Subject Index

absolute scarcity 374 accommodating monetary policy 120 accumulation 342 of factors (labor and capital), 2 of human capital 140 of physical capital 211 acquisition of skills 154-155 Actual output 255 additive outliers 208 adjustment 153 process 260 Africa 145 Agadir Agreement 8 age-employment profile 395 age structure 174 aggregate demand 121, 257 investment expenditure 204 output 370 production function 199 supply 122 agricultural support programs 110 surplus 163 agriculture 4, 338 Algeria 40, 107, 124, 335–339, 341–356 allocation efficiency 110 America 16 animal husbandry 6 anticipated monetary policy 121 appreciation 257 Arab aid 212 Common Market 8 League, 14 Maghreb Union; Egypt 8 oil-producing countries 32 Arab-Israeli conflicts 2, 119

Argentina 29.11 51, 107 Asian miracle 46 austerity 361 authoritarianism, 20 autonomy 130 average capital share 47 Bahrain 40 balance of payment 240 of payments crises 220 balanced budget 341 budget law 313 bauxite 15 best growth performers 53 black-market premium 38, 296 blocking reform 20 boom-bust cycles 238, 243, 258 brain drain 11 Brazil 107, 113 bread riots 326 Broad Money 106-107, 117 budget deficit 123, 329 surplus 252 budgetary discipline 252 business climate 53 confidence 244 cycles 256-257, 261 capacity constraints 122 utilization 296 capita labor ratio 211 capital 56 account 253 accumulation 223, 248-249, 282, 346 contribution 48 controls 379

efficiency 43 expenditures 361 flows 250, 256-257 formation 239 goods imports 287 inefficiency 44 inflows 238 intensity 211 market development 129 market reform 198 markets 378 movements 256 outflows 252 per-worker growth 208 shares 47, 49 stock 142 stock data 46 capital-augmented labor 248 capital-intensive 22, 223 cash crops 269 catalytic role 221 causality 258 Central and South America 18 bank 105, 116, 257, 378 planning 311, 339 centralization 7 centrally planned economy 337 cheap labour 360 child mortality rates 388 services 173 welfare 182 children participation in the labor market 207 Chile 51, 107, 118, 314, 322 chow test 217 civil service 394 wars 18, 56 claims on the private sector 111 Cobb-Douglas production function 46 collectivism 23, 321 collectivization 311 commercial banking 117 commitment 406 commodity-oriented economies 273 communication infrastructure 379 Comoros 5

company law 380 comparative advantage 129, 354 compensation schemes 333 tax 340 competition 20, 127, 345 competitive environment 116 financial systems 128 forces 110 markets 200 wages 366 competitiveness indices 9 compulsory schooling program 207 computable general equilibrium (CGE) 4 conditional income convergence 37 conditional mean 167 consolidated budget 367 constant returns to scale 201, 342 consumer goods 339 price index 220 consumption 259 smoothing 189 contractions in the economic activity 254 contribution of physical capital to growth 22 control measures 221 variables 115 convergence 140 dynamics 146 cooperativization 321 copper 15 corporate governance 130 corruption in government 52 cost of intermediation ratio 112 costs of operation 117 Council of Arab Economic Unity 8 countercyclical 239, 259 credible 299 credit ratio 323 credit to the private sector 114 cross-country growth regression 41 heterogeneity 6 regressions 37, 54, 142 crowding-out 215 crowding-out 364 cultural heritage 117 currency crisis 250-251

current account 251, 256, 329 expenditure 361 cyclical behavior 259 cyclical shocks 153 debt crisis 153 debt-service ratio 54, 349 declining birth rates 15 demand curve 120 demographic changes 2, 269 explosion 333 gift 3, 174 transition 174 dependency ratio 174 deposits held abroad 109 deposit rate 114 depreciation 339 deregulation 354 devaluation policy 121 developing countries 145 development challenge 32 plans 110, 284 diminishing marginal returns to capital 202 returns to capital 224 direct financing 106 dirham 379 Disability Adjusted Life Expectancy 172 disequilibrium exchange rates 296 disinflation 242 disinflationary monetary policy 125 distortions 38, 151, 164, 340 diversified economy 360 division of labor at home 21 Djibouti 5 domestic debt 131, 242 industry 290 savings 210, 365 dual gap models 283 Dutch Disease 165, 298, 370 dynamic adjustment 153 efficiency 154 misallocation 164 East Asia 140, 275

countries 47

economic activities 104 base 336 conditions 119 costs 255 crisis 340 diversification 31, 35, 355, 361 efficiency 198, 248 freedom 349 growth 39, 105, 198, 223, 243, 250, 269, 271, 273, 275, 277, 279, 281, 283, 285, 287, 289, 291, 293, 295, 297, 299, 301, 303. 305. 345 management 242 policies 57, 109, 269, 271, 273, 275, 277, 279, 281, 283, 285, 287, 289, 291, 293, 295, 297, 299, 301, 303, 305, 336-337 reconstruction 317, 322 reforms 147 slowdown 212 Economic Research Forum 51 economics of technology 336 education 155, 169 education and growth 51 education-augmented labor 280 educational attainment 149 gap 140 effect of financial development 20 effective exchange rate 323 effectiveness of monetary policy 20 efficiency channel 350 gains 346 of capital 104 efficient allocation 104, 188 growth 211 Egypt 34, 40, 53, 56, 107, 197-200, 202, 204, 207–208, 210–212, 219–220, 222-224, 385-395, 397-402, 404, 407-409 emerging market economies 238, 251 employment 139, 144 guarantee 393 policies 189 ratios 396 relationship 151 endogenous growth models 277 endowment of cultivable land 2

energy price 119 engines of growth 138 enrollment rates 183 enterprise sector 341 equilibrium exchange rates 284 equitable income distribution 239 equity market 25 Eritrea 5 ethnic, religious and language diversity 2 Euro Area 113 Europe, America, Asia and Oceania, MENA 16 European Union 7 excess liquidity 107 exchange controls 353 rate 107, 251, 259 rate regime 379 rate unification 291 expansionary monetary policy 123 expatriate workers 366 expenditure-reducing 290 expenditure-switching 290 export and import ratios 219 diversification 56 earnings 347 promotion 24 push strategy 356 export-led growth 365 exports of primary products 40 external balance 291 borrowing 290 debt 337, 345 environment 32 financing 210, 331, 348, 356 payment crisis 341 resources 244 shocks 19, 35, 37-38, 43, 56, 240, 257 factor accumulation 46, 272, 347 elasticities 280 productivity 46 factor-intensive 268 factor-neutral technical progress 200 factors of production 248-249, 342 family planning 319

female human capital, 25 labor force participation 4, 10, 188 school enrollment 179 fertility 172 declines 21, 388 rates 205 fifth plan 285 financial constraints 355 financial crises 153, 239, 242, 247 deepening 373 development 20, 104, 119, 371 development indicators 113 globalization 108 institutions 105, 111 instruments 105 intermediaries 104-105, 116, 119 intermediation 187 liberalization 253 markets 105, 253, 353 savings 104 services 9 stability 257 structure 253 system 104 First Gulf War 362 oil boom 23 plan period 240 fiscal burden 349 debts 252 deficit/GDP 372 discipline 238, 250 dynamics 252 policies 20, 252 stability 253 sustainability 367 variables 268 Five-Year Comprehensive Plan 198 fixed capital investment 275 fluctuations 120, 198, 336 food processing 308 subsidies 327 forecast errors 350 forecasts 216 foreign aid 209, 215 assets 379

borrowing 240 currency reserves 290 demand 339 direct investments 4 exchange 349 financial assistance 219 flows 119 labour 376 labour force 12 reserves 328 trade 363 formal education 185 fragmented democracies 7 free riders 312 trade agreement (FTA) 7 zones 365, 380 free-trade area 330 free-trade zones 365 FTAs with the United States. 7

GDP by sector 363 growth rate decomposition 48 growth rates 243, 362 per capita growth 54, 338 gender contract 173 discrimination 164, 189 Empowerment Measure 171–172 gap 184 income inequality 376 norms 164, 180 gender-appropriate 403 geographic size, 2 global financial system 108 governance 15,52, 297 government bonds 252 consumption 54, 219 employment 51 expenditure 367 investment 360 policies 20 purchases 121 revenues 3 securities 113 size 56

spending 119-120 stability 52 government-saving 277 grand ratios 272 gross domestic fixed 215, 300 domestic investment 36, 364 growth 61-73, 75-80, 85, 91, 104, 154, 299 accounting 143, 199, 247-248, 337 and productivity 52 capacity 356 differential 46 dynamics 247, 261 experience 2, 22 of its trading partners 38 of the money supply 120 pattern 33 performance 19, 31-32, 35, 56, 113 periods 299 potential 222 sustainability 38 theory 138-140 variability 54 volatility 17 growth-enhancing activities 137, 142 guarantee employment in the government sector 25 Gulf Cooperation Council 8 Gulf States 9 Hansen test 216 Health indicators 182 heavy dependence on oil 32 industry 338 heterogeneity 110 Hicks-neutral technical progress 200 hierarchical union 170 high fertility 164 growth rates 261 inflation 115 inflation countries 115 population growth 32 rates of accumulation of physical and human capital, 23

high-growth 243 high-saver countries 186 high-yielding T-bills 251 household economy 403 human capital 20, 37-38, 40, 50, 56, 137-140, 154, 181, 189, 336, 363 development index 40 hydrocarbons 338 illiteracy ratio 50 imperfectly competitive environment 108 import compression 295 substitution 45, 284 tariffs 290 inappropriate use of macroeconomic policies 24 incentive programs 382 structure 352 income gap 34 inequality 240 per capita in the beginning of each period 54 incremental capital/output ratio 339 India 107 indirect financing 106 Indonesia 18 industrial relocation 330 zones 365 industrialization 314 industrialization-based development 338 industrialized countries 47 inefficient management 24 infant mortality 182, 388 inflation 38, 43, 49, 107, 119, 238, 243, 261, 326, 329 inflation rate 115, 246 targeting 238 inflation-induced distortions 221 inflationary effect 124 inflexibility 185 inflexible labor market 186 infrastructure 355, 364 initial conditions 37 enrollment rate in primary school 49 income 38, 49 level of income 42

public offering price 204 public offerings (IPOs) 378 institution enrollments 391 institutional capability 348 development 129 environment 52 factors 3, 348 framework 152 indexes 8 matrix 297 norms 402 reform 4, 381 rigidities 124, 150 stratification 171 structures 126, 138-139, 141, 149 institutions 49, 57, 117 instrumental variables 40 integration 2, 32, 54 intellectual rights 380 inter-linkages within the MENA 8 interest 107, 111 groups 20 margin 115 rates 187, 252, 322 intermediate goods 259 intermediate-term deposit 289 intermediation cost 111-112 potential 107 internal and external shocks 31 shocks 57 international competitiveness 31, 56 financial system 108 Monetary Fund 238, 308 reserves 119, 123 sanctions. 16 interventions 161 invasion of Iraq 2 investment 32, 35, 41-42, 144, 363 climate 24, 379-380 effects 350 growth 210 in education 21 in infrastructure 40 profile 52 ratios 37-38, 44

inward FDI performance index 13 inward-looking economic development 353 inward-oriented growth 241 strategy 239 Iran 1, 3, 107, 166, 172, 267-272, 274-284, 287, 289–290, 292–293, 296–301 Iran–Iraq war 2, 23, 276 Iranian economy 23 Iraq 3, 5 iron 15 irrigation 165 Islam 15 Islamic fundamentalism 2 laws 171 revolution 285 state 7 jobless growth 245 joint stock companies 380 Jordan 40, 53, 107–108, 124, 154 judicial institutions 20 Korea 51, 107 kurtosis 213 Kuwait 40, 107, 165, 368 labor demand 406 endowments. 9 flows across the countries 9 force growth 143 force in agriculture 163 growth 207 law 169 market 21, 137, 140 market institutions 138, 151 market regulations 155, 166 productivity 22, 153, 343 supply 180, 406 labor-augmenting technology 138 labour market distortions 381 regulation 376 laissez-faire 322 land tenure systems 163

landlocked 6 large role of the state 21 Latin America 47, 50, 140, 153 Latin America and the Caribbean 162 League of Arab States 1 learning-based growth 353 Lebanon 107 legal environment 21, 109 systems 117, 128 lending rate 114 less developed countries 284 level of consumption 372 shifts 208 liberalization 110, 117, 250, 252-253 Libya 5 life expectancy 182, 338 linear programming 342 long-run growth 238 long-term loans 350 low productivity 347 productivity growth 339 low-growth equilibrium 286 low-quality education 154 macroeconomic dynamics 238 **Environment Index 9** fundamentals 252 imbalances 340 instability 240, 249, 337 performance 37-38 policies 38, 250 shocks 152 stability 341, 367 stabilization 340 Maghreb 11 Malaysia 18, 107 managerial autonomy 338 training courses 22 manpower allocation scheme 394 manufactures exports 54 manufacturing 147 growth 166 value added 341 marginal costs 260-261 market competition 150 economy 105, 403

flexibility 152-153 institutions 32, 336 mechanism 128 orientation 242 rigidities 142 segmentation 381 structure 153 market-friendly 285 Mauritius 322 measure of institutions 49 measurement errors 202 Mexico 107, 113 micro decisions 171 levels 347 studies 189 units 160 Middle East 1, 61-62, 90 middle-income countries 108, 117 migrants' flows 107 migration 153, 269 flows 11 military 7 mineral deposits 6 minimum wages 152 mining 6 misallocation of labor 152 of resources 150 misspecification 216 mixed economy 239 mobilization of capital 104 modern economic growth 161, 173, 268 education 24 monarchies 7 monetary authorities 117 expansion 285 growth 115, 120, 123 policy 105, 116, 120, 238, 257, 350 monetization 242, 252 money demand 120 monopolies 308, 341 moral hazard 110 Morocco 40, 53, 56, 107, 170, 173, 313 mortality rates, 3 multiple exchange rate system 286 multiplier effects 279

National Charter 329 National Development Plan 319 national savings 186 nationalization 188, 285 natural economy 268 gas 2, 6 resource abundance 2, 15, 37, 39, 49, 381 negative real interest rate 340 neoclassical economics 160 growth model 351 model 200 production function 142 neutrality of monetary policy 122 new economic policy 214 nominal shocks 278 non-agricultural labor 147 non-bank financial intermediaries 129 non-capitalist 286 non-hydrocarbon sectors 342 non-inflationary 299 non-neutral effects 124, 126 non-oil and diversified economies 31-32, 53. 346 Arab countries 32, 247 GDP 269 producing countries 32 revenue 382 non-performing loans 127, 332 non-strategic sectors 295 non-wage benefits 151 family income 178 nontariff barriers 219 normality 213 North Africa 1, 61-62, 90 nuclear family 181 number of schooling years 141 **OECD** economies 153 official capital inflows 15 oil 2

bil 2 and gas exports 3, 15, 40, 375 booms 9, 173 crisis 153 markets 361 price index 374 price revolution 163

price shock 123 stabilization funds 165 windfall 285 oil-exporting countries 31, 32, 53, 122, 164 oil-importing countries 3, 122 old-age security 182 Oman 34. 53 on-the-job training 22 open economy 287 open-endedness 215 openness 7, 37, 39, 44 operational efficiency 104, 111-112 optimal growth 297 Organization of Islamic States, 14 of Petroleum Exporting Countries 375 organizational problems 116 out-migration 12 outliers 208 output gap 23, 250, 254-255, 258-259, 261 growth 126 per worker 352 volatility 37, 40, 278 outward-oriented 241 over-the-counter (OTC) market 378 overbureaucratization 286 overstaffing 147 overvalued exchange rate 39, 287, 340 Palestinian territories 5 patriarchal 21, 170 peaks 205 per capita consumption 340–341 per capita GDP growth rates 36 per capita income 115, 337 periodization 205 perpetual inventory method 280 persistent inflation 252 Phillipines 107 physical capital 209, 336 planning 239 policy makers 116, 119 mismanagement 3 objective 119 political conflicts 25 economy 4, 61, 65-66, 68-69, 91, 95-96 factors 114, 117 instability 35

relations, 14 stability 49 upheavals 285 polygamy 318 population 5, 6 control 23, 319 growth 222, 240, 247 populist policies 311 post-adjustment years 330 post-war period 292 potash 15 potential output 255, 260 PPI inflation expectations 244 price control policies 124 deregulation 24, 356 distortions 340 dynamics 254 negotiations 120 signals 290 stability 125, 238 price-fixing 369 primary school enrollment ratio 38 private consumption 245, 260 investment 187, 240, 243, 260 property 321 rate of return 142 sector 7, 187, 400 privatization 8, 127-128, 341 of education 170 procyclical 153, 239, 259 producer groups 323 production 33 capacity 287 efficiency 369 productive human capital 189 productivity 342 of capital stock 208 per potential laborer 352 proinvestment laws 210 property rights 4, 128, 285, 348 protection 44, 325 proven oil reserves 2 public administration 163 deficits 251 enterprises 8, 147

expenditures 167, 294 Institutions Index 9 investment 240, 294, 339, 379 sector 114, 137, 400 sector employment 51, 148–149, 167 sector in non-agricultural employment 149 sector reforms 131

Qatar 40 quality of bureaucracy 52 of education 51 of institutions 50, 52, 349 quantitative trade restrictions 291 quasi-fiscal 289 quasi money 114

R&D 22, 140 random-effect panel regression 54 rapid economic growth 336 rate of accumulation 104 of growth of human capital 143 of growth of the capital stock 142 of return to schooling 155 rates of return 400 of returns on investment 32 rational agents 128 raw materials 338 re-exports 361 reaction function 122, 125 real depreciation 290 exchange rate 257 interest rates 253 output growth 120-121 wages 260 recursive residuals 218 red tape 53, 220 redistribution with growth 286 reform 216, 287, 312 Regional Cooperation for Development 8 disparities 338 trade 269 regulation 348 and supervision 130 regulatory environment 105 quality 52

related party lending 110 relative income (PPP) of MENA region countries with respect to US 35 wage system 154 remittances 10, 37, 56, 240 rent-seeking 52, 142, 268 rentier system 299 reserve money 117, 118 requirement ratio 117 residual 124 growth 200 resource allocation function 104 endowment 273 gap 210 mobilization function 104 rents 20 utilization 261 restrictions on capital movement 360 restrictive trade regimes 39 returns on investment 336 rigidities 126 risk premium 251 risk-free asset 113 role of households 21 of the state 54, 166, 348 Saudi Arabia 3, 40, 107 saving effects 268 savings 32, 186-187 rate 114–115. 142 savings-deficit 106 savings-surplus 106 Second Gulf War 373 Plan period 240 sectoral distribution 33, 139, 148 growth rates 275 self-employment 177 services sector 274, 361 share of Government consumption in **GDP 42** share of manufactures in exports 42 shock persistence 293 short-run supply curve 120 short-term capital flows 23, 253, 255, 258, 261 Singapore 51, 378 size of government 148, 168

skewness 213 skilled labor 11 social capital 297 heterogeneity, 20 indicators 338 infrastructure 360 modernization 313 norms 21, 25 organization 160 outcomes 171 rate of return 154 returns 161 subsidy 286 socialism 24, 160, 198, 308, 338 sociological 114 sociopolitical instability 56 soft-budget constraints 23 Solow accounting exercise 336 model 351 residuals 281, 345 Somalia 5 sources of demand 121 of growth 32, 200 South Asia 140 South-East Asia 153 special processing zones 312, 322 tax regimes 340 speculative arbitrage 255 stabilization 23, 120, 238, 240, 251, 311 stable economic growth 337 stand-by agreement 242 standard deviation of inflation 375 deviation to the absolute mean of the growth rates 16 state 32, 57, 171 enterprises 4, 240, 308, 337 Planning Organization 245 regulation 170 state-owned banks 127, 131 static efficiency 147 misallocation 164 stock exchanges 378 strategic sectors 353 structural adjustment 198, 238, 338, 340. 345 barriers 347

breaks 122, 372 change 238, 240, 272 reforms 23, 249, 340-341 shift 123 transformation 272 Sub-Saharan Africa (SSA) 32, 50, 140, 147, 336 subsidies 20, 221 subsistence farming 308 Suez Canal 210 supply response 340-341 supply-side constraints 107, 126 policies 356 surplus extraction 163 sustainability 367 sustainable growth 33, 336, 239 growth path 254, 258, 261 Syria 40, 53, 113

Taiwan 51 targeted investments 356 tariff rates 7 technical controls 330 progress 200, 211, 223, 246 technological changes 347 diffusion 39 dvnamism 224 efficiency 200 frontier 140 shocks 214 spillover 219 transfer 336 Technology Index 9 telecommunications 332 terms of trade 36, 43-44, 339 of trade variability 36 Thailand 107 time series 202 time-varying parameter 218 total employment 244, 396 **Total Factor Productivity** Growth 19, 22, 31, 38, 48, 143, 249 total fertility rate 176 tourism revenues 212 trade 4 barriers 45

credit 108 liberalization 24, 356 openness 56, 198, 219 policies 363 protection indicators 45 ratio 39 reforms 340 shares 54 shocks 165 trading boards 331 partners 371 traditional finance 108 transaction costs 297 transitory change 208 transport infrastructure 355 trend growth 293 reverting 293 troughs 205 Tunisia 23, 34, 40, 53, 56, 107, 124, 173, 307-310, 312-316, 319-322, 325-326, 328-333, 337 Turkey 1, 23, 40, 53, 56, 107, 173, 238, 240-242, 245-250, 252, 255, 259-261 turnover rate 406 two-track 312 UAE 7. 40. 359-381 unanticipated changes in monetary growth 120 shocks 205 uncertainty 40, 109, 296 under-five Mortality 388 underutilized workers 147 unemployment 32, 245, 337 rates 149-150, 252

unit of social organization 160 universal banking 129 unproductive assets 188 unskilled labor 11 unsustainable growth path 254 output growth 261 upper middle-income economies 170 urban households 161, 163 urbanization 162, 269, 388 variation in trading partner growth 56 Venezuela 107, 368 vintage 208 virtuous circle 319 volatile inflation 247, 250 volatility 14, 19, 35, 56 of growth rates, 18, 22, 40 of oil prices 2 vulnerability to external 37, 43 wage determination 139 differentials 407 inflexibility 155, 376 setting 151, 153 water resources 4 weak financial sector 24 wealth 268 windfall gains 299 window of opportunity 174 women rights 24, 313 world capitalist system 285 **Development Indicators 343** oil prices 56 Trade Organization 380

Yemen 5, 154 Yemen war 209