

ECONOMIC THEORIES AND INTERNATIONAL DEVELOPMENT

COURSE SYLLABUS

2nd module, 28 academic hours (14 hours of lectures; 14 hours of classes)

1. Course outline

For a larger part of the written history of humankind, it was a common belief that economic welfare was but a byproduct of the might of political system: a sovereign's ability and will to maintain law and order. When the functioning of the market system came into notice at all, it was regarded with suspicion: as a threat rather than an opportunity to a commonwealth. Only by the turn of the 19th century, with Adam Smith and other exponents of economic liberalism, the focus had been changed radically: the might of the state and welfare of its citizens became the function of economic performance of the market system based upon the unhinged self-interest. Even the very title of Smith's book — *An Inquiry into the Nature and Causes of the Wealth of Nations* — should have informed the reader that economic development was the natural target for each nation to set up and to achieve.

Economic liberalism's claim to dominance in policy making was based upon a set of economic theories, like the quantitative theory of money, the theory of international trade, etc. However, it did not remain unchallenged: pragmatic concerns made many national governments to deviate from the pure free-trade creed; its theoretical foundations became a subject for criticism. By the turn of the 20th century, economic liberalism and economic nationalism were two competitive agendas for economic policy on the world stage.

The first half of the 20th century saw the incredible rise of the government interference in economy, regardless ideological differences. One of the facets of the process was the strive to develop and protect a nation's own industrial system, contrary to the policies prescribed by the standard economics. The Keynesian revolution and the post-WW2 global ideological division put economic development and structural changes into the focus of many political and theoretical debates. By the end of the century, among all theoretical contestants of previous decades the standard mainstream economics emerged as the only credible source for the development policy. It has managed to absorb some analytical tools and notions from the competing approaches and to mitigate some initial assumptions, but still follows the original free-trade creed.

However, in the 21st century the globalist and integrationist agenda faced an unexpected backlash worldwide, and there emerged a global trend to political revival of economic nationalism. According to the proponents of the modern economics, this trend is but a temporary aberration, as major policy proposals associated with it contradict to the basics of standard economic textbooks. According to the proponents of the new economic nationalism, politics is not about textbooks.

The task of the course is to provide a concise overview of the major approaches to development issues emerged during last two centuries, to consider their impact on policy-making of the respective periods, and to provide a framework for a better grasp of modern theoretical and political debates and clashes over the ways and targets of international development.

2. Programme

Lecture 1. Introduction to the course

- the scope of the course;
- economic theory and economic policy: the modes of interaction;
- economic theory and economic policy in the history of economic thought: a brief overview.

Seminar 1. Protectionism and the free trade regime in the history of economic thought

Basic source:

Roncaglia, A. *The Wealth of Ideas: A History of Economic Thought*. Cambridge University Press, 2005. Par. 2.6; 5.8; 7.6.

Lecture 2. Economic liberalism and economic nationalism in the 19th – early 20th centuries

- wealth of nations vs wealth of a nation: the German Historical School and its challenge to economic liberalism;
- from the comparative advantages to the shortage of markets: the 19th-century theoretical patterns for understanding the international order;
- beyond the Gold Standard: changes in the global economy on the eve of First World War.

Main reading:

Nau, H. H. (2000). 'Gustav Schmoller's Historico-Ethical Political Economy: ethics, politics and economics in the younger German Historical School, 1860-1917,' *European Journal of the History of Economic Thought*, 7(4), 507–531.

<<https://proxylibrary.hse.ru:2170/login.aspx?direct=true&db=aph&AN=6112783>>

Seminar 2. The theory of imperialism and its impact

- An outline of the theory
- Rationality/irrationality of imperialism in theoretical considerations

Basic source:

Villanueva, R. (2017) 'Hobson's Theory of Imperialism and its Indebtedness to Socialism: A Challenge to Conventional Narratives of early International Relations,' *Australian Journal of Politics & History*, 63: 508-523. <doi:10.1111/ajph.12407>

Lecture 3. The change of the global economic order, 1910s – 1940s

- nationalism on the rise: the externally imposed autarkic regimes and the models of closed economy;
- the Great Depression as a trigger to political changes;
- Keynesianism as a liberal response to challenges of the period;
- the origins of the projects for economic integration.

Main reading:

Markwell, D. (2006) *John Maynard Keynes and International Relations: Economic Paths to War and Peace*. Oxford University Press, 2006. Par. 5.5–5.8; 6.7–6.8. ProQuest Ebook Central, <<https://ebookcentral.proquest.com/lib/hselibrary-ebooks/detail.action?docID=728944>>

Kirshner, J. (1999) 'Keynes, Capital Mobility and the Crisis of Embedded Liberalism,' *Review of International Political Economy*, Vol. 6, No. 3 (Autumn), pp. 313-337, <<http://www.jstor.org/stable/4177314>>

Seminar 3. Soviet development model

- the theoretical foundations of the model

- Soviet model in the contemporary international context
- the impact on international relations

Basic source:

Melnik, D. (2017). 'Revolutionary Economic Reasoning in the Context of Revolution: The Origins and Fate of Bolshevik Economics,' *Slavic Review*, 76(3), 722-731. <doi:10.1017/slr.2017.180>

Lecture 4. The Golden Age of the developmentalism, 1950s – 1970s

- the Keynesian “big-push” strategy and the Soviet-type industrialization;
- the structure of global economic order of the period: an outline;
- theoretical and political challenges to the developmentalist consensus.

Main reading:

Smith, T. (1985). 'Requiem or New Agenda for Third World Studies?' *World Politics*, 37(4), 532-561. doi:10.2307/2010343

Wallerstein, I. (2005). 'After Developmentalism and Globalization, What?' *Social Forces*, 83(3), 1263-1278. <<http://www.jstor.org/stable/3598277>>

Easterly, W. (2007). 'The Ideology of Development,' *Foreign Policy*, (161), 30-35. <<http://www.jstor.org/stable/25462186>>

Seminar 4. Latin American ISI-strategies

- The origins of import substitution industrialization in Latin America
- Raul Prebisch and the structuralism

Basic sources:

Love, J. L. (2005). 'The Rise and Decline of Economic Structuralism in Latin America: New Dimensions,' *Latin American Research Review* 40(3), 100-125. <doi:10.1353/lar.2005.0058> (available via the HSE subscription)

Lecture 5. The neoliberal consensus, 1980s – 2000s

- a theoretical outline of neoliberalism;
- the origins of the modern financial system;
- macroeconomic stability as the target for economic policy;
- “economic miracles” and their impact on development strategies.

Main reading:

Cahill, D. (2014). *The End of Laissez-Faire?: On the Durability of Embedded Neoliberalism*. Ch. 2-3. Cheltenham, UK: Edward Elgar Publishing. <doi: <https://doi.org/10.4337/9781781000281>>

Williamson, J. (2009). 'A Short History of the Washington Consensus,' *Law and Business Review of the Americas*, 15(1), 7-23. <<https://proxylibrary.hse.ru:2069/docview/1315741510?accountid=45451>>

Seminar 5. Transition economies

- Theoretical blueprints for transition
- Achievements and failures of transition economies

Basic sources:

Sachs, J. D. (2018). 'Geography, geopolitics, and policy in the performance of transition economies,' *Economics of Transition*, 26(4), 841–849. <https://proxylibrary.hse.ru:2117/10.1111/ecot.12163>

Roland, G. (2002). 'The Political Economy of Transition,' *The Journal of Economic Perspectives*, (1), 29. <<http://proxylibrary.hse.ru:2048/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=edsjsr&AN=edsjsr.2696575&site=eds-live>>

Lecture 6. The modern mainstream approach to economic development

- development economics: an outline;
- new institutional economics.

Main reading:

Tamanaha, B. Z. (2015). 'The Knowledge and Policy Limits of New Institutional Economics on Development,' *Journal of Economic Issues* (Taylor & Francis Ltd), 49(1), 89–109. <<https://proxylibrary.hse.ru:2117/10.1080/00213624.2015.1013881>>

Gray, H. (2016). 'Access Orders and the "New" New Institutional Economics of Development,' *Development & Change*, 47(1), 51–75. <<https://proxylibrary.hse.ru:2117/10.1111/dech.12211>>

Seminar 6. Presentations of course projects–1.

Lecture 7. Globalization and its challenges

- an overview of trends in international development by the first decade of the 21st century;
- the Great Recession and reactions to it;
- austerity programmes;
- the rise of populist movements and economic nationalism.

Main reading:

Cahill, D. (2014). *The End of Laissez-Faire?: On the Durability of Embedded Neoliberalism*. Ch. 8. Cheltenham, UK: Edward Elgar Publishing. <[doi: https://doi.org/10.4337/9781781000281](https://doi.org/10.4337/9781781000281)>

Seminar 7. Presentations of course projects–2.

3. Group project

Group project requires to produce a presentation within a research team (up to four persons). The presentation should be no longer than 15 minutes, followed by a Q&A session. Each presentation is to be evaluated based on:

- a. The content of report (coverage of the topic, originality, ability to summarize and interpret relevant information, ability to apply the concepts and tools studied in class);
- b. Presentation skills (comprehensiveness, time management, clarity, ability to engage the audience).

The presentation should provide a critical examination (that is, both arguments in favor and against to be concluded with a substantiated summing up of a research team's position) of modern institutional efforts to frame international relations and formulate a research team's policy proposals. The policy proposals should be specified for a chosen national government or an international organization (e.g., the U.N. and its affiliated commissions, the European Commission, WTO, etc.), which means they ought not to be a set of purely declarative or normative statements. Rather, they must convey the means to secure economic interests and to maximize the gains of the proposals' recipient.

Thus, a research team may choose an institutional framework whose economic effects on relevant actors are to be assessed and to provide and elaborate on political strategies regarding the chosen framework. The choice may be defined by (but not confined to) such existing or proposed institutional frameworks as the TTIP trade agreement; NAFTA (USMCA); the Eurasian Economic Union; BRICS; the Paris Climate Agreement; the One Belt One Road (the New Silk Road) initiative.

A research team may profit of the analytics available in the modern literature and in the media but needs to apply the theoretical approaches highlighted during lectures and classes.

4. Final exam

Final exam will be closed-book and will consist of two free-response questions. The duration of the exam is 80 minutes.

5. Course evaluation and grading

The final grade is determined by the sum of points for the following activities (100 points max):

- in-class participation — 10 points/seminar (50 points max): 2 points out of 10 — class attendance;
- group project — 25 points: 5 points out of 25 — participation in Q&A sessions;
- final exam (closed-book format, 2 open questions, 80 minutes) — 25 points.

The scale of corresponding grades

100-point scale	10-point scale
90-100	10
80-89	9
70-79	8
60-69	7
55-59	6
47-54	5
40-46	4
30-39	3
10-29	2
0-9	1