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ECGA 6470: Economic Growth & Development Course Calendar

Fall 2018

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"](#) (this won't work, see our web page) Hans Rosling "Don't Panic" if you have not seen it (he died last year... a terrible irony as he thought he would see China income per capita overtake the U.S....

December 2018						
M	Tu	W	Th	Fri	Sat	Sun
26	27	28	29	30	1	2
3	4	5	6	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	1	2

PhD Presentation and Final exam: two part final exam question focused on absolute convergence part 1 involves some calculation, Masters students sigma PhD students check beta convergence, due Friday December 7th and part 2 due December 14th the day after our final exam. If possible, each of us will do some estimation or report carefully on

November 29th: One last poverty trap: why have an open capital account may be a good signal... see Gourinchas, Pierre-Olivier, and Olivier Jeanne. "[On the benefits of capital account liberalization for emerging economies.](#)" In *Unpublished manuscript presented at the World Bank conference "Financial Globalization: A Blessing or a Curse.* 2002. (76 GSC) see also Gruben and McLeod and Sedik and Sun, 2012 [Effects of Capital Flow Liberalization](#) What is the Evidence from Recent Experiences of Emerging Market Economies? IMF WP/12/275 Case study presenters, [find a GIC please](#) and/or a [growth diagnostics report](#)

What happened in the year 2000? When did China "catch up"? (hint [hyper-globalization](#) and [Mandarin Growth](#) :

Someone forgot to tell the NY Times there is no evidence of a middle-income trap? See also Nimrod Segev presentation on the same, Fall 2015 see [Nimrod Segev](#) **On the rising share of capital** see [Rafia Zafar](#) and [Nicole Wiktor](#) [Demographic dividend](#) Solow model says higher population growth reduces steady state y, yet Japan, Italy, Russia (not Germany) suggest slower population growth means slower overall growth, that is secular stagnation. See Kremer and [Nicole Wiktor](#)

Changing "facts" on global convergence: [Beta Convergence is back, \(even before 2013\)](#) (Patel, Sandefur and Subramanian, Oct 15th 2018) See new Elephant Diagram in the [2018 World Inequality Report](#) Johnson and Papageorgiou JEL forthcoming [What remains of Cross Country Convergence...](#) P. Krugman, Notes on [Global Convergence](#) (Wonkish & Off-Point) **Question for review:** Use Patel et al 2018 (above) the A&H and the BSM text to distinguish between beta, sigma and club convergence. How does the recent PIIE blog post affect our view of the world?

Changing views of Gender and Economic Growth [IMF Pursuing Women's Economic Empowerment](#)
[UNDP Gender Inequality Index](#) [A "Stalled Revolution" for Latin American Women](#)

Discussing the role of women's education in the determinants of Economic original Wael Hibri, Fordham PhD discussed this paradox in his thesis, [Education, gender bias and economic growth](#): Estimating the full income impact of educating women *More surprisingly, female education at various levels is not significantly related to subsequent growth. For example, if years of schooling at the secondary and higher levels for females aged 25 and over is added to the system shown in column 1 of Table 1, then the estimated coefficient of this variable is +.0023 (0.0046), whereas that for males remains significantly positive, 0.0132 (0.0036). For primary schooling of women aged 25 and over, the estimated coefficient is -0.0001 (0.0012), whereas that for men (25 and over for secondary and higher schools) is 0.0118 (0.0025). Thus, these findings do not support the hypothesis that education of women is a key to economic growth. See Barro, 1996m page 16) Barro, Robert J (1996) *Determinants of economic growth: a cross-country empirical study.* No. w5698. National Bureau of Economic Research, (6489 GS Citations!!)*

Midterm Question 2: With your permission we will not change our focus from Nobel Prize winner Nordhaus' work on Singularities or Climate Change and will focus instead on new developments in regarding absolute convergence, saving gender inequality and overall inequality for the final exam. Literature Review Presentations: Poverty Traps (new NBER book) Climate change, migration & growth; Diversity and Economic growth,

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McKinsey [Growth Heat Map](#) (few African or LatAm countries growing rapidly) [Korea and Taiwan's Peers](#)

The great convergence nightmare [Slow recovery from 2008 Recession](#) The 2008 crisis [A Failure of Capitalism?](#)

What are we saving g for? (recall Piketty's concern that $r > g$ where g is the growth rate and r is rate of return on capital, one of his fundamental law of capitalism...?) Answer: for us g is G/L government spending per worker as in the [Barro AK model w/ \$G\$ \(gov\)](#).... [PhD Long version](#)

Why is $r > g$? Why does this matter?

Piketty	6470 AK model	Piketty's Example
r	ρ	5
γ	ρ	2
g	γ	1
θ	θ	3

Fortunately, $r > g$ is an efficiency condition (see Mankiw's AEA session comments... Piketty does not dispute this, why is $r > g$ a problem for him and not Mankiw, Weil and Solow (a play on Mankiw, Romer and Weil...as in MRW as in Augmented Solow model, $y = A f(K, L, H)$ see [PS #1](#))

Finally HW#1 Questions 1.1 and 1.6 [Due Monday September 10th](#) (see BB for template and due date/time: never trust me or this calendar...)

Reading for next week (in preparation for question PS1 Q1.3 [Institutions and growth](#), see Aghion and Howitt (2009) Chapter 11 for a summary of the entire debate. Read the classic paper Glaeser, Edward L, Rafael LaPorta, Florencio López-de-Silanes, and Andrei Shleifer. 2004. "Do Institutions Cause Growth?" Journal of Economic Growth 9 (3): 271-303. ([Professor Schleifer posts](#) all the data used in the paper, and the [pdf version](#) on his web page...)

LDQ 1.1 What distinguishes between growth and development, how can development create growth miracle and surges? Why does TFP & per capital rise very rapidly in the early stages of development (generally) see the

LDQ 2.2 What are the major sources of the gains from trade, especially for developing countries, hit see the demand side poverty traps (see Baldwin's presentation at Brookings)

LDQ 2.3 More Poverty traps... with the classic Solow diagram reversed: labor on horizontal and real wages on the vertical axis, see Jaime Ros's book for growth models with real wages on the vertical axis, why is it important to have

LDQ 2.3 [NAFTA and demand side Poverty traps](#)...how NAFTA help North America remain competitive (but created some dislocation). This was more important for Canada than Mexico, but it has helped Canada more...why?

[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 Are the best days over](#) [Krugman review of Gordon](#) please reread [Dixit and Stiglitz](#)

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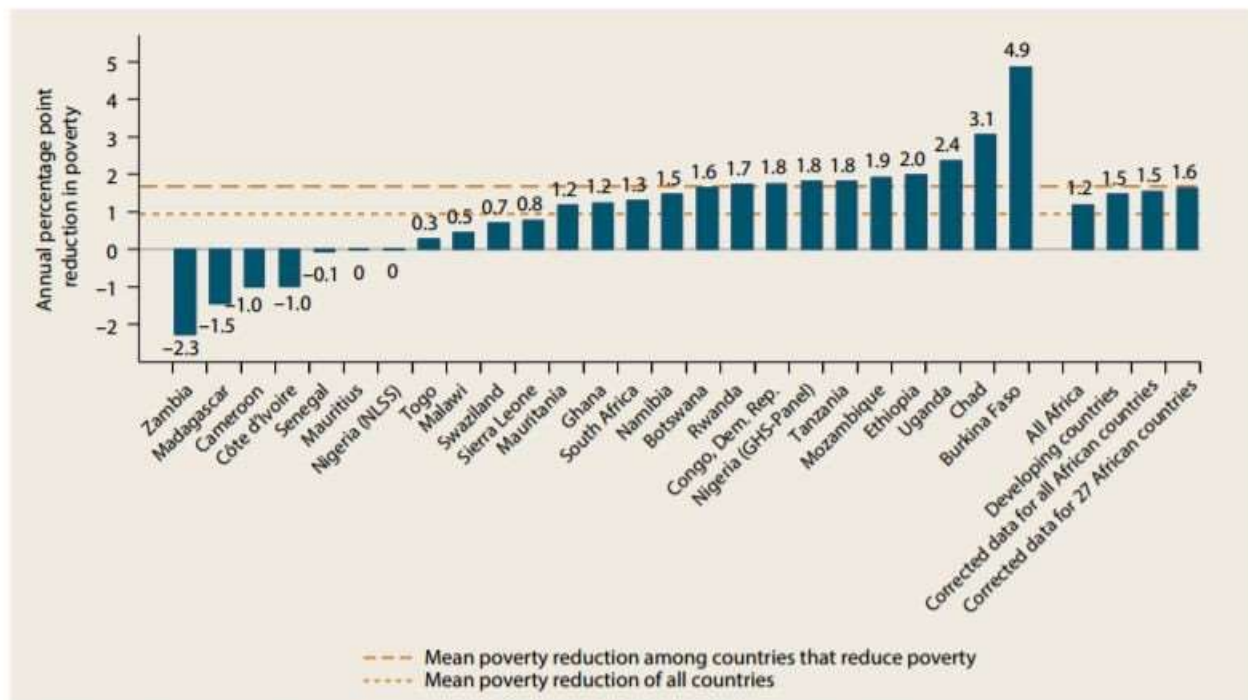
[Growth Strategies \(updated\)](#) [Three Growth Models Handout](#) [Poverty and Growth](#) [Sachs et al. 2004 Africa's poverty traps](#) [Growth Models and Miracles Lecture 2](#) [Piketty Lindhhal Lecture](#) J. Sachs [why China's growth is slowed in last few years: answer the renembi/yuan is too strong](#), 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)

Institutions matter, are not only obstacle...see
A&R 2010 & Jeffery Sachs debate Nogales Mx
vs. Az (see also Bill gates vs. Carlos Slim)

What about institutions?

Institutions fundamental but,	Not essential as there are other levers for growth <small>(Johnson et al. below)</small>
<ul style="list-style-type: none">• Country specific (Rodrik) hard to change• May be endogenous (Resource curse- Collier)• Correlated with Geography (Sachs- malaria, landlocked)• Some work-arounds: (Collier- ISA, military, EPZs)• Asset redistribution shocks	<ul style="list-style-type: none">• Trade- EPZs• Competition, open capital markets• FDI- new technologies• Education• Political coalitions (Marshal plan)• Black and white cats both hunt mice... (China, HRS, etc.)

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

Take a look at the Harvard [CID growth](#) we page: Skip the two-hour Sri Lanka presentation (I watch two lectures in Argentina, one on Colombia), Mainly we want to discuss his arguments regarding institutions. The benchmark discussion for this is "institutions rule" in A&R, 2012 Chapter 1 (Nogales Mexico vs. Nogales Arizona) and the "frontier" use extensively by Aghion et al. Both Aghion and Hausmann et al are looking at disparities inside countries (Nogales Mexico vs. Monterey or Mexico's DF). The fact that these city-states are have the same legal system, etc. calls into question what institutions are and why they matter. To follow up on these ideas we look inside Colombia (Shen Wang is doing the Colombia paper by Coscia et al. see below) Luther is look at Albania and I me doing Panama. Someone can do the [Chiapas paper that would be great...](#) also we need a structural transformation paper (in light Rodrik's new argument) and a migration and mobility paper (I am doing Panama, but the paper by Clemens and Pritchett looks very good, [both papers by Clemens in fact](#)). Informality and cities is also a great topic...for Latin American in particular. Growth Diagnostics is great too... see [Rodrik 2010](#). Inclusive growth also sounds good.

Finally, ending with Sustainable growth 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.

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Coscia, M., Cheston, T. & Hausmann, R., 2017. Institutions vs. Social Interactions in Driving Economic Convergence: Evidence from Colombia. Abstractcolombia_convergence_cidwp_331.pdf

<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>

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.

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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)

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

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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)

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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.

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.

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

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.

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](#)



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 rolodex, 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.

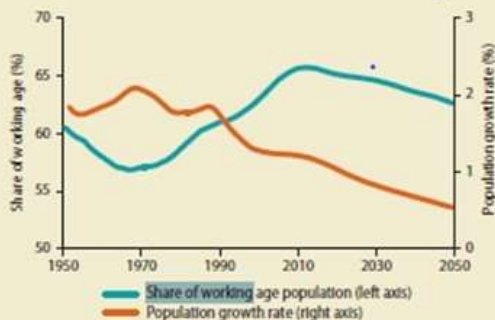


After marrying impulsively, Schum-peter rushed off to Egypt, the miracle economy of the Belle Époque, to make his fortune as a lawyer and money manager. In Cairo, he found inspiration for his greatest work, *The Theory of Economic Development*.

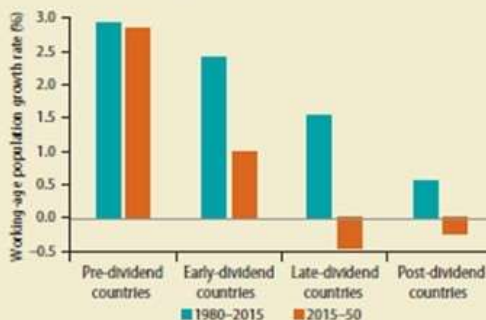
The ECON 6470 FTP reader is here: type <ftp.povertylectures.com/> into your favorite browser window then use econ6470@povertylectures.com and password: Piketty (caps matter) to get access to or download core readings including book excerpts. Under Spring2015 see especially the directory Piketty.... 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

DEVELOPMENT IN AN ERA OF DEMOGRAPHIC CHANGE: A SNAPSHOT

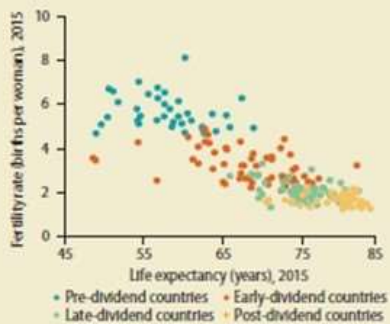
Global demographic change is intense: the working-age share peaked, the population grows much slower and ages at record speed.



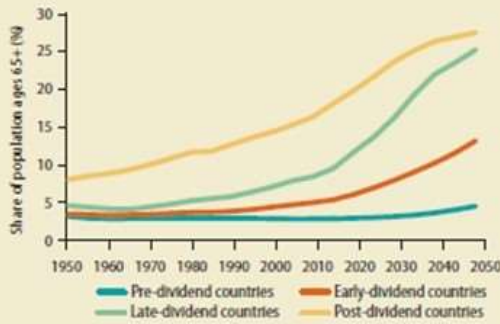
Underneath global trends lies stark diversity, with countries facing different opportunities to capture demographic dividends.



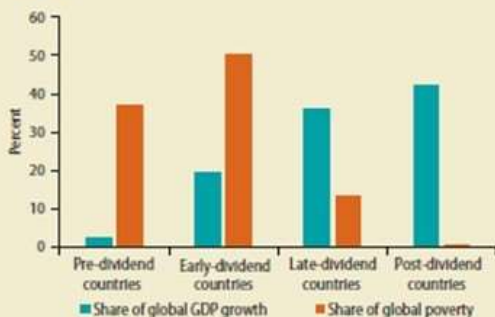
Pre- and early-dividend countries need to spark demographic transition, invest in human development and create jobs for the youth bulge.



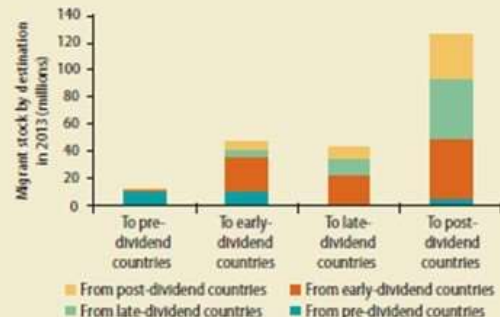
Late- and post-dividend countries need to sustain productivity growth amidst demographic headwinds, and adapt institutions and policies to rapid population aging.



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.

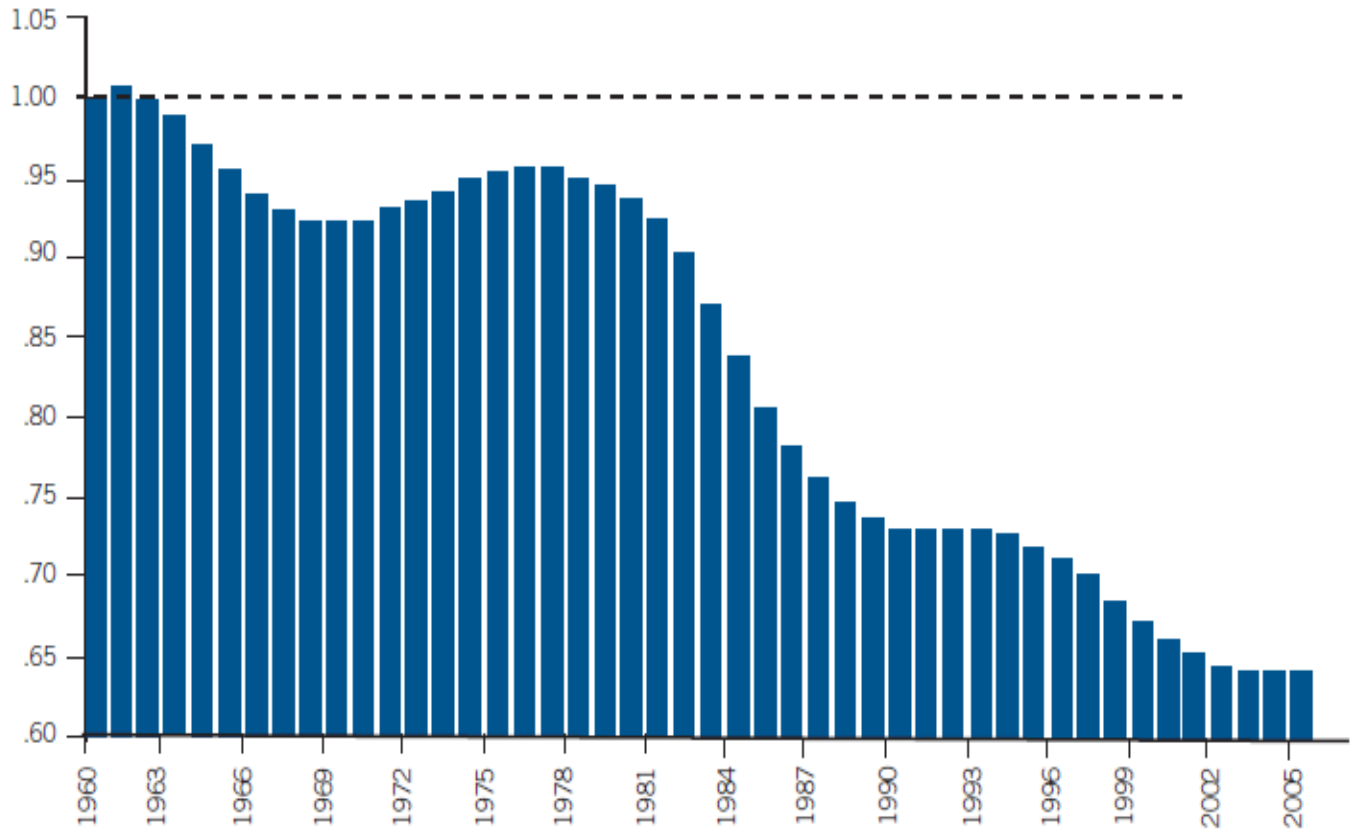


Sources: UN (2015), PovaNet (2015), World Development Indicators (2015).

Diego Cerdeiro and Andras Komaromi (2017) The Effect of Trade On Income And Inequality: A Cross-Sectional Approach, IMF

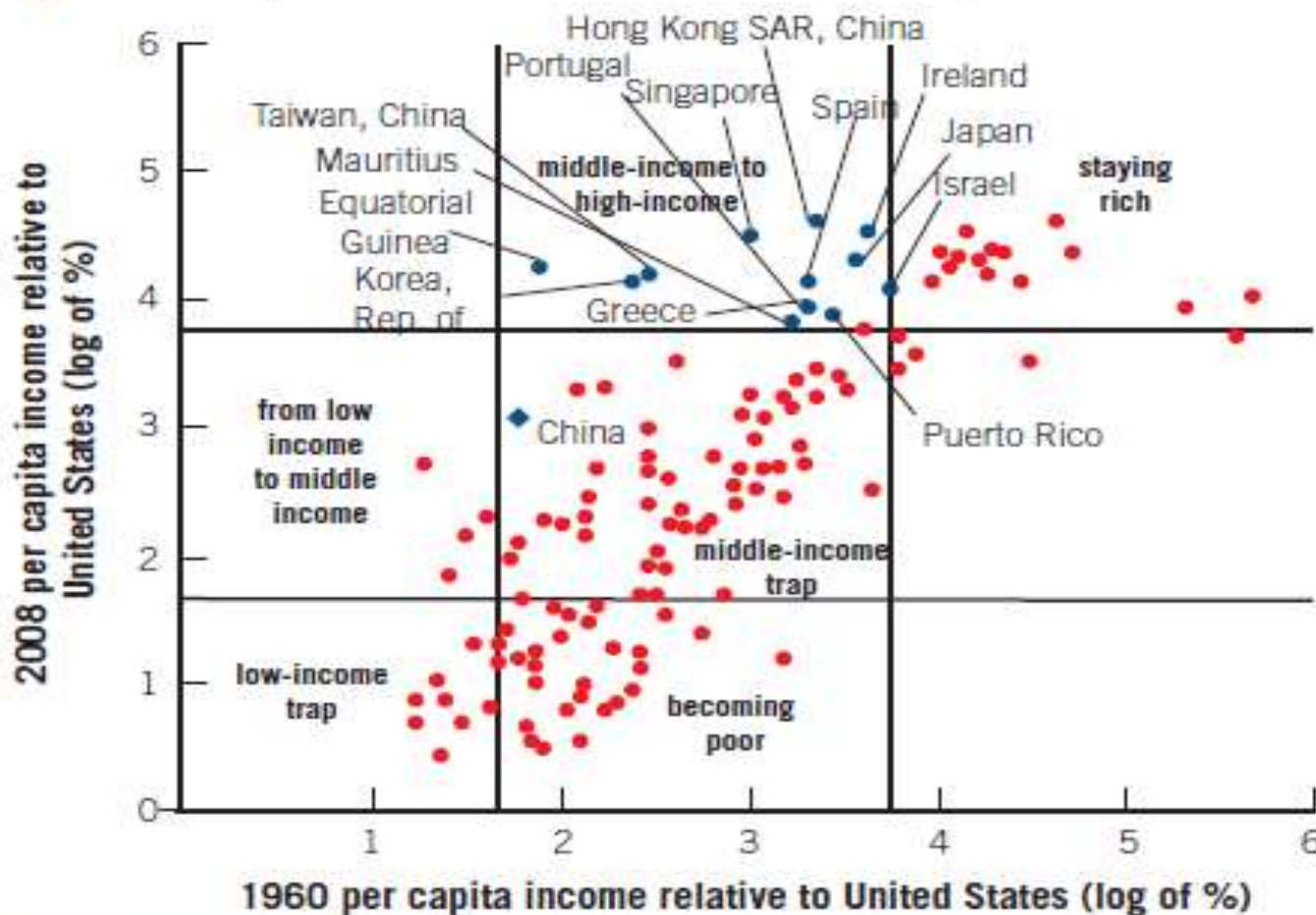
The ECON 6470 FTP reader is here: type ftp.povertylectures.com/ into your favorite browser window then use econ6470@povertylectures.com and password: Piketty (caps matter) to get access to or download core readings including book excerpts. Under Spring2015 see especially the directory Piketty....

Figure 2. Latin America: Per Capita Income Relative to the United States, 1960–2005



Source: IDB 2010.
Note: Index, 1960 = 1.

Figure 1. Per Capita Incomes Relative to the United States, 1960 and 2008



Source: World Bank 2012.

<https://voxeu.org/article/avoiding-middle-income-growth-traps>

Pierre-Richard Agenor, Otaviano Canuto and Michael Jelenic
The World Bank, November 2012

The Aftermath of the Global Crisis

<https://voxeu.org/article/avoiding-middle-income-growth-traps>

Avoiding middle-income growth traps

Pierre-Richard Agénor, Otaviano Canuto, Michael Jelenic 21 December 2012

Many of the emerging economies of the last two decades are now ensnared by 'the middle-income trap', in which middle-income countries don't quite push through to high income status. This column presents recent research suggesting that, if governments act early and decisively to improve access to advanced infrastructure, enhance the protection of property rights, and reform labour markets, trapped economies – like their East Asian counterparts in the 1990s – can push on through.

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