Prerequisites
This course is open to those students who have acquired the basic knowledge of micro, macro, and international economics. Non-credit-taking students will be admitted on the consent of the instructor. If you are at all doubtful that you have an appropriate background for the course, please see me as soon as possible.

Subject Matter
The subject matter of the course is divided into three parts. The first part mainly deals with stabilization policies in developing countries. Since these policies, in general, aim at moderating inflationary pressures and strengthening the balance of payments, it is essential to have a thorough understanding of inflation, exchange rates and balance of payments in the context of developing countries.

The second part covers the issues of income distribution and employment in developing countries. Topics include measurements of income inequality, the choice of technology, and economic efficiency.

The third part of the course covers the analysis and appraisal of development projects. Students will be exposed to the concept of social opportunity costs of key factors and to some applications.

Grades

10 percent - class participation
25 percent - first mid-term exam
25 percent - second mid-term exam
40 percent - final exam

Important Sources
W. R. Cline and S. Weintraub, Economic Stabilization in Developing Countries, 1981.
J. Cody, H. Hughes, and D. Wall, Policies for Industrial Progress in Developing Countries, 1980.
Various Issues of IMF (International Monetary Fund) Staff Papers.


Readings - Part I Inflation, Stabilization, and Exchange Rates


The New International Economic Order (Bhagwati ed.)
Kenen, Peter B., "Debt Relief as Development Assistance," Chapter 2.
Cooper, Richard N., "The Oceans as a Source of Revenue," Chapter 4.
Narveda, K., "Taxing the Brain Drain: A Global Point of View," Chapter 5.
Johnson, D. Gale, "Increased Stability of Grain Supplies in Developing Countries: Optimal Carryovers and Insurance," Chapter 10.
Belleiner, G. K., "International Technology Issues: Southern Needs and Northern Responses," Chapter 12.


Readings - Part II Income Distribution, Employment and Technology

Readings - Part III Elements of Social Cost-Benefit Analysis

Readings - Part III Elements of Social Cost-Benefit Analysis
Applications


Approximate Course Schedule

<table>
<thead>
<tr>
<th>Week Beginning</th>
<th>Topic and Reading Assignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/20</td>
<td>Inflation by Dallas S. Batten (FRB St. Louis, 1981)</td>
</tr>
<tr>
<td>1/25</td>
<td>Inflation Tax: Friedman and Anwarneimer</td>
</tr>
<tr>
<td>2/1</td>
<td>Welfare Cost of Inflation: Frankel and Sjaastad</td>
</tr>
<tr>
<td>2/8</td>
<td>&quot;Vicious Circle&quot; Hypothesis: Bilson and Bond</td>
</tr>
<tr>
<td>2/15</td>
<td>Stabilization Policies: Crockett</td>
</tr>
<tr>
<td>3/1</td>
<td>Stability of Grain Supplies: Johnson and Behrman</td>
</tr>
<tr>
<td>3/8</td>
<td>Brain Drain and Other Issues: Cooper and Hamada</td>
</tr>
<tr>
<td>3/15</td>
<td>First Mid-Term</td>
</tr>
<tr>
<td>3/22</td>
<td>Spring Vacation</td>
</tr>
<tr>
<td>3/29</td>
<td>Income Distribution: Floyd</td>
</tr>
<tr>
<td>4/5</td>
<td>Measurement of Income Inequality: Chapters 5, 6 in the L-P text</td>
</tr>
<tr>
<td>4/12</td>
<td>Choice of Technology: Findlay, Halleiner and Chapter 8 in L-P text</td>
</tr>
<tr>
<td>4/19</td>
<td>Second Mid-Term</td>
</tr>
<tr>
<td>4/19</td>
<td>Elements of Social Cost-Benefit Analysis: Harberger and Mishan</td>
</tr>
<tr>
<td>4/26</td>
<td>Social Opportunity Cost of Key Factors: Harberger and Krueger</td>
</tr>
<tr>
<td>5/3</td>
<td>Applications: Harberger and Harberger</td>
</tr>
<tr>
<td>5/10</td>
<td>Review and Final Exam</td>
</tr>
</tbody>
</table>