington, D.C.: Brookings Institution Press.</li> <li>2. Michael Clemens, Steven Radelet and Rikhil Bhavnani. 2004. "Counting chickens when they hatch: The short term effect of aid on growth. Center for Global Development, Working Paper Number 44, July 2004, revised November 2004.</li> <li>3. Craig Burnside and David Dollar. 2000. "Aid, Policies, and Growth." <i>The American Economic Review</i>, Vol. 90, No. 4 (Sep.): 847-868.</li> <li>4. Craig Burnside and David Dollar. 2004. "Aid, Policies, and Growth: <i>Revisiting the Evidence</i>." World Bank Policy Research Working Paper 3251 (Mar.)</li> <li>5. William Easterly, Ross Levine and David Roodman. 2000. New Data, New Doubts: A Comment On Burnside And Dollar's "Aid, Policies, And Growth". Working Paper 9846.</li> <li>6. Arvind Subramanian. "A Farewell to Alms." <i>Wall Street Journal</i>. August 22, 2007. p. 13.</li> <li>7. (EX) Raghuram G. Rajan &amp; Arvind Subramanian, 2005. "Aid and Growth: What Does the Cross-Country Evidence Really Show?" NBER Working Papers 11513, National Bureau of Economic Research, Inc.</li> <li>8. (BG) Eric Werker, Faisal Z. Ahmed and Charles Cohen. 2007. How is Foreign Aid Spent? Evidence from a Natural Experiment. Harvard Business School Working paper 07-074.</li> <li>9. (BG) Hristos Doucouliagos and Martin Paldam. 2005. The Aid Effectiveness Literature. The Sad Result of 40 Years of Research. University of Aarhus, Denmark, Working Paper No. 2005</li> <li>10. (BG) William Easterly. 2003. "Can Foreign Aid Buy Growth?" <i>Journal of Economic Perspectives</i>. 17(3) (Summer): 23- 48.</li> </ol>
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5. February 10	<p>Can Good Aid be Measured? An Introduction to Databases and Indices Related to Aid.</p> <ol style="list-style-type: none"> <li>1. Ken Togo and Yoshi Wada. 2007. Index of Donor Performance (2006 Edition): Selectivity and Project Proliferation Reconsidered. Paper prepared for the RIETI International Workshop, Economics of Foreign Aid, Tokyo, July 2nd, 2007.</li> <li>2. World Bank. 2008. Human Development Report 2007/2008 Technical Note 1. Calculating the Human Development Indices.</li> <li>3. Angus Deaton. 2003. Measuring poverty in a growing world (or measuring growth in a poor world). Typescript (June).</li> <li>4. William Easterly. 2002. "The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid." Typescript (October).</li> <li>5. David Roodman. "The Commitment to Development Index: 2009 Edition." The Center for Global Development (2009).</li> <li>6. (EX) David Roodman. 2006. "Building and Running an Effective Policy Index: Lessons from the Commitment to Development Index." Center for Global Development Essay (March). Stable URL: <a href="http://www.cgdev.org/content/publications/detail/6661">http://www.cgdev.org/content/publications/detail/6661</a></li> <li>7. (BG) Center for Global Development. 2009. Commitment to Development Index accessed at <a href="http://www.cgdev.org/section/initiatives/active/cdi/">http://www.cgdev.org/section/initiatives/active/cdi/</a></li> </ol>
6. February 17	<p>Bilateral vs. multilateral Aid What does the World Bank do? What does the IMF do? What are the major bilateral aid agencies? How do they operate? Conventions, aid harmonization and coordination barriers. Explanation of midterm project.</p> <ol style="list-style-type: none"> <li>1. Andrew Rogerson. 2003. The International Aid System 2005–2010. Forces For and Against Change. Overseas Development Institute (UK) Working Paper 235 (March).</li> <li>2. Steven Radelet. 2006. A Primer on Foreign Aid. Center for Global Development Working Paper Number 92 (July).</li> <li>3. Selection from Ngaire Woods. 2007. <i>The Globalizers: The IMF, the World Bank, and Their Borrowers</i>. Cornell Studies in Money. Ithaca: Cornell University Press.</li> <li>4. (EX) Ilyana Kuziemko and Eric Werker. 2006. How Much Is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations. <i>Journal of Political Economy</i>, 114 (5).</li> <li>5. (EX) Robert K. Fleck and Christopher Kilby. 2006. World Bank Independence: A Model and Statistical Analysis of US Influence. <i>Review of Development Economics</i> 10(2): 224-240.</li> </ol>

7. February 24	<p>Modalities: Grants, Loans and Technical Assistance; Delivery; Grants vs. Loans What is project finance? How is aid contracted out? What is aid proliferation? What are its consequences? Which modalities lead to the best (worst) outcomes? What do NGOs do? Tied vs untied Mixed credits and export credits</p> <ol style="list-style-type: none"> <li>1. Jeremy Bulow And Kenneth Rogoff. 2005. Grants versus Loans for Development Banks. <i>AEA Papers And Proceedings</i> 95(2) (May): 393-397.</li> <li>2. Atsushi Iimi and Yasuhisa Ojima. 2007. Complementarities between grants and loans. <i>Journal of Japanese International Economies</i>.</li> <li>3. Eric D. Werker and Faisal Z. Ahmed. 2007. What Do Non-Governmental Organizations Do? Typescript, May 27.</li> <li>4. (EX) Gilles Nancy and Boriana Yontcheva. 2006. Does NGO Aid Go to the Poor? Empirical Evidence from Europe. IMF Working Paper WP/06/39 (February).</li> <li>5. (BG) William Easterly and Tobias Pfutze. 2008. "Where Does The Money Go? Best And Worst Practices In Foreign Aid. Brookings Global Economy and Development Working Paper (June).</li> </ol>
8. March 10	<p>Determinants of Aid Who gives foreign aid to whom and why? Midterm presentations</p> <ol style="list-style-type: none"> <li>1. Alberto Alesina And David Dollar. 2000. Who Gives Foreign Aid to Whom and Why? <i>Journal of Economic Growth</i>, 5, (March): 33-63.</li> <li>2. (EX) Jean-Claude Berthélemy. 2006. "Bilateral Donors' Interest vs. Recipients' Development Motives in Aid Allocation: Do All Donors Behave the Same?" <i>Review of Development Economics</i>, 10(2):179-194.</li> <li>3. Other readings TBD</li> </ol>

Spring Break

<p>9. March 17</p>	<p>Do Institutions Rule? Or Does Geography?</p> <ol style="list-style-type: none"> <li>1. Adam Przeworski and Fernando Limongi. 1993. Political Regimes and Economic Growth. <i>The Journal of Economic Perspectives</i>, 7(3) (Summer): 51-69.</li> <li>2. Adam Przeworski. 2004 "The Last Instance: Are Institutions the Primary Cause of Economic Development?" <i>European Journal of Sociology</i> 45(2): 165-188.</li> <li>3. Dani Rodrik, Arvind Subramanian and Francesco Trebbi. 2002. Institutions Rule: The Primacy Of Institutions Over Geography And Integration In Economic Development. Typescript. Revised October.</li> <li>4. James Habyarimana et al. 2007. "Why Does Ethnic Diversity Undermine Public Goods Provision?" <i>American Political Science Review</i>, 101(4): 709-25.</li> <li>5. David Dollar and Victoria Levin. 2004. The Increasing Selectivity of Foreign Aid, 1984-2002 (May 6, 2004.). World Bank Policy Research Working Paper No. 3299.</li> <li>6. Daron Acemoglu, Simon Johnson, And James A. Robinson. 2001. The Colonial Origins Of Comparative Development: An Empirical Investigation. <i>The American Economic Review</i> (December): 1369-1401.</li> <li>7. Jeffrey D. Sachs. 2003. Institutions Don't Rule: Direct Effects Of Geography On Per Capita Income NBER Working Paper 9490 (February).</li> </ol>
<p>10. March 24</p>	<p>Sachs vs. Easterly (Searchers vs. Planners) Aid fungibility Infrastructure Microfinance</p> <ol style="list-style-type: none"> <li>1. Mark McGillivray &amp; Oliver Morrissey. 2000. "Aid fungibility in assessing aid: red herring or true concern?" <i>Journal of International Development</i>, 12(3): 413-428.</li> <li>2. William Easterly. 2005. How to assess the needs for aid? The answer: Don't ask. Paper presented at the Third AFD/EUDN Conference on Financing Development: What Are the Challenges in Expanding Aid Flows? Paris, December 14th, 2005.</li> <li>3. Dominique van de Walle and Ren Mu. 2007. Fungibility and the flypaper effect of project aid: Micro-evidence for Vietnam. <i>Journal of Development Economics</i>, 84(2) (November): 667-685.</li> </ol>

<p>11. March 31</p>	<p>Markets and industrial strategy Trade Collapse Financial Crises The Washington Consensus</p> <ol style="list-style-type: none"> <li>1. Richard Baldwin, ed. 2007. <i>The Great Trade Collapse Causes, Consequences and Prospects</i>. VoxEU.org.</li> <li>2. Rajan, Raghuram G, and Arvind Subramanian. 2009. "Aid, Dutch Disease, and Manufacturing. Growth" Typescript.</li> <li>3. Andrew Rice. 2009. " Is There Such a Thing as Agro-Imperialism? <i>The New York Times</i>. November 22.</li> <li>4. Ezra Fieser. 2009. Organic coffee: Why Latin America's farmers are abandoning it. <i>Christian Science Monitor</i>. December 29.</li> <li>5. Dani Rodrik 2006 Goodbye Washington Consensus, Hello Washington Confusion? (January).</li> </ol>
<p>12. April 7</p>	<p>Is poverty persistent? Microfoundations Welfare colonialism</p> <ol style="list-style-type: none"> <li>1. Simeon Djankov, Jose G. Montalvo, and Marta Reynal-Querol. 2006. The Curse of Aid. (March).</li> <li>2. Selection from Charles Karelis. 2009. <i>The Persistence of Poverty: Why the Economics of the Well-Off Can't Help the Poor</i>. London: Oxford University Press.</li> <li>3. Other readings TBD</li> </ol>
<p>13. April 14</p>	<p>Debt Relief</p> <ol style="list-style-type: none"> <li>1. Nicolas Depetris Chauvin &amp; Aart Kraay. 2007. "Who Gets Debt Relief?" <i>Journal of the European Economic Association</i>, 5(2-3), pages 333-342.</li> <li>2. Peter Blair Henry and Serkan Arslanalp. 2006. "Helping the Poor to Help Themselves: Debt Relief or Aid?" In Chris Jochnick and Fraser A Preston , eds. <i>Sovereign Debt at the Crossroads</i>, Oxford University Press.</li> <li>3. J. E. Stiglitz. 2006. "Ethics, Market And Government Failure, And Globalization: Perspectives On Debt And Finance." In Chris Jochnick and Fraser A Preston , eds. <i>Sovereign Debt at the Crossroads</i>, Oxford University Press.</li> <li>4. Jeremy Bulow and Kenneth Rogoff. 1990. "Cleaning Up Third World Debt without Getting Taken to the Cleaners," <i>Journal of Economic Perspectives</i>, 4(1) (Winter: 31-42).</li> <li>5. 2002. "First World Governments and Third World Debt", <i>Brookings Papers on Economic Activity</i>, No.1: 229-25.</li> </ol>



14. April 21	<p>Conflict and Neutrality</p> <ol style="list-style-type: none"><li>1. Paul Collier. 2007. <i>The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It</i>. Oxford U. Press: 124-134.</li><li>2. Boston Review. "Development in Dangerous Places: A forum on global poverty and intervention." Access at <a href="http://www.bostonreview.net/BR34.4/ndf_development.php">http://www.bostonreview.net/BR34.4/ndf_development.php</a></li></ol>
15. April 28	<p>Summing up Final presentations</p> <ol style="list-style-type: none"><li>1. Daron Acemoglu, Simon H Johnson and James A Robinson. 2001. An African Success Story: Botswana (July). MIT Department of Economics Working Paper No. 01-37.</li><li>2. Ken Togo and Yoshiro Wada. 2007. Development Assistance and Economic Growth: A Case Study of Botswana (November 29, 2007). Typescript.</li></ol>



