Objectives

In this course we study some important models and ideas in the field of economic growth. The central focus of the course is to consider answers to the question: Why are some countries so much richer than others? Our approach takes in both theoretical and empirical evidence. Where appropriate, we will readily divert ourselves into some microeconomic research.

Meeting Times and Locations

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Grading

1. Homework assignments account for 20% of the grade. You may work in groups and hand in a collective assignment.

2. There will be two short essay requirements. You will be required to select two papers on growth during the semester, and for each of them you will write a "referee report". Each essay should be around 1,500 words. We will talk in class about the expected format and content of these essays. The first of these is due no later than October 30. The second is due no later than November 30. Each essay counts for 20% of the grade.

3. You will be required to present one of these referee reports to the class. We will talk in class about what I want you to focus on in these presentations. The presentation accounts for 10% of the grade.

4. The final exam, which will be held during exam week at the time assigned by the university, will account for 30% of the grade.

Readings

The following material lists the topics that will be covered along with the required readings. I will be discussing many other papers as we go along, some of them in quite some detail. The
supplementary reading lists only cite papers that I expect to mention in class. They are not intended as an extended reading list. For extended readings on many growth-related topics consult Jon Temple's site, Economic Growth Resources

1. The Macroeconomic Facts

It is, of course, helpful to know what are the main facts to be explained. We begin by briefly surveying some of the main features of the macro-economic data that we would like to explain.


Supplementary readings


2. Proximate Sources of Income Differences

A. Lots of measurement, little theory. There is an enormous empirical literature regressing just about every available data set on growth rates (or income levels).


B. More theory, a little less measurement. A second approach is to reduce the scope of the empirical inquiry, providing more structure with the aid of theoretical models.


Supplementary readings

A. Lots of measurement, little theory.


B. More theory, a little less measurement.


3. Optimal Control

We will have a rapid review of optimal control theory.

Thompson, Peter (2005): Optimal Control, Chapter 2 in Lecture Notes on Dynamic Modeling, FIU manuscript.

4. Differences in Aggregate Capital Levels

Variations on the neoclassical growth model are used to explain why some countries may differ in their levels of physical capital.


Cole, L., G. Mailath, and A. Postlethwaite (1992):"Social norms, saving behavior and
Supplementary readings


Wendell-Holmes, Oliver (1858): "The deacon's masterpiece or the wonderful "one-hoss Shay": A logical story."

5. Capital is Allocated to the Wrong Uses

Capital may not be allocated to the most efficient firms, so even if two countries have the same aggregate level of capital they can differ in income.


Supplementary readings


6. Human Capital Differences

Differences in the accumulation of human capital may account for large differences in income, but assessing just how important education is turns out to be difficult.


**Supplementary readings**

7. R&D Based Models of Growth

*R&D-driven growth models are the most explicit about the introduction of new technologies.*


**Supplementary readings**


Krugman, Paul R. (1979): "Increasing returns, monopolistic competition, and international


8. Learning By Doing

The third major engine of technical change is learning by doing. There are, unfortunately, serious difficulties in measuring its importance.


9. International Technology Diffusion

Previous models assume that capital or technology do not freely flow from one country to another. What is the evidence for this assumption, and what might be the explanation?


Supplementary readings


