

# Growth and Development Economics

## Economics 705

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Spring Semester 2018  
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### LEARNING OBJECTIVES

Why do countries grow, and how do they change as they grow? These questions have occupied thinkers for centuries. The purpose of this course is to acquaint the student with the basic elements of the theory of growth and development, and to provide a survey of the recent empirical research in this area. The learning objectives are these:

- The student will be able to analyze questions concerning economic growth theory.
- The student will be able to use empirical methods to distinguish between competing growth theories.
- The student will be able to discuss the basic literature of economic growth and development.

### TEXT AND PROGRAMS

There is one textbook, *The Elusive Quest for Growth* by William Easterly. It is available at the Russell House bookstore. There is also a book in PDF file format called *The Growth Book* on BlackBoard and my website (see above for link). This material is designed to help the student with some technical basics but also contains papers on substantive issues not covered elsewhere.

We will also be using the “R” Programming Language. This is a free program that performs many statistical and graphical functions. Students must have the latest versions of both “R” and “R Studio” installed on their computers. The links are on my webpage: <http://econintel.net>.

If you need more background, there are two recent growth texts at the undergraduate level that may be of use: Charles Jones’ *Introduction to Economic Growth* (2nd Edition) and David Weil’s *Economic Growth* (2nd Edition).

## APPROACH

The class will be a series of lectures. The student should read in advance in order to better understand the issues and be prepared for discussion. This class is directed primarily toward Masters students in Economics and related disciplines but Ph.D. students in areas other than economics are encouraged to consider it.

## CLASS BEHAVIOR

Learning in the classroom is a social activity. Some behaviors can be distracting and degrade the ability of others to learn and the professor to teach. Chief among these is the use of laptops, tablets, and mobile phones.

As a result, *please do not use electronic devices of any kind during class unless you are instructed to do so*. I realize that some students prefer to use laptops to take notes, but there is no exception for that activity. There is ample evidence that use of laptops in university classes diminishes performance. Check out this link: PsycheToday. Or this one: Time. Finally, here is a list (also on my website <http://econintel.net>) of other work on this subject: ListTip.

## ACADEMIC INTEGRITY

All assigned work is expected to represent only the effort of the student (or group) submitting the work. Students are expected to follow the University of South Carolina Honor Code.

## REQUIREMENTS

The grade will be decided by the following scheme: Midterm Exam 40% (on **March 7, 2018**), Empirical Project 20%, Final Exam 40%. The empirical project must be done using the R Programming Language as noted above.

## READINGS

Readings below marked with an **R** below are required. The others can be found in the “Readings” section of the webpage or in the “The Growth Book”. You must buy Easterly’s book.

### 1 INTRODUCTION

1. Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. Chapters 1 – 2. (**R**)
2. McDermott, John. "Growth and Development: The Principal Issues." Chapter 1, *The Growth Book*. (**R**)

### 2 COMPARISON OF INCOME IN TIME AND SPACE

1. McDermott, John. "International Comparison of Income Across Time and Space." Chapter 2, *The Growth Book* (**R**).
2. Parente, S. and Prescott, E., “Changes in the Wealth of Nations,” *Federal Reserve Bank of Minneapolis Quarterly Review*, Spring 1993: 1 – 16. (**R**). Plus data update on my website.
3. Pritchett, Lant, “Divergence, Big Time.” *Journal of Economic Perspectives* 11, 3 (Summer 1997): 3– 17 (**R**).
4. Summers, Robert, and Heston, Alan. “The Penn World Table (Mark 5): An Expanded Set of International Comparisons, 1950-1988.” *Quarterly Journal of Economics* 108 (May 1991): 327 – 68. This data is available online at: PWT 9.0.

### 3 HISTORICAL ORIGINS OF ECONOMIC DISPARITY

1. McDermott, John. "Principal Eras of Economic History." Chapter 3, *The Growth Book* (**R**).
2. North, Douglass, *Structure and Change in Economic History*. New York: Norton, 1981. Chapter 7. (**R**).

## 4 NEOCLASSICAL GROWTH THEORY

1. Barro, Robert. *The Determinants of Economic Growth*. Cambridge, MA: MIT Press, 1998. Chapter 1. (R).
2. Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. Chapters 3 – 7. (R)
3. Jones, Charles. “On the Evolution of the World Income Distribution.” *Journal of Economic Perspectives* 11, 3 (Summer 1997): 19–36.
4. Mankiw, Greg. “The Growth of Nations.” *Brookings Papers on Economic Activity* Part 1, 1995, pp. 275-326.
5. McDermott, John. "Rates of Growth, Interest, and Time." Chapter 4, *The Growth Book* (R).
6. McDermott, John. "The Neoclassical Growth Model." Chapter 5, *The Growth Book* (R).
7. McDermott, John. "Regression Analysis." Chapter 6, *The Growth Book* (R).
8. Solow, Robert “A Contribution to the Theory of Economic Growth.” *Quarterly Journal of Economics* (1956): 65 – 94.
9. Solow, Robert, “Technical Change and the Aggregate Production Function.” *Review of Economics and Statistics*, (1957): 312 - 20. (R).

## 5 POPULATION, TECHNOLOGY, AND GROWTH

1. Acemoglu, Daron, and Simon Johnson. “Disease and Development: The Effect of Life Expectancy on Economic Growth.” *Journal of Political Economy* 115 (December 2007): 925 – 985. (R)
2. Dasgupta, Partha, “The Population Problem: Theory and Evidence.” *Journal of Economic Literature*, December, 1995. (R)
3. Kremer, Michael, “Population Growth and Technological Change: One Million B. C. to the Present,” *Quarterly Journal of Economics* 108 (August 1993): 681 – 716. (R).
4. McDermott, John. "Issues in Technology and Growth." Chapter 7, *The Growth Book* (R).

5. Romer, Paul, "Why Indeed in America? Theory, History, and the Origins of Modern Economic Growth." *American Economic Review* 86 (May 1996): 202 – 06. (R).
6. Tranter, N. L., Editor, *Population and Industrialization*. London: A. & C. Black, 1973. Chapters 2, 5, 6. (R).

## 6 GLOBALIZATION, DISTRIBUTION, SUSTAINABILITY

1. Basu, Kaushik. "Globalization and the Politics of International Finance: The Stiglitz Verdict." *Journal of Economic Literature* 41 (September 2003): 885–899. (R)
2. Goodfriend, Marvin, and McDermott, John, "Industrial Development and the Convergence Question", *American Economic Review*, December 1998.
3. McDermott, John. "The Limits to Wage Equalization Across Countries." Chapter 9, *The Growth Book*. (R)
4. McDermott, John. "Perpetual Growth with Finite Resources". Chapter 8, *The Growth Book*. (R).
5. Stiglitz, Joseph, *Globalization and Its Discontents*. 2001.

## 7 INCREASING RETURNS AND OTHER ALTERNATIVES TO NEO-CLASSICAL GROWTH

1. Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. Chapters 8 – 10. (R)
2. Goodfriend, Marvin, and McDermott, John, "Early Development," *American Economic Review* 85 (March 1995): 116 - 133.
3. Kremer, Michael. "The O-Ring Theory of Economic Development". *Quarterly Journal of Economics* 108 (August 1993): 551–575.
4. Romain Wacziarg. "Review of Easterly's Elusive Quest for Growth". *Journal of Economic Literature* Vol XL (September 2002): 907-918. (R)

## 8 GOVERNMENT

### 8.1 POLICY AND STRATEGY

1. Bruton, Henry, A Reconsideration of Import Substitution. *Journal of Economic Literature* 36 (June 1998): 903 – 36. **(R)**.
2. Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. Chapter 11. **(R)**

### 8.2 INSTITUTIONS: THEORY

1. Baumol, W., “Entrepreneurship: Productive, Unproductive, and Destructive,” *Journal of Political Economy*, 98 (October 1990): 893 – 921. **(R)**.
2. Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. Chapter 12. **(R)**
3. McDermott, John. “Mercantilism and Modern Growth.” *Journal of Economic Growth* (March 1999): 55 – 81. **(R)**.
4. McDermott, John, “Exploitation and Growth.” *Journal of Economic Growth* 2 (September 1997): 251 – 278. .
5. Murphy, K., Shleifer, A., and Vishny, R., “The Allocation of Talent: Implications for Growth,” *Quarterly Journal of Economics* 106 (May 1991): 503 – 30. **(R)**.
6. Shleifer, A., and Vishny, R., “Corruption,” *Quarterly Journal of Economics* 108 (August 1993): 599 – 617. **(R)**

### 8.3 INSTITUTIONS: EMPIRICAL

1. Acemoglu, Daron, Simon Johnson, James A. Robinson, and Pierre Yared. “Income and Democracy”. *American Economic Review*, (June 2008): 808 - 842. **(R)**.
2. Barro, Robert. *The Determinants of Economic Growth*. Cambridge, MA: MIT Press, 1998. Chapter 2. **(R)**.
3. Breuer, Janice, and John McDermott. “Economic Depression in the World”. *Journal of Macroeconomics*, (December 2013): 227 - 242.. **(R)**
4. Breuer, Janice, and John McDermott. “Respect, Responsibility, and Development”. *Journal of Development Economics*, (November 2013): 36 - 47. **(R)**

5. Hall, Robert, and Charles Jones, "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *Quarterly Journal of Economics* 154 (February 1999): 83 – 116. (R).
6. Mauro, Paulo. "Corruption and Growth." *Quarterly Journal of Economics* 110 (August 1995): 681 – 712.

## 9 GEOGRAPHY AND COLONIALISM

1. Acemoglu, Daron, Johnson, Simon, and Robinson, James, "Reversal of Fortune: Geography and Institutions in the Making of Modern World Income Distribution." *Quarterly Journal of Economics* CXVII (November 2002): 1231 – 1264. (R).
2. Acemoglu, Daron, Johnson, Simon, and Robinson, James, "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91 (2001). (R).
3. **Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. Chapters 13 – 14. (R)**
4. McArthur, John, and Sachs, Jeffrey, "Institutions and Geography: A Comment on Acemoglu, Johnson, and Robinson." NBER Working Paper 8114, February 2001. (R)
5. Sachs, Jeffrey. "Tropical Underdevelopment." CID Working Paper, December 2000. (R).
6. Sachs, Jeffrey. "Institutions Don't Rule: Direct Effects of Geography on Per Capita Income." NBER Working Paper 9490. February 2003. (R)

## 10 CONVERGENCE AROUND THE WORLD

### 10.1 IS THE WORLD CONVERGING?

1. Baumol, William, "Productivity Growth, Convergence, and Welfare." *American Economic Review* 76 (December 1986): 1072 – 85.
2. Baumol, W. and Wolff, E, "Reply to DeLong." *American Economic Review* 78 (December 1988): 1155 – 59.
3. DeLong, J. Bradford, "Productivity Growth, Convergence, and Welfare: Comment." *American Economic Review* 78 (December 1988): 1138 – 54.

4. Easterly, William, "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998." *Journal of Economic Growth* 6 (June 2001): 135–157.

## **10.2 EAST ASIA**

1. Lee, Jong-Wha. "Government Intervention and Productivity Growth." *Journal of Economic Growth* 1 (September 1996): 391 – 414.
2. Young, Alwyn, "Lessons From the East Asian NICS: A Contrarian View," NBER Working Papers No. 4482, Cambridge MA., 1993.
3. Young, Alwyn, "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience," *Quarterly Journal of Economics* 110 (August 1995): 641 – 80.

## **10.3 AFRICA**

1. Easterly, William, and Levine, Ross, "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* 112 (November 1997): 1203–1250. (R)

## **10.4 OTHER COUNTRY STUDIES**

1. Besley, Timothy, "Property Rights and Investment Incentives: Theory and Evidence from Ghana." *Journal of Political Economy* 103 (October 1995): 903 - 37.
2. Chow, Gregory, "Capital Formation and Economic Growth in China," *Quarterly Journal of Economics* 108 (August 1993): 809 – 42.
3. Taylor, Alan, "Three Phases of Argentine Economic Growth," NBER Historical Papers No. 60, Cambridge, MA., 1994.

## **10.5 OTHER EMPIRICAL STUDIES**

1. DeLong, J. Bradford, "Productivity and Machinery Investment: A Long-Run Look." *Journal of Economic History* 52 (June 1992): 307 – 24.
2. DeLong, J. Bradford and Summers, L., "Equipment Investment and Economic Growth." *Quarterly Journal of Economics* 106 (May 1991): 445 – 502.
3. Levine, R. and Renelt, D. "A Sensitivity Analysis of Cross-Country Growth Regressions." *American Economic Review* 82 (September 1992): 942 – 63