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ECGA 6470: Economic Growth & Development Course Calendar

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Fall 2017

See the [course syllabus](#) for [books and videos](#) as well as course requirements. For most HW assignments including the readings you need are linked to the questions. As you can see out special focus this semester will demography and growth, in all its dimensions: migration, inequality (Piketty), secular stagnation (Japan) refugees and long term growth in Germany, the demographic dividend for Africa, potential and realized. Jones & Vollrath have [slides](#) and useful [web pages](#) for [Jones 3rd edition](#) and a growth blog see [Chad Jones' research web page](#) as well, especially [facts of economic growth](#). Please do watch the FT video on [China's "Lewis Turning Point"](#) and Hans Rosling "Don't Panic" if you have not already.

November 2017						
Mon	Tu	W	Th	Fri	Sat	Sun
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3

Lecture November 9th Sustainable Economic Growth with Exhaustible resources. Before class review J&V Chapter 10 (here are [Volrath's slides](#)) and literature in A&H 2009 Chapter 16.

Heal, G., 1997. [Valuing Our Future: Cost-benefit analysis and sustainability](#). *Office of Development Studies*. Discussion Paper series 13. United Nations Development Programme.

Heal, Geoffrey 1998. [Valuing the future: economic theory and sustainability](#). Columbia University Press, 2000.

Climate Change and Economic Growth

[Midterm: Growth Strategies and inequality](#): Check exam itself for most up to date instructions. Please answer these questions section by section writing your answer right after each question mark in a different font. Email your answer to question M-1.1 on Saturday November 11th to mcleodassign@gmail.com. Answers to questions M-2.1 are due November 18th. Question M-3.1 is due the before the University closes for Thanksgiving. Question M1.1D may belong in M2.2 but I tried to keep that questions main focus the RER and growth models...

Lectures: Rodrik and Woodford (2008) [Undervaluation, Levers for growth, and Growth accelerations](#)
<https://core.ac.uk/download/pdf/6340406.pdf>

[The Allocation Paradox](#) (http://www.gdsnet.org/Jeanne_allocation_june09.pdf). One last ["Informality" Poverty Trap](#)

Thank you for excellent answers to HW#2!! Before class Thursday: Please read the first few pages of Ostry, Mr Jonathan David, Mr Andrew Berg, and Mr Charalambos G. Tsangarides. [Redistribution, inequality, and growth](#). International Monetary Fund, 2014 and the first two sections and last few pages of A&H, 2009 Chapter 11 (available on the ftp) See also Kraay on weak instruments...

Topics [Income Redistribution and growth](#) (Ostry et al) [Galor and Zeira](#) [IFPRI Rodrik](#)

[Population and Economic Growth in Russia](#) Growth Accounting Picketty and Weil [Rafia Picketty case study](#)
[Convergence big time](#) [inequality and growth](#)

HW #3 Due Monday October 16th: PhD Students: Answer Problem #1 on 321 of Chapter 9 A&H, 1999 using word or Latek equations, or handwrite them (note this problem is very similar to the incentive effects explored in [Aghion and Williamson, 1998](#)). Please take a look at this problem before class in case you have questions.

Masters Students: Lets get productivity or output per capita data or the investment share for the Figure 2.2 countries (see below) at least, can we have a pdf of [appendix C here](#) can we find it online is spreadsheet format?

Ghosh, Atish R., Jonathan D. Ostry, and Mahvash S. Qureshi. "When Do Capital Inflow Surges End in Tears?." *American Economic Review* 106, no. 5 (2016): 581-585. [Online appendix](#)

HW#2: Please answer these questions in word or pdf file. Make your answers a different font, be sure to number equations and figures... If you are having trouble with the FTP, email me or Justin (she found Picketty...)

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1. PhD Students: Compare the Romer model to the Schumpeterian growth model, what is the value added of both approaches (do we need them both?). a) Please compare Jones and Volrath's presentation in Chapter 5 (attached) to Aghion and Howitt's Chapter 3 and 4 (see the ftp main directory for pdfs). Which presentation do you find most useful? Would you recommend A&H over J&V (or vice versa) or are they complementary? b) Previously we have discussed learning by doing, including in the Villeneuve model (very similar to Chapter 6 of J&V). Do we really need endogenous technical change to study development? Is China a developing country?

2. Masters Students: Please read Chapter 6 (ftp) and Chapter 7 (attached) of J&V. How does globalization and education affect income levels in the complete model of Chapter 6? In Chapter 7 (attached) pages 167-69 how do institutions affect investment, skill acquisition (sans the brain drain) and TFP in the African countries show in Figure 2.2 (Poverty in a Rising Africa, see course calendar or type the title into GS). b) These governance measures include corruption, how can we tell if corruption matters in Africa (empirically, of course it matters)? a) Which of these countries received the most foreign aid per capita (ODA) during the great run (2000-2015)? Is ODA correlated with any of these development measures (skills, investment and TFP)?

Warning: some of the pages in the J&V chapters may be hard to read, please send me the problem pages right away, Gabriel or I will scan replacements using turbo scan and insert them immediately.... (turboscan pro is highly recommended, much better than photographing pages, which I admit, many people still do...)

Here is data on governance J&V used in the Chapter 7 Figures (the x axis is "Social Infrastructure" a not the same measure as in the 2nd edition.... let me know if you need help downloading this data, use the Stata version then save it as an excel file... the spreadsheet seems to have too much information... J&V average post 2000, we should average 2000-10 and 2010 on if it is available.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

https://www.brookings.edu/wp-content/uploads/2016/06/09_wgi_kaufmann.pdf

<https://sites.google.com/site/eco553x/>

Henry, Peter Blair. "Capital account liberalization: Theory, evidence, and speculation." *Journal of Economic Literature* 45, no. 4 (2007): 887-935.

Kose, M. Ayhan, Eswar Prasad, Kenneth Rogoff, and Shang-Jin Wei. "Financial globalization: A reappraisal." *IMF Staff papers* 56, no. 1 (2009): 8-62.

Lecture September 28th: [Inequality and Growth Lecture notes](#) **References**

Aghion, Philippe, and Jeffrey G. Williamson. 1998. *Growth, [Inequality, and Globalization](#): Theory, History, and Policy*. Cambridge University Press.

Benabou, Roland. "[Inequality and growth](#)." *NBER macroeconomics annual* 11 (1996): 11-74.

Berg, A. G., & Ostry, J. D. (2011). [Inequality and efficiency](#). *Finance & Development*, 48(3), 12-15.

Dabla-Norris, et al 2015, Dabla-Norris, Ms Era, Ms Kalpana Kochhar, Mrs Nujin Suphaphiphat, Mr Frantisek Ricka,

Ostry, Mr Jonathan David, Mr Andrew Berg, and Mr Charalambos G. Tsangarides. [Redistribution, inequality, and growth](#). International Monetary Fund, 2014.

Evridiki Tsounta. Causes and [consequences of income inequality: a global perspective](#). International Monetary Fund. *Gonzales, Christian, Sonali Jain-Chandra, Kalpana Kochhar, Monique Newiak, and Tlek Zeinullayev (2015) "Catalyst for change: Empowering women and tackling income inequality."* IMF. <http://www.imf.org/external/pubs/ft/sdn/2015/sdn1520.pdf>

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Ostry, J. D., & Berg, A. (2011). *Inequality and unsustainable growth: two sides of the same coin?* (Working Paper No. 11/08). International Monetary Fund, Washington DC. <http://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf> F&
<http://www.imf.org/external/pubs/ft/fandd/2011/09/berg.htm>

Financie and development September 2011 <http://www.imf.org/external/pubs/ft/fandd/2011/09/berg.htm>

Ostry, Mr Jonathan David, Mr Andrew Berg, and Mr Charalambos G. Tsangarides (2014) *Redistribution, inequality, and growth*. [International Monetary Fund](#).

Alesina and Perotti (1994) "Political Economy of Growth" *World Bank Economic Review*

Barro, R. J. (2008). [Inequality and growth revisited](#) (wp #11). Asian Development Bank.

Benabou (1997) "Inequality and Growth" *NBER Macroeconomics Annual*

Milanovic, Branko (2016) *Introducing Kuznets waves: How income inequality waxes and wanes over the very long run*

Voxeu.org Feb. <http://voxeu.org/article/introducing-kuznets-waves-income-inequality>

Rodrik, Dani (1997) "Democracy and Economic Performance" (reader)

Rodrik, Dani (1997) "Social Conflict and Growth Collapses" (reader)

For class Thursday September 21st [Openness and growth Lecture notes](#)

read through [Econometrics of Growth Handout](#) and Rodriguez and Rodrik (2000) or R&R. R&R,2000 is widely cited in part because they take several influential articles on trade and growth and replicate them, finding flaws with each (leading to revisions or new editions in some cases). What reservations does Charles Jones 2000 have about their results? Ortega and Peri (2014) cite R&R, 2000. What approach to identifying causality from trade to growth do O&P (see also the IMF working paper below)? How do O&P take R&R's results for Frankel and Romer into account? Among the key articles replicated by R&R (starting with Sachs and Warner, 1995) which have been cited the most? Masters Students: Does China and Vietnam seem to prove R&R wrong?

PhD students only: what modifications do O&P make to the model of Alesina et.al. 2000? What is the intuition behind this model, how do O&P adapt their model to migration (there is a similar model in the text...). See also Alesina et al. 2016.

References:

Acemoglu, Daron, Suresh Naidu, Pascual Restrepo, and James A. Robinson (2004) *Democracy does cause growth*. No. w20004. National Bureau of Economic Research.

Alesina, A., Spolaore, E., Wacziarg, R. (2000) [Economic integration and political disintegration](#) *AER* 90 (5), 1276–1296

Alesina, Alberto, Johann Harnoss, and Hillel Rapoport (2016) "Birthplace diversity and economic prosperity." *Journal of Economic Growth* 21,2, 101-138. (see also Working Paper 18699. National Bureau of Economic Research.

Barro, Robert J. [Determinants of economic growth: a cross-country empirical study](#). No. w5698. *National Bureau of Economic Research*, 1996 (nearly 6000 citations)

Barro, Robert J. 1996. "[Democracy and Growth](#)." *Journal of Economic Growth* 1: 1-27.

Frankel, Jeffrey & David Romer, (1999) "[Does Trade Cause Growth?](#)" *AER*, June, 89(3), 379-399.

Hall, Robert E., and Charles I. Jones, 1999, "Why do Some Countries Produce So Much More Output Per Worker than Others?," *The Quarterly Journal of Economics*, 114 (1): 83-116.

Mankiw, N. Gregory, David Romer, and David N. Weil. "[A contribution to the empirics of economic growth](#)." *The quarterly journal of economics* 107, no. 2 (1992): 407-437.

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Ortega, Francesc, and Giovanni Peri (2014) "[Openness and income: The roles of trade and migration.](#)" *Journal of International Economics* 92, no. 2 (2014): 231-251.

Rodriguez, Francisco, and Dani Rodrik (2000) "[Trade policy and economic growth: a skeptic's guide to the cross-national evidence.](#)" *NBER macroeconomics annual* 15 (2000): 261-325.

Sachs, Jeffrey D., Andrew Warner, (1995) "[Economic reform and the process of global integration.](#)" *Brookings papers on economic activity* 1995, no. 1 (1995): 1-118.

Young, Aylwin. 1995. "The Tyranny of Numbers: Confronting the Statistical Realities of East Asian Growth Experience." *Quarterly Journal of Economics* (August): 641-80.

Problem Set #2 please turn in #2.1 and 2.4 by midnight Tuesday Feb. 16th [UNU Wider Extractives initiative](#) Sample answers for PS #1 (please see posted [sample answers](#) and use [posted answers...](#)).

Midterm Review questions: 3.1 a) A recent NY Times story on [Robots and the American Dream](#) tell us not to fear robots, what endogenous growth model best fits this argument promising us eternal growth (PhD students: present this model formally using Barro and Sala-i-Martin as cited in these lecture notes... EC please redraw this Figure using excel if you can... b) Like Piketty, 2014 this model implies a rising capital share, which is how [Solow, 2014](#) reads his argument. Does a rising capital share imply rising capital income share? How does Piketty explain the rising share of capital (see his ASSA 2015 Webcast paper). C) Are the best days cut-throat capitalism over? What does the experience of [Extractive States](#) tell us about a future with no factory jobs (good and bad of courses)? Should we make America Denmark as BS argues, or are there other alternatives? D) Viewing Hans Rosling carefully what does he argue the relationship between health and economics growth? Is this consistent with the argument of Acemoglu et al. E) In what sense, do all of us development economists owe Hans Rosling? (I mean literally). How did Rosling contribute to literally and figuratively to the African Miracle (pun warning and see Young, 2014).

[Demand side poverty traps](#) Government and Economic Growth ([demand side poverty traps](#) and [Barro growth model with government](#)) Notes on [Convergence](#) [Convergence 2015](#) [Sigma vs Beta convergence](#) Barro's AK Model with Government [Long version Phd](#)

[Putting Distribution back at the Center of Economics](#) [From Hindu growth to Productivity surge](#) [Krugman the end of Growth?](#) [PBS Newshour Are the U.S. best days over](#) [Krugman review of Gordon](#) [please reread Dixit and Stiglitz](#)

Lecture: Before class please review the [problem set #1](#) *problems 1.1-1.3, these will be due before our next meeting Feb. 8th* **HW#2** Please turn in answers to problems 1.1 and 1.2 by Sunday Feb 4th midnight by uploading a word or pdf file to the GDrive you should receive by Saturday* **and** by email to mcleodassign@gmail.com [[sample answers](#)]. HW#3 answers to 1.3 due Tuesday Feb. 7th at midnight. Also please read about the demographic dividend in the Overview and Chapters 4-5 of WB/IMF (2016) [Global Monitoring Report 2015/2016](#) *Development Goals in an Era of Demographic Change*. See [Poverty and Growth](#) slides and the [Growth Strategies slides](#) [Sachs et. al. 2004 article on Africa's poverty trap](#). *If the google drive does not work, sending it to

January 25th: [Growth Strategies \(updated\)](#) [Three Growth Models Handout](#) [Poverty and Growth](#) [Sachs et al. 2004 Africa's poverty traps](#) [Growth Models and Miracles Lecture 2](#) [Piketty Lindhhal Lecture](#) J. Sachs [why China's growth](#) is slowed in last few years: answer the [renembi/yuan](#) is too strong, We may disagree with Professor Sachs on other issues but... World Bank; IMF (2016) [Global Monitoring Report 2015/2016](#) (download free pdf) *Development Goals in an Era of Demographic Change*. Washington, DC: World Bank. This lecture will continue our discussion of Africa and growth theory, models and poverty traps, there are the relevant sections from the syllabus, but don't read everything (just take a look at the items with at *). Going forward we will try to say a little bit about [growth strategy](#) and use [case studies](#) during each class. Angus Deaton recent noble prize winner, perhaps for identifying the "most serious [intellectual and ethical failures of a century](#)". See my web page for all links to this course (www.darrylmcleod.com)

January 18th [Elephant Diagram](#) lecture notes see also the updated [course texts and books of interest](#) preview.

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Please answer LDQ questions 0.1 and 0.2 as best you can, using the formatting tips below, and send them to mcleodassign@gmail.com by midnight January 24th (if possible) as a word file (preferred) or pdf attachment. Here I as [word template](#) which may be helpful Sections in italics are optional. Please add all the references you cite to the references I include below. Feel free to ask questions in class. Please email your answers mcleodassign@gmail.com by midnight January 24th. Write your answer single spaced after each question mark (?) in a different font (not dark red for example). Please put answers right after each question (though you may say things like, “as discussed above.” Use this word template if you want to. Please do cite, quote and “snip” graphics where possible.

LDQ 0.1 There are three key points on the Elephant diagram, see Figure 1.1 from Milanovic (2016) chapter 1. The points represent groups from what countries/regions? (careful, these change over time, as [Corlett, 2016](#) points, but Milanovic and Lakner 2016 correct for this as well, see [their reply](#). B) How does Baldwin explain and populate these three points or on the elephant curve (see his [PIIE talk](#) and/or his slides)? Compare Baldwin’s explanation of the of the top 1% to that of Milanovic and [Piketty](#) (would the former refer to Donald Trump as a plutocrat?). C) *This [IMF review](#) identifies the losers in Figure 1.1, but are they really losers (relatively yes, absolutely perhaps not, as a group). What are the groups in this growth incidence curve? Did the MDGs work? a) How do [MacArthur and Rasmussen, 2061](#) come up with their numbers? (see their full paper too if you have time¹). Do you find their numbers credible? b) Compare with Easterly’s argument that the MDGs were designed to make SSA look bad.*

LDQ 0.2 Discuss how the one child policy at first enhanced but now may hinder China growth prospects? What can/is China do to increase growth and hang on to its factories? Hint: Vietnam. Would or has this solution work for the U.S. and the UK?

References

*Baldwin, Richard (2016) *The Great Convergence*, [Harvard University Press](#), ISBN [0674660489](#)

Milanovic, Branko (2016) *Global Inequality A New Approach for the Age of Globalization* Harvard University Press, Cambridge, MA. [Chapter 1](#)

These are copied from syllabus for your convenience...

1. Introduction: From Poverty Trap to Growth Miracle? Africa since 1995 ;see *[Sachs et. al BPEA Ending Africa’s Poverty Trap pp. 121-31](#) Pinkovskiy, M and Xavier Sala-i-Martin (2015), “[Lights, Camera, Income: estimating poverty](#)” SR 669 [New York Federal Reserve](#) Young, Alwyn. (2012). “[The African Growth Miracle](#)” *Journal of Political Economy* 120,#4, 696-739. McMillan, M. S., & Harttgen, K. (2014). [What is driving the African Growth Miracle?](#) (NBER 20077). Rodrik, D. (2014). [An African Growth Miracle?](#) (NBER w20188).

Source: Charles Jones, 2015 [The Facts of Economic Growth](#)

¹ I do not know Krista Rasmussen, but John McArthur worked at UNDP joining the Poverty Group just as I left when I was there. He was PhD student at the time, we will soon read another article he coauthored on poverty traps in Africa.



The greatest *American* economic thinker of the last century was a Yankee tinkerer, teetotaler, and TB survivor. Trained in mathematics but desiring "contact with the living age," Irving Fisher invented the rolo^odex, the consumer price index, and the economic forecast. By the 1920s, Fisher (*bottom, left*) was America's economic oracle, wellness guru, and stock picker, his celebrity rivaling that of Alexander Graham Bell (*right*).



In a postgraduate year in London, Joseph Alois Schumpeter rode, fenced, dressed, and talked like one of the Viennese aristocrats he wished to be taken for. He spent most of his time at the British Museum writing a book criticizing economic theory for ignoring how the economy evolved over time.



After marrying impulsively, Schum-peter rushed off to Egypt, the miracle economy of the Belle Epoque, to make his fortune as a lawyer and money manager. In Cairo, he found inspiration for his greatest work, *The Theory of Economic Development*.

The ECON 6470 FTP reader is here: type ftp.povertylectures.com/ into your favorite browser window then use econ6470@povertylectures.com and password: Piketty (caps matter) to get access to or download core readings including book excerpts. Under Spring2015 see especially the directory Piketty.... <http://class.povertylectures.com/>

1. PhD Students: Compare the Romer model to the Schumpeterian growth model, what is the value added of both approaches (do we need them both?). a) Please compare Jones and Volrath's presentation in Chapter 5 (attached) to Aghion and Howitt's Chapter 3 and 4 (see the ftp main directory for pdfs). Which presentation do you find most useful? Would you recommend A&H over J&V (or vice versa) or are they complementary. b) Previously we have discussed learning by doing, including in the Villeneuve model (very similar to Chapter 6 of J&V). Do we really need endogenous technical change to study development? Is China a developing country?

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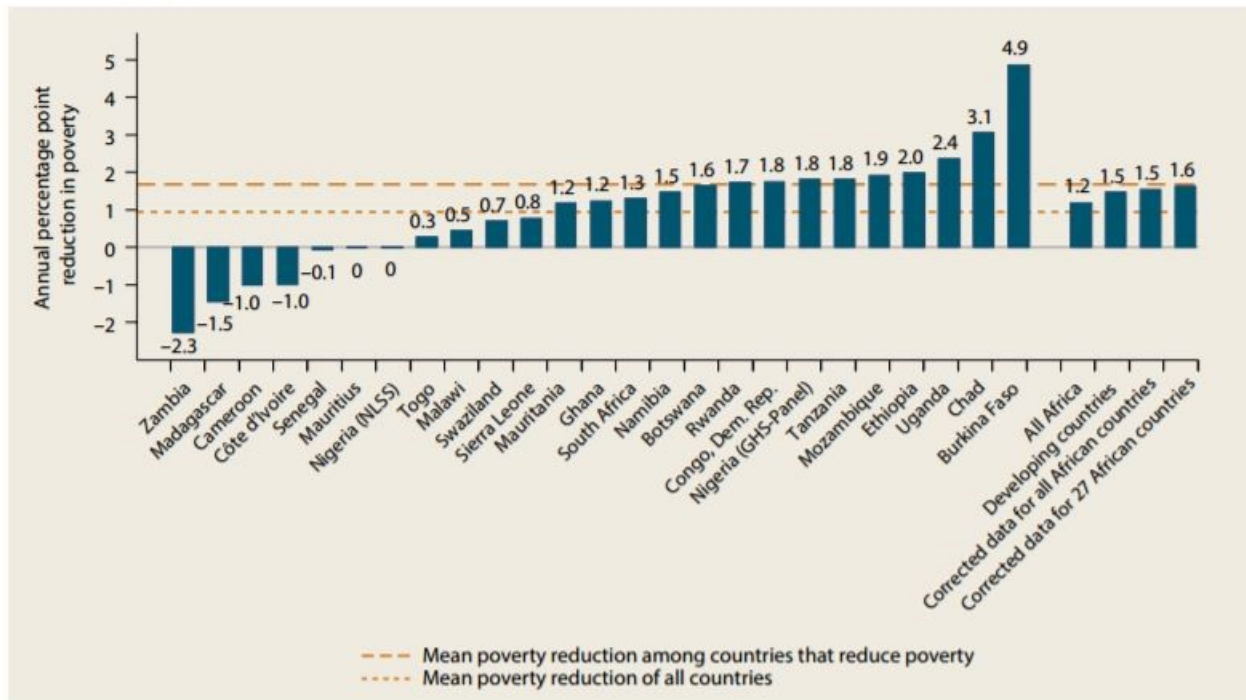
the spreadsheet seems to have too much information... J&V average post 2000, we should average 2000-10 and 2010 on if it is available.

<http://info.worldbank.org/governance/wqi/index.aspx#home>

https://www.brookings.edu/wp-content/uploads/2016/06/09_wqi_kaufmann.pdf

<https://sites.google.com/site/eco553x/>

FIGURE 2.2 Analysis based only on comparable surveys suggests that poverty reduction in Africa was faster than previously thought

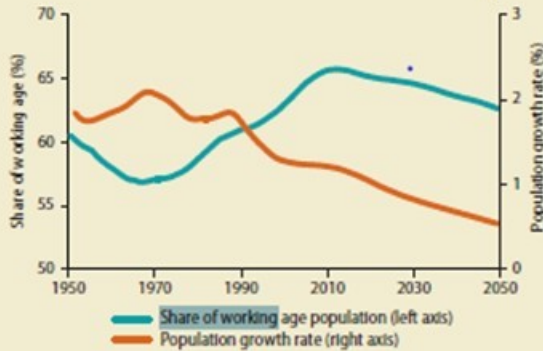


Source: Data for individual African countries are from World Bank Africa Poverty Database. Developing country data are from PovcalNet.
 Note: Positive values denote a reduction in poverty, while negative values denote an increase. The survey years are as follows: Botswana (2002 and 2009), Burkina Faso (1998 and 2003), Cameroon (2001 and 2007), Chad (2003 and 2011), Democratic Republic of Congo (2004 and 2012), Côte d'Ivoire (2002 and 2008), Ethiopia (1999 and 2010), Ghana (1998 and 2005), Madagascar (2001 and 2010), Malawi (2004 and 2010), Mauritania (2000 and 2008), Mauritius (2006 and 2012), Mozambique (2002 and 2008), Namibia (2003 and 2009), Nigeria (2003 and 2009 [Nigeria Living Standards Survey] and 2010 and 2012 [GHS-Panel]), Rwanda (2000 and 2010), Senegal (2005 and 2011), Sierra Leone (2003 and 2011), South Africa (2005 and 2010), Swaziland (2000 and 2009), Tanzania (2000 and 2007), Togo (2006 and 2011), Uganda (1999 and 2012), and Zambia (1998 and 2006). Nigeria GHS-Panel data are shown but were not used to estimate averages. Data on all Africa and developing countries are for 1999–2012. "Corrected data for 27 African countries" reports poverty estimates based on comparable and good-quality data for countries with data from at least two comparable surveys, excluding Nigeria. "Corrected data for all African countries" shows average based on comparable and good-quality data for all of Africa.

Source Poverty in a Rising Africa, World bank

DEVELOPMENT IN AN ERA OF DEMOGRAPHIC CHANGE: A SNAPSHOT

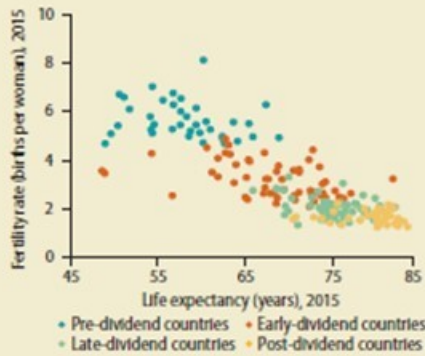
Global demographic change is intense: the working-age share peaked, the population grows much slower and ages at record speed.



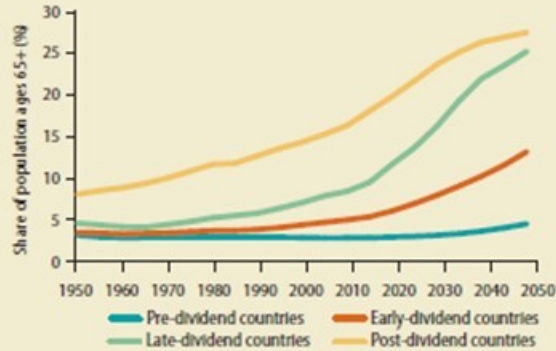
Underneath global trends lies stark diversity, with countries facing different opportunities to capture demographic dividends.



Pre- and early-dividend countries need to spark demographic transition, invest in human development and create jobs for the youth bulge.



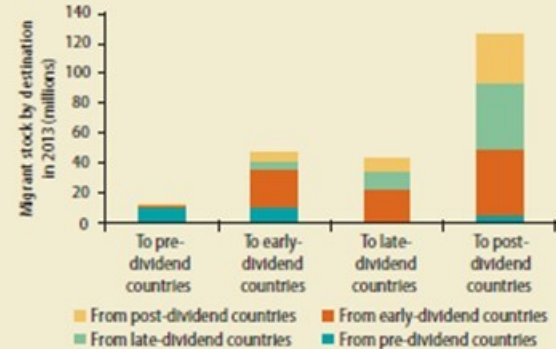
Late- and post-dividend countries need to sustain productivity growth amidst demographic headwinds, and adapt institutions and policies to rapid population aging.



Demographic fault lines separate centers of global poverty needing further development and engines of global growth facing rapid aging.



Freer flows of capital, trade and, especially, people present an increasingly compelling global opportunity to arbitrage demographic diversity across countries.



Sources: UN (2015), PovallNet (2015), World Development Indicators (2015).

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