

ECONOMIC GROWTH AND DEVELOPMENT

ECONOMICS 840

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Overview

The purpose of this course is to acquaint you with mathematical models of economic growth and development, to provide a survey of the recent empirical research in this area, and to prepare you to undertake research on your own.

Text

The text for this course is: *Economic Growth* by Robert Barro and Xavier Sala-i-Martin (MIT Press, Second Edition, 2004).

If you need more background, you should consider two undergraduate texts: *Introduction to Economic Growth* (2nd Edition) by Charles Jones and Dietrich Vollrath, and *Economic Growth* (3rd Edition) by David Weil.

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.

Requirements

There will be a midterm exam (30%), an empirical paper (30%), and a final exam (40%).

Course Schedule, Readings, and Outline

The exam dates are as follows:

- Midterm: October 11, 2017
- Papers due December 1, 2017
- Final Exam: Official date and time (Dec. 15, 2017; 12:30, same room)

The papers in bold are those most likely to be discussed in class and should be read in any case.

1 World Income Distribution

1. **BSM** Introduction
2. Bourguignon, François, and Christian Morrison, “Inequality Among the World’s Citizens: 1820 – 1992”, *American Economic Review* 92 (4) (September 2002): 727 – 744.
3. **Jones, Charles, “The Facts of Economic Growth.” Unpublished, Stanford University (2015).**
4. Pritchett, Lant, “Divergence, Big Time.” *Journal of Economic Perspectives* 11, 3 (Summer 1997): 3– 17.
5. **Sala-i-Martin, “The World Distribution of Income: Falling Poverty and ... Convergence, Period”. *Quarterly Journal of Economics* 121(2) May 2006: 351 – 398.**

2 Neoclassical Growth

1. **BSM** Introduction and Chapter 1 (Appendix A.2)
2. **Mankiw, Greg, David Romer, and David Weil. “A Contribution to the Empirics of Economic Growth.” *Quarterly Journal of Economics* 107 (1992): 407 – 437.**
3. Solow, Robert “A Contribution to the Theory of Economic Growth.” *Quarterly Journal of Economics* (1956): 65 – 94.
4. Solow, Robert, “Technical Change and the Aggregate Production Function.” *Review of Economics and Statistics*, (1957): 312 - 20.

3 Growth Accounting: Technology and Human Capital

1. BSM Chapter 10
2. Bils, Mark, and Peter Klenow. "Does Schooling Cause Growth?" *American Economic Review* 90 (5) (December 2000): 1160 – 1183.
3. 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.

4 Optimization in the Neoclassical Model

1. BSM Chapters 2 – 3 (Appendix A.3)
2. Cass, David. "Optimum Growth in an Aggregative Model of Capital Accumulation." *Review of Economic Studies* 32 (July 1965): 233 – 240. 4
3. Chiang, Alpha C. *Elements of Dynamic Optimization* 2nd Ed. Prospect Heights, IL: Waveland Press (2000). Chapters 1, 7 – 10.

5 Endogenous Growth 1

1. BSM Chapters 4 – 5
2. Lucas, Robert E. "On the Mechanics of Economic Development", *Journal of Monetary Economics* 22 (July 1988): 3 – 42.
3. Romer, Paul. "Increasing Returns and Long-Run Growth." *Journal of Political Economy* 94 (October 1986): 1002 – 1037.
4. Romer, Paul. "Growth Based on Increasing Returns Due to Specialization." *American Economic Review* 77 (May 1987): 56 – 62.
5. Romer, Paul. "Endogenous Technical Change." *Journal of Political Economy* 98 Part II (October 1990): S71 – S102.

6 Endogenous Growth 2

1. BSM Chapter 6
2. Goodfriend, Marvin, and McDermott, John, "Early Development," *American Economic Review* 85 (March 1995): 116 - 133.

3. Goodfriend, Marvin, and McDermott, John, “The American System: Past and Future Growth,” *Working Paper, Carnegie-Mellon, 2017*.
4. Jones, Charles. “R&D-Based Models of Economic Growth.” *Journal of Political Economy* 103 (4) (August 1995): 759 – 784.
5. Kremer, Michael, “Population Growth and Technological Change: One Million B. C. to the Present,” *Quarterly Journal of Economics* 108 (August 1993): 681 – 716.
6. Kremer, Michael. “The O-Ring Theory of Economic Development”. *Quarterly Journal of Economics* 108 (August 1993): 551–575.
7. Michael Peters. “Refugees and Local Agglomeration - Evidence from Germany’s Post-War Population Expulsions”. NBER Working Paper, (June 2017).

7 Schumpeterian Growth

1. BSM Chapter 7
2. Aghion, Philippe, and Peter Howitt. “A Model of Growth Through Creative Destruction.” *Econometrica* 60 (1992): 323 - 351.
3. Garcia-Macia, Daniel, Chang-Tai Hsieh and Peter J. Klenow (2015), ” How Destructive is Innovation? ” unpublished paper.

8 Government and Institutions

1. Breuer, Janice and John McDermott. “Respect, Responsibility, and Development.” *Journal of Development Economics* 105(C) (2013): 36 - 47.
2. Mauro, Paulo. “Corruption and Growth.” *Quarterly Journal of Economics* 110 (August 1995): 681 – 712.
3. McDermott, John. “Mercantilism and Modern Growth.” *Journal of Economic Growth* (March 1999): 55 – 81.
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.
6. Parente, Stephen, and Edward Prescott. “Monopoly Rights: A Barrier to Riches.” *American Economic Review* 89 (5) (December 1999): 1216 – 1233.

7. Shleifer, A., and Vishny, R., "Corruption," *Quarterly Journal of Economics* 108 (August 1993): 599 – 617.

9 International Aspects of Growth

1. **BSM Chapter 8**
2. Acemoglu, Daron, and Jaume Ventura. "The World Income Distribution." *Quarterly Journal of Economics* 117 (2002): 659 - 694.
3. Caselli, Francesco, and John Coleman. "The World Technology Frontier". *American Economic Review*, May 2006.
4. **Goodfriend, Marvin, and McDermott, John, "Industrial Development and the Convergence Question." *American Economic Review*, December 1998.**

10 Resource Allocation and Growth

1. **Hsieh, Chang-Tai and Peter J. Klenow (2009) " Misallocation and Manufacturing TFP in China and India " *Quarterly Journal of Economics* 124: 1403-1448.**
2. Jones, Charles I. (2011) " Intermediate Goods and Weak Links in the Theory of Economic Development " *American Economic Journal: Macroeconomics* 3:1-28.

11 Health and Growth

1. **Acemoglu, Daron and Simon Robinson, "Disease and Development: The Effect of Life Expectancy on Economic Growth." *Journal of Political Economy* 115:6 (December 2007): 925 - 985.**
2. **Jones, Charles I. (2014) " Life and Growth " *Journal of Political Economy* 124:2 (April 2016): 539 - 578.**

12 Sustainable Growth

1. **Acemoglu, Daron, Philippe Aghion, Leonardo Bursztyn, and David Hemous (2012) " The Environment and Directed Technical Change " *American Economic Review* 102(1): 131–166.**
2. Arrow, Kenneth, Partha Dasgupta, Karl-Göran Mäler. "The Genuine Savings Criteria and the Value of Population." *Economic Theory*. 21 (2003): 217-225.

3. Arrow, Kenneth, et al. "Are We Consuming Too Much?" *Journal of Economic Perspectives* 18:3 (Summer 2004): 147-172.
4. Dasgupta, Partha. "Measuring Sustainable Development: Theory and Application." *Asian Development Review* 24:1 (2007): 1 – 10.

13 Other Empirical Studies

13.1 *The Convergence Debate*

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.

13.2 *The Tropical Debate*

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.
2. Acemoglu, Daron, Johnson, Simon, and Robinson, James, "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91 (2001).
3. Sachs, Jeffrey. "Tropical Underdevelopment." CID Working Paper, December 2000.
4. Sachs, Jeffrey. "Institutions Don't Rule: Direct Effects of Geography on Per Capita Income." NBER Working Paper 9490. February 2003.

13.3 *Africa*

1. Easterly, William, and Levine, Ross, "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* 112 (November 1997): 1203–1250.
2. **Young, Alwyn (2012), " The African Growth Miracle ", Journal of Political Economy 120: 696-739.**

13.4 *Asia*

1. Young, Alwyn, "Lessons From the East Asian NICS: A Contrarian View," NBER Working Papers No. 4482, Cambridge MA., 1993.
2. 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.