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## Economic Growth Center Director's Report

1987-88

The Economic Growth Center in 1987-88 included seven tenured faculty and five untenured faculty, three affiliated faculty from Yale Departments other than economics, six secretaries and clerical staff and four management and professional staff. There were 12 visitors in residence at the Center for various periods of time, mostly from abroad. A list of visitors and faculty is attached. Three new appointments in the Economics Department may participate in the Center next year: James Heckman, Ariel Pakes, and Joosung Jim. Our offer of a professorship in Latin American Economics to Jere Behrman at University of Pennsylvania was unfortunately rejected, leaving us again without leadership in the Latin American area at the Center and in the Economics Department.

The Center's activities are primarily reflected in the publications of the faculty, a list of which is attached. These are summarized in Gustav Ranis' report of last year and are not repeated here. The second Simon Kuznets Memorial Lecture was held on April 6-8, 1988 at which Professor Amartya Sen of Harvard presented three lectures on "Inequality Reexamined."

New projects were funded by the Hewlett Foundation in Population Economics and the Rockefeller Foundation in Research and Training in Gender Differences, Economics of the Family, and Technical Change in Low Income Countries. These grants to T. Paul Schultz will extend predoctoral and postdoctoral training activities in the Center.

Robert Evenson and John Strauss obtained a second multiyear commitment from the Agricultural R&D agency in Brazil to continue the Center's collaborative work with staff in Brazil. Further linkages with the Statistics and Census Bureau in Brazil to undertake research and train staff in micro econometric and demographic analysis is also being discussed.

Koichi Hamada has negotiated support for the Center's program of International Studies on Japan and the World Economy with particular focus on the long term consequences of the Japanese current account surplus and savings behavior. Several Japanese government agencies including MITI, NIRA and Ministry of Finance, as well as private corporations, are exploring means of supporting Hamada's program of research and scholarly exchanges with Japan.

Robert Evenson has obtained NSF support to investigate how patent activity can be allocated by industry and analyzed by country of origin to determine the payoff to R&D activity in the world.

#### **University Policies on Sponsored Research in the Social Sciences**

The contraction of USAID and NSF funding of research relevant to economic development has forced the Economic Growth Center to turn to private foundations and foreign agencies for support of research and training expenses. The shortage of funding sources is evident throughout the social sciences. Moreover, Yale provides few encouragements for such research entrepreneurship.

Financially, the Economic Growth Center has for a long time subsidized the Economics Department and the instructional mission of Yale by supporting secretaries for faculty who are predominantly involved in teaching. The Center also administers the highly profitable (i.e. no scholarship given by Yale) IDE Master's degree program, for which it does not receive enough to support the program secretary, TAs and student expenses. Indirect cost recoveries from Center federal grants from NIH, AID and NSF are also twice the level of GA support received by the Center from the University. The Center is not left with the financial capacity to help its faculty in their legitimate research needs, particularly those faculty that struggle to fund some of their research through the University, and absorb the Yale overhead tax of 72%. Not unreasonably, faculty respond by working more off-campus or through the auspices of other agencies that provide more in return for their efforts. This trend reduces the University's fiscal base and reduces the benefits that colleagues and students derive from regular interaction at the Center. I suspect that the record of the last two decades will confirm this pattern throughout the social sciences at Yale.

This is not a criticism of faculty behavior, but a critique of Yale University policy that ignores the deterrent effect of the high tax rate on entrepreneurial activity, particularly when research in the social sciences is not physically dependent on (or greatly encouraged by) Yale facilities. Until the University finds a way to reward faculty for confronting the paperwork of grantsmanship and reducing the Yale overhead tax in the social sciences, research centers in the social sciences will tend to decline.

Even if the availability of government grants improves in the next federal administration, this development is not likely to halt Yale's decline relative to other major universities in terms of on-campus social science research

activity. To reverse the current drift will require that the Yale central administration decide to introduce an improved structure of incentives that recognizes the special character of sponsored research in the social sciences.

A part of the solution to this problem at Yale would be to establish a separate indirect cost recovery pool for the social sciences and humanities which do not depend on laboratories. I have urged for several years that Len Wesolowski perform the rough calculations to illustrate what such a federally acceptable accounting change would imply for Yale. I would guess that this separation of two cost recovery pools at Yale (similar to the off-campus rate) would increase the rate only a few percent for the natural and medical sciences, while reducing the rate by two-thirds for the social sciences. The added costs of accounting would be minor. The effect on incentives for the social science faculty would be dramatic. Can anyone argue that such a structural change in the allocation of costs would be inequitable?

**PAUL FRIED** Massachusetts Institute of Technology, 1981  
 Teaching Fields: Growth, Chinese economics and history  
 Current Research Interests: Economic policies, Chinese economics.

**WILLIAM CUNNINGHAM** University of Rochester, 1988  
 Teaching Fields: Exchange rate and government policies, labor inconsistencies,  
 macroeconomic, international finance  
 Current Research Interests: Speculation in financial markets.

**YOICHI HIRAHARA** Yale University, 1984  
 Teaching Fields: International Economics, The Japanese Economy  
 Current Research Interests: Strategic analysis of international interdependencies.

**KENNETH KLETZNER** University of California, Berkeley, 1983  
 Teaching Fields: International economics, microeconomic theory  
 Current Research Interests: International borrowing & lending; equilibria in  
 imperfect credit markets.

**GUSTAV HANSEN** Yale University, 1976  
 Teaching Fields: Developmental economics: interdependence between rich and poor  
 countries.  
 Current Research Interests: Debt, agriculture and liberalization responses,  
 balanced growth, the political economy of ITC policy change.

YALE ECONOMIC GROWTH CENTER FACULTY  
1987-1988

WILLEM BUITER

Yale University, 1975

Teaching Fields: International finance; macroeconomics.

Current Research Interests: Monetary, fiscal and financial policy  
in open, interdependent economies; stabilization policy and structural  
adjustment in developing countries; stabilization policy, public finance  
and capital market failure.

ROBERT E. EVENSON

University of Chicago 1968

Teaching Fields: Microeconomics; economic development; economies of technology;  
agricultural development.

Current Research Interests: Agricultural households in developing countries;  
economies of invention; technical change.

JOHN FEI

Massachusetts Institute of Technology, 1952

Teaching Fields: Growth, Chinese economics and history.

Current Research Interests: Economic policies, Chinese economics.

VITTORIO GRILLI

University of Rochester, 1986

Teaching Fields: Exchange rate and government policies, labor inconsistencies,  
macroeconomic, international finance.

Current Research Interest: Speculation in financial markets.

KOICHI HAMADA

Yale University, 1965

Teaching Fields: International Economics, The Japanese Economy.

Current Research Interests: Strategic analysis of international interdependence.

KENNETH KLETZER

University of California, Berkeley, 1982

Teaching Fields: International economics, microeconomic theory.

Current Research Interests: International borrowing & lending; equilibria in  
imperfect credit markets.

GUSTAV RANIS

Yale University, 1956

Teaching Fields: Developmental economics; interdependence between rich and poor  
countries.

Current Research Interests: Debt, agriculture and liberalization sequences;  
balanced growth; the political economy of LDC policy change.

RAAJ SAH

University of Pennsylvania, 1980

Teaching Fields: Public finance; economics of organizations.

Current Research Interests: Economics of organizations; public finance;  
new themes in economics of development.

T. PAUL SCHULTZ

Massachusetts Institute of Technology, 1966

Teaching Fields: Economic demography; labor; health and development.

Current Research Interests: Behavioral-biological models of fertility and  
health, schooling and development.

T.N. SRINIVASAN

Yale University, 1962

Teaching Fields: International trade; economic development; economic theory.

Current Research Interests: Theory of lobbying and rent-seeking; non-market  
contractual arrangements; resource allocation in developing countries with  
incomplete markets.

JOHN STRAUSS

Michigan State University, 1981

Teaching Fields: Economic development in Africa; applied econometrics;  
agriculture.

Current Research Interests: Farm household models; nutrition and health in  
rural areas of LDC's.

DUNCAN THOMAS

Princeton University, 1986

Teaching Fields: Applied econometrics, economic development, labor economics.

Current Research Interests: Applied econometrics; economic development.

ECONOMIC GROWTH CENTER VISITORS

1987-1988

Name	Affiliation
Bravo-Ureta, Boris	Depart. of Agricultural Economics University of Connecticut Storrs, Connecticut
Brothers, Dwight	Visiting Fellow, Consultant to the Ministry of Finance and Public Credit Government of Mexico
Elbadawi, Ibrahim	Visiting Faculty Department of Economics University of Gezira Wad Medani, Sudan
Fukao, Kyoji	Visiting Fellow Institute of Economic Research Hitotsubashi University Tokyo, Japan
Hutaserani, Suganya	Postdoctoral Fellow Department of Economics Chulalongkorn University Bangkok, Thailand
Kramer, Randall	Visiting Fellow Dept. of Agricultural Economics Virginia Polytechnic Institute Blacksburg, Virginia
Okojie, Christiana	Postdoctoral Fellow Dept. of Econ. & Statistics University of Benin Benin City, Nigeria
Yang, Xiaoki	Visiting Fellow Department of Economics Wuhan University Chang Sha, China

Short-Term Visitors

Hassan, Babiker	Planning & Agricultural Economics Admin. Ministry of Agriculture Government of Sudan Khartoum, Sudan
Huffman, Wallace	Department of Economics Iowa State University Ames, Iowa
Nweke, Felix	University of Insukka and Inter. Institute of Tropical Agriculture Ibadan, Nigeria
Zarenda, Harry	Department of Economics University of the Witwatersbrand Johannesburg, South Africa

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ECONOMIC GROWTH CENTER REPRINT SERIES

From May 1987 to April 1988

<u>Number</u>	<u>Title</u>	<u>Author</u>
388.	"Queues, Rations, and Market: Comparisons of Outcomes for the Poor and the Rich" <u>Journal of Development Economic Review</u> , Vol. 77, No. 1, 1987, pp. 69-77.	Raaj Kumar Sah
389.	"Rewarding the Profligate and Punishing the Prudent and Poor: Some Recent Proposals for Debt Relief" <u>World Development</u> , Vol. 15, No. 3, 1987, pp. 411-417.	Willem H. Buiter T.N. Srinivasan
390.	"The Invariance of Market Innovation to the Number of Firms" <u>Rand Journal of Economics</u> , Vol. 18, No. 1, 1987, pp. 98-108.	Raaj Kumar Sah Joseph E. Stiglitz
391.	"The Value and Allocation of Time in High-Income Countries: Implications for Fertility" (Reprinted from <u>Below Replacement Fertility in Industrial Societies, A Supplement to Population and Development Review</u> , Vol. 12, 1986, pp. 87-110.	T. Paul Schultz
392.	"IMF Surveillance, Policy Coordination, and Time Consistency" <u>International Economic Review</u> , Vol. 28, No. 1, 1987, pp. 135-158.	Michael Jones
393.	"Time Consistent Commitments of Intermediate Duration" <u>Economics Letters</u> , Vol. 23, 1987, pp. 167-171.	Michael Jones
394.	"Institutional Change in Intellectual Property Rights" <u>American Journal of Agricultural Economics</u> , Vol. 69, No. 2, 1987, pp. 403-409.	Robert E. Evenson Jonathan D. Putnam
395.	"Balancing Basic and Applied Science: The Case of Agricultural Research" <u>BioScience</u> , Vol. 37, No. 7, 1987, pp. 507-509.	Glenn Fox Robert E. Evenson Vernon W. Ruttan
396.	"Economic Liberalization in China and India: Issues and an Analytical Framework", <u>Journal of Comparative Economics</u> , Vol. 11, 1987, pp. 427-443.	T.N. Srinivasan

397. "Fertility and Investments in Human Capital: Estimates of the Consequence of Imperfect Fertility Control in Malaysia", Journal of Econometrics, Vol. 36, 1987, pp. 163-184. Mark R. Rosenzweig  
T. Paul Schultz
398. "Tropical Economies and Weather Information", Monsoons, edited by Jay S. Fein and Pamela L. Stephens, 1987, John Wiley & Sons, Inc, New York. Raaj Kumar Sah
399. "The Taxation and Pricing of Agricultural and Industrial Goods in Developing Economies", The Theory of Taxation for Developing Countries, edited by D.M.G. Newbery and N.H. Stern, 1987, Oxford University Press, New York. Raaj Kumar Sah  
Joseph Stiglitz
400. "Size, Supervision, and Patterns of Labor Transactions", Journal of Philippine Development Vol. 13, No. 23, 1987, pp. 163-175. Raaj Kumar Sah
401. "Price Scissors and the Structure of the Economy", Quarterly Journal of Economics, Vol. 102, No. 1, 1987, pp. 109-134. Raaj Kumar Sah  
Joseph Stiglitz
402. "Trade and Structural Change: NICs and Next Tier NICs as Transitional Economies", World Development, Vol. 15, No. 3, 1987, pp. 299-316. Colin I. Bradford
403. "Indian Agricultural Policy: An Applied General Equilibrium Model", Journal of Policy Modeling, Vol. 9, No. 4, 1987, pp. 527-558. N.S.S. Narayana  
K.S. Parikh  
T.N. Srinivasan
404. "Credit Markets and Patterns of International Trade", Journal of Development Economics, Vol. 27, 1987, pp. 57-70. Kenneth Kletzer  
Pranab Bardhan
405. "Quid Pro Quo Foreign Investment and Welfare", Journal of Development Economics, Vol. 27, 1987, pp. 127-138. Jagdish N. Bhagwati  
Richard A. Brecher  
Elias Dinopoulos  
T.N. Srinivasan
406. "Latin American Debt and Adjustment", Journal of Development Economics, Vol. 27, 1987, pp. 189-199. Gustav Ranis
407. "Distributional Consequences of Rural Food Levy and Subsidized Urban Rations", European Economic Review, Vol. 32, 1988, pp. 141-159. Raaj Kumar Sah  
T.N. Srinivasan

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ECONOMIC GROWTH CENTER DISCUSSION PAPERS

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535.	"Rural Factor Markets in China After the Household Responsibility System Reform," April 1987. (45 pp.)	Justin Yifu Lin
536.	"A New Measure of Disparities in Development," May 1987. (49 pp.)	Pavle Sicherl
537.	"An Economic Theory of Institutional Change: Induced and Imposed Change," June 1987. 54 pp.)	Justin Yifu Lin
538.	"Towards the Implementation of the Desirable Rules of Monetary Coordination and Interventions," June 1987. (41 pp.)	Koichi Hamada Shin-ichi Fukuda
539.	"Population Growth and Economic Development", July 1987. (29 pp.)	T.N. Srinivasan
540.	"The Issue of Weights in Panel Surveys of Individual Behavior", July 1987. (45 pp.)	Jan M. Hoem
541.	"Population Programs: Measuring Their Impact on and the Personal Distribution of Their Effects", September, 1987. (35 pp.)	T. Paul Schultz
542.	"Child Survival, Nutritional Status and Household Characteristics: Evidence From Brazil", July 1987. (63 pp.)	Duncan Thomas John Strauss Maria Helena Henriques
543.	"Trade Policy Under Endogenous Credibility", September 1987. (24 pp.)	Charles Engel Kenneth Kletzer
544.	"Households, Communities and Preschool Children's Nutrition Outcomes: Evidence from Rural Cote D'Ivoire", October 1987. (34 pp.)	John Strauss
545.	"Managing Exchange Rate Crisis: Evidence From the 1890's", October 1987. (29 pp.)	Vittorio U. Grilli
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548. "Fiscal Policies and the Dollar/Pound Exchange Rate: 1870-1984", December 1987. (28 pp.) Vittorio U. Grilli
549. "Methods for Estimating Value of Time with an Application to the Philippines", January 1988. (41 pp.) Charles C. Griffin
550. "An Approach to Modeling Institutional Development", January 1988. (34 pp.) Xiaokai Yang
551. "The Role of Maternal Schooling and Its Interaction With Public Health Programs in Child Health Production", January 1988. (41 pp.) Albino Barrera
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Vittorio Grilli
553. "Tariffs and Saving in a Model with New Families", February 1988 (35 pp.) Charles Engel  
Kenneth Kletzer
554. "Food Aid: A Cause, or Symptom of Development Failure or an Instrument For Success?", February 1988. (48 pp.) T.N. Srinivasan