

Syllabus: **Economics of Development Cooperation**:F6767100 (Spring 2017)

Saturdays 09:00am-11:40am | Rm

Bokyeong Park Rm212 | bokyeong23@khu.ac.kr | Telephone: 2334

Course overview

This class provides an introduction to economic analysis on international development cooperation or foreign aid. The two key questions to be addressed by the course are: What are the critical and fundamental factors for economic development? How and whether can foreign aid help poor countries gain the factors? More specific questions are: What is the role of external assistance in economic development? How effective is foreign aid on economic growth? How do institutions affect the aid effectiveness? How is aid related to institutional building such as corruption containment? How can we measure the effect of an aid project? Is it possible and desirable to incorporate market mechanism into aid? Using contemporary studies the class discusses these topics. One of aims of the discussion is to search for a better way that foreign aid contributes to economic growth in recipient countries. This course runs on the basis of student's presentations of reading summary and, thereafter, discussions.

Another important goal of this course is to provide students with knowledge on how to write an academic paper. Through reading and reviewing papers, students will be able to learn how to construct a structure, how to elaborate a research question, how to choose relevant research methods, how to mine and process data, how to enhance accuracy and coherence, and how to draw conclusions. Obtaining those skills requires students to carefully examine the framework or logical structure adopted in papers they read.

A third goal is to enable students to read and interpret the results of statistical analysis. Above all, they are expected to be able to draw conclusions from the empirical results. Furthermore, students will learn how to construct empirical models so as to test hypotheses or theoretical conjectures.

Pre-requisites

This is a course designed to discuss various foreign aid issues from the perspective of economics. It, therefore, assumes you have basic understanding on micro- and macro-economics. You are required to have already taken the two courses or at least introduction to economics. Otherwise, you have to study those subjects for yourself in advance. Besides, parallel self-study on elementary econometrics is highly recommended to interpret results of empirical analyses at least. Without understanding on basic economics, you can't follow discussions at this class.

Requirements

Class engagement

Class attendance is a basic requirement. Besides, your ability will be assessed to contribute to discussions that enhance your own and classmates' understanding of the readings. The ability is not about destroying a paper or idea, dominating the floor with a critique or idea, or waylaying a productive conversation with unrelated issues. It is about clarifying contents of the readings and pointing out their main arguments and logics.

Reading

Weekly reading comprises required reading and further reading. All of students are supposed to read papers of the week before class. The reading loads are not especially heavy but some of the readings are hard. Students should aim to read them carefully and reflectively. Before approaching each reading think about what the key questions are for the week and about how the author(s) reaches the conclusions. Although further reading is not mandatory, it is highly recommended.

Presentation

Weekly reading will be discussed on the basis of student presentation. The presentation should aim to correctly summarize and deliver contents of each paper, not to comment or criticize it. Each student should make presentation at least once during the course. The presentation using power-point slides is expected to be as long as 40 minutes approximately. Because classmates or instructor intervene to ask questions, the entire presentation is likely longer. Student presentation will be followed by instructor's quick supplementary explanation and discussions among classmates.

Weekly quiz

Every week will start with a short quiz. This is designed to check whether students have read the readings in advance. The quiz is composed of 5-10 questions of multiple choice or word filling. All the questions would be answered easily if students read the articles just once.

Grading:

Class engagement	25%
Presentation	25%
Weekly quiz	25%
Final examination	25%

Weekly Schedule

1. (Mar. 4) Introduction

Daron Acemoglu (2008), *Introduction to Modern Economic Growth*. Princeton University Press, 2008. Ch. 1.

2. (Mar. 11) Debates on Aid Effectiveness (1)

Burnside, Craig and Dollar, David (2000). "Aid, Policies, and Growth." *American Economic Review*, Vol. 90, No. 4.

3. (Mar. 18) Debates on Aid Effectiveness (2)

Rajan, R. G., & Subramanian, A. (2008). "Aid and growth: What does the cross-country evidence really show?" *The Review of Economics and Statistics*, 90(4), 643-665.

4. (Mar. 25) Debates on Aid Effectiveness (3)

Anwar, Sajid and Arusha Cooray (2015). "Financial flows and per capita income in developing countries?" *International Review of Economics and Finance* 35, 304-314.

5. (Apr. 1) Economic growth and Institutions

Acemoglu, D. & Robinson, J. (2012). *Why nations fail: the origins of power, prosperity, and poverty*. Random House Digital, Inc. Ch. 2 & 3.

North, Douglass C. (1993) "The new institutional economics and development." *EconWPA Economic History*.

6. (Apr. 8) Economic growth and Institutions

Rodrik, D., Subramanian, A., & Trebbi, F. (2015). "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development". *Journal of Economic Growth*, 9, 131-141.

7. (Apr. 15) Aid-giving Motivations

Alesina, A. and D. Dollar (2000). "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth*, 5.

8. (Apr. 22) Mid-term

9. (Apr. 29) Aid allocation

Easterly, W, and Pfitze, T. (2008). "Where does the money go? Best and worst practices in foreign aid". *Journal of Economic Perspectives*, 22(2).

Brech, V. and Potrafke, N. (2014).“Donor ideology and types of foreign aid”. *Journal of Comparative Economics*, 42(1), 61-75.

10. (May 6) Aid effectiveness revisited

Gopalan, S., &Rajan, R. S. (2016).“Has Foreign Aid Been Effective in the Water Supply and Sanitation Sector? Evidence from Panel Data”. *World Development*, 85, 84-104.

11. (May 13) Performance of Aid Projects

Denizer, C., Kaufmann, D., &Kraay, A. (2013).“Good countries or good projects? Macro and micro correlates of World Bank project performance”. *Journal of Development Economics*, 105, 288-302.

Ika, L. A., Diallo, A., &Thuillier, D. (2012).“Critical success factors for World Bank projects: An empirical investigation”. *International Journal of Project Management*, 30(1), 105-116.

12. (May 20) Aid and corruption

Svensson, J. (2000) “Foreign aid and rent-seeking” *Journal of International Economics*, 51(2), 437-461.

Tavares, J. (2003) “Does foreign aid corrupt?”*Economics Letters*, 79(1), 99-106.

13. (May 27) Aid Efforts

Fuchs, A., Dreher, A., &Nunnenkamp, P. (2014).“Determinants of donor generosity: A survey of the aid budget literature”. *World Development*, 56, 172-199.

Heinrich, T., Kobayashi, Y., &Bryant, K. A. (2016).“Public opinion and foreign aid cuts in economic crises”. *World Development*, 77, 66-79.

14. (Jun. 3) Aid Fragmentation

Steinwand, M. C. (2015). “Compete or coordinate? Aid fragmentation and lead donorship”*International Organization*, 69(2), 443.

Han, L., &Koenig-Archibugi, M. (2015).“Aid Fragmentation or Aid Pluralism?The Effect of Multiple Donors on Child Survival in Developing Countries, 1990–2010”. *World Development*, 76, 344-358.

15. (Jun. 10) Final