

Course: **AS/IPS 644, Asia's Development Challenges**, Spring 2004, W **4:00-5:50 pm**

Instructor: Robert McCleery Room: **MG102**

Office: Rm. 218, McCone, ext. 4627, e-mail: Robert.McCleery@MIIS.edu

Office Hours: M 2:30-5, W 12:00-2:30 and by appointment.

Prerequisite: International Economics (IM or IE 520) and a demonstrated interest in one or more Asian countries.

Course description:

The purpose of this class is to examine the rapid growth in many Asian economies over the past twenty to thirty years, the recent financial difficulties facing many of the region's economies, and their growth prospects and challenges as of today. As we examine various explanations of both the rapid growth and current crisis, we will explore a number of competing hypotheses. Were Asia's recent problems a result of the earlier rapid growth? Do they represent a "bump in the road" or an indication that past development strategies are now ineffective? Are Asia's problems due to internal strains and inconsistencies or external forces? Does the solution lie in more government intervention or freer markets? How are solutions to Asia's challenges conditioned on economic structure, political structure, culture, geography, and other factors? Are there changes that should be made now to head off future problems?

To address these key questions, we will look both at the best theories and prediction of Western economists and also writings from the region itself, in English. The course will touch on development, demography, political economy, trade and exchange rate determination, finance, macroeconomics, and money and banking. Both principles of economics and international economics are prerequisites for this class.

Required texts: The economic situation in Asia is changing so quickly, textbooks are not appropriate. The instructor has a "text in progress," which will be posted to the course conference. Some readings providing historical context are on reserve. Other required readings will be provided in class or be located on the internet. Students can earn "class participation credit" by bringing appropriate readings and new articles to the attention of the class.

Evaluation: Grading will be based on a midterm (25%), an individual issue or challenge-specific paper (25%), a group project on a selected Asian country (25%), and class participation, presentations, and discussion (25%). The project will take the form of a joint paper/presentation, with accompanying statistical support, visual aids, etc. Four areas will be covered by the country paper/presentation: an overview of post-war growth and development, the economic/political/ social/international strains in the 1990s, an analysis of the crisis years, and a prognosis for the future in the form of an analysis of economic and political risk associated with investing in or alliances with that country today.

Class Session (date)	Topic(s)	Readings
1/21	Historical preconditions of the 1940s and 50s (including resources, geography, culture, etc.) Why Asia grew—myths, prejudice and “the conventional wisdom”	Old&new statistical tables and excerpts from Myrdal’s <i>Asian Drama</i> Class overview (ppt)
1/28	What is Development? National Income and Growth Accounting: Analyzing & measuring growth-Shifting the PPF? Costs and benefits of economic growth.	East Asian Miracle (EAM), Chapter1 Naya/McCleery, introduction (except D)
2/4	<i>Domestic Factors contributing to growth and development:</i> 1) Demographics and labor force growth 2) Human Resource Development (guest lecture, Don Van Arsdol)	Excepts from Young 1997 and Mason 1995 McCleery 1997
2/11	3) Saving and Investment (including physical infrastructure development)	EAM Ch. 5 pp. 203-242.
2/18	4) Technology from within Begin <i>External factors</i> : 1) Technology Transfer, Licensing, turn-key, “bundled” technology. 2) International capital flows: lending, Direct foreign investment, portfolio investment	Westphal, Kim and Dahlman on Korea, in Frischtak and Rosenberg Taiwan case, contrasted with Korea, Chapter 6 in Ramstetter. Markusen, JEL survey 1995,
2/25	3) Trade, specialization, and growth Why trade? How does it impact growth? Trade in intermediate and capital goods	Sebastian Edwards, JEL 1993 EAM pp. 122-156 and 292-326
3/3	The role of Culture in growth The role of Government in growth	Foreign Affairs Reader (FAR), pp.94-139 Hall and Jones, 2000, Adelman in T&W
[Spring Break—March 8-12, enjoy!]		
3/17	Regional integration in Asia—Perspectives from Japan, Korea, and ASEAN Mid-term EXAM (5-6), project sign-up	Lee, Roland-Holst and van der Mensbrugge, Cheong, and Urata
3/24	Doubters and danger signs I. Doubters and danger signs II.	Krugman, Rostow, and Hornik, FAR McCleery 1997, McCleery and James, 1995, “Is growth sustainable,” Naya-McCleery

<p>3/31 Beginnings of the crisis-Thailand Bank regulation and moral hazard Competitive devaluations Speculation and exchange rate management</p>	<p>Montes 1998 pp1-55. Internet sources. http://www.ids.ac.uk/ids/publicat/dp367.html (first section) Goldstein, IIE http://www.iie.com/publications/publication.cfm?pub_id=22</p>
--	--

Class Session (date)	Topic(s)	Readings
4/7	The Crisis Spreads I. Why Indonesia, South Korea, Philippines, and Malaysia? The Crisis Spreads II. Why not China, Taiwan, or Hong Kong?	Montes 1998 pp1-55. Internet sources http://www.ids.ac.uk/ids/publicat/dp367.html (second section) Chapter 19, T&W

<p>4/14 The “Official View” of the crisis Critiques of the IMF and WB Regional Cooperation to avoid future crises Spillovers from the Asian crisis The Asian crisis and U.S. growth, stock market, and inflation The Asian crisis and Japan</p>	<p><i>The East Asian Crisis</i>, World Bank (on reserve) http://www.imf.org/recentfin/eastasia.html Regional cooperation in Naya-McCleery Current events, periodicals, internet http://www.usis-israel.org.il/publish/econews/1998/january/eco0126a.html http://www.fas.org/man/crs/crs-asia2.htm</p>
---	---

4/16 (Friday) Individual issue paper due.

<p>4/21 2001-“The perfect recession” Stopping future financial crises Case study, Japan SARS, AIDS, and Asia? What or who is next?</p>	<p>ICT, Naya-McCleery Financial sector, Naya-McCleery Japan’s Crash (Posen) Crisis avoidance and management.</p>
--	---

4/28 Country project presentations: Reports on the policies and prospects of selected Asian economies as potential free trade partners for the US and Japan (about 30 minutes per team of 2-3), followed by questions and class discussion, moderated by presenters.

Group 1)

Group 2)

Group 3)

(presentation on foreign investment in North Korea, Mimura)

5/5 More country presentations:

Group 4)

Group 5)

Group 6)

5/10, 5pm Papers due (revise after presentation based on class feedback)