

Econ 496, Economic Problems of the Middle East, Spring 2009: Syllabus

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| Course | Economics 496 | Tue/Thu: 3:30-4:45 P.M. |
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| Office Hours | Tuesday: 10:00-11:00 Wednesday: 3:00-5:00 Thursday: 10:00-11:00 *Other times by appointment | |

Overview

This course will examine the theories and practices of economic development in the Middle East and North Africa (MENA). This region is of strategic global importance and provides a context for which to study such issues as the role of the state in the economy, the legacies of the colonial era, why bountiful natural resources often lead to poor growth, internal migration and brain drains, alternative banking systems, and the economic roots of terrorism just to name a few. The objective of the course is to give you a strong background in the historical, institutional, religious, and social issues that have shaped the current economic climate in the region. Understanding these trends is vital to assessing the viability and desirability of economic policy in the modern era of globalization.

Learning Outcomes

By the end of this course, you should be able to:

- Discuss why the MENA countries have such a low level of international trade
- Articulate the ways in which development paths in the MENA and the West have differed
- Examine legacies of the Colonial Era and their impact on current economic and political conditions
- Investigate the causes of income stagnation and rising unemployment across the region over the last two decades

- Evaluate the demographic challenges and opportunities of an increasingly bottom heavy age distribution
- Assess the benefits and costs of state-led capitalism
- Synthesize an explanation for the “Curse of Natural Resources”
- Contrast the benefits and costs of Nationalization and Exploration Contracts as methods of exploiting oil reserves
- Examine the role of women in the region and implications for economic growth
- Articulate the conditions in which countries are likely to adopt growth-enhancing reforms and the condition in which these reforms are likely to work
- Contrast the economic and political development of Israel with the other MENA countries
- Explain and discuss the implications of the occupational choices of religious minorities in the region
- Contrast the system of Islamic Banking with Western Banking. Does this system promote or stifle growth?
- Investigate the argument that Islamic inheritance laws led to sluggish growth
- Assess the economic impacts of large expatriate populations on both the sending and receiving nations
- Define remittance payments and their significance for certain countries in the region.
- Discuss the impacts of education, income inequality, and social immobility on terrorism
- Analyze which countries are likely to enter into a civil war and why
- Evaluate the effects of the Iraq War on the local economy
- Review and critique policy proposals to rebuild the Iraqi economy.
- Assess the role of NGO’s and micro-credit as alternatives to the World Bank and IMF as development agencies

Grading

The grading for this course will depend on your performance in three areas:

1. Exams (2), 20% each = 40%
2. Quizzes (10), 2% each = 20%
3. Country Project (5 assignments), 8% each = 40%

Exams

There will be two exams, a midterm and a final. Each exam will have two sections – multiple choice to test your knowledge of basic facts in the region and short answer/essay to test your analytical knowledge on the region. Exam I will cover sections I-IV in the outline below. The second exam will take place during finals week, but is not comprehensive, covering only sections V-VII.

Quizzes

There will be 10 short quizzes given roughly once a week. These quizzes are designed to make sure that you keep up with the reading and will be fairly easy if you have done so. An easy way to improve your grade.

Country Project

Each student will choose or be assigned a country in the MENA region that they will be the class “expert” on. Through a series of short (3-5 page) papers, you will examine the economic history of your country, assemble a demographic and economic profile, discuss the key economic issues facing your country, devise a policy addressing one of these issues, and examine the type of government your country has (or has had) and their role in the economy. Research for these papers will come from course readings as well as publicly available sources such as IMF Article IV consultations, UN Human Development Reports, and the CIA Factbook. This project should be a fun way of learning the course material whilst getting to know more about a country in the region.

Reading List

Class readings will be drawn from three broad sources: books, academic journal articles, and World Bank and UN publications. There is no main textbook for the course, though we will be drawing heavily on Henry and Springborg (2001) and Richards and Waterbury (2007). Almost all journal articles may be accessed online via JSTOR or EconLit and I will post the few exceptions to the class Blackboard conference. The IFI publications will be posted to the conference electronically.

Books

1. Abu-Lughod, Janet, *Before European Hegemony: The World System A.D. 1250-1350*, Oxford: Oxford University Press, 1989
2. Henry, Clement and Robert Springborg, *Globalization and the Politics of Development in the Middle East*, Cambridge: Cambridge University Press, 2001
3. Richards, Alan and John Waterbury, *A Political Economy of the Middle East, 3rd Edition*, Boulder, CO: Westview Press, 2007

Articles

1. Acemoglu, Daron, Simon Johnson, and James A. Robinson. The Colonial Origins of Comparative Development. *American Economic Review*, Vol. 91:1369-1401, 2001
2. Botticini, Maristella and Zvi Eckstein. Jewish Occupational Selection: Education, Restrictions, or Minorities? *Journal of Economic History*, Vol. 65:922-948, 2005
3. Corden, W.M. Booming Sector and Dutch Disease Economics: Survey and Consolidation. *Oxford Economics Papers*, Vol. 36:359-380, 1984
4. Cosgel, Metin. Agricultural Productivity in the Early Ottoman Empire. *Research in Economic History*, 2006
5. Greif, Avner. Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders. *American Economic Review*, Vol. 49: 857-882, 1989
6. Krueger, Alan B. and Jitka Maleckova. Education, Poverty, and Terrorism: Is there a Causal Connection? *Journal of Economic Perspectives*, Vol. 17:119-144, 2003
7. Kuran, Timur. The Provision of Public Goods under Islamic Law: Origins, Contributions, and Limitations of the Waqf System. USC CLEO Research Paper No. CO1-13, 2001
8. Kuran, Timur. The Islamic Commercial Crisis: Institutional Roots of Economic Underdevelopment in the Middle East. *Journal of Economic History*, Vol. 63:414-446, 2003
9. Kuran, Timur. The Economic Ascent of the Middle East's Religious Minorities: The Role of Islamic Legal Pluralism. *Journal of Legal Studies*, Vol. 33:475-515, 2004
10. Kuran, Timur. Why the Middle East is Economically Underdeveloped: Historical Mechanisms of Institutional Stagnation. *Journal of Economic Perspectives*, Vol. 18:71-90, 2004

11. Montalvo, Jose and Marta Reynal-Querol. Ethnic Polarization, Potential Conflict, and Civil Wars. *American Economic Review*, Vol. 95:796-816, 2005
12. Ozmucur, Suleyman and Sevket Pamuk. Real Wages and Standards of Living in the Ottoman Empire, 1489-1914. *Journal of Economic History*, Vol. 62:293-321, 2002
13. Sala-I-Martin, Xavier and Elsa V. Artadi. Economic Growth and Investment in the Arab World. Arab World Competitiveness Report 2002, World Economic Forum, 2002
14. Yano, Makoto and Jeffrey Nugent. Aid, Non-Traded Goods and the Transfer Paradox in Small Countries. *American Economic Review*, Vol. 89:431-449, 1999
15. Yousef, Tarik. Development, Growth, and Policy Reform in the Middle East and North Africa since 1950. *Journal of Economic Perspectives*, Vol. 18:91-115, 2004

IFI Publications

1. 2002 Arab Human Development Report: Creating Opportunities for Future Generations, UN
2. 2004 Arab Human Development Report: Freedom and Good Governance, UN
3. 2005 Arab Human Development Report: Empowerment of Arab Women, UN

Outline of Topics

Presented below is a preliminary outline of topics to be covered. This is an ambitious list, so we may have to sacrifice some breadth in favor of depth.

1. Introduction and Overview
 - (a) The significance of the region
 - (b) Historical overview and context
 - (c) Identifying the actors and state structures
 - (d) Unique economic challenges to the region from the perspective of an American observer
2. Economic History to WWII
 - (a) From the “Cradle of Civilization” to the Silk Road and beyond

- (b) The world economic system in the Middle Ages
 - (c) The economic impact of the Mongols
 - (d) Trade and investment in the Ottoman Empire
 - (e) Legacies of the Colonial Era
3. The Role of the State and Economic Reform
 - (a) Ataturk's reforms
 - (b) State capitalism
 - (c) Contradictions of state-led growth
 - (d) Different regime types and economic development
 - (e) Debt crises, foreign aid, and the Washington Consensus
 4. The Blessing or Curse of Natural Resources
 - (a) Dutch Disease and the Rentier State
 - (b) Oil: privatization, nationalization, or exploration contracts?
 - (c) Contrasting the African and Middle East oil booms
 - (d) Foreign exchange imbalances
 - (e) Sovereign wealth funds and development
 5. Internal Migration and Demographic Challenges
 - (a) Guest/migrant workers and remittances
 - (b) Two waves of migration to Israel
 - (c) The widening income gap
 - (d) Gender and social issues
 - (e) The brain drain/gain
 - (f) The demography of the Middle East: challenges and opportunities
 6. The Intersection of Religion and Economics
 - (a) Formal and informal banking
 - (b) Contracts
 - (c) The waqf system and economic development
 7. Poverty, Militarism, and Terrorism
 - (a) The economic consequences and effects of war
 - (b) The economic roots of terrorism
 - (c) Reviewing the plan to rebuild the Iraqi economy
 - (d) The challenges of modernity in the Middle East