ECO421H1S

Special Topics in Economics:

The Economics of the Middle East

Instructor: Burhan Kuruscu

Email: burhan.kuruscu@utoronto.ca

Office: GE 203

What this course covers

We study the economies of the Arab world, Iran, and Turkey through a broad economic lens consistent with modern economic practice, incorporating topics such as economic growth, inequality, education, health, government policies, and the environment. Because the Arab world's population is more than five times larger than that of Iran or Turkey, Arab economies receive greater focus. However, many of the economic challenges facing Iran and Turkey closely resemble those in parts of the Arab world, allowing for integrated analysis.

Preparation for this course

This course places strong emphasis on data, which facilitate comparisons across countries and help guard against unsubstantiated claims by allowing us to assess whether arguments are supported by evidence. We will use basic statistical tools that you are expected to be familiar with. Beyond arithmetic, the only mathematical concept used in this course is logarithms. If there is a topic or tool with which you are not familiar, it is your responsibility to learn it.

Lectures and tutorials: Lectures are held on *Mondays from 2:00 pm to 4:00 pm in RW 142*. The following hour (4:00 pm to 5:00 pm) might be used for tutorials on an as-needed basis and for make-up lectures if a class must be cancelled.

Teaching Assistant: Mahmood Haddara. **Email:** m.haddara@mail.utoronto.ca

The teaching assistant will grade assignments and quizzes. He will hold office hours by appointment or as needed throughout the term. Any questions regarding course material should be directed to the instructor.

Required Textbook: *The Economics of the Middle East: A Comparative Approach* by James E. Rauch. The book can be purchased or rented through the University of Toronto Bookstore at:

https://www.uoftbookstore.com/adoption-search-results?ccid=8747713&itemid=543193

Course Requirements and Grading:

1. **60%**: Weekly/bi-weekly homework assignments. A **10% late penalty per day** is applied automatically through Quercus. The **lowest two homework grades** will be dropped.

2. **10%**: In-class quizzes. The **lowest two quiz grades** will be dropped.

* The grade-dropping policy is intended to accommodate short-term absences or minor disruptions. **No additional accommodations, including sick notes or requests based on extenuating circumstances, will be granted for homework assignments or in-class quizzes.**

3. **30%:** Final exam.

Outline

1. Introduction

- The Scope of This Book
- The Human Development Index
- Three Arab Worlds
- Human Development in the Three Arab Worlds on the Eve of the "Arab Spring"
- Human Development in the Three Arab Worlds after the "Arab Spring"
- A Note on Country Groups

2. Historical Perspective

- Extensive versus Intensive Growth
- The Division of the World
- The Great Divergence

3. International Trade, Natural Resource Rents, and Foreign Direct Investment

- International Trade and Industrialization of the Arab Mediterranean and Turkey
- Manufactured Exports to High-Income Consumers
- Service Exports to High-Income Consumers: Tourism
- Natural Resource Rents and OPEC
- Foreign Direct Investment

4. Human Resources

- Education
- Health
- The Demographic Transition

5. Gender Gaps

- Education
- Labor Force Participation
- Health

6. Income Inequality, Poverty, Migration, and Unemployment

- Income Inequality as Measured by the Gini Index
- Poverty Headcounts
- Migration and Remittances
- Public and Private Sector Expenditure to Reduce Poverty
- Unemployment and Self-Employment

7. Environmental Challenges

- Water Scarcity and Lack of Access to Basic Drinking Water and Sanitation Services
- Air Pollution
- Municipal Waste and Greenhouse Gas Emissions
- The Consequences of Global Warming for the Arab Countries, Iran, and Turkey

8. Government Spending: Urban Infrastructure, Energy Subsidies, and the Military

- Urbanization and Strain on Public Finance
- Urban Primacy
- Energy Subsidies
- Military Spending
- Slums
- Infrastructure Quality

9. Political Economy

- Corruption, GDP Per Capita, and Bureaucratic Inefficiency
- Bureaucratic Performance with Regard to Starting a Business and Enforcing Contracts
- Politically Connected Firms in Egypt and Tunisia

10. Conclusion: Some Modest Proposals for Policy