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

Required Text: Barry W. Poulson, Economic Development: Private and Public Choice

Optional Texts on Reserve

I Introduction to Economic Development (Jan 13-17)
   1. The concept and measurement of economic growth
   2. The concept and measurement of economic development

Readings

Required text:
Part II Introduction to Economic Development
Chapter 1 Basic Concepts and Measures

II Political Economy (Jan 20-31)
   1. Political economy and public choice in the developing country setting
   2. The New Political Economy
   3. Populism and Economic Reform

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. Economic Instability in the Developing Countries (Feb 3-14)

1. The record of economic instability
2. Sources of economic instability
   a. external shocks
   b. internal shocks
3. The adjustment to shocks
4. Heterodox stabilization policies

Readings

Required text:
Part Eight. Economic Reform
Chapter 18 Stabilization Policy pp. 484-497

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

IV. Orthodox Stabilization Policies (Feb 17-28)

1. Fiscal reform
2. Monetary reform
3. Exchange rate reform
4. Case studies
5. 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 4

V. Structural Adjustment Policies

A. Trade Reform Mar 6-13
   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 Mar 17-21
   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 pp524-533

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 1-11
   1. Tax reform
   2. Expenditure reform
   4. Privatization
   3. Deregulation

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 14-22

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

VI Economic Reform and Economic Welfare Apr 24-May 2
1. Poverty and Income Distribution
2. Economic Reform and social welfare

Readings
Required Text
Part Three Inequality
Chapter 7 The Distribution of Income and Wealth
Chapter 8 Poverty

Final Examination

COURSE REQUIREMENTS

Examinations:
The midterm examination will cover the first four topics, Introduction to Economic Development, Political Economy, Economic Instability, and Orthodox Stabilization Policies. The final examination will cover the final two topics, Structural Adjustment, and Economic Reform and Economic welfare. 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 specific reform in that country. You should focus on a specific 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 a specific stabilization policy, e.g. fiscal policy, monetary policy, or exchange rate policy; or you might choose a specific structural adjustment policy, e.g. trade reform, 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 30 submit preliminary term paper topic, outline, and bibliography
Feb 20 submit final term paper topic, outline, and bibliography
Apr 17 submit final term paper

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.