

WILLIAMS COLLEGE - MA PROGRAM IN POLICY ECONOMICS: CURRICULUM

ORIENTATION: Mid-August through start of first semester.

Review of microeconomic and macroeconomic principles with two or more lectures daily, assignments, and tests. Includes review of math skills, probability and statistics.

FIRST SEMESTER: September through December. Four required courses in the first semester.

▪ ECONOMIC GROWTH AND DEVELOPMENT.

The course will examine theories of economic growth, beginning with the role of savings and investment. It will also review recent debates over the relative importance of country-level differences in health, education, geography, climate, and institutions, along with research on the economic impacts of trade and macro-economic policies. Along with these substantive discussions, will be reviews of different theoretical and empirical methodologies for addressing questions about growth and income differences.

▪ PUBLIC FINANCE.

Coursework begins by considering the efficiency of market economies and rationales for government intervention in the market, such as public goods, externalities, information-based market failures, and equity. Applications to developing country situations will include environmental policy, education, health care, aid to the poor, and social security. Class then shifts to the economics of taxation.

▪ DEVELOPING COUNTRY MACRO-ECONOMICS I.

The focus of the course is the relationship between macroeconomic policies and economic growth in developing countries. After examining the links between macroeconomic stability and long-run growth, the rest of the course is divided into three parts. The first part is devoted to the construction of an analytical model that is suitable for analyzing a wide variety of macroeconomic issues in developing countries. This model is used in the

second part for analyzing fiscal policy; the course will consider in particular the requirements of fiscal solvency and the contribution that fiscal policy can make to macroeconomic stability. It will also examine alternative methods for achieving fiscal credibility, including the design of fiscal institutions. The final part of the course will turn to an analysis of central banking, focusing on central bank independence, time consistency of monetary policy, and the design of monetary policy rules in small open economies.

▪ ECONOMETRICS. (Two levels)

These courses focus on methods of bringing economic theory and data together to provide empirical guidance for policy formulation, including the use of computers in econometric analysis. There will be two sections of the course to accommodate participants with different amounts of prior training in this field.

JANUARY TERM: Each participant must be enrolled in one January course; examples follow.

Example: TAX POLICY IN EMERGING MARKETS.

Governments in developing and transition economies need to raise tax revenue to finance critical public goods, address other market failures and equity issues, and to avoid problems with debt and inflation. In terms of economic growth and welfare, the stakes involved in improving tax policy are potentially quite large. Examples of specific topics that might receive particular emphasis include tax evasion, tax administration, corruption, how particular conditions may affect optimal tax system structure, options for fundamental tax reform, and tax competition among regions and nations.

Example: THE POLITICAL ECONOMY OF ECONOMIC STRATEGY.

Achieving economic growth and development requires more than just good policies—success depends on a country's economic strategy working effectively in an

integrated manner. This course will explore the political dimension underlying economic policies—with a focus on how policies fit together into broader strategies. Then the course will explore the strategic linkages that potentially integrate the policy choices—and how these can better enlist political support and improve the chances of policy success.

▪ INDEPENDENT RESEARCH.

For those pursuing a second semester independent research project, it is required to begin that work during Winter Study (see 2nd semester).

SECOND SEMESTER: February through May. Each participant must complete four courses.

One Writing-Intensive Course - A tutorial or independent research project is required.

Tutorial format - Tutorial participants will meet once a week in pairs with the faculty member. Each week, one student will prepare a policy paper, present an argument, evidence, and conclusions. The other student will provide a detailed written critique of the paper. The professor will then lead the discussion with questions that highlight critical points. Each participant will write and present 5 policy papers and the same number of critiques.

Example: INTERNATIONAL FINANCIAL INSTITUTIONS.

This course explores the role of international financial institutions in the global economic and financial system, their relations with members, and proposals for how they might be reformed. The focus will be principally on the International Monetary Fund and to a lesser extent the World Bank, but consideration also may be given to the regional development banks, Bank for International Settlements, and Paris Club used for official debt renegotiations.

Example: DEVELOPMENT SUCCESSES.

A small number of countries that were quite poor in the middle of the last century have achieved dramatic

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improvements in their incomes. These development successes include countries such as Japan, the four dragons (Hong Kong, Korea, Singapore, and Taiwan), the MIT economies (Malaysia, Indonesia, and Thailand), the Asian giants of China and India, as well as non-Asian economies as diverse as Botswana, Chile, and Turkey. This tutorial will explore why these countries have apparently succeeded where many other poor countries have failed. A focus of the course will be on extracting insights from the experiences of these success cases.

▪ INDEPENDENT RESEARCH. (Continuation of January Independent Research)

Project topic requires consent of an instructor and of the MA program Chair. This course will involve the individual preparation and presentation to the class of a major research paper.

***Three Elective Courses** - Participants choose 3 elective courses from 6 or more annual offerings, such as:*

▪ DEVELOPING COUNTRY MACRO-ECONOMICS II.

This course is a continuation of *DEVELOPING COUNTRY MACROECONOMICS I*. The first part of the course explores several open-economy issues that arise in developing countries, especially with respect to the interactions among exchange rate regimes, monetary policy regimes, and policies directed at the financial account of the balance of payments. The second part of the course will apply these analytical tools to an examination of the various types of crises that have afflicted developing countries over the past three decades, considering in particular the implications of such crises for growth and development.

▪ INTERNATIONAL TRADE AND DEVELOPMENT.

This course explores foreign exchange problems of developing countries and possible means to deal with them; evolving theories of comparative advantage and their relevance to trade policy; strategies of import substitution

and export promotion and their consequences for employment, growth, and income distribution; foreign investment, external debt, IMF stabilization programs, and the world financial system.

▪ FINANCE AND DEVELOPMENT.

This course focuses on the financial system and its role in economic development. The first part explores the functions of finance, how it contributes to growth, and reviews different models of financial sector development and their influence on how governments viewed the sector. It will examine experiences with financial sector repression and subsequent liberalization, and investigate the causes and impact of financial crises. Then it will study how to make finance effective and how to prevent or minimize crises, analyzing government's role as regulator, supervisor, standard setter, contract enforcer, and owner. In this final part, attention will be devoted to the role of institutions and incentives in financial sector development.

▪ INSTITUTIONS AND GOVERNANCE.

Economists have become increasingly aware of the importance of "social infrastructure" at various levels of economic activity: capable and honest government officials must be available to formulate and implement policies, markets must be supported by suitable institutional frameworks, property rights must be secure, and contracts reliably enforced. This course will survey the growing literature on institutions and governance.

▪ EMPIRICAL METHODS IN MACRO-ECONOMICS.

Macroeconomics and related fields in international finance and development have evolved specialized empirical techniques, known generally as macro-econometrics, designed to meet the practical challenges that the data and the empirical questions pose in these fields. The course will introduce the theory and application of these techniques, and students will learn how to implement these techniques using real world data to address practical questions drawn from the fields of macro, international finance and

development. Topics for application include business cycle analysis and forecasting sources of exchange rate volatility and determinants of economic growth.

▪ MICROFINANCE.

This course examines savings, credit and insurance among the poor in developing countries. Topics include informal village financial institutions, credit constraints, group lending contracts (as pioneered by the Grameen Bank in Bangladesh), the role of subsidies, savings commitment products and insurance innovations for the poor. Emphasizes information asymmetries (adverse selection and moral hazard). Readings in current empirical and theoretical research.

▪ ENVIRONMENTAL POLICY AND NATURAL RESOURCE MANAGEMENT.

This course considers environmental protection and natural resource management as an element of development policy and planning. Economic concepts are applied to environmental and natural resource problems as they relate to developing countries.

▪ URBANIZATION AND DEVELOPMENT.

At current rates of growth, the combined population of urban areas in developing countries will double in the next 30 years. This course will focus on the challenges of large scale urbanization, what are the economic forces that drive the process of urbanization, and how does the level of urbanization affect economic development? How are policies towards housing, transportation, public finance and development affected by urbanization? What policy choices are available, and which are most likely to succeed in dealing with the challenges of urban growth?

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