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Annual Report of the Economic Growth Center
1993-1994

T. Paul Schultz, Director

The Economic Growth Center enjoyed an active year, but faculty losses continue to outweigh faculty appointments, stemming from long term decisions in the Economics Department that have for many years eroded the strength of the Center. Without several good junior and several senior faculty appointments in the next year that contribute to the core teaching and research fields of the Center, the reputation of Yale will diminish further as an institution providing a well-rounded Economics graduate program that includes the leading applied fields in development economics.

Nicholas Stern, the Chief Economist of the European Bank for Reconstruction and Development, on leave from London School of Economics, presented the Kuznets' Memorial Lectures on April 16-18, 1994. He spoke about the role of the state and, in particular, public finance issues related to developing countries and those countries in Eastern Europe that are replacing centrally planned economies with market oriented allocation mechanisms.

The Center helps to support two weekly workshops that bring a series of speakers to Yale in Trade and Development and Labor and Population Economics. These workshops are reviewed in the enclosed three year report of the Center that was issued in the spring of 1994. The annual Microeconomics conference initiated by

Yale/Brown/NYU was held this year on April 19 at New York University. The yearly Development Consortia conference was held in October 1993 at Williams College, and will be at Yale on October 14-15, 1994. A planning conference was held at Yale in December 1993 under Japan Center for Global Partnership and U.S.-Japan Friendship Commission grants, involving Ranis, Hamada, Schultz and several Japanese collaborators. In 1995 a final conference is planned in Kobe, Japan to present and discuss the resulting six research papers that the project anticipates will then be completed. The annual Economic Growth Center Advisory Committee Meeting was held at the Yale Club on May 4, while the Executive Committee of the Center met to review the year's developments and plans on May 16.

A summary of faculty, visitor, and graduate student publications and research is provided in the Center Report for the last three years and a listing is attached to this report for the last year. The production of discussion papers has remained approximately constant over the years at 20 - 25 per year and an additional 10 - 15 center papers, although it may be recalled that the number of Center faculty has diminished. Faculty losses this year include Willem Buiters, to accept a chair at Cambridge University, Burton Singer, to become the Director of the Office of Population Research at Princeton, Duncan Thomas to accept a tenured appointment at UCLA, Joosung Jun who left for the NBER in Cambridge. There will be only one new junior faculty appointment in the Center starting in July 1994, Philip Levy, whose research

is in international economics and applied game theory. The only bright spot in this record of attrition is the receipt of a \$2 million endowment for a Yale Professorship of International and Development Economics that was consummated in Taipei in May 1994 by President Richard Levin and the donor Yu-How Chen, president and chair of Tuntex Group in Taiwan.

The Master's program in International and Development Economics (IDE) had the largest class in years, 29, and we anticipate a larger than average sized class of 20-23 next year. A new brochure has been developed and will be printed during the summer for circulation abroad and to the major agencies who sponsor international student fellowships. A joint MA program between the IDE and the SOM was proposed by the Program's Director, Robert Evenson, and approved by both the faculties of SOM and the Economics Department, and is currently waiting approval by the Graduate School. The goal is to develop a larger and somewhat stronger pool of applicants, on the order of 70, from which to accept about 25 students in future years. Currently the historical pattern has been to have 40 applications and accept 20 and have an incoming class of only 15. It is reasoned that a class of 25 would not require much more faculty time, although it would necessitate more TA support. In 1992 Center Director, Paul Schultz, and Dean of the Graduate School, Judith Rodin, established a new formula to finance the IDE program administration in the Economic Growth Center. The goal was to expand the program toward its optimal size and maintain or

improve its standards. The progress to date may be viewed as a result of that financial understanding between the Graduate School and the Center.

The current priority for the Economic Growth Center is new senior and junior faculty appointments in fields of teaching and research that strengthen the Center's capacity to contribute to resolving the problems of development and growth in the rapidly changing world. Without that infusion of new faculty, the existing aging faculty has shown a remarkable capacity to fund their own research, and bring to Yale new training funds for postdoctoral fellows and graduate student dissertations. These funding initiatives summarized in the attachments reflect the traditional strengths of the Center, but they have many limitations that prevent the Center from maintaining a comprehensive program, including modern Microeconometrics studies of households and firms, macro and micro economics of international trade, and modern endogenous growth theory. General research support for junior faculty as they start their careers at Yale and graduate students working outside of the areas of particular faculty specialization can no longer be supported by the Center.

This year it was decided that increased Center priority would be given to raising funds for visiting research professorships, who would be selected for one or two years because their innovative research complemented the Center's research program. This incremental funding would not conflict

with Yale's commitment to reduce the number of regular faculty in the Economics Department or the Department's reluctance to make empirical and theoretical appointments in the Center's fields of interest, including labor, public finance, international economics, research and development, health and human resources, and regional studies.

It is hoped that the Campaign for Yale would yield incremental resources for the Center. Our priorities are supporting more visiting research faculty, investing in more advanced computing technologies, archiving and sharing of household and firm micro data from low-income countries, initiating small and larger conferences to capitalize on changing frontiers of the profession, and supporting the research needs of Yale faculty, graduate students, and postdoctoral fellows.

The Economic Growth Center spent several years negotiating with several Provosts a set of Center funding priorities in 1987-92 (a copy of the brochure is enclosed). But to my knowledge the Development Office has not secured a gift for the Center as a result of this Center endeavor. Indeed, during my tenure at Yale, nearly 20 years, I cannot recall a gift to the Center that resulted from the initiatives of the Development Office. The Tuntex Chair noted earlier is the product of years of effort by Center faculty, primarily Gustav Ranis and John Fei (Emeritus). We express the hope that in setting priorities within Yale, the ongoing Capital Campaign will keep the needs of the Economic Growth Center's in mind.