

12E012

6 ECTS

Advanced Economic Growth and Development

Syllabus and Reading List

The Basic Text for this course is:

Barro R. J. and X. Sala-i-Martin, "Economic Growth", Second Edition, MIT Press, 2003 (BX).
Additional Readings are listed for each part of the course.

TENTATIVE (AND DYNAMIC) LIST OF TOPICS AND READINGS

I. Introduction to Growth. (2 Lectures)

a. Growth, Poverty, and Welfare: The World Distribution of Individual Income

1. Balla, Surjit, "*Imagine there is No Country*", Institute for International Economics, 2002.
2. Bourguignon, F. and C. Morrisson, C., (2002) , "Inequality Among World Citizens: 1820-1992", forthcoming *American Economic Review*.
3. Cowell, F.A., "*Measuring Income Inequality*", 2nd Edition, Harvester Wheatsheaf, Hemel Hempstead, 1995.
4. Chen, S. and M. Ravallion, "How did the world's poorest fare in the 1990s", World Bank Working Paper, 2002.
<http://www.worldbank.org/research/povmonitor/pdfs/methodology.pdf>
5. Dollar, D. and A. Kraay, "Growth is Good for the Poor", Working Paper World Bank, 2000.
<http://www.worldbank.org/research/growth/pdfiles/growthgoodforpoor.pdf>
6. Dowrick, S. and M. Akmal, "Contradictory Trends in Global Income Inequality: A Tale of Two Biases", mimeo Australian National University, 2002. <http://ecocomm.anu.edu.au/economics/staff/dowrick/world-inequ.pdf>
7. Quah, D. "One Third of the World's Growth and Inequality", mimeo LSE, April 2002.
<http://econ.lse.ac.uk/staff/dquah/p/0204-1third.pdf>
8. Ravallion, M. and Chen C. "How did the World's Poor Fare in the 1990s?", mimeo the World Bank (2001)
9. Sala-i-Martin, X. "The World Distribution of Income (estimated from Individual Country Distributions)", mimeo UPF, April 2002. <http://www.columbia.edu/~xs23/papers/WorldDistribution.htm>
10. Sala-i-Martin, X. "The Disturbing 'Rise' of World Income Inequality", mimeo UPF April 2002.
<http://www.columbia.edu/~xs23/papers/GlobalIncomeInequality.htm>

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11. Sala-i-Martin, X. "[The World Distribution of Income: Falling Poverty and Convergence, Period!](#)", *Quarterly Journal of Economics*, May 2006.
12. [PPT Presentation \(version PPT97_2003\)](#)
13. ([Gapminder](#))

II. Review of the Solow-Swan model. (1 Lecture)

a. The Basic Model

1. BX. Chapter 1.
2. Easterly, W. "*The Elusive Quest for Growth*", MIT Press 2002.
3. Solow, R., "A Contribution to the Theory of Economic Growth", *Quarterly Journal of Economics*, February, 1956.
4. Swan, T. W., "Economic Growth and Capital Accumulation", *Economic Record*, 1956

b. The Convergence Debate

1. BX Chapters 10, 11 and 12.
2. Barro, R. and X. Sala-i-Martin, "Convergence", *Journal of Political Economy*, April 1992.
3. Baumol, W., "Productivity Growth, Convergence, and Welfare: What the long run data show", *American Economic Review*. December 1986.
4. Caselli, F. G. Esquivel, and F. Lefort, "Reopening the Convergence Debate: A New Look at Cross-Country Growth Empirics", *Journal of Economic Growth*, September 1996.
5. DeLong, J. B., "Productivity Growth, Convergence, and Welfare: Comment", *American Economic Review*, December 1988.
6. Islam, N., "Growth Empirics: A Panel Data Approach", *Quarterly Journal of Economics*, November 1995.
7. Mankiw, N.G., D. Romer and D. Weil, "A Contribution to the Empirics of Economic Growth", *Quarterly Journal of Economics*, May 1992.
8. Shioji, E., "Still Two Percent Per Year", working paper Universitat Pompeu Fabra, 1998
9. [PPT Presentation](#)

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III. Poverty Traps and Development Aid (2 Lectures)

a. The Basic Model

1. BX Chapter 1.
2. Azariadis, C. and A. Drazen, "Threshold Externalities in Economic Development", *Quarterly Journal of Economics*, May 1990, pp. 501-26
3. Blair, Tony. "[Our Common Interest: Report of UK's Commission for Africa](#)", March 2005.
4. Galor, O. and J. Zeira, "Income Distribution in Macroeconomics", *Review of Economic Studies*, 1993, 60, 35-52.
5. Krugman, P., (1991), "History versus Expectations", *Quarterly Journal of Economics*, May 1991, vol 106, pp. 651-667.
6. Matsuyama, K. "Increasing Returns, Industrialization, and Indeterminacy of Equilibrium", *Quarterly Journal of Economics*, May 1991, vol 106, pp. 617-650.
7. Murphy, K. A. Shleifer, and R. Vishny, "Industrialization and the Big Push", *Journal of Political Economy*, vol 97. October 1989, 1003-1002
8. Sachs, Jeffrey D., John W. McArthur, Guido Schmidt-Traub, Margaret Kruk, Chandrika Bahadur, Michael Faye, and Gordon McCord. "Ending Africa's Poverty Trap." Brookings Papers on Economic Activity. 2004:1 [Download article as [PDF](#)].
9. Sachs, Jeffrey et al. [Investing in Development: A Practical Plan to Achieve the Millennium Development Goals](#), UN Millennium Project, Earthscan: New York, 2005.
10. [PPT Traps \(Version PPT1997\)](#)

b. Aid Regressions

1. (*) Burnside, Craig, and David Dollar, 2000, "Aid, Policies and Growth" *American Economic Review*, Vol. 90, No. 4, pp. 847-868.
2. Blair, Tony, 2005, "[Our Common Interest: Report of UK's Commission for Africa](#)".
3. Boone, Peter (1994), "The Impact of Foreign Aid on Savings and Growth", LSE working paper 677.
4. Clemens, Michael, Steven Radelet and Rikhil Bhavnani (2004) "Counting Chickens before they Hatch: The Short Term Effect of Aid on Growth", mimeo CGD. Duflo, Esther, (2004) "[Scaling Up and Evaluation](#)", *Annual Bank Conference on Development Economics*, The World Bank
5. Dreher, Axel, Peter Nunnenkamp, and Rainer Thiele (2007), "Does Aid for Education Educate Children: Evidence from Panel Data", mimeo January.

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6. Easterly, William, 2002, *"The Elusive Quest for Growth"* (MIT Press)
7. (*) Easterly, William, 2003, ["Can Foreign Aid Buy Growth?"](#), Journal of Economic Perspectives, Vol 17, No.3, pp. 23–48.
8. Easterly, William, 2005. ["Reliving the 50s: the Big Push, Poverty Traps, and Takeoffs in Economic Development"](#) DRI Working Paper No. 15 (June).
9. Easterly, William, 2005, "The Utopian Nightmare" *Foreign Policy* (September/October).
10. Easterly, William, 2006, *The White Man's Burden* (New York, NY: The Penguin Press). Hansen, Henrik and Finn Tarp (2001), "Aid and Growth Regressions", *Journal of Development Economics*, 64(2), pp547-70.
11. Michaelowa, Katharina, and Anke Weber (2006), "Aid Effectiveness Reconsidered: Panel Data Evidence for the Education Sector, Hamburg Institute for International Economics discussion paper 264.
12. Mishra, Prachi and David Newhouse (2007), "Health, Aid, and Infant Mortality", IMF Working Paper 07/100, April 2007
13. (*) Rajan, Raghuram and Arvind Subramanian, 2005a, ["Aid and Growth: What Does the Cross-Country Evidence Really Show?"](#) IMF Working Paper 05/127 (Washington: International Monetary Fund)
14. Rajan, Raghuram and Arvind Subramanian, 2005b, ["What Determines Aid's Impact on Growth?"](#), paper presented at the IMF Research Department conference "Trade and Growth," Washington, January.
15. Rodman, David (2007) "The Anarchy of Numbers: Aid, Development, and Cross Country Empirics", CGD Working paper 32.
16. Rodman, David, (2007) "Macro Aid Effectiveness Research: A Guide for the perplexed"
17. Sachs, Jeffrey and others, 2004, "Ending Africa's Poverty Trap," *Brookings Papers on Economic Activity*, Brookings Institution.
18. Sachs, Jeffrey, 2005, "The End of Poverty", The Earth Institute, Columbia University, New York
19. PPT Presentation

c. Randomized Field Trials

12. Ashraf, Nava, Dean Karlan, and Xavier Giné (2008), "Finding Missing Markets", mimeo Harvard Business School.
13. Cohen, Jessica and Pascaline Dupas (2007), ["Free Distribution or Cost- Sharing? Evidence from a Malaria Prevention Experiment in Kenya"](#), PAL Working pape
14. Duflo, Esther (2006), ["Field Experiments in Development Economics"](#), Poverty Action Lab, MIT

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15. Duflo, Esther and Hannah (2006), "[Holding Teachers Accountable: Evidence From a Randomized Evaluation in India](#)", PAL working paper
16. Duflo, Esther, and Michael Kremer (2003), "[Use of Randomization in the Evaluation of Development Effectiveness](#)", PovertyAction Lab.
17. Duflo, Esther, Rachel Glennerster, and Michael Kremer, (2006), "[Using Randomization in Development Economics Research: A Toolkit](#)", mimeo Poverty Lab
18. Duflo, Esther, Pascaline Dupas, Michael Kremer, and Samuel Sinei (2006)" [Education and HIV/AIDS Prevention: Evidence from a randomized evaluation in Western Kenya](#)", mimeo Poverty Lab
19. Gertler, Boyce (2001) @progressa@
20. Karlan, Dean and Xavier Giné (2008), "Peer Monitoring and Enforcement: Long Term Evidence from Microcredit Lending Groups with and without", Mimeo Yale University
21. Group Liability," joint with Xavier Gine, January 2008
22. Karlan and Valdivie (2006), "[Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions](#)" Mimeo Poverty Lab.
23. Kremer, Michael and Edward Miguel, (2004), "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica* 72(1): 159-217."

IV. The Ramsey model (1 lectures)

1. BX Chapter 2
2. Cass, D., "Optimum Growth in an Aggregative Model of Capital Accumulation", *Review of Economic Studies*, July 1965.
3. Harrod, R. F., "An Essay in Dynamic Theory", *The Economic Journal*, March 1939.
4. King, R. and S. Rebelo, "Transitional Dynamics and Economic Growth in the Neoclassical Model", *American Economic Review*, September 1993.
5. Koopmans, T. C., "On the Concept of Optimal Growth", in "*The Econometric Approach to Development Planning*", North Holland, 1965.
6. Ramsey, F., "A Mathematical Theory of Saving", *Economic Journal*, 1928.

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V. One Sector Models of Endogenous Growth (2 lectures)

- The AK model
- Public Spending, Public Goods and Goods Subject to Congestion.
 - Government Spending and Endogenous Growth
 - Social Security and Growth
 - Property Rights and Social Disruption
 - Inequality and Growth

1. Aghion, P., E. Caroli, and C. Garcia-Peñalosa, "Inequality and Economic Growth: The Perspective of New Growth Theories", *Journal of Economic Literature*, XXXVII, pp.1615-61, December 1999
2. BX Chapter 4.
3. Barro, R.J., "Government Spending in a simple model of Endogenous Growth", *Journal of Political Economy*, October 1990.
4. Barro, R.J., "Inequality and Growth in a Panel of Countries", *Journal of Economic Growth*, 2000.
5. Barro, R. and X. Sala-i-Martin, "Government Taxation and Growth" (mimeo September 2000).
6. Barro, R. and X. Sala-i-Martin, "Public Finance in Models of Economic Growth", *Review of Economic Studies*, October 1992.
7. Sala-i-Martin, X. "Transfers, Social Safety Nets, and Growth". *IMF Staff Papers*, vol. 44, No 1, pp.81-102, 1997

VI. The Economics of Ideas (2 Lectures)

a. R&D Models of Expanding Varieties

1. BX Chapter 6
2. Grossman, G. and Helpman, E., *"Innovation and Growth in the World Economy"*, M.I.T. Press, 1991, Chapters 3 and 4.
3. Romer, P., "Growth Based on Increasing Returns due to Specialization", *American Economic Review*, 77: (2) 56-62. May 1987.
4. Romer, P., "Endogenous Technological Change", *Journal of Political Economy*, October 1990
5. PPT on Alternative ways to Finance Vaccines

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b. Health and Income, Income and Health

1. Kremer, Michael, 2001a, "Creating Markets for New Vaccines: Part I: Rationale," in Adam B. Jaffe, Josh Lerner, and Scott Stern (eds.), *Innovation Policy and the Economy*, MIT Press, Volume 1.
2. Kremer, Michael, 2001b, "Creating Markets for New Vaccines: Part II: Design Issues," in Adam B. Jaffe, Josh Lerner, and Scott Stern (eds.), *Innovation Policy and the Economy*, MIT Press, Volume 1.
3. Sachs, Jeffrey, 2001, "[Macroeconomics and Health: Investing in Health for Economic Development](#)", report of the commission on macroeconomics and health, World Health Organization.

VII. The Empirics of Growth (1 Lecture)

1. *Economic Growth*, Chapter 12.
2. (*) Levine, Ross, and David Renelt, 1992, "Sensitivity Analysis of Cross- Country Growth Regressions," *American Economic Review*, Vol. 82 (September), pp. 942–63.
3. (*) Sala-i-Martin, Xavier, Gernot Doppelhoffer, and Robert Miller, 2004, "[Determinants of Long-Term Growth: A Bayesian Averaging of Classical Estimates \(BACE\) Approach](#)", *American Economic Review* (September).

Required Activities

There will be two problems sets, which will be handed out in the first lecture of the third and the fourth week. You have to hand in the solutions in the following week..

Evaluation

There will be one FINAL examination at the end of the quarter, which will count as 80 Percent of the Grade