Economic Development Programming and Policy Planning

Mr. Nugent

Spring 2005

Economics 644

Class: M, W 10-11:50
Classroom: KAP 167
Office Hours: M, W 12-2 and by appointment

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Course Description: Model construction and application to policy and planning: open economy macroeconomics, trade and investment, institutions, technology, income inequality, environment, policy reforms, political economy.

Special Note: Attendance at (although not necessarily enrollment in) the various Development Seminars is highly recommended. Unless otherwise announced, these seminars are held on Wednesday afternoons 5-6:30 PM in KAP 319. They represent excellent opportunities for students to become familiar with many issues at the frontiers of the field and to meet and hear important professionals talking about their work on such issues. Copies of the papers to be presented are normally available a few days in advance in a mailbox marked DEVELOPMENT SEMINAR in the Departmental Mailroom (KAP 300A) or in the case of jointly sponsored seminars in those boxes. Regular participation in the seminar is a must, however, for PhD students specializing in Development.

I. Purposes of this course:
(1) To familiarize the student with a variety of analytical tools for policy planning- both short-term and long term; and especially with experience on "how to do it" at the macro or sectoral levels in a wide variety of countries and economic environments.
(2) To provide experience in the critical evaluation of the assumptions, economic and political economy modeling, empirical evidence and the validity of alternative policy recommendations.
(3) To encourage original research in the field by modifying existing models, trying to identify ways to obtain more relevant empirical evidence, to develop new models and to derive new policy implications.
(4) To call attention to the pros and cons on some of the most important new but also enduring issues in the field and of the availability of data sets useful to investigating them empirically.

II. Subject Matter and the Relation of this Course to Others
Since the Department offers a variety of different courses in the field of Development Economics, this course deliberately gives but minimal recognition to topics covered in depth in those courses, as important and basic to the field as they are. Some overlap, however, is inevitable given the changing nature of the field and the changing content of this course over time. Instead emphasis will be given to issues of current policy concern, especially to those at the Macroeconomic or sectoral level, including institutions and political economy.

III. Background:
Although participation by students outside of Economics and Political Economy is encouraged, the fact that this course is at the 600 level indicates that students should have been exposed to M.A. level micro and macro level courses, such as 500 and 501 or better 503 and 505. Given the empirical nature of much of the course, some exposure to econometrics 414 or 511 or 513 is essential. Students with strong theoretical and empirical tools are strongly encouraged to attempt applications of these tools when and where they feel they are relevant. Those with less strong backgrounds in these respects are encouraged to concentrate on political economy and institutional issues. Students coming from LDCs or with experience in LDCs are encouraged to share that experience with the rest of the class when that experience seems relevant to the issues and articles under discussion.

IV. Standards, Course Requirements and Grades:
Because the syllabus was put together prior to the start of the semester, it is possible that some requirements may have to be changed as a result of unforeseen developments.

(1) 40% of the grade in this course is based on performance on a series of four short papers and exercises (out of the six tasks or alternatives identified below); 25% is for a term paper which is due no later than Tuesday April 26 at 12 noon; 25% is for performance on the final exam on Monday May 9 at 8-10AM and the remaining 10% will be based on class participation including class presentations. (2) To receive full grades on the papers, the papers must be submitted on (or before) the date required. Late papers will be discounted by 10% per day late and no papers will be accepted after May 3 at 4PM. (No requests for INCOMPLETE at the end of the class will be considered unless strictly justified for emergency health reasons.) In writing papers, students should be careful to attribute to others the data, ideas, etc. taken from these sources by providing detailed references so as to avoid any suspicion of plagiarism and make it easy for anyone reading the paper to quickly locate the references and data sources. (3) While students are allowed to talk to each other about the issues involved in the assignments and the readings, no collaboration whatsoever is permitted in writing the papers (unless otherwise indicated).

V. Schedule of Papers and Due Dates

Each short paper should be limited to fifteen pages double spaced (exclusive of tables, figures and references).

Paper 1: January 31 At beginning of class and oral presentation
Paper 2: February 14 At beginning of class and oral presentation
Paper 3: March 3 At the beginning of class and oral presentation
Paper 4: March 21 At the beginning of class and oral presentation
Paper 5: April 4 At the beginning of class and oral presentation
Paper 6: April 13 At the beginning of class and oral presentation
Term Paper: April 25 at the beginning of class Tuesday Dec. 9 at 12 noon.

Term Paper

The term paper may be based on an extended version of any of your four short papers or on a topic of your choice but on a topic approved by the instructor, based on large part by its relevance to this course. The term paper should contain a brief motivation for the importance of the subject, a brief literature review, a theory section (preferable extending what exists in the literature), empirical evidence, and conclusions for theory, policy and further research. If the term paper is based on a short paper, its extension of that short paper should be very substantial.

A two page proposal of your term paper, indicating why it is important, what is new relative to the literature and basically what you propose to do in the paper is due on Thursday February 24.

VI. Class and Readings Schedule: First Class M Jan 10. Last Class April 27; No Class Jan 17, Feb 21, March 14, 16 due to holidays

Required readings are indicated by * ; items on reserve by (r).

1: Introduction: Overview of the Course and a First Run through Assessing the Relative Importance of Institutions, Factor Accumulation, Geography and Politics in Growth and Development

**Roberto Rigobon and Dani Rodrik “Rule of Law, Democracy, Openness and Income: Estimating the Interrelationships”

2. Growth Theory, Growth Accounting, Convergence and Development, Developed Countries and Catchup Countries like those of East Asia?

* Charles J Jones Ch 1, 2 ;Debraj Ray, Development Economics, Princeton, Ch. 3 ®
*Robert Barro and Xavier Xala-i-Martin Economic Growth, McGraw-Hill, 1995, Ch. 1-5 (Skim Only), Ch. 10, 11 ®
YN Ch. 9®
Sachs and Larrain, Ch 18


World Bank The East Asian Miracle.


Dani Rodrik 1999 Critique of East Asian Miracle

3. Putting New Elements into Growth Models: Human Capital, Land, Infrastructure

*Jones Ch 3-5, Ray, Ch. 4, ®
* AER* (May) 407-437

Robert Barro and Xavier Xalai-Roig *Economic Growth*, McGraw-Hill, 1995, Ch. 6-9 (Skim)®


http://www.jstor.org/view/00072303/di009472/00p0122b/0?currentResult=00072303%2bd009472 %2bp0122b%2b0%2c01%2b19950000%2b9995%2b80049999&searchID=ce993341.10612479 740&frame=bursement&sortOrder=SCORE&userID=807db963@usc.edu/01cc9933410050e192c2&
dpi=3&viewContent=Article&config=jstor


Peter Klenow and Andres Rodriguez-Clare "The Neoclassical Revival in Growth Economics: Has It Gone too Far?" NBER Macroeconomics Annual, 73-103.


Task 1: Studies like that of Rigobon and Rodrik and many others in sections 1-3 of this syllabus assume that all countries respond in the same way to shocks or variables and hence can be studied in the context of a single model with international cross-section or pooled data. What do you think of this assumption and why? How might you check its validity? If not valid, what alternatives would you propose? Can you find any empirical support for your position?

4. More Focus on the Role of Human Capital and the Micro-Macro Paradox: Focus on Methodological Problems


Paul Glewwe 1999. The Economics of School Quality Investment in Developing Countries Macmillan J.R. Behrman and A.B. Deolalikar "Health and Nutrition", HDE, Ch 14
M.R. Rosenzweig Population Growth and Human Capital Investments: theory and Evidence JPE 98, S12-S70. Reprinted as Ch 2 in BUR.
Lau, Jamison, Liu and Rivkin “Education and Economic Growth, JDE 41 (1) 1993
*Michael Kremer “Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons
Krishna Kumar, Education, Technical Change and Openness
*Paul Glewwe School and Skills in Developing Countries: Education Policies and Socioeconomic Outcomes JEL XL 2002, 436-482.
Chen and Nugent 2003

Practice Term Paper Idea: Identify a paradox (i.e. some seeming inconsistency between different theoretical implications, between accepted theory and evidence or between different empirical findings). Offer an explanation of your own that would resolve the paradox. Offer some evidence for your explanation. Example: the Micro-Macro Paradox in the Rate of Return to Education and then develop your own (preferably new) explanation. Suggest how you might obtain evidence in support of it

5. Technology Change and Some Endogenous Growth Models and their Applicability to Development

• Jones Ch 6-9
• Easterly 2001, Ch 8,9
P.M. Romer "Increasing Returns and Long-Run Growth, JPE 94 (5 1986) 1002-1037. 
http://www.jstor.org/view/00223808/di971046/97p0018x/0?currentResult=00223808%2bdi971046%2b97p0018x%2b%
0%2c01%2b19990500%2b99995%2b8009999999%2b&searchID=8dd55340.10614254270&frame=noframe&sortOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
R.E. Lucas "Why Doesn't Capital Flow from Rich to Poor Countries?" AER 80 (May 1990), 92-96. 
http://www.jstor.org/view/00028282/di971046/97p0017v/0?currentResult=00028282%2bdi971046%2b97p0017v%2b%
0%2c01%2b19990500%2b99995%2b8009999999%2b&searchID=8dd55340.1061425201&frame=noframe&sortOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
http://www.jstor.org/view/00223808/di971068/97p0273r/0?currentResult=00223808%2bdi971068%2b97p0273r%2b%
0%2c01%2b19910600%2b99995%2b8009999999%2b&searchID=8dd55340.1061425340&frame=noframe&sortOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
• P. David 1985. Clio and the Economics of QWERTY, AER 75 (May), 332-337.
• Kim and Nelson Technology, Learning and Innovation: Experiences of Newly Industrializing Countries. Cambridge: Cambridge University Press.
http://www.jstor.org/view/00028282/di971046/97p0018x/0?currentResult=00028282%2bdi971046%2b97p0018x%2b%
0%2c01%2b19900500%2b99995%2b8009999999%2b&searchID=8dd55340.10614254270&frame=noframe&so
rtOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
http://www.jstor.org/view/00223808/di971068/97p0238k/0?currentResult=00223808%2bdi971068%2b97p0238k%2b%
0%2c01%2b19901000%2b99995%2b8009999999%2b&searchID=8dd55340.10614254270&frame=noframe&sortOrder=SCORE&uid=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
Aghion and Howitt 1998. Endogenous Growth Theory, Ch 10
E. Jimenez “Human and Physical Infrastructure: Investment and Pricing Policies in Developing Countries (HDE 3b) (r) 
*Daniel Boorstin 1983. The Discoverers N.Y. Random House, esp.Book 1 Time Ch.7-9,
http://www.jstor.org/view/00028282/di971046/97p0018x/0?currentResult=00028282%2bdi971046%2b97p0018x%2b%
0%2c01%2b19900500%2b99995%2b8009999999%2b&searchID=8dd55340.10614254270&frame=noframe&so
rtOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
http://www.jstor.org/view/00223808/di971068/97p0238k/0?currentResult=00223808%2bdi971068%2b97p0238k%2b%
0%2c01%2b19901000%2b99995%2b8009999999%2b&searchID=8dd55340.10614254270&frame=noframe&sortOrder=SCORE&uid=807db95c@usc.edu/018dd553400050c5de2e&dpl=3&viewContent=Article&config=jstor
Aghion and Howitt 1998. Endogenous Growth Theory, Ch 10
E. Jimenez “Human and Physical Infrastructure: Investment and Pricing Policies in Developing Countries (HDE 3b) (r) 
*Daniel Boorstin 1983. The Discoverers N.Y. Random House, esp.Book 1 Time Ch.7-9,
Book 4, Ch 62-68
J. Benhabib and Spiegel 2002 Human Capital and Technology Diffusion

Task 2: Identify a specific technological change of importance to one or more developing countries. Describe how it came about and what difficulties it faced and problems and benefits it may have triggered. In the light of this, how would you model both its emergence and its effects on long run growth? How might your model be tested empirically? .

6. Putting Inequality and Institutions into Growth and Development
Drazen Ch 9,11.


Hausmann and Rodrik 2002 Economic Development as Self-Discovery

7. Institutions and Development: Empirical Studies including those focusing on the demise of Africa


* Barro, Determinants of Economic Growth , MIT Press, Ch. 1.2.(r,b)


As well as other papers by Deaton, Ndulu and O’Connell, Schultz, in the same issue


*Mancur Olson “Big Bills Left on the Sidewalk: Why Some Nations Are Rich and Others Poor” JEP 1996 (p)

X.X. Sala-i-Martin 1997" I Just Ran Two Million Regressions" AER Papers and Proceedings , May, 178-183 http://www.jstor.org/view/00028282/di98177/98p0375q/0

Jeff Sachs and Andrew Warner "Fundamental Sources of Long-Run Growth” AER May 1997, 184-188. http://www.jstor.org/view/00028282/di98177/98p0376r/0?currentResult=00028282%2bd918877%2b098p0376r%2b0


North 1991 Institutions, Institutional Change and Economic Performance


Task 3 Pick a particular Institution that you think is important for development. Explain its determinants and effects and how this might relate to development. Model this in a way that is not a mere repetition of what others have done. How could your model be tested? Can you provide any evidence for it.

8. Trust , Values, Law and Corruption

a. Values and Trust


b. Law and Finance
http://www.jstor.org/view/00223808/di000006/00p0044u/0?currentResult=00223808%2bdi000006%2b00p0044u%2b0%2c01%2b19981200%2b9995%2b80018799&searchID=cc993341.10612512640&frame=noframe&sortOrder=SCORE&userID=807db963@usc.edu/01cc9933410050c192c2&dpi=3&viewContent=Article&config=istor
Johnson, La Porta, Lopez-de-Silanes and Shleifer 2000 Tunnelling, AER May 22-27.

c. Corruption
Easterly 2001, Ch. 12
http://www.jstor.org/view/00335533/di976351/97p0006p/0
http://www.sciencedirect.com/science?_ob=MImg&_imagekey=B6VBV-3Y9TTH-1-43&_cdi=5936&_orig=browse&_coverDate=12%2F31%2F1999&_sk=999399997&view=c&wchp=dGLbVzb-zSkWW&acct=C000051901&_version=1&_userid=1181656&md5=f1a76b694591dbfbb07457af647050c5&ie=f.pdf
http://www.jstor.org/view/00220515/dm990869/99p0006i/0?currentResult=00220515%2bdm990869%2b99p0006i%2b0%2c01%2b19970900%2b9995%2b800290999&searchID=8dd5533b.10612516020&frame=noframe&sortOrder=SCORE&userID=807db963@usc.edu/01cc9933410050e192c2&dpi=3&viewContent=Article&config=istor
http://www.jstor.org/view/00335533/di976343/97p0122k/0?currentResult=00335533%2bd976343%2b97p0122k%2b0%2c01%2b19930800%2b9995%2b80069199&searchID=8dd55340.10614239000&frame=noframe&sortOrder=SCORE&userID=807db95c@usc.edu/018dd5534000050e5de2e&viewContent=Article&config=istor
S. Rose-Ackerman Corruption and Government Causes, Consequences and Reform. Cambridge: Cambridge University Press
J. Lambsdorff 1999 Corruption in Empirical Research – A review (jlambsd@uni-goettingen.de
For data etc. see the Website of Transparency International

Alesina and LaFerrara 2000 “Participation in Heterogeneous Communities, QJE 115, 847-904.
Elinor Ostrom " Investing in Capital Institutions and Incentives
Melina Smale and Vernon Ruttan Social Capital and Technical Change: The Groupements Naam of Burkina Faso
Deepa Narayan Focus on People's Participation: Evidence from 121 Rural Water Projects"
Vernon Ruttan Participation and Development
Ismael Serageldin and Christian Grootaert Defining Social Capital: An Integrating View
A. Alesina and LaFerrara 2000 “Participation in Heterogeneous Communities, QJE 115, 847-904.
Elinor Ostrom " Investing in Capital Institutions and Incentives
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http://www.jstor.org/view/00029602/dm992703/99p0163q/0?currentResult=00029602%2bdm992703%2bb99p0163q% 2b6%2c01%2b19889900%2b9995%2bb80110099&searchID=8dd55540.10614249470&frame=noframe&sortOrder=SC OR&userID=807db95c@usc.edu/018dd555400059c5dc2e&dpi=3&viewContent=Article&config=jstor
J. Sobel 2002 Can We Trust Social Capital? JEL 40 (1) 139-154
Task 4: With respect to an existing data set, suggest an innovative way in which social capital (broadly construed) might be measured and how it might affect resource accumulation, public goods provision, inequality, efficiency and/or the rate of growth?
10. Median Voters and Democracy, Rent Seeking, New Comparative Economic Systems and Why Best Policies Are Seldom Chosen
* Peter Boettke”The New Comparative Political Economy”, ,
*Djankov, La Porta, Lopes de Silanes and Shleifer 2002. The Regulation of Entry
http://www.jstor.org/view/00028282/di950083/95p00956/0?currentResult=00028282%2bd950083%2bb95p00956%2b 0%2c01%2b19740600%2b9995%2b80259399&searchID=8dd55540.10614251162&frame=noframe&sortOrder=SC OR&userID=807db95c@usc.edu/018dd555400059c5dc2e&dpi=3&viewContent=Article&config=jstor
C.K. Rowley and G. Tullock, eds. The Political Economy of Rent-Seeking
http://www.jstor.org/view/00130133/di983491/98p0150s/0?currentResult=00130133%2bd983491%2bb98p0150s%2b0 %2c01%2b19870900%2b9995%2b80129099&searchID=8dd55540.10614251950&frame=noframe&sortOrder=SCOR E&userID=807db95c@usc.edu/018dd555400050e5de2e&dpi=3&viewContent=Article&config=jstor

11. Industrialization, Relative Prices and Growth

12. Traded and Non-Traded Goods: Natural Resources, Oil, Aid and the Dutch Disease: Failure of Growth in the MENA Region
Sachs and Larrain Ch 21
*Corden, W.M. 1984 Booming Sector and Dutch Disease Economics: Survey and Consolidation, OEP 36 359-380. (p) http://www.jstor.org/view/00307653/di015361/01p00053/0?currentResult=00307653%2bd4015361%2bd401p00053%2bd 0%2e01%2b19841100%2b9995%2b80158899&viewContent=Article&config=jstor


J. Eaton, Foreign Public Capital Flows, HDE 2 Ch 25, (r)


*Kuran, Historical Reflections on the Demise of Development in The Middle East Forum 5 Why the Middle East is Economically Underdeveloped: Historical Mechanisms JEP 2004


13. New Growth Theory and Extensions to Political Orientation and Structure
Ross Levine and Sara Zervos What Have We Learned About Policy and Growth from Cross-Country Regressions? AER 83 (May 1993)


A&M Endogenous Growth, Ch 15-17 (r)

P.N. Rosenstein-Rodan "Problems of Industrialization of Eastern and South-eastern Europe, " EJ (June 1943) reprinted and with critique in G.M. Meier, LIIED, http://www.jstor.org/view/00130133/di983313/98p0314k/0?config=jstor&frame=noFrame&userAID=807db95c@usc.edu&content=Article&config=jstor


14. Open Economy Macroeconomic Models for Developing Countries
Sachs and Larrain Ch 13, 14, 19
Lance Taylor Structuralist Macroeconomics (r)
Dornbusch and Helmers Ch 1-7, 10,11 and Appendices World Bank EDI 1988
P. Arida and L. Taylor Short-Run Macroeconomics HDE 2, Ch 17(r)
*A&M Basic Macro Issues Ch 1-4 (r), 6, 9
A&M 10-13

Haque, Lahiri and Montiel A Macroeconometric Model for Developing Countries, IMF Staff Papers 37 (September 1990), 537-559.(p)
Agenor and Aizenman 1994 Macroeconomic Adjustment with Segmented Labor Markets” NBER June 1994
http://www.sciencedirect.com/science?_ob=MImg&_imagekey=B6VBV-3Y9TTXH-7-6&cdi=5936&orig=browse&coverDate=12%2F1%2F1999&sk=999399997&view=c&wchp=dGLbVzb-ySkWb&acct=C000051901&version=1&userid=1181656&md5=8b14305829c28cc524371afe60204317&ie=f.pdf

http://www.jstor.org/view/00346535/di952977/95p0349i/0?currentResult=00346535%2bd5952977%2b95p0349%2b0%2c01%2b19720200%2b59995%2b80279799&searchID=8dd55340.1061241130&frame=noframe&sortOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpi=3&viewContent=Article&config=jstor


a. For Long Term Growth: Commitment and Infrastructure
*Witold Henisz “The Institutional Environment for Economic Growth” Economics and Politics 12 (1) 1-31
Henisz and Zelner “The Institutional Environment for Telecommunications Investment” Drazen, Ch 1, 2, 4-6, 10
Jakob de Haan, Jan Sturm and Bernd Jan Sikken 1996 Government Capital Formation: Explaining the Decline Weltwirtschaftliches Archiv 132 (1) , 55-74

b. Inflation and Stabilization
*Barro, Determinants of Economic Growth , MIT Press, Ch 3
A&M Stabilization Policy and Experience Ch 8-11 (r)
Easterly, Ch 11

c. Central Bank Independence
d. Political Business Cycles


A&M Ch 19


d. Political Instability


http://www.jstor.org/view/00028282/df977314/97p00125/0


Collier and Hoeffler Greed and Grievance in Civil War World Bank WP 2355.

Shahnawaz and Nugent Is Natural Resource Wealth Compatible with Good Governance, MEEF, forthcoming

f. Budgetary Institutions and Stabilization and Growth


Mouna Cherkaoui Institutional Reform and Efficiency of the Budget Process: A Case Study of Morocco

**g. Opening Up, Stabilization and Growth**


16. **Program Evaluation Problems:**

a. **Population Policy and Development**


S. O. Rutstein, Do Family Planning Programs Decrease Fertility? Paper presented to the PAA San Francisco 1995.(p)


Easterly 2001, Ch 5

b. **The Efficacy of IMF or World Bank Structural Adjustment or Stabilization Programs**

Nugent and Swaminathan


Nabli and Nugent, New Institutional Economics and Development, Amsterdam: North-Holland Ch 3 (r)


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http://www.jstor.org/view/00223808/98p0067d/0?currentResult=00223808%2bd980599%2b98p0067d%2b0%2c01%2b19921200%2b699%2b80078799&searchID=cc993341.10614232180&frame=noframe&sortOrder=SCORE&userID=807db95c@usc.edu/018dd553400050c5de2e&dpi=3&viewContent=Article&config=jstor


Brunetti and Weder 1999 More Open Economies Have Better Governments

Task 5: The world is filled with bad policies. Choose a particular regulatory or policy reform that you believe may be beneficial to development. Develop a political economy model that you believe helps explain why that reform may be difficult to bring about but also how it might be brought about in some situations. Also cite at least anecdotal evidence to support your argument including how, why and when it has occurred.

18. Sectoral Models, Planning Models and To Plan or Not To Plan and How?
*a.S and dj Ch. 1, 2, 7-12

I-O Analysis
DDR Ch 1-4
*YN Ch 21


LP
*DDR Ch 3

17. SAMS and CGEs: Applications to Distribution, Trade and Environment Effects


DDR Ch 4-13 (r)


J. Mercenier and T.N. Srinivasan "Introduction to Applied General Equilibrium Analysis and Economic Development"


Ostrom, Schroeder and Wynne Institutional Incentives and Sustainable Development: Infrastructure Policies in Perspective Boulder: Westview (r)

Chakravarti, Datta, Howe, and Nugent Simulating Policy Effects on Sustainable Development in the Forests of Poor Countries


K. Anderson and Richard Blackhurst Trade, the Environment and Public Policy (p)


18. Structural Adjustment and Trade and Industry Reforms
D. Rodrik, ”Trade and Industrial Policy Reform in Developing Countries: A Review of Recent Theory and Evidence” HDE 3 (r)
V. Corbo and S. Fischer "Structural Adjustment, Stabilization and Policy Reform: Domestic and International Finance" HDE 3 (p)
S. Edwards, Disequilibrium and Structural Adjustment" HDE 2, Ch 28 (r)
L. Taylor, ed. The Rocky Road to Reform, Ch 1, 3 (r)
A&M Debt Overhang, Stabilization and Growth 12-14 (r)
D. Rodrik “How Should Structural Adjustment Programs be Designed?” WD 18 (7) 1990 933-947 (p)

Task 6. Do a detailed critique of none of the three double-starred(**) papers by Rodrik in this syllabus. Criticize as much as you can in the paper and suggest why had the paper used different assumptions, data or methodology his conclusions might have been affected.

Alternative Task:
Do a, b or c. Option c could be done jointly by two students.

(a) Do a benefit cost analysis of an assigned project. Evaluate the project in both private and social terms.
(b) Using the various models to which you have been exposed in this course, design an open economy macro model of a developing country of your choosing (other than your own) which you feel would capture the specific features of that economy and at the same time analyze the effects of specific monetary and fiscal policies. Be sure to distinguish between endogenous and exogenous variables. How and why does it differ from both standard models and other models that may have been constructed for the country you have chosen? Constrain the variable set to variables which are observable so that potentially the model could be estimated empirically.
(c) Identify a policy issue that can be appropriately addressed with the use of CGE model. Develop a small scale version of such a model and apply it to the issue under investigation.

19. Project Appraisal and Social Cost Benefit Analysis
S. Devarajan, Lyn Squire and S. Suthiwart-Narueput 1997 " On Reorienting Project Appraisal" Research Observer 12 (1) and Hammer and Harberger in the same volume
Arnold Harberger Project Evaluation: Collected Papers. Chicago: Markham 1974.(r)
*A.C. Harberger 1978 "On the Use of Distributional Weights in Social Cost Benefit Analysis" JPE 86
April 1978) S87-120, (p) http://www.jstor.org/view/00223808/di951003/95p0062g/0
*YN Ch. 20 (r)
Lynn Squire "Project Evaluation in Theory and Practice" HDE 2, Ch 21.(r)

Campos and Coricelli 2002 Growth in Transition: What We Know, What We Don’t and What We Should, JEL September 793-836.
Hsiao et al. forthcoming

Some Possible questions for the final exam
Some alternatives for papers 3-5 No more than one of the following

(a) Based on your understanding of the situation in a particular country, articulate the relationship as best you see it between inequality and growth and provide what evidence you can. Is the relationship positive or negative and what are the most important links? Model this. Which way does the causality go? Why?
(b) For an individual country of your choice (but not your own) construct a measure of corruption. What forms of corruption are most severe and why? What are the causes of such corruption? Provide a model of corruption that would include at least one policy type variable that could be used to derive implications as to what should be done about it? What could be done to mitigate criticisms of similar measures in the literature?
(c) Either for an individual developing country over time or for a cross section of such countries, is there a political business cycle? If so, why and what explains it best, if not why not? Why do you think your result differs (if it does) from what has been found for developed countries? Are there political business cycles (PBCs) even if there are no elections? In what way do different rules or governmental structures influence the existence or character of PBCs?
(d) There is increasing interest in the effects of institutional rules about the way budgets are formed, legislated and implemented on budgetary outcomes, especially the magnitude of fiscal deficits, their variation across the business cycle, the rates of inflation and the adequacy of funding for public infrastructure. For a country of your choice examine and evaluate the effect of any significant change in such institutional rules on budgetary outcomes. Try to rule out (adjust for) the effects of other factors that might affect budgetary performance. Explain success or failure of the institutional change. How might the change be modified so as to make the experience more favorable?
(e) A major problem in countries going through financial crises has been a high rate of bankruptcies and inefficient judicial or other procedures for handling such cases. Do a comparison of the “before-after” type within a country where the relevant policies and procedures may have changed over time or a comparison across otherwise similar countries (or states within countries) where different procedures are used so as to evaluate the effects of different bankruptcy resolution procedures and hence the possible effectiveness of reforms. Try to rule out the effects of other possible determinants of performance.
(f) Something of your choosing (but approved by the instructor) dealing with environment
(g) What are the major differences in the long term determinants of growth across countries? Do these differences require differences in the growth model itself or only in the parameter values?

VII. Textbooks and Journals
A. Textbooks and Key Reference Books (r=on reserve in Leavey Library; b= in bookstore)
Robert Barro *Determinants of Economic Growth* 1998 MIT Press (b,r)
Christopher Clague, ed., Institutions and Economic Development, Johns Hopkins (b,r)
Raghbendra Jha  Macroeconomics for Developing Countries. London: Routledge 1994 (r)

**B. Relevant Journals**

| AER | American Economic Review |
| JEL | Journal of Economic Literature |
| JME | Journal of Monetary Economics |
| JLE | Journal of Law and Economics |
| JPE | Journal of Political Economy |
| MS | Manchester School |
| QJE | Quarterly Journal of Economics |
| WBER | World Bank Economic Review |
| JED | Journal of Economic Development |
| EDCC | Economic Development and Cultural Change |
| JDA | Journal of Developing Areas |
| JDS | Journal of Development Studies |
| AJAE | American Journal of Agricultural Economics |
| CMJE | Cambridge Journal of Economics |
| Ec | Econometrica |
| OEP | Oxford Economic Papers |
| PDR | Population and Development Review |
| RES | Review of Economics and Statistics |
| JDJE | Journal of Development Economics |

**C. Useful Data Sources:**


Poverty Data from Xavier Sala-i-Martin The World Distribution of Income NBER 8933

Resources for economists on the internet at: http://econwpa.wust1.edu/EconFAQ/EconFAQ.htm1

Penn World Tables version 5.6 for 152 countries on 29 variables 1960-1992 NBER available through the University of Toronto at http://datacentre.epas.utoronto.ca:5680/pwt/pwt.htm1

The Interamerican Bank and The Asian Development Bank also have nice Web sites:

UNDP web site http://www.undp.org

Hardcopy yearbooks available in VKC Library:
United Nations, Yearbook of National Account Statistics
UNIDO, UNCTAD, ILO, FAO and the regional commissions of the United Nations also put out yearbooks and data series of different types