

Econ 3052 Fiscal Policy and Economic Development



**THE UNIVERSITY OF THE WEST INDIES
ST. AUGUSTINE, TRINIDAD AND TOBAGO
DEPARTMENT OF ECONOMICS, FACULTY OF SOCIAL SCIENCE**

**ECON 3052 Fiscal Policy and Economic Development
SEMESTER 2, UNDERGRADUATE, YEAR 3**

PRE/CO-REQUISITES	ECON 2003
COURSE TYPE	ELECTIVE MAJOR ECONOMICS CORE SPECIAL ECONOMICS
CREDITS	THREE
MODE OF DELIVERY	BLENDED
COURSE COORDINATOR	MRS. ROXANNE BRIZAN-ST.MARTIN
CONTACT	ROXANNE.BRIZAN@STA.UWI.EDU
LOCATION AND OFFICE	ROOM 216 DEPARTMENT OF ECONOMICS
HOURS	OFFICE HOURS: MONDAYS 9-11AM, WEDNESDAYS 8-10 AM
TUTOR INFORMATION	MS RANI BHAJAN RANI_BHAJAN@YAHOO.COM

COURSE DESCRIPTION

The course examines the impact of fiscal policy on economic activity with special reference to CARICOM/Caribbean economies. Some of the issues raised are the following: the role of state in the economy; the nature and implication of fiscal deficits; fiscal rules in theory and practice; and the appropriateness of orthodox stabilization policies (austerity measures). A special module examines theoretical and empirical issues of fiscal decentralization.

COURSE RATIONALE

This course exists as an attempt by the Department of Economics to provide graduates in economics with the requisite technical tools to analyze the impact of fiscal policy on the development of economies in the region.

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COURSE AIMS

To provide Economics students an understanding of the fiscal policy issues and challenges in developing countries with special reference to the Caribbean and its impact on development outcomes.

COURSE LEARNING OUTCOMES

Upon successful completion of this course students will be able:

1. To identify and critique the role of state and the impact of fiscal policy on developing economies.
2. To examine and evaluate the impact of fiscal deficits on economic variables.
3. To understand the concept of fiscal disequilibrium and its consequences and;
4. To discuss issues relating to fiscal federalism.

PROGRAMME GOALS AND COURSE LEARNING OUTCOMES MATRIX

Qualities of the Distinctive UWI Graduate	Programme Level Learning Outcomes At the end of the programme students will be able to:	Course Learning Outcomes
1. Creative and Critical Thinker	To develop and deliver quality research, anticipate and offer practical solutions to economic problems.	To identify the issues surrounding the fiscal policy in developing economies.
2. Globally Aware		To understand different measurements of fiscal deficits and how they are financed.
3. Effective Communicator		To analyze the special socio-economic issues and challenges facing Caribbean countries as it relates to the role of the state.

COURSE ASSESSMENTS DESCRIPTION

Course Work

The course will be assessed via a coursework assignment that will account for 25% of the final grade. The coursework assignment will take the form of either an individual or group project based on selected fiscal policy issues in the Caribbean. The coursework assignment will be distributed on **February 4th, 2020** and will be *due on* **April 3rd, 2020 at 4:00 p.m.** at the **Department of Economics**.

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Final Examination

The Final Exam accounts for 75% of course marks and will take the form of a written exam which will be conducted over a two-hour period.

UNIVERSITY GRADING SCHEME

GRADE	GPA	MARKS
A+	4.3	90-100
A	4.0	80-89
A-	3.7	75-79
B+	3.3	70-74
B	3.0	65-69
B	2.7	60-64
C+	2.3	55-59
C	2.0	50-54
F1	1.7	40-49
F2	1.3	30-39
F3	0.0	0-29

COURSE ASSESSMENT TYPE AND COURSE LEARNING OUTCOME MATRIX

Assessment Item	Course Learning Outcomes				Weighting	Assessment Description	Assessment Length
	1	2	3	4			
Course Work					25%		
- Group/Individual Project	√	√	√	√	25%	Group Project based on Special Issues in Fiscal Policy and Economic Development.	Two months
Final Exam	√	√	√	√	75%	Written Exam covering topics covered in the course.	Two Hours
Total					100%		

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TEACHING STRATEGIES

METHOD

LECTURES

DESCRIPTION

Teaching will primarily take place through descriptive face to face lecture sessions and class discussions. Lectures will be conducted on Tuesdays between 8am to 10am. Each student is required to attend one two-hour lecture session per week.

Included here are lectures with experts specializing in different areas of fiscal policy including Dr. Penelope Forde. Arrangements will be made to facilitate a guest lecture by a specialist in the area of Fiscal Policy.

Contact and Location

Dr. Penelope Forde-

edmeeforde@gmail.com

c/o Department of Economics, Faculty of Social Sciences, UWI, St. Augustine Campus

TUTORIALS

Each student is to register for a tutorial session which will meet once per week for one hour. The tutor will conduct the sessions on the assumption that all students in attendance have read/prepared the required material as indicated by the tutorial assignment(s). ***All students are expected to participate fully in these tutorial sessions.*** The tutor will maintain an attendance record which will be kept as part of the Department's records.

CONTENT

1. Unit 1 – The Role of the State and Fiscal Policy
2. Unit 2 – Fiscal Policy and the Deficit Problem of Developing Countries
3. Unit 3 – Fiscal Policy and Structural Adjustment
4. Unit 4 – Fiscal Decentralization: Current Trends and Issues

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COURSE CALENDAR

Week	Topic	Learning Outcomes
1	Introduction	Review of course outline, Course Assessment and Expectations.
1-4	Unit 1- The Role of the State and Fiscal Policy	From this module, students should be able to understand the changing perspectives of the role of the State over the twentieth and the first quarter of the twenty-first century. In 2009, the global financial crisis has led once more to some rethinking of the role of government. Students should also have a view of the State's role in developing countries with special reference to CARICOM as well as an overview of fiscal policy and its impact on developing economies. Assignment of Projects (Week 3)
5-7	Unit 2 – Fiscal Policy and the Deficit Problem of Developing Countries	Students should be able to understand the following: <ul style="list-style-type: none"> • Different measurements of the fiscal deficit and how deficits are financed; • Impact of fiscal deficits/(surpluses) on interest rates, national savings, economic growth and resource use; • Reasons for fiscal deficits in developing as well as advanced economies; • Fiscal Vulnerability and Financial Crises; • Fiscal Rules in Theory and Practice; • Trends in internal and external debt; and • Debt Sustainability.
8-10	Unit 3 – Fiscal Policy and Structural Adjustment	In this module students are introduced to the concept of Tanzi's Fiscal Disequilibrium and its consequences; the economics of structural adjustment policies; case studies of structural adjustment in the Caribbean; and critique of orthodox stabilization policies (austerity measures).
11-12	Unit 4 – Fiscal Decentralization: Current Trends and Issues	Students should be able to: define concepts of fiscal federalism, fiscal and administrative decentralization; discuss issues relating to the provision of public goods in multilevel systems of government; discuss the assignment of tax bases at different levels of governments; intergovernmental transfers and examine at least two case studies of fiscal decentralization.
13	Course Wrap-Up	

READING/LEARNING RESOURCES

Bain, Laurel. 2019. The Tax Structure of the Member Countries of the Eastern Caribbean Central Bank.

Bain, Laurel. 2019. Fiscal Policy The Economy.

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Howard, Michael, Althea La Foucade and Ewan Scott. 2009. Public Sector Economics for Developing Countries. Kingston, Jamaica: UWI Press.

Levitt, Kari. 2005. Reclaiming Development: Independent Thought and Caribbean Community. Kingston, Jamaica: Ian Randle Publishers. Chapters 5-11.

Ramsaran, Ramesh, ed. 2004. The Fiscal Experience in the Caribbean – Emerging Issues and Problems. Caribbean Centre for Monetary Studies (CCMS), the University of the West Indies (UWI), St. Augustine. Chapters 1-8 and Chapter 10.

Unit	Readings
<p>Unit 1 - The Role of the State and Fiscal Policy</p>	<p>Tanzi, Vito, "Fiscal Policy for Growth and Stability in Developing Countries: Selected Issues" pp.15-27 in A. Premchand (ed) Government Financial Management: Issues and Country Studies, IMF, 1990</p> <p>Tanzi, Vito, "The Changing Role of the State in the Economy: An Historical Perspective" pp 17-36 in Fiscal Decentralization in Emerging Economies, K. Fukasaku and L.R. de Mello Jr. (eds), OECD 1999</p> <p>Tanzi, Vito and Ludger Schuknocht, "Reconsidering the Fiscal Role of Government: The International Perspective", AER Papers and Proceedings May 1997 pp. 164-168</p> <p>Matthias, Rudolph and Anthony Birchwood, "Government Spending and Economic Growth in Latin America and the Caribbean", CCMF Collection, The Fiscal Experience in the Caribbean 2004 pp. 407-450</p> <p>Musgrave, Richard A., "Reconsidering the Fiscal Role of Government", AER Papers and Proceedings, May 1997 pp.156-159</p> <p>Tanzi, Vito, "The Role of the State and the Quality of the Public Sector", IMF Working Paper WP/00/36</p> <p>Auerbach, Alan, "Implementing New Fiscal Policy Activism", AER Papers and Proceedings, May 2009 pp.543-549</p> <p>Feldstein, Martin S., "Rethinking the Role of Fiscal Policy", AER Papers and Proceedings, May 2009 pp.556-559</p> <p>Additional Reading (Optional)</p> <p>World Bank, World Development Report 1997, The State in a Changing World and later issues.</p>

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<p>Unit 2 - Fiscal Policy and the Deficit Problem of Developing Countries</p>	<p>Blejer, Mario J. and Adrienne Cheasty, "How to Measure the Fiscal Deficit" in Finance and Development, September 1992 pp.40-42</p> <p>Afxentiou, P.C., "Fiscal Policy and Economic Development" Developing Economies Vol.XIV No.2 1976 pp. 164-178</p> <p>Morrison, T.K., "Structural Determinants of Government Budget Deficits in Developing Countries", World Development, June 1982 pp.467-473</p> <p>Khan, Sarosh R. and Inderjit Ruprah. 2014. To Bind or Not to Bind: A Fiscal Policy Dilemma in the Caribbean. Inter-American Development Bank (IDB) Policy Brief No. 236.</p> <p>Kopits G. and S. Symansky, (1998) Fiscal Policy Rules, IMF Occasional Papers 162</p> <p>Trinidad and Tobago IMF Article IV Consultation Reports (latest issue)</p> <p>Hemming R. et al, (2003) Fiscal Vulnerability and Financial Crises in Emerging Market Economies, IMF Occasional Paper 218</p> <p>Additional Reading (Optional)</p> <p>M. Eslava, The Political Economy of Fiscal Deficits: A Survey, Journal of Economic Surveys, Vol.25 No.4 2011 pp. 645-673</p> <p>Budget Deficits: A Symposium, Journal of Economic Perspectives Vol.3 No.2 Spring 1989 pp.23-93</p> <p>Evan Tanner, Fiscal Rules and Countercyclical Policy: Frank Ramsey Meets Gramm-Rudman Hollings, IMF Working Paper 03/120</p>
<p>Unit 3 - Fiscal Policy and Structural Adjustment</p>	<p>Fischer, Stanley, "Applied Economics in Action", AER Papers and Proceedings May 1997, Vol.87 No.2 pp.23-27</p> <p>Theodore, Karl, "Fiscal Policy in the Caribbean: Where Do We Go from Here" in J. La Guerre (ed) Structural Adjustment</p> <p>Tanzi, Vito, "Fiscal Disequilibrium in Developing Countries" World Development Vol.10 No.12 pp.1069-1082, 1982</p> <p>Hilaire, Alvin, "Caribbean Approaches to Economic Stabilization" IMF Working Paper WP/00/73</p> <p>Fiscal Adjustment for Stability and Growth, 2006, IMF Pamphlet Series No.55</p>

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	<p>IMF Letters of Intent (For Selected Countries) Additional Reading (Optional)</p> <p>C. Blackman, A Heterodox Approach to the Adjustment Problem. First Adlith Brown Memorial Lecture, ISER 1986</p> <p>Farrell, Terrence. 2015. The Imperative of Adjustment. Trinidad Express. January 4.</p>
<p>Unit 4 - Fiscal Decentralization: Current Trends and Issues</p>	<p>Oates, Wallace, "Federalism and Government Finance" pp.10-23 in W. Oates (ed) The Economics of Fiscal Federalism and Local Finance, Elgar 1998</p> <p>Oates, Wallace, "Introduction" pp. xiii-xix in W. Oates (ed) The Economics of Fiscal Federalism and Local Finance, Elgar 1998</p> <p>Tanzi, Vito, "Fiscal Federalism and Decentralization: A Review of Some Efficiency and Macroeconomic Aspects" pp.295-316 in Michael Bruno and Boris Pelskovic (eds) Annual World Bank Conference on Development Economics, World Bank, Washington, D.C. 1995</p> <p>Ter-Minassian, Teresa, "Decentralization and Macroeconomic Management" pp.55-66 in K. Fukasaku and L. de Mello (eds) Fiscal Decentralization in Emerging Economies, OECD, 1999</p> <p>Additional Reading</p> <p>"Fiscal Decentralization: The Search for Equity and Efficiency" pp.175 et seq. in IADB Economic and Social Progress in Latin America, 1994.</p> <p>Duc Hong Vo, The Economics of Fiscal Decentralization, Journal of Economic Surveys, Vol.24 No.4, 2010 pp.657-679</p>

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UNIVERSITY POLICIES AND EXPECTATIONS

POLICIES: University Policy on Cheating/Plagiarism

All projects must include an accountability statement

Students are reminded of the University's Examination Regulations for First Degrees, Associate Degrees, Diplomas and Certificates including GPA Regulations which states:

78. “(i) Cheating shall constitute a major offence under these regulations.
 (ii) Cheating is any attempt to benefit one's self or another by deceit or fraud.
 (iii) Plagiarism is a form of cheating.
 (iv) Plagiarism is the unauthorized and/ or unacknowledged use of another person's intellectual effort and creations howsoever recorded, including whether formally published or in manuscript or in typescript or other printed or electronically presented form and includes taking passages, ideas or structures from another work or author without proper and unequivocal attribution of such source(s), using the conventions for attributions or citing used in this University.
103. (i) If any candidate is suspected of cheating, or attempting to cheat, the circumstances shall be reported in writing to the Campus Registrar. The Campus Registrar shall refer the matter to the Chairman of the Campus Committee on Examinations. If the Chairman so decides, the Committee shall invite the candidate for an interview and shall conduct an investigation. **If the candidate is found guilty of cheating or attempting to cheat, the Committee shall disqualify the candidate from the examination in the course concerned, and may also disqualify him/her from all examinations taken in that examination session; and may also disqualify him/her from all further examinations of the University....**

Accommodations for students with disabilities

Students should refer to the University of the West Indies St Augustine Campus, Student Disability policy https://sta.uwi.edu/resources/policies/Student_Disability.pdf

How to Study for this Course

Students should keep up to date with the course material via the suggested readings as well as the lecture notes and tutorial assignments. The Department is committed to supporting students in their quest to understand and indeed to excel. Please feel free to consult with your course lecturer and tutor as problems/issues arise. Students are strongly encouraged to visit the lecturer during stipulated office hours to discuss various issues and concerns. Alternatively, special appointments can be made (using the Instructor Information provided above) if necessary.

COURSE ACTIVITIES PLANNED

TBD