COURSE OBJECTIVES

This course will expose students to the major issues of economic reform in developing countries. Economic reform is now ubiquitous throughout the developing world. Most developing countries are at various stages in the transition from economies dominated by economic planning and dirigiste policies, toward more market oriented economies in which the role of government is more constrained. An understanding of the nature, timing and impact of these reforms is essential for all students in development economics.

TOPICAL OUTLINE AND ASSIGNED READINGS


Optional Texts on Reserve

1. Introduction to Economic Reform in the Developing Countries, Jan 16-31
   A. The need for economic reform
      1. The record of economic instability
      2. Sources of economic instability
         a. external shocks
         b. internal shocks
      3. Dynamics of economic instability
   B. Economic Reform and Economic Welfare
      1. Economic reform and the distribution of income and wealth
      2. Economic reform and social progress

Readings

Required text:
Part Eight. Economic Reform
Chapter 18 Stabilization Policy pp. 484-497
Part I. Introduction to Economic Development
Chapter 1 Basic Concepts and Measures

Optional texts:
Rudiger Dornbusch and Sebastian Edwards, *Reform, Recovery, and Growth: Latin America and the*
Middle East

II B. The political economy of economic reform. Feb 2-16
   1. Political economy and public choice in the developing country setting
   2. The New Political Economy
   3. The pluralist revolution in the developing countries

Readings

Required text:
Part II Political Economy
Chapter 4 Competing Paradigms of Political Economy
Chapter 5 The New Political Economy
Chapter 6 The Pluralist Revolution

Optional texts:
Anne Kreuger, Economic Policy Reform in Developing Countries
Robert H. Bates, Toward a Political Economy of Development
Gerald M. Meier, Politics and Policy Making in Developing Countries
Robert H. Bates, and Anne Krueger, Political and Economic Interactions in Economic Policy Reform
Rudiger Dornbusch and Sebastian Edwards, The Macroeconomics of Populism in Latin America

III. Stabilization Policies. Feb 19-Mar 6
   A. Orthodox stabilization policies
      1. Fiscal reform
      2. Monetary reform
      3. Exchange rate reform
   B. Heterodox stabilization policies
      1. Incomes policy
      2. Debt strategy
   C. Political economy of stabilization policy
      1. Case studies
      2. Lessons for stabilization policy

Readings

Required Text:
Chapter 18 Stabilization Policy pp.497-524

Optional Texts:
Sebastian Edwards, From Despair to Hope: Crises and Reform in Latin America
------------------------, Debt Adjustment and Recovery: Latin American Prospects for Economic Growth and Development
------------------------, Real Exchange Rates, Devaluation and Adjustment: Exchange Rate Policy in the Developing Countries
------------------------, Monetarism and Liberalization: The Chilean Experiment
Midterm Examination Mar 8

IV. Structural Adjustment Policies

A. Trade Reform Mar 11-22
1. Outward looking versus inward looking trade policies
2. Trade liberalization
3. Case studies
4. Lessons for trade reform

Readings

Required Text:
Part Seven The International Economy
Chapter 16 International Trade
Part Eight Economic Reform
Chapter 19 Structural Adjustment pp. 533-542

Optional Texts:
Ronald Jones and Anne Krueger, The Political Economy of International Trade
Anne Krueger, Perspectives on Trade and Development

B. Financial Reform Apr 1-12
1. Financial repression
2. Financial liberalization
3. Case studies
4. Lessons for financial reform

Readings

Required Text:
Part Seven. The International Economy
Chapter 17 International Finance
Part Eight Economic Reform
Chapter 19 Structural Adjustment pp. 524-533

Optional Texts:
Jeffrey Sachs, Poland's Jump to the Market Economy
Ronald McKinnon, Financial Liberalization and Economic Development: A Reassessment of Interest Rate Policies in Asia and Latin America

C. Reforming the Public Sector Apr 15-26
   3. Deregulation
   4. Privatization

Readings
Required Text:
Part Eight Economic Reform
Chapter 19 Structural Adjustment pp. 542-553

Optional Texts:
Dennis Gayle and Jonathan Goodrich, Privatization and Deregulation in Global Perspective
OECD, Rebalancing the Public and Private Sector in Developing Countries

D. The Order of Liberalization Apr 29- May2

Readings
Required Text:
Part Eight Economic Reform
Chapter 19 Structural Adjustment pp. 553-560

Optional Texts:
Sebastian Edwards, The Order of Liberalization of the External Sector in Developing Countries
Ronald McKinnon, The Order of Economic Liberalization: Financial Control in the Transition to a Market Economy

Final Examination

COURSE REQUIREMENTS

Examinations:
The midterm examination will cover the first three topics, Introduction to Economic Reform, Political Economy of Economic Reform, and Stabilization Policy. The final examination will cover the final topic, Structural Adjustment Policies. Both examinations are essay exams focused on target questions
relating to each topic.

Term Paper

Each student is required to write a term paper in which you select a particular developing country and explore a structural reform in that country. You should focus on a specific structural reform and critically evaluate that reform with reference to the material from the class, including class lectures, and required and optional readings. For example, you might explore trade reform, or financial reform, or reform of the public sector in a specific developing country. You should not attempt to discuss the entire range of reforms explored in the course, or reforms in a number of countries, since that is beyond the scope of a term paper. You are also required to participate in class discussions relating to your topic. The schedule for term paper requirements is as follows:

Jan 29 submit preliminary term paper topic, outline, and bibliography
Feb 12 submit final term paper topic, outline, and bibliography
Mar 1 submit final term paper
Mar 11–May 2 participate in class discussions on structural adjustment policies in developing countries

Grading Policy

The final grade is based upon the midterm grade, the final exam grade, and the term paper grade. Each of these grades is equally weighted.