

Economic Policy for Development and Growth-Japanese Experience

Syllabus

Winter 2009/2010

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COURSE OVERVIEW

This course will examine how economic policy relates to development by analyzing the Japanese experience and general philosophy. We will look at economic policy during the high growth period of Japan, touching upon fiscal policy, financial restraint, and industrial policy. As Japan emerged as an economic power and East Asian countries followed suit in the so-called flying geese form, articles like the *East Asian Miracle* (World Bank, 1993) were published in an attempt to explain the phenomenon. The role government played in the Japanese development model was given due credit, and many believed East Asia was primed for continued, unhindered growth. The eruption of the Asian financial crisis in 1997 discredited much of the Asian development model, and caused a fierce debate between Japan and the IMF. Japan criticized the IMF for a narrow-minded policy set that suffers from a one-size-fits-all syndrome, and lacks in-depth understanding of political and social dimensions of specific countries. Lessons from the crisis have affected the policy strategy of both the World Bank and IMF, which now place more importance on institution building and empowerment of the government. To understand unique situations, and the political and social constraints facing each country, we will discuss economic development by taking a holistic approach, encompassing not only economics, but regional, institutional, and historical perspectives as well. We will look specifically at how the Asian experience can be compared with that of Africa.

Students interested in development policy who want to examine real cases of economic development and policy are the target audience of the class. Anyone who aspires to work in the field and aims to focus on international issues of development will find the study useful.

SCHEDULING

The course meets on Thursdays in Room 8 at the 6th floor of the Second Administration Building from 6:40 to 8:20pm.

There will be a guest lecture on development policy on Friday, November 27th from 3:00 to 4:40 pm.

REQUIREMENTS

Basic knowledge on economics is required. To provide basic knowledge on econometrics, two classes on October 15 and 29 will be devoted. Before each class, you are expected to read the relevant articles assigned for that week-- copies will be provided at least one week before the class. Students who specialize in economics are encouraged to express their opinions in plain language, as this will be required later in life in order to effectively communicate one's message to both the general public and other policy makers. To facilitate discussion during class, a reporter will be assigned for each article. Duties of the reporter include: preparing a one-page summary (printed on

both sides if necessary) of newly learned material, unresolved questions, and several discussion points. The discussion points should be based on the article and specific enough so that no one could answer them without reading the article beforehand. By the early November, you will be grouped according to your interests. On December 3, each group will report an outline of their study topic for 15 minutes, distributing a summary handout to the class. On January 28, each group will make a final PPT presentation of 15 minutes followed by 3 minutes of Q&A. Presentations must be prepared by all members of the group through series of internal discussions outside of class. Presentation can be made either by a representative within the group, or by each member of the group, each contributing to different sections. Reflection of comments expressed at the meeting or written comments sent by e-mail right after the meeting is highly encouraged. Each group will be required to submit a final report of at least 20 pages in length, double spaced, by Tuesday, February 9 at 3:00pm. Each member should make clear his/her contribution to group paper by specifying his/her allocated part of the submitted report. Presentations and final reports should include quantitative data and economic analysis, examining correlation, trends and/or significant changes. Regression analysis is a useful tool in conducting quantitative studies of economic development. Comparative analysis and political economic approaches are also effective ways to take into account regional differences in conditions / challenges when analyzing economic development. If you would like to use an English editor to brush up your report, please contact Matt well in advance.

GRADING

Class Participation: 25%

Individual Assignment (Reporter of Reading Assignment):25%

Group Presentation: 25%

Final Report: 25%

CONTACT INFORMATION

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TOPICS and READING ASSIGNMENT

Thurs. Oct 1 **Course Introduction and the History of Japanese Fiscal Policy**

Introduction of basic concepts of macroeconomic policy by using Japanese example

Thurs. Oct 8 **Introduction to Economic Development and Lessons from the Asian Crisis**

Economic Development: Grabowski; pgs. 3-37

Japan and the International Financial System: *Japan's Reluctant Realism: Michael Green;*
pgs.229-267

Thurs. Oct 15 **Introduction to Econometrics (optional)**

Introductory Econometrics, Wooldridge, chps. 1 & 3, Appendix A & C
Problems: 1.2; 3.9; 3.12; C.6. (i)~(v)

Thurs. Oct 22 **The Washington Consensus versus the Japanese approach**

What Washington Means by Policy Reform: John Williamson
Beyond the Washington Consensus: *Akira Kosaka*; pgs. 1-10;
Development Strategies for the Twenty-First Century: *Dani Rodrik*; pgs. 13-38;
National Economies under Globalization: *Akira Kosaka*; pgs. 63-84;
In *New Development Strategies: Beyond the Washington Consensus*, ed. *Akira Kosaka*, 2004

Fri. Oct 23 3:00-4:00pm **Ambassador of Ukraine, Room 3, 7th Floor**

The Global Financial Crisis and the Ukrainian Economy: Policy Responses

Thurs. Oct 29 **Application of Econometrics**

Aid, Policies, and Growth: Burnside & Dollar, 2000
The Mystery of the Vanishing Benefits: An Introduction to Impact Evaluation: Ravallion, 2001

Thurs. Nov 5 **The Japanese Miracle**

Industrial Policy, pgs. 185-214; In *The Japanese Economy*: *David Flath*, 2005
The Japanese "Miracle" ; pgs. 3-34;
A Japanese Model? ; pgs. 305-324;
In *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*:
Chalmers Johnston, 1982

Thurs. Nov 12 **No Class**

Thurs. Nov 19 **Comparison of Asia with Africa**

East Asian Experience; pgs. 73-115;
Sub-Saharan Africa; pgs. 117-151;
In *Economic Development*: *Grabowski*

Thurs. Nov 26 **Does the East Asian Miracle Continue?**

Summary: *The East Asian Miracle: The World Bank*, 1993
The East Asian Miracle at the Millennium: *Shahid Yusuf*; pgs. 1-44;
From Miracle to Crisis to Recovery: *Joseph Stiglitz*; pgs. 509-526;
In *Rethinking the East Asian Miracle*, eds. *Stiglitz and Yusuf*, 2001

Fri. Nov. 27 3:00-4:40pm **Dr. Mieko Nishimizu, Former Vice President, World Bank Group, Room 3, 7th Floor**

<http://www.sophiabank.co.jp/english/about/partners/nishimizu.html>

Thurs. Dec 3 **Presentation of the Outline of the Group Study**

Dec 10 & 17, January 14 & 21 **Each group chooses reading materials.**

Individual member reports a selected reading material related to group study and facilitates

discussion.

Thurs. Jan 28 Final Presentation

Students cross-examine other groups' performance, judging clarity, relevance, hypothesis testing, policy implications, and creativity.

SUGGESTED READINGS:

Basics of Macroeconomics

Should Policymakers be Restrained? : *Macroeconomics: Blanchard chp. 24*; pgs. 537-555

Monetary Policy: A Summing Up: *Macroeconomics: Blanchard chp. 25*; pgs. 577-614

Fiscal Policy: A Summing Up: *Macroeconomics: Blanchard chp. 26*; pgs. 577-599

The Story of Macroeconomics: *Macroeconomics: Blanchard chp. 27*; pgs. 601-614

The Japanese Economy

Financial Liberalization, Efficient Intermediation, and Economic Development: The Experience of Postwar Japan: Akiyoshi Horiuchi, pgs. 289-316, *In Financial Development and Integration in East Asia, 2003*

Miracle Growth: Japanese Economic Development: *Carl Mosk*; pgs. 242-285, 2008

Macroeconomics; pgs. 105-138 and Public Finance, pgs.215-227; *In The Japanese Economy: David Flath, 2005*

Making Fiscal Policy in Japan: Economic Effects and Institutional Settings: Hiromitsu Ishi, pgs. 1-25, 2000

The Japanese Tax System: Hiromitsu Ishi, pgs. 3-71, 2001

Who actually determines the substance of policies and how? : pgs. 271-322, *In State Competence and Economic Growth in Japan: Yoshiro Miwa, 2004*

Revisionism Revisited: Revising America's View of Japan: pgs. 297-317; *In the Shadow of the Miracle: The Japanese Economy Since the End of High-Speed Growth: Arthur Alexander, 2002*

Financial Policy and Central Banking in Japan: Cargill, Hutchison, Ito, 2000

Reviving Japan's Economy: Problems and Prescriptions, eds. Ito, Patrick, & Weinstein, 2005

The Washington Consensus versus the Japanese approach

Fiscal Management, ed. Anwar Shah, the World Bank, 2005

IMF-Supported Programs, Recent Staff Research, IMF, 2006

What Washington Means by Policy Reform: John Williamson, pgs. 7-20; *In Latin American Adjustment, ed. Williamson, 1990*

Did the Washington Consensus Fail? , Williamson, Speech, 2002

Creating the Market Economy: Kenichi Ohno ; pgs. 1-50;

Issues Related to the World Bank Approach to Structural Adjustment: A Proposal from a Major Partner: OECF; pgs. 61-76;

Afterword to the World Bank Report *The East Asian Miracle*: Masaki Shiratori; pgs. 77-83;

The Blueprint for Asian Economics: Yonosuke Hara; pgs. 125-144;

Theory of Developmentalism: Yasusuke Murakami; pgs. 181-200;

In Japanese Views on Economic Development: Diverse Paths to the Market, eds. Kenichi Ohno & Izumi Ohno, 1998

Beyond The East Asian Miracle: Introducing the Market-Enhancing View: Masahiko Aoki et al. pgs. 1-37;

Unintended Fit: Organizational Evolution and Government Design of Institutions in Japan:

Masahiko Aoki; pgs. 233-253;
In *The Role of Government in East Asian Economic Development*, ed. Masahiko Aoki, et al. 1997
The Myth of East Asia's Miracle: Krugman, 1994, *Foreign Affairs*, 73, 62-78
The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience, Young, 1995, *The Quarterly Journal of Economics*, 110, 641-680
What Explains the Industrial Revolution in East Asia? Evidence From the Factor Markets, Hsieh, 2002, *The American Economic Review*, 92, 502-526
Japan and East Asian Regionalism: Shigeko Hayashi chp. 3; pgs. 62-81
What Strategies Are Viable for Developing Countries Today? The World Trade Organization and The Shrinking of 'Development Space' (2003): Robert Wade; pgs. 277-294; In *The Globalization and Development Reader: Perspectives on Development and Global Change*, ed. Roberts & Hite, 2007

A Regional, Institutional, and Historical Approach & Political Economy

Development Economics: A Regional, Institutional, and Historical Approach: Grabowski, Self, Shields, 2007; chp. 2 European Emergence & chp. 5 South Asia
Introduction & The Political Economy of Development: pgs. 1-53: In *Growing Apart: Oil, Politics, and Economic Change in Indonesia and Nigeria: Peter Lewis*, 2007
Introduction & Fifty Years of Growth (and Lack Thereof): An Interpretation: In *One Economics-Many Recipes: Globalization, Institutions, and Economic Growth: Dani Rodrik*, 2007