

## Syllabus

### Development policy strategy

January 2001

Ricardo Hausmann

## LECTURES AND READINGS

~ Section 1 ~

### Assessing growth.

#### *Day 1 – Income and growth: the stylized facts and the neo-classical growth model*

Romer, David *Advanced Macroeconomics*, Chapter 1-3.

Inter-American Development Bank, 2000 *Development Beyond Economics*, Economic and Social Progress, Chapter 1.

Pritchett, L. 1997. "Divergence, Big Time." *Journal of Economic Perspectives* 11 (Summer): 3-17.

Easterly, W. 1999. "Life During Growth." *Journal of Economic Growth* 4 (3) September: 239-275.

#### **Supplementary readings:**

Hulten, Charles R. "Total Factor Productivity: A Short Biography" NBER Working Paper No. W7471, available at <http://papers.nber.org/papers/W7471.pdf> .

Barro, R. "Notes on Growth Accounting", *Journal of Economic Growth*, Vol. 4, no. 2 (June 1999): 119-137. Also available as NBER Working Paper No. W6654, available at <http://papers.nber.org/papers/W6654.pdf> .

#### *Day 2 – Accounting for international income differences*

#### **Main readings:**

Robert Hall and Charles I. Jones "Why Do Some Countries Produce So Much More Output per Worker than Others?" *The Quarterly Journal of Economics*, vol. 114, no. 1, pp. 83-116, February 1999. Available also as NBER Working Paper No. W6564 (<http://papers.nber.org/papers/W6564.pdf>).

N. Gregory Mankiw, David Romer, David N. Weil, A Contribution to the Empirics of Economic Growth, *The Quarterly Journal of Economics*, pp. 407-437, (May 1992). Available through JSTOR at <http://lib.harvard.edu:2056/cgi->

[bin/jstor/viewitem/00335533/di976338/97p00385/0?currentResult=00335533%2bdi976338%2b97p00385%2b1%2c03%2b19920500%2b9994%2b80079499&searchID=cc99331a.9805209900&sortOrder=SCORE&nextHit=03&frame=frame&userID=80673cca@harvard.edu/01cc99331a005041ef91&displayChunk=10&psearchExp=%22%3cstrong%3eA%20Contribution%20to%20the%20Empirics%20of%20Economic%20Growth%3c/strong%3e%22&viewContent=Article&config=jstor&dpi=3](http://www.jstor.org/stable/20035533?currentResult=00335533%2bdi976338%2b97p00385%2b1%2c03%2b19920500%2b9994%2b80079499&searchID=cc99331a.9805209900&sortOrder=SCORE&nextHit=03&frame=frame&userID=80673cca@harvard.edu/01cc99331a005041ef91&displayChunk=10&psearchExp=%22%3cstrong%3eA%20Contribution%20to%20the%20Empirics%20of%20Economic%20Growth%3c/strong%3e%22&viewContent=Article&config=jstor&dpi=3) .

Easterly, W. and Levine, R. 2000. "It's Not Factor Accumulation: Stylized Facts and Growth Models." World Bank, Development Research Group, available from: <http://www.worldbank.org/research/growth/wpauthor.htm> .

#### **Supplementary readings:**

Pritchett, Lant. 1996. "Where Has All the Education Gone?" World Bank, Policy Research Department, Working Paper # 1581. ([Not available at WB web page](#))

Hausmann, Ricardo; Gavin, Michael; Talvi, Ernesto, "Saving Behavior in Latin America: Overview and Policy Issues. WP-346, May. 1997, available at [www.iadb.org/OCE/pdf/346.pdf](http://www.iadb.org/OCE/pdf/346.pdf) .

Rodrik, Dani "TFPG controversies, institutions and economic performance in East Asia", NBER WP-5914 (available at [www.nber.org](http://www.nber.org)).

Rodrik, Dani, "Saving Transitions", Drafts, J.F.K. School of Government, Cambridge, 1998., available at <http://ksghome.harvard.edu/~drodrik.academic.ksghome.org/savpaper.pdf> .

### ***Day 3 – Accounting for international income differences: Is it Trade? Is it Geography? Is it institutions?***

#### **Main readings:**

Jeffrey A. Frankel, David Romer "Does Trade Cause Growth?" American Economic Review, Vol. 89, no. 3 (June 1999): 379-399. ([Not available through Jstore](#))

Gallup, J. and J. Sachs. 1998. "Geography and Economic Development," ; Annual World Bank Conference on Development Economics 1998, Available: <http://www.cid.harvard.edu/economic.htm> .

Knack, Stephen and Philip Keefer (1997) "Why don't poor countries catch up? A cross national test of an institutional explanation" Economic Inquiry 35.

#### **Supplementary readings:**

Redding, Stephen and Venables, Anthony "Economic Geography and International Inequality", September 28, 2000, London, LSE Unpublished papers. Available at <http://econ.lse.ac.uk/staff/ajv/srtv.pdf> .

Rodriguez, F. and Rodrik, D. 1999 "Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence" NBER Working Paper No. W7081, available at <http://papers.nber.org/papers/W7081.pdf> .

Inter-American Development Bank. 2000. "Development beyond Economics, " Economic and Social Progress Report, Washington. DC, Chapter 3.

Sachs, J. and Warner, A. 1995 "Economic Convergence and Economic Policies", NBER Working Paper No. W5039 Brookings Papers on Economic Activity, ed. William Brainard and George Perry, 1:1995, 1-95, 108-118. Available at <http://papers.nber.org/papers/W5039.pdf> .

Rodrik, D. 2000 "Institutions for High-Quality Growth: What They are and How to Acquire Them", NBER Working Paper No. W7540. Available at <http://papers.nber.org/papers/W7540.pdf> .

Daron Acemoglu, Simon Johnson, James A. Robinson (2001) "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution" NBER Working Paper No. W8460 <http://papers.nber.org/papers/W8460> .

## **Day 4 - Inequality**

### **Main readings:**

Chen, S., and Ravillion, M., "How did the world's poorest fare in the 1990s?", Mimeo, World Bank, Development Research Group, Washington D.C., 2000.

Inter-American Development Bank, "Facing up to inequality in Latin America", Economic and Social Progress in Latin America. 1998-1999 report, Washington D.C. Access electronically at: [http://www.iadb.org/oce/IPES98\\_eng/](http://www.iadb.org/oce/IPES98_eng/) .

### **Supplementary readings:**

Wood, Adrian, 1997, "Openness and wage inequality in developing countries: The Latin American challenge to East Asian conventional wisdom". The World Bank Economic Review 11:1 (January), 33-58.

Behrman, J., N. Birdsall and M. Székely, "Economic Reform and Wage Differentials in Latin America". OCE, Working Papers Series No. 435, Research Department, Inter American Development Bank, October 2000.

Blundell, Richard, Lorrain Dearden, Elissa Goodman and Howard Reed, 2000, "The Returns To Higher Education in Britain: Evidence from a British Cohort", The Economic Journal, Vol. 110, F82-F99.

Murphy, Kevin M. and Lawrence F. Katz, 1992, "Changes in Relative Wages, Supply and Demand Factors", Quarterly Journal of Economics 107, February, 35-78.

## **Day 5 – Structural reforms**

Inter-American Development Bank 1997. Latin America After a Decade of Reforms, Economic and Social Progress in Latin America, Part Two.

Rodriguez, F. and Rodrik, D. 1999 "Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence" NBER Working Paper No. W7081.

**Supplemental readings:**

Lora, Eduardo and Barrera, Felipe "Structural Reforms in Latin America: Measurements and Growth Effects", IDB WP-350, Jun. 1997.

Fernández-Arias, Eduardo and Montiel, Peter Reform and Growth in Latin America: All Pain, No Gain?; IDB WP-351, Jun. 1997.

**Day 6 – Assessing the macro situation**

**Main readings:**

Agenor, Pierre-Richard and Peter Montiel (1999) Development Macroeconomics, Princeton University Press, Chapter 2.

Dornbusch, Rudiger, (1980) Open Economy Macroeconomics, Chapter 6.

**Supplementary readings:**

Dornbusch R. and Alejandro Warner (1994) Mexico: Stabilization, reform and no growth, Brookings Papers on Economic Activity.

Obstfeld and Rogoff, (1998) Foundations of International Macroeconomics, Chapter 2 and 9.

**Day 7 – Volatility: causes and consequences**

**Main readings:**

Hausmann, R., Gavin, M. 1996. "Securing Stability and Growth in a Shock Prone Region: The Policy Challenge for Latin America Inter-American Development Bank WP-315, Jan. 1996." WP-315.  
[http://www.iadb.org/oce/keyword\\_search.cfm](http://www.iadb.org/oce/keyword_search.cfm) .

Caballero, Ricardo J and Arvind Krishnamurty [Emerging Market Crises: An Asset Markets Perspective](#) .

Caballero, Ricardo J. Macroeconomic Volatility in Latin America: A View and Three Case Studies NBER Working Paper No. W7782, available at <http://papers.nber.org/papers/W7782.pdf> .

**Supplementary readings:**

Rodrik, D. 1998 "Where Did All The Growth Go? External Shocks, Social Conflict, and Growth Collapses", NBER Working Paper No. W6350, available at <http://papers.nber.org/papers/W6350.pdf> .

Rodrik, D. 1998 "Why Do More Open Economies Have Bigger Governments? " Journal of Political Economy (October 1998), also NBER Working Paper No. W5537, available at <http://papers.nber.org/papers/W5537.pdf>

## **Day 8 – Fiscal policy**

Inter-American Development Bank 1997. Latin America After a Decade of Reforms, Economic and Social Progress in Latin America, Part Three.

Alesina, A., Perotti, R. 1996. " Budget Deficits and Budget Institutions." NBER W5556, May.

Hallemborg, M and von Hagen J. "Electoral Institutions and the Budget Process" in Democracy, Decentralization and Deficits , edited by Fukusaku K. and Hausmann, R. OECD Development Center.

## **Day 9 – Exchange rate regimes**

### **Main readings:**

Frankel, Jeffrey A., “No Single Currency Regime Is Right For All Countries Or At All Times”, Working Paper 7338, NBER, available at [www.nber.org/papers/w7338](http://www.nber.org/papers/w7338) .

Eichengreen B., Hausmann, R., “ Exchange Rates and Financial Fragility”, NBER Working Paper No. W7418, November 1999. Available at <http://papers.nber.org/papers/W7418.pdf> .

Edwards, S., Savastano, M.A. 1999. “Exchange Rates in Emerging Economies: What Do We Know? What Do We Need to Know?” *NBER Working Paper No. W7228*. July.

### **Supplemental readings:**

Hausmann, R. Gavin, M. Pages, C. Stein, E. 1999 “Financial Turmoil and the Choice of Exchange Rate Regime”, IDB WP-400.

Reinhart, C. “The Mirage of Floating Exchange Rate” *The American Economic Review*, May 2000. Available at [www.puaf.umd.edu/papers/reinhart/aer2000.pdf](http://www.puaf.umd.edu/papers/reinhart/aer2000.pdf) .

## **Day 10 - Crises and Financial sector policies**

Burki, S.J. and Perry G. Beyond the Washington Consensus: Institutions Matter. Ch.3-4.

Frankel, J. “Preventing Banking Crises” in *Preventing Bank Crises: Lessons from Recent Global Bank Failures*, Caprio et al (editors), FRB Chicago, World Bank.

Gavin and Hausmann. 1996. “The Roots of Banking Crises: The Macroeconomic Context.” Inter American Development Bank. *Banking Crises in Latin America*.

### **Supplemental readings:**

Moskow, M.H. “Regulatory Efforts to Prevent banking Crises” in *Preventing Bank Crises: Lessons from Recent Global Bank Failures*, Caprio et al (editors), FRB Chicago, World Bank.

Eichengreen, B. and Rose A. “Staying Afloat When the Wind Shifts: External Factors and Emerging-Market Banking Crises” NBER Working Paper No. W6370