

The Ohio State University
Department of Economics
Contemporary Economic Issues in Middle East
Econ 557

Lecturer: Dr. Ida A. Mirzaie
Office: 421 Arps Hall
E-mail: Mirzaie.1@osu.edu
Course webpage: <https://carmen.osu.edu/>

PRE-REQUISITES: Econ 200 or Econ 201 or permission from instructor

OBJECTIVE

This course intends to extend the students' understandings of the economic issues facing Middle Eastern Countries. Building upon basic knowledge of principles of economics, this course seeks to introduce students to current macroeconomic issues from a regional standpoint to shed light on cross regional similarities and differences. After covering background information on geography, culture and social environment of Middle East, the course will cover Middle Eastern countries' internal situation (e.g. growth, inflation, unemployment, fiscal and monetary policy) and its external situation (e.g. import, export, foreign debt and exchange rate policy). Throughout the course, we also discuss current events and issues related to Middle Eastern Countries.

GENERAL LEARNING OBJECTIVES:

1. The course will address various dimensions of international and global issues associated with Middle East through discussion and analysis that is cognizant of social and economic differences and similarities, diversity, and complexity.
2. Students will be required to synthesize and apply knowledge from diverse disciplines to the study of a wide range of dimensions associated with Middle East.
3. Students will be required to apply knowledge and insights to the comparative study of contemporary economic issues in Middle East.
5. A range of theoretical/methodological approaches will be discussed and analyzed that will provide students with the scientific tools of inquiry to examine and gain knowledge associated with issues in Middle East.
6. The course will bring into focus the integration of social, cultural, economic, geopolitical, and historical dynamics that will enrich and widen the students' understanding of the Middle Eastern region.

TEACHING METHODS

Teaching methods will include lecture, reading, discussions, and a group project. The result of the group project will be presented through a formal in class presentation and a written term paper. There is no formal text book assigned for this course. All articles and lecture notes will be available to students on Carmen. We will also use discussion section of Carmen to discuss the current events.

EXAMS, GROUP PROJECT AND GRADING CRITERIA

Two exams will be given in this class. The midterm exam will constitute 30% of the final grade. The final exam is cumulative and will also constitute 30% of the grade.

Everyone is required to work on a group project throughout the course (30% of the grade). For detailed information on the project see the last two pages of this syllabus.

The final grades will be calculated based on the following distribution:

| | | |
|----------------------------|----|-----|
| Final exam | | 30 |
| Midterm Exam | | 30 |
| Project | | 30 |
| Progress Reports | 5 | |
| Presentation | 10 | |
| Paper | 15 | |
| Active Class Participation | | 10 |
| Total | | 100 |

ATTENDANCE AND CLASSROOM PARTICIPATION

Classroom participation is assumed as part of your minimum requirements. Since the exams are based both on the reading and class lectures, it is important to maintain attendance, indeed active participation is essential for the success in this type of courses. Come to class on time and do not leave early under any circumstances. Be prepared to participate in class discussions and answer the questions.

ACADEMIC HONESTY

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an 'excuse' for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct.

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. If COAM determines that you have violated the University's *Code of Student Conduct* (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me.

STUDENTS WITH DISABILITIES

“Any student who feels she/ he may need accommodation based on the impact of a disability should contact the instructor privately to discuss your specific needs. Please contact the Office for Disability Services at 614/292-3307 in 150 Pomerene Hall to coordinate reasonable accommodations for students with documented disabilities.”

Students with disabilities that have been certified by the Office for Disabilities Services will be appropriately accommodated, and should inform me as soon as possible of their needs.

DEPARTMENTAL INFORMATION

Information on Economics Department policies on participation by students with disabilities, accommodation for religious observances, academic conduct, complaint procedures, grade appeal procedures, and other standing policies (e.g., sexual harassment, incomplete) is available in main office of Economics Department, 410 Arps Hall.

Course Outline

Week One

- Introduction
 - o Background Information
 - Geography
 - Oil and Non-oil Producing Countries
 - Cultural and Political Environment
 - Issues and Challenges

Week Two

- Macroeconomics Trends and Prospects

Economic Trends in MENA Region, 2002, published by Economic Research Forum for the Arab Countries, Iran, and Turkey, Chapter One, Macroeconomic Trends in MENA

Week Three

- Economic Growth
 - o How to measure Economic Growth
 - Gross Domestic Product
 - o Economic Growth and Fluctuations
 - Low Saving and Investment Rates
 - External Debt and Poverty
 - The Role of Trade Liberalization
 - Export Competitiveness and Export Diversification
 - Productivity

Economic Trends in MENA Region, 2002, published by Economic Research Forum for the Arab Countries, Iran, and Turkey, Chapter Three: Export Competitiveness: Where the Region Stands
Chapter Four: The Challenge of MENA Competitiveness in Industry

Week Four

- Labor Market and Human Resource Development
 - o Demographics and the costs of unemployment
 - Lost output
 - Political unrest
 - Female in the workforce
 - Alleviating Youth Unemployment

Economic Trends in MENA Region, 2002, published by Economic Research Forum for the Arab Countries, Iran, and Turkey, Chapter Five: Labor Markets and Human Resource Development

Berberoglu, Berch, "Unemployment, Low wages, and Income Inequality: The Triangle of Poverty in the Middle East and North Africa," 2000, *Earning Inequality, Unemployment, and Poverty in the Middle East and North Africa*, Pages 185-204.

Moghadam, Valentine M., "Women, Work, and Economic Restructuring: A Regional overview," 2001, *The Economics of Women and Work in the Middle East and North Africa*, Volume 4, Pages 93-116.

Week Five

- Fiscal Policy
 - Inefficient system of taxation
 - Political and other constraints on the level of government expenditures
 - The effects of government revenue from financial repression on saving, investment, and the degree of capital mobility
 - Reliance on inflation tax (seigniorage), excessive debt financing

Jalali-Naini, Ahmad R. "The Structure and Volatility of Fiscal Revenue in MENA Countries," March 2000, Paper Presented at MDF3, Cairo

Eifert, Benn; Gelb, Alan; Borje Tallroth, Nils, "The political economy of fiscal policy and economic management in oil exporting countries," World Bank Policy Research working paper, Volume 1, 2003

Week Six

- Monetary Policy
 - Goals for Monetary Policy
 - Transmission mechanisms of monetary policy
 - Interest Rate
 - Assets
 - Exchange Rate
 - Monetary independence in a fragile financial environment with high capital mobility

Kandil Magda, "On the Design and Effects of Monetary Policy in the Middle East" 2004, News letter of Economic Research Forum for the Arab Countries, Iran, and Turkey

Week Seven

- Financial and Capital Markets, Privatization and FDI
 - The degree of development of the financial system
 - Liquidity constraints in aggregate consumption
 - Debt overhang effect on production and private investment
 - The role and effectiveness of capital control

- Informal financial market

Economic Trends in MENA Region, 2002, published by Economic Research Forum for the Arab Countries, Iran, and Turkey, Chapter Two: Financial and Capital Markets, Privatization and FDI

Agénor, Pierre-Richard, Ishac Diwan and Jamal Al-Kibbi, "Private Capital Flows to MENA: Issues and Evidence." The World Bank, April 2001.

Alessandrini, Sergio. "FDI in the MENA Region," the third Mediterranean Development Forum, Cairo, 5-8 March 2000

Week Eight

- Exchange Rate Policy
 - Exchange Rate Determination (Demand and Supply)
 - Foreign exchange rationing and multiple-currency practices
 - Lack of credibility and implication of inconsistency between fiscal policy and exchange rate policy
 - Informal credit and currency market
 - Devaluation and inflation

Abdelali Jbili and Vitali Kramarenko, "Should MENA Countries Float or Peg, Finance and Development Journal, Volume 40, Number 1, March 2003

Week Nine and Ten

- Country Study
 - Presentations

Group Project

You are expected to work in groups of 4-5 students for this project. Each group will choose its own country of investigation. All groups should be formed by the end of the second lecture, and each group should provide me with a list of members along with the name of the country. We will have 20 minutes for group meetings at every lecture until presentations begin. You are required to keep minutes of your group meetings. A group member will post the report on the group page the day after each meeting. Each report should include the name of the members that attended the meeting and a progress report.

I. Instructions

You are a member of the Strategic Planning Task Force of a company. Your company is currently operating outside of its home country, and is interested in a detailed macroeconomic analysis of the country in order to plan its future operations. You have been asked by the CEO to investigate the macroeconomic conditions and government policies of that country.

Your goal is to provide a summary of the key macroeconomics factors in the country. This report requires selecting critical data, analyzing their historical patterns, and understanding causal relationships.

II. Steps

Specify a country. You should choose from the following countries:

Afghanistan, Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Morocco, Saudi Arabia, Sudan, Syria, Tunisia, Turkey, United Arab Emirate, West Bank and Gaza, and Yemen

1. Conduct a macroeconomic analysis of the country. You are supposed to collect information on both political/legal environment and economic/financial environment. Your report should include information about the structure of the economy, its internal situation (e.g. growth, unemployment, inflation, fiscal and monetary policy), its external situation (e.g. imports, exports, balance of payments, foreign debt, currency stability and exchange rate policy), and issues that would be of particular interest to your company. You should conclude with an assessment of the future of the economy in that country.
2. You may divide the following topics among your group members:
 - a. Background information on political/legal environment, Economic Growth, Standard of Living and Income Distribution
 - b. Business Cycles (Inflation, Employment, Policies in historical perspective)
 - c. Government policies (Spending, Taxes, Budget Deficit, National Debt)
 - d. Central Bank and Monetary Policy, Exchange Rate Policies
 - e. International Trade Relationship and Foreign Direct Investment

Each group should cover **the current issues in addition to historical background**. It is recommended that you study your country in relation to the essential goals of

macroeconomic policies: low unemployment, stable prices, and long run economic growth.

Oral Group Presentation:

Each presentation should address the highlights of the research and be limited to 10 minutes per presenter. The presentation grade includes a group grade on overall coverage, organization, coordination and flow of information, and an individual grade on each student's presentation skills and content covered. Your final grade on the presentation will be an average of these two grades. Credit will be given based on the content and the clarity of presentations, ability to hold audience's attention, time management, and skill at handling questions. You should use a Power Point presentation and any features of Power Point that you find appropriate for your work. The date for each presentation will be assigned on a first come, first served basis. Each group is required to provide a handout for the class.

Term Paper

The paper is a group work that every group member covers their own part of the subtitle of the main topic. All group members are responsible to make sure that the paper is organized and written well. It should have a text of 15-20 pages, excluding the title page, abstract, bibliography, and appendices. The paper should be clearly structured with major headings and sub-headings. Credit will be given based on the content (economic argument, statistics and facts supported by appropriate references) and the presentation (clarity, organization, grammatical accuracy, proper abstract and bibliography). The following criteria will also be considered: evidence of original analysis and significant new information, variety of sources, and the usage of tables and graphs.

Please note that all internet sources should be from governmental sites or from well-known international organizations. If you use any other internet sources, you are responsible for fact checking. All graphs and tables should be included in an appendix.

ANY FORM OF PLAGIARISM WILL BE STRICTLY PENALIZED. You are required to provide full references, i.e. title of article, author, name of periodical, date published. If you are using internet sources, please provide a complete citation with the website and title of the page.