

ECON 360: Economics of Developing Areas
George Mason University
Tuesday and Thursday: 3:00pm-4:15pm
Fall 2017, Planetary Hall 122

Instructor: Linan Peng
Email: lpeng2@gmu.edu
Phone: (703)398-3488

Office Hours: Tuesdays 1:45pm-2:45pm in James Buchanan Hall (former Mason Hall) or by appointment

Course Description:

Why some nations are wealthy, while others are not? What can be done, if anything, to alleviate poverty? These are some of the oldest questions in economics, at least since Adam Smith wrote *An Inquiry into the Nature and Causes of the Wealth of Nations*. This course will continue the inquiry by analyzing the theoretical and empirical underpinnings of economic development.

Once the course is completed, I expect you to be comfortable with the theory and history of developing areas. You should be able to clearly articulate a position on why some nations prosper and why others fail.

Required Course Textbooks:

Acemoglu, Daron, and James A. Robinson. 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York, NY: Crown Business (referred to as WNF)

Coase, Ronald, and Ning Wang. 2012. *How China Became Capitalist*. New York, NY: Palgrave Macmillan. (referred to as HCBC)

Additional readings will be assigned in class

Important Dates:

First Day of Class: August 28

Midterm Exam: October 3

Presentations: November 30 and December 5

Last Day of Class: December 9

Final Exam: December 14 (1:30 pm – 4:15 pm)

Grading:

Midterm Exam: 30% of total grade

Final Exam: 40% of total grade

Presentation: 10% of total grade

Quizzes: 10% of total grade

Discussion: 10% of total grade

Exams:

There will be a midterm, which worth 30% of total grade, on October 3, and a final, which worth 40% of total grade on December 14. Both the midterm and final will cover material from the assigned readings and lectures. There will be no makeup exam. However, if you missed the midterm, the final will be worth 70% of your final grade

Quizzes:

I will give you a quiz on every Thursday at the beginning of class. There will be 12 quizzes from readings of *Why Nations Fail*. I will drop two lowest quiz grades. The quizzes are designed to be an institutional mechanism, which we will discussed in the class, to check if you read the book. The quizzes are easy if you read the assigned chapter each week. No late quizzes will be accepted

Presentation:

Each student will sign up for a day when they will present a development issue in a developing country. Students are required to choose a development issue from a developing country and present on its relevance from an economic perspective. Students will be assessed on their ability to present the issue from an analytical economics lens. Each presentation will be 6 minutes, with 3 minutes for Q and A.

Discussion:

From week 3, after each lecture (about 40-45 minutes), you will break into groups to discuss the assigned readings (WNF is not included). Each group will come up with at least one question about the reading. We will then discuss the questions as a class. To receive credit for the class participation you must sign your name on the group question sheet and actively engage in discussion. Partial credit for class participation is available and is determined by the number of discussions you participate in. The discussion will give you a chance to express your opinion with respect to issues that the readings present.

Extra Credits:

Extra Credit may be given for additional work, like attending relevant lectures or other writing assignments. These will be announced in class, if applicable.

Grading Scale:

A+ 98+ | A 93-97 | A- 90-92 | B+ 88-89 | B 83-87 | B- 80-82 | C+ 78-79 | C 73-77 | C- 70-72 | D+ 68-69 | D 60-67 | F 0-59

Class Registration:

Students must verify their class schedule and make sure they are officially registered for this class through Patriot Web. Students can exercise a selective withdrawal, see schedule of classes for selective withdrawal procedures.

- Last Day to Add/Drop (No tuition penalty): September 5, 2017
- Last Day to Drop (33% tuition penalty): September 19, 2017
- Last Day to Drop (67% tuition penalty): September 29, 2017

Technology Statement

You may use laptops or tablets for the academic purpose in the class, but all electronic devices must remain silent.

Academic Integrity

I expect all students to strictly follow the University Honor Code, which can be consulted online in the student handbook

Accommodations for students with disabilities:

Please contact the Office of Disability Resources at 703-993-2474 prior to the first exam. All accommodations are to be arranged ahead of time through the Office of Disability Resources.

Course Outline

I will try my best to stick to this schedule, but I reserve the right to alter it as the need arises. I also reserve the right to alter the readings. If changes are necessary I will notify you in class and/or by email.

Week 1

August 29: Introduction and Syllabus
-Sign up for presentation days

August 31: Microeconomics Review and Basic Development Concepts
Reading: WNF, Chapter 1. Quiz #1

Week 2:

September 5: Why Growth Matters
Reading: Richard Easterlin (2000), The Worldwide Standard of Living since 1800

September 7: Theories that Failed
Reading: WNF, Chapter 2. Quiz #2

Week 3

September 12: Alternative Approach: Comparative Institution
Readings: Harold Demsetz (1967), Toward a Theory of Property Rights

September 14: Price Matter
Reading: F.A. Hayek (1945), The Use of Knowledge in Society
WNF, Chapter 3. Quiz #3

Week 4

September 19: Socialist Challenge and Nirvana Fallacy

Reading: Ludwig Von Mises (1920): Economic Calculation in the Socialist Commonwealth, pp 1-30

September 21: Dictatorship or Democracy

Reading: WNF, Chapter 4. Quiz #4

Bryan Caplan (2008): Mises' Democracy-Dictatorship Equivalence Theorem

Week 5

September 26: Is Democracy the Solution? A Detour to Public Choice

Reading: Bryan Caplan (2009): The Myth of the Rational Voter: Why Democracies Choose Bad Policies

September 28: Review for Midterm

Reading: WNF, Chapter 5. Quiz 5

Week 6

October 3: Midterm

October 5: Assume Anarchy

Reading: WNF, Chapter 6 and Chapter 7. Quiz #6

Raghuram Rajan (2004): Assume Anarchy?

Week 7

October 10: No Class; Monday Classes Meet on Tuesday

October 12: What We Can Learn from Bad Apples

Reading: Peter Leeson (2007): An-arrgh-chy: The Law and Economics of Pirate Organization

WNF, Chapter 8 and Chapter 9. Quiz #7

Week 8

October 17: What We Can Learn from Bad Apples Continued

Reading: David Skarbek (2011): Governance and Prison Gangs

October 19: Self-governance

Reading: Peter Leeson (2014): God Damn: The Law and Economics of Monastic Malediction

Reading: WNF, Chapter 10. Quiz #8

Week 9

October 24: Self-governance Continued

Reading: Peter Leeson (2012): The Laws of Lawlessness

October 26: Stateless?

Reading: WNF, Chapter 11 and Chapter 12. Quiz #9

Peter Leeson (2007): Better Off Stateless: Somalia Before and After Government Collapse

Week 10:

October 31: Law and Development

Reading: Paul Mahoney (2001): The Common Law and Economic Growth: Hayek Might Be Right

November 2: Will China Go Capitalist?

Reading: WNF, Chapter 13. Quiz #10

Week 11

November 7: How China Became Capitalist

Reading: HCBC, Chapter 1

November 9: Marketization in China

Reading: WNF, Chapter 14. Quiz #11

HCBC, Chapter 2

Week 12

November 14: Market Reform under Socialism

Reading: HCBC, Chapter 3

November 16: Capitalism with Chinese Characteristics

Reading: WNF, Chapter 15. Quiz #12

HCBC, Chapter 4

Week 13

November 21: Why Perestroika Failed and Gaiige Succeed

Reading: HCBC, Chapter 5

November 23: No Class: Thanksgiving

Week 14

November 28: Future of China

Readings: HCBC, Chapter 6

November 30: Student Presentations

Week 15

December 5: Student Presentations

December 7: Review for Final

List of Additional Readings:

Week 2:

Easterlin, Richard A. 2000. "The Worldwide Standard of Living since 1800." *The Journal of Economic Perspectives* 14, no. 1: 7-26.

Week 3:

Demsetz, Harold. 1967. "Toward a Theory of Property Rights." *The American Economic Review* 57, no. 2: 347-59.

Hayek, F.A. 1945. "The Use of Knowledge in Society." *The American Economic Review* 35, no.2: 519-530

Week 4:

Caplan, Bryan. 2008. "Mises' Democracy-Dictatorship Equivalence Theorem." *Review of Austrian Economics* 21, no.1, pp.45-59.

Mises, Ludwig Von. 1990. "Economic Calculation in the Socialist Commonwealth." Auburn, Alabama: Ludwig Von Mises Institute.

Week 5:

Caplan, Bryan. 2009. "The Myth of the Rational Voter: Why Democracies Choose Bad Policies." *Cato Policy Analysis* No. 594.

Week 6:

Rajan, Raghuram. 2004. "Assume anarchy?" *Finance and Development*, 41: 56-57

Week 7

Leeson, Peter. 2007. "An-arrgh-chy: The Law and Economics of Pirate Organization." *Journal of Political Economy* 115, no. 6: 1049-1094

Week 8:

Leeson, Peter. 2014. "“God Damn”: The Law and Economics of Monastic Malediction." *The Journal of Law, Economics, and Organization* 30, no.1: 193–216

Skarbek, David. 2011. "Governance and Prison Gangs." *The American Political Science Review* 105, no. 4: 702-16.

Week 9:

Leeson, Peter. 2012. "The Laws of Lawlessness." *The Journal of Legal Studies* 38, no. 2: 471-503.

Leeson, Peter. 2007. "Better Off Stateless: Somalia Before and After Government Collapse." *Journal of Comparative Economics* 35: 689-710

Week 10:

Mahoney, Paul G. 2001. "The Common Law and Economic Growth: Hayek Might Be Right." *Journal of Legal Studies* 30: 503-525.