Econ 122b: Economics of the Middle East

Fall 2012 (August 30 to December 13, 2012)

1) **Course information**

Econ 122b – Fall 2012

Instructor: Nader Habibi
Time: Mon,Wed 3:30PM – 4:20PM
Location: Lown 203

Office location: #361, Crown Center for Middle East Studies, (Heller building)
Office hours: Mon: 10:30 to 11:20 , Tuesday 2:30 to 3:30
(Please call or email me if you like to set up an appointment)
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2. Text Books

1) **A Political Economy of the Middle East**
By: Allan Richards and John Waterbury
Third Edition (2007), Perseus Press

2) **Arab Economies in a Changing World**
By: Marcus Noland and Howard Pack
First Edition (2007), Peterson Institute for International Economics Can be ordered online for $15: http://bookstore.petersoninstitute.org/book-store/3931.html
The electronic versions of some chapters of the book are also available for download from this website free of charge.

3**) Arab Economies in the Twenty-First Century**
By: Paul Rivlin
2009 Cambridge University Press
Available to Brandeis students at
(http://site.ebrary.com.resources.library.brandeis.edu/lib/brandeis/docDetail.action?docID=10303089)

Course Description and Objectives:

The class meets three times per week and each session is 140 minutes long. I will email the assigned readings to the students a few days before each session. Students are expected to read the assigned material in advance. I will discuss each assigned reading for about 15 to 20 minute followed by 10 to 15 minutes of student discussion. In some sessions we will also have a 15 minute student presentation. All students are required to participate in class discussions. We will also watch a few short video clips about economic conditions of the region in each session. Students will search the internet and

recommend at least one video clip per week. The student whose clip is viewed in each session is expected to talk about it for a few minutes.

Learning Goals and Outcomes:
This course has two broad Goals

1) To familiarize the students with the patterns of economic development and the evolution of economic institutions in the Middle East and North Africa region after World War Two. To the extent that political and social institutions are relevant for understanding the region's economic development, the course will also cover these subjects selectively. For example the students will learn about how regional instability and political institutions of MENA countries have affected their ability to implement economic reforms. Another important topic that will be covered in detail is the impact of oil wealth on political and economic development of the region.

2) To familiarize the students with tools and procedures of country analysis and regional analysis and apply these tools to understanding the present conditions of the MENA countries with an eye to the future trends. This section will focus on understanding the short-term and long-term business climate of these countries. The emphasis will be on analysis of the main drivers of economic growth such as the leading economic indicators, prospects for macroeconomic stability, and major risk factors that could have an adverse effect on business climate (such as political risks, taxation risks and adverse government policy risks.) In the past ten years several MENA economies have increased their trade and investment relations with rest of the world and there is a growing demand for analysis of economic trends in MENA countries among international firms and governments of industrial countries. Students will be required to choose one MENA country of their choice for detailed analysis. Assignments will include search for sources of economic data and development of simple EXCEL based economic data sets for analysis of economic trends in the selected country. (This track is primarily oriented toward Econ major students. Assignments requiring technical economic analysis will be optional for students that are not majoring in economics.)

3) Lecture Format:

The class meets twice per week and each session is 80 minutes long. I will email the assigned readings to the students a few days before each session. Students are expected to read the assigned material in advance. I will discuss each assigned reading for about 15 to 20 minute followed by 10 to 15 minutes of student discussion. In some sessions we will also have a 15 minute student presentation. All students are required to participate in class discussions. In addition to reading assignments students are responsible for two essays. These articles are intended to give students a more intense analysis and understanding on specific topics that interest them. We will also watch a short video clip about economic conditions of the Middle East in each session. Students are responsible for selecting these videos and the student whose clip is viewed in each session is expected to talk about it for a few minutes.

4) Grading

A) Two short research papers (5 to 7 pages each, approximately 1250 to 2500 words) 10-20 pages, double space) **(15% for each paper)**

First short paper will be on current economic conditions of a country of your choice. In this paper you will discuss at least three key economic indicators and main economic policies. Some key economic issues are: Inflation, unemployment, balance of foreign trade, government debt, fiscal deficits, and the annual rate of economic growth. The emphasis will be on the most recent developments (past 18 months).

In your second paper you are asked to provide a detailed analysis on a narrow economic subject in one country. For example an analysis of child poverty in Egypt. Another good example is an analysis of the stock market behavior in Lebanon.

B) A 15 minute presentation (or a third short paper) **(15%)**
Since the available time for presentation is limited, up to 15 students can choose the presentation option. The topic of presentation is flexible as long as it focuses on economic issues. Students who choose to write a short paper instead must write an essay that investigates an economic issue across two or more Middle Eastern countries for example: status of women's employment in Egypt, Jordan and Israel. Another good example is: a comparison of government spending on education in Iran and Turkey. Students who are interested can pair up and do a presentation along with a short paper on the same topic. The two members of each team will receive the same grade.

C) Final exam covering a select number of reading materials. **(25%):**
I will give you a list of questions and five of these questions will be selected for the final exam. (The emphasis will be on understanding the general concepts based on reading materials and class discussions. There will be no need for memorization of statistical data and figures. The emphasis will be on ability to analyze specific concepts based on reading materials and class discussions.

D) Class participation **(10%)** and attendance **(10%)**: Students are expected to read the assigned materials and participate in class discussions on a regular basis. In their discussions the students must demonstrate that they have studied the assigned readings.

E) Two small data analysis assignments **(5% for each assignment):** These brief assignments require collection of economic data on a specific topic and creation of charts and tables. A typical data analysis report will include two or three charts/tables and two to four paragraphs of interpretation and analysis about these charts. For example you might be asked to gather data on foreign trade of one Middle Eastern country and discuss what the data is revealing.

5) Academic Honesty: You are expected to be honest in all of your academic work and follow the university guidelines about academic honesty. If you include ideas or quotes from any other article in your essays make sure to provide correct and detailed citation.

6) Disability Information: If you are a student with a documented disability at Brandeis University and if you wish to request a reasonable accommodation for this class please see me immediately.

7) Please check your Brandeis email regularly. I will communicate class materials and assigned readings through email on a regular basis. If you are a visiting student and don't have a Brandeis email please create one for yourself immediately.

7) <u>Topic Outline and Daily Schedule</u> (Note: Most articles come with a hyperlink for internet access. The articles that have an (*) in front of their titles are available online through Brandeis Library internet resources.)
http://lts.brandeis.edu/research/articles/index.html . Other articles and book chapters are available on Latte (Econ 122) in PDF format.
Book Title abbreviations**: PEME= Political Economy of the Middle East**
AECW= Arab Economy in a Changing World
AETC = Arab Economies in the Twenty-First Century

The readings listed for each weak include both **<u>required</u>** and recommended readings. Each week I will send you an email about the assigned readings for the next week. On average, the assigned (required) readings range from 70 to 120 pages per week. The recommended readings will help you obtain additional insight into the subject and will also serve as useful sources of information for your term papers.

<u>Week 1:</u> An overview of economic conditions in Middle East

Read: (PEME chapters 1and 2; pages 1-43), (AETC chapter 1) and (AECW chapter 1)

http://www.imf.org/external/pubs/ft/reo/2010/mcd/eng/10/mreo1024.pdf
Regional Economic Outlook: Middle East and Central Asia, IMF October 2010 (Pages 1-40 plus the related charts and tables at the end of the report.)

http://siteresources.worldbank.org/INTGEP2009/Resources/5530448-1238466339289/GEP-Update-March30.pdf
World Bank) 2009 Global Economic Prospects)

http://siteresources.worldbank.org/INTGEP/Resources/335315-1294842452675/MNA-Annex.pdf
Global Economic Prospects (Middle East) 2011; (World Bank)

<u>Week 2:</u> Economic Growth and National Income in MENA

Read: (PEME chapter 3) and (AECW chapter 2)

"A Reexamination of the Political Economy of Growth in MENA Countries" Hadi Salehi Esfahani, Quarterly Review of Economics and Finance , Volume 46, Issue 5, February 2007,
https://netfiles.uiuc.edu/esfahani/www/IndexFiles/Political%20Economy%20of%20Growth%20in%20MENA.pdf

"Development, Growth and Policy Reform In the Middle East and North Africa since 1950", Tarik Yousef, Journal of Economic Perspective, Volume 18, Number 3, Summer 2004, PP91-116. (*)

"The United Arab Emirates: Some Lessons in Economic Development" , Yaw Nyarko, United Nations University, Working Paper No. 2010/11 (*) (Available on latte)

Week 3: An overview of Economic and Political History of the Middle East

The Modern Middle East: A History, James Gelvin, Chapters 12,13 , 14 and the conclusion.

(AETC Chapter 4, Pages 61-75)

Timur Kuran: "Why the Middle East is Economically Underdeveloped?" Journal of Economic Perspectives, vol. 18, no.3, Summer 2004, pp 71-90. (*)

Week 4 Religion, Culture and Economic Development

Read: (AECW: Chapter 5), (AETC: Chapter 3) and (PEME: Chapter 14)

"Islam, Globalization and Economic Performance in the Middle East", Marcus Noland and Howard pack, International Economic policy Brief, June 2004. (*)

Islam and the Economic Challenge, M. Umer Chapra, pages 1-10.

"Islam and Mammon: The Economic Predicaments of Islamism" Timur Kuran, Chapter 1:Pages 1-37, Chapter 5:Pages 103-120.

Carroll, John, "Intellectual Property Rights in the Middle East: A Cultural Perspective" April 2009 http://iplj.net/blog/wp-content/uploads/2009/09/Article-Intellectual-Property-Rights-in-the-Middle-East-A-Cultural-Perspective.pdf

Week 5: Demographic challenge and state of Human development

Read: (AECW: Chapter 4: pages 85-99) (AETC chapter 2) and (PEME: Chapters 4 and 5)

"Challenges and Opportunities: The population of Middle East and North Africa", Farzaneh Roudi-Fahimi and Mary Mederios Kent, Population Bulletin, June 2007, Vol.62, No.2.

A New Millennium of Knowledge (Arab Human Development Report on Building a Knowledge Society), Kristin M Lord, April 2008,

http://info-society.apkn.org/online-resources/a-new-millennium-of-knowledge-the-arab-human-development-report-on-building-a-knowledge-society

Week 6: Trade and globalization, Regional Economic Integration
Read: (AECW: Chapter 4:Pages 99-111, Chapter 8)

"Recent US Free Trade Initiatives in the Middle East: Opportunities but no guarantees", Robert Lawrence, Arab Competitiveness Report 2006, Chapter Two.
http://www.weforum.org/pdf/Global_Competitiveness_Reports/Reports/chapters/1_2.pdf

Lawrence, Robert Z., *A US-Middle East Trade Agreement: A Circle of Opportunity?* (Peterson Institute, Washington, DC, 2006); Ch. 2: The State of Arab Economies: Global engagement, Reforms, and Regional Trade Agreements.
http://www.bilaterals.org/article.php3?id_article=6645

"Beijing's Rising Star in the Gulf Region: The Near and the Distant Future", Paul Aarts and Machteld van Rijsingen, Gulf Research Center, March 2007.
http://home.medewerker.uva.nl/p.w.h.aarts/bestanden/Paul%20Aarts%20and%20Machtheld%20van%20Rinsingen.pdf

Henry, Clement, "The Clash of Globalizations in the Middle East," *Review of Middle East Economics and Finance*, vol. 1, no. 1 (April 2003), pp. 3-16. (*)

"The GCC and Arab Economic Integration: A New Paradigm", Steffen Hertog, Middle East Policy, Vol. XIV, No. 1, Spring 2007,

Week 7: Political institutions and regime types in MENA
Read: (PEME: Chapter 11), (AECW: Chapter 10)

"The political economy of state-formation in the Arab Middle East: Rentier states, economic reform and democratization", Rolf Schultz, Review of International Political Economy, 15:4 October 2008:599-612.
http://web.ebscohost.com.resources.library.brandeis.edu/ehost/pdf?vid=2&hid=7&sid=3b0aa25f-8cea-4f3e-9a08-b01f7d176eff%40sessionmgr14

"A Clash of Emotions: The politics of Humiliation and political Violence in the Middle East" Khaled Fattah and KM Fierke , European Journal of International Relations 2009;15;67 http://ejt.sagepub.com/cgi/content/abstract/15/1/67

"The Middle East's Generation Facebook" Mona Eltahawy, World Policy Journal, Fall2008, Vol. 25 Issue 3, p69-77, 9p;

http://web.ebscohost.com.resources.library.brandeis.edu/ehost/pdf?vid=10&hid=3&sid=3aa2e166-a60e-447c-855c-85b6ba15f5e5%40sessionmgr9

Week 8: Public Sector, Fiscal Policy and the Economic Role of Government
Read: (PEME: Chapters 7 and 8), (AECW: Chapter 7)

"Failed Legacies: Escaping the Ghosts of Central Planning" by Adam Bennett, Finance and Development, March 2003, Volume 40, Number 1.
http://www.imf.org/external/pubs/ft/fandd/2003/03/benn.htm

"Centralization, Decentralization, and Conflict in the Middle East and North Africa", Mehmet Serkan Tusan, Serdar Yilmaz, World Bank, Policy Research paper 4774, November 2008.
http://econ.worldbank.org/external/default/main?pagePK=64165259&piPK=64165421&theSitePK=469372&menuPK=64166093&entityID=000158349_20081110112652

"The Middle East Corruption Conundrum" Gillespie, Kate. Current History, Jan2006, Vol. 105 Issue 687, p40-46, 7p (*)

"Public Debt and Fiscal Vulnerability in the Middle East" Petri, Martin; Soderling, Ludvig; Maliszewski, Wojciech; Morsy, Hanan; Fouad, Manal; Hommes, Martin; 2007, pp. 36 pages, International Monetary Fund, IMF Working Papers: 07/12
http://www.imf.org/external/pubs/cat/longres.cfm?sk=20210.0

Week 9: Economic Reform and Development Strategies
Read: (AECW: Chapter 6) (PEME: Chapter 8 and 9)

"Arab Economies at a Tipping Point" Morcus Noland and Howard Pack, Middle East Policy, Vol. XV, No. 1, Spring 2008, http://iie.com/publications/papers/noland-pack02081.pdf

"Restarting Arab Economic Reform" by Mustapha K. Nabli , in The Arab World Competitiveness Report 2005, (World Economic Forum, Palgrave MacMillan, 2005), pp. 11-19.

"Structural Reforms in Middle East and North Africa " John Page, The Arab World Competitiveness Report 2002-2003, (World Economic Forum, New York, Oxford University Press, 2002), pp.67-79

Globalization and Politics of Development in the Middle East, by Clement Henry and Robert Springborg, 2001, pages 1-29.

"Energy Sustainability Policies in the GCC" Stephen Hertog and Giancomo Luciani, Center for the Study of Global Governance, November 2009 (Available on Latte)

Week 10: Social Welfare, inequality and Urbanization

Read: (PEME: Chapters 6 and 10)

"Poverty, Inequality and Growth in Selected Middle East and North Africa Countries, 1980-2000", The World bank, Washington DC, April 2003
http://www.sciencedirect.com/science/article/B6VC6-49PYM3W-1/2/d61afd1be422a38aa904be027137076c

"How Institutions Change Over Time" James A Robinson, Economic Research Forum, Working Paper # 466, 2008,
http://www.erf.org.eg/cms.php?id=NEW_publication_details_working_papers&publication_id=1014

"Globalization and Inequality in the Arab Region" Ali Abdel Gadir, Arab Planning Institute, September 2003. http://www.arab-api.org/cv/aali-cv/aali/wps0307.pdf

"Poverty and Neo-liberal Bias in the Middle East and North Africa", Ray Bush, Development and Change, 2004 673-695. (*)

Week 11: Financial markets, Islamic banking, Domestic investment and Foreign Investment

Read: (AECW: Chapter 4: pages 111-135, Chapter 9),

"The Arab World Competitiveness Report" Tariq Yousef and Margareta Drzeniek
http://www.weforum.org/en/initiatives/gcp/Arab%20World%20Competitiveness%20Report/index.htm , April 2007.

Creane, Susan, et. al., "Measuring Financial Development in the Middle East and North Africa: A New Database" IMF Staff Papers, Vol. 53, No.3 2007 ,

http://www.imf.org/External/Pubs/FT/staffp/2006/04/pdf/creane.pdf

"Doing Business in the Arab World, 2009", A Joint Publication of the World Bank and the International Bank for Reconstruction and Development, November 2008.
http://www.doingbusiness.org/features/ArabWorld2009.aspx .

"Financial Sectors in a New Age of Oil" Middle East and North Africa Economic Developments and Prospects 2006 , World Bank pages 37-68

http://siteresources.worldbank.org/INTMENA/Resources/MainReport.pdf

Choudhury, Masudul A. "Introducing Islamic Political Economy,"

http://www.iiibf.org/elibrary/islamic-economy/chap1/chap1index.html

Siddiqi, Moin A, "The Growing Popularity of Islamic Banking," *The Middle East*, Issue 291 (June 1999), pp. 33-35

Behrendt, Sven, "When Money Talks" Arab Sovereign Wealth Funds in the Global Public Policy Discourse", Carnegie Papers, No.12, October 2008, http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=22275&prog=zgp&proj=zme,zted&zoom_highlight=behrendt

Week 12: The Economics of Gender in the Middle East

UNDP, *The Arab Human Development Report 2005: Towards the Rise of Women in the Arab World* (Amman, Jordan, and New York, 2006), Executive Summary, pp. 1-24.

World Bank, *Gender and Development in the Middle East and North Africa: Women and the Public Sphere*, (World Bank, MENA Development Report, Washington DC, 2004), "Overview", pp. 1-14. http://www.medea.be/files/WB_Gender_EN.pdf

World Bank, The Environment for Women's Entrepreneurship in the Middle East and North Africa, Nadereh Chamlu, June 2008. http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/06/09/000334955_20080609073227/Rendered/PDF/441170WP0Envir1UNE0610200801PUBLIC1.pdf (also available on Latte).

"Arab Women's Development: How Relevant Are UNDP Measurements?" Nadia Ramsis Farah, Middle East Policy, Vol. XIII, No. 2, Summer 2006. (*)

"Gender, Aging, and the Evolving Arab Patriarchal Contract" Jennifer C. Olmsted, Feminist Economics, July 2005. (*)

"Women Entrepreneurship in Middle East: Understanding barriers and use of ICT for entrepreneurship development" Viju Mathew International Entrepreneurship Management journal, March 2010 (*) (also available on Latte).

Women's Work, Suzan Ladika, International Educator, Sep.-Oct. 2009. (Available on Latte)

Week 13: Oil and petrochemical sector, Domestic energy policy, regional energy cooperation.

"Encroaching on An American Lake" in Rising Powers Shrinking Planet, by Michael T Klare, 2008, Metropolitan Books, New York.

"Global Oil Trends and their Effect on the Middle East" Gil Feiler, Israel Affairs, Vol. 12, No. 4 October 2006, pp. 698-714. (*)

"Searching for Oil: China's Initiatives in the Middle East" Henry Lee and Dan A. Shalmon , Environment, June 2007 Vol. 49, Number 5. (*)

"Encroaching on an American Lake", Michael T. Klare, in Rising Powers, Shrinking Planet, 2008, Metropolitian Books, pages 176-209. (*)

"China and the Middle East: Energy First", Jin Liangxiang, Middle East Quarterly, Spring 2005 , pp. 3-10. (*)

"Middle East: Growth and Issues for the Petrochemical Industry" A.A. Al-Ahmad, Petrochemical Developments, April 2005.

Oil Titans; National Oil Companies in the Middle East , Valerie Marcel, Brookings Institution Press, 2006. Introduction, Chapter one and pages 235-265.
"Worldwide Liquids Capacity Outlook to 2010-Tight Supply or Excess of Riches?" , Peter M Jackson and Robert W. Esser. WWW.CERA.COM

Week 14: Country Analysis: Israel, Palestine, Egypt And Turkey

"The Institutional Dynamics of a Developmental State: Change and Continuity in State-Economy Relations in Israel" Daniel Maman, Zeev Rosenhek, Studies in Comparative International Development, September 2012, Volume 47, Issue 3.

"From Boom to Bust: The Israeli Economy 1990-2003", Ben-Zion Zilberfarb, Israel Affairs, Vol. 12, No 2, April 2006. (Followed by several short articles that cover 2003-07.) (*)

"An International Comparison of Economic Growth in Palestine/Israel, 1922-98" Andrew Schein, Middle East Studies, Vol. 43, No. 2, 311-3230, March 2007. (*)

"The Palestinian Economy and the Second Intifada", Salem Ajluni, Journal of Palestine Studies", Spring 2003, Pages 64-73. (*)

The Untapped Potential: Palestinian-Israeli Economic Relations, Policy options and recommendations. December 2006, available online,
http://www.peres-center.org/The%20untapped%20Potential.pdf

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8) Useful Information Resources about the Middle East

(8.1) Newspapers (All accessible online without subscription)

Al-Ahram Weekly (Cairo, Egypt), Arab News (Saudi Arabia), Daily Star (Beirut, Lebanon), Gulf News (Dubai, UAE), Haaretz (Tel Aviv, Israel), Jerusalem Post (Jerusalem, Israel), Jordan Times (Amman, Jordan), Middle East Times (online newsletter), ASharq Alawast (Saudi Arabia), Turkish Daily News (Turkey), Iran Daily (Tehran), Khaleej Times (UAE), Gulf News (UAE)

(8.2) Periodicals (all are available online through Brandeis library website)

1. Arab Studies Quarterly
2. British Journal of Middle East Studies
3. International Journal of Middle East Studies
4. Journal of Palestine Studies
5. Middle East Journal
6. Middle East Policy
7. Middle East Quarterly
8. Middle East Report
9. Middle East Review of International Affairs
10. Middle Eastern Studies
11. Washington Report on Middle East Affairs

(The Central Banks of most MENA countries offer up to date statistics and economic analysis on their websites. The IMF and World Bank websites also have useful data, information and research papers on the region.)

(8.3) Research Institutes with useful economic data and articles

1. Economic Research Forum (Egypt) WWW.ERF.ORG.EG
2. Arab Planning Institute (UAE, Kuwait) WWW.Arab-api.org
3. Gulf Research center (UAE) WWW.GRC.AE
4. Energy Information Administration (USA) WWW.eia.doe.gov

8.4) Internet TV and Radio programs about Middle East

1. **Link TV (Mosaic) http://www.linktv.org/mosaic A Selection of news reports from government and independent TV stations in the Middle East. (Updated daily).**
2. **Gateway to Middle East (A weekly tv program by CNBC) available online http://www.cnbc.com/id/31505713/**
3. **Aljazeerah English (The English language version of Aljazeerah TV. http://english.aljazeera.net/**