

## **Economic growth**

(This version: February 11, 2014)

**Yao Tang, Spring 2014**

**Department of Economics**

**Bowdoin College**

**Lecture time:** Monday 11:30 - 12:55, Wednesday 11:30 - 12:55

**Place:** Searles 115

### **Contact Information**

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office hours: Monday 9:30-11:00 am, Wednesday 9:30-11:00 am or by appointment.

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Please note, I may not check emails frequently during evenings and weekends.

### **Course Description and Objectives**

Vast differences in nations long-run growth experience significantly affect the degree of inequality and overall welfare of the global population. This course offers both theoretical and empirical analysis of macro determinants of economic growth. We will explore the role of such key factors as the accumulation of physical capital and human capital, productivity and technology, natural resources, openness to trade and capital flow, institutions, culture, and geography.

This course also provides opportunity for students to further develop skills in original research, writing, and presentation.

### **Key dates**

- Wednesday Jan 22: instructor out of town, **no class**
- Wednesday Feb 24: midterm
- Friday April 25: take-home final (not cumulative)
- Saturday May 17: research paper due

## Evaluation

Your course grade is based on

- (10%) 4 homework assignments.
- (5%) 1- to 2-paragraph summaries for reading materials assigned for each lecture
- (10%) class participation
- (15%) one midterm exam
- (15%) one take-home final exam (not cumulative)
- (10%) in-class presentation of your research
- (35%) one research paper
- (3%) wildcard article presentation (optional)

*Summaries of reading materials.* Three days before each lecture, the instructor will assign the reading materials. Students should hand in a 1- to 2-paragraph summary of the reading materials. These summaries will be useful for both in-class discussion and the exam preparation.

*Class participation.* Besides participation in general discussion, each student (paired with another student) will be assigned to read an academic paper intensively and is expected to contribute significantly to the discussion of the paper.

*Research paper and presentation.* The 3rd and 4th assignments of the course are designed to help students with their research papers. In the 3rd assignment, each student will write a two-page short literature review of three academic papers which can be student-specific, and propose a research question based on the understanding of the literature. In assignment 4, with the help of the instructor, students will look for and use data to answer the research question identified in assignment 3. The work done in assignments 3 and 4 could serve as the foundation for your presentation and research paper. Each student should go over their presentation slides with the instructor at least one day before her/his scheduled presentation.

While all of you have written numerous term papers by this time, I recommend that you have a look at “Writing tips for Ph.D. students”, a 13-page short paper by John Cochrane, for

some tips on writing economics papers. His tips on writing and presentation are originally intended for Ph.D. students, but most of them are useful to undergraduate students as well. For those who are interested, Deirdre McCloskey's "Economical Writing" is a longer but still enjoyable read. The article "How to give a killer presentation" by Chris Anderson in the Harvard Business Review provides additional guidance for presentation.

*Wildcard articles.* To encourage students to connect learning in this course to real-world issues, each student has the option of bringing into class a wildcard article from newspapers, magazines or similar media outlets. Some examples of media outlets are The Economist, the New York Times, the Wall Street Journal, and Fortune Magazine. The articles must be recent, i.e. published within three months, and related to the content of the course. We will have at most one wildcard article per lecture and each student can choose to bring in at most one article. A student who brings in an article should email the instructor the day before the lecture. The class will spend the first 15 minutes of the lecture reading and discussing the article. The student who brings in the article should prepare two questions to facilitate discussion. Students will be graded based on the relevance of the articles and quality of questions.

### **Academic Honesty**

Students should be familiar with the Bowdoin College Academic Honor Code, available at <http://www.bowdoin.edu/studentaffairs/student-handbook/college-policies/index.shtml>. In particular, for the assignments, students are encouraged to work together but they must each hand in their own copy of answers.

### **Reading materials**

David Weil, *Economic Growth*, all editions, Addison Wesley, and papers listed below.

### **Tentative Schedule of Topics**

Please note I reserve the right to change the order of topics, or to drop topics from the list. However, I will not add new topics.

1. January 20, Course introduction
2. January 22, **Instructor out of town, no class**
3. The Solow model
  - January 27, Solow model, Chapters 2 and 3

- January 29, Solow model, Chapters 4 and 6
- February 3, Taking the Solow model to data: growth rates  
Barro, R.J. (1991), “Economic Growth in a Cross Section of Countries,” *The Quarterly Journal of Economics* 106 (2), pp. 407-443.  
Sala-i-Martin, X. (1997), “I Just Ran 2 million Regressions”, *American Economic Review*, 87 (2), pp. 178-183.
- February 5, Taking the Solow model to data: output levels  
Mankiw, G.N., D. Romer, D. Weil (1992), “A Contribution to the Empirics of Economic Growth”, *The Quarterly Journal of Economics*, 107, 407-437.
- February 10, Taking the Solow model to data: output levels  
Klenow, P.J. and A. Rodriguez-Clare (1997), “The Neoclassical Revival in Growth Economics: Has it Gone Too Far?”, *NBER Macroeconomic Annual*.  
Hall, R.E., and C.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.
- February 12, Taking the Solow model to data: output levels  
Caselli, F., (2004), ‘Accounting for Cross-Country Income Differences’, in *Handbook of Economic Growth*.

#### 4. Endogenous growth models

- February 17, The AK model and a model with endogenous TFP  
Romer, P.M. (1986), “Increasing Returns and Long-Run Growth”, *Journal of Political Economy* 94 (5), pp. 1002-1037  
Romer, P.M. (1990), “Endogenous Technological Change,” *Journal of Political Economy* 98 (5), pp. S71-S102.
- February 19, Models with endogenous TFP  
Grossman, G.M. and E. Helpman (1991), “Quality Ladders in the Theory of Growth”, *Review of Economic Studies* 58 (1), pp. 43-61.

#### 5. February 24, in-class midterm

#### 6. Openness and growth

- February 26, Trade and growth, Chapter 11  
Frankel, J. and D. Romer (1999), “Does Trade Cause Growth?” *American Economic Review*, 89 (3), pp. 379-399.

- March 3, Trade and growth  
Rodriguez F. and D. Rodrik (2000), “Trade Policy and Economic Growth: A Skeptic’s Guide to the Cross-national Evidence” NBER Macro Annual.
- March 5, Capital flow and growth, Chapter 11  
de Mello, L.R. (1997). ‘Foreign direct investment in developing countries and growth: a selective survey’, *Journal of Development Studies*, 34, 1-34.  
Borenztein, E., J. De Gregorio, J. and J. W. Lee (1998). ‘How does foreign direct investment affect growth’, *Journal of International Economics*, 45, 115-135.  
Alfaro, L., A. Chanda, S. Kalemli-Ozcan and S. Sayek (2004). ‘FDI and economic growth: The role of local Financial markets’, *Journal of International Economics*, 64, 89-112.

## 7. The fundamentals

- March 24, Institution, Chapter 12  
Acemoglu D., S. Johnson and J.A. Robinson (2001), “The Colonial Origins of Comparative Development: An Empirical Investigation” *American Economic Review*, 91, pp. 1369-1401.
- March 26, Institution  
Acemoglu D., S. Johnson and J.A. Robinson (2002), “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution,” *Quarterly Journal of Economics* 117 (4), pp. 1231-1294.  
Nunn, N. (2010), “The Long Term Effects of Africa’s Slave Trades,” *Quarterly Journal of Economics*. 123(1):139-176.  
Albouy (forthcoming), “The Colonial Origins of Comparative Development: An Investigation of Settler Mortality Data” *American Economic Review*.
- March 31, Institution vs trade  
Dollar, D. and A. Kraay (2003), “Institutions, trade, and growth,” *Journal of Monetary Economics* 50, pp. 133-162.
- April 2, Institution vs human capital  
Glaeser E.L., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer (2004) “Do institutions cause growth?”, *Journal of Economic Growth*, 9 (3), pp. 271-303  
Gennaioli N. R. La Porta, F. Lopez-de-Silanes, and A. Shleifer (2013), “Human Capital and Regional Development,” *Quarterly Journal of Economics*, 128 (1), pp. 105-164.
- April 7, Institution vs geography, Chapter 15  
Gallup, J.L., J.D. Sachs, and A.D. Mellinger (1999) “Geography and Economic

Development,” *Regional Science Review* 22 (2), pp. 179-232.

J.D. Sachs (2003), “Institutions Don’t Rule: Direct Effects of Geography on Per Capita Income,” NBER working paper No. 9490.

- April 9, Natural resources, Chapter 16  
Sachs, J.D. and A.M. Warner (2001), “The curse of natural resources,” *European Economic Review*, 45, pp. 827-838.  
Frankel, J. A. (2010), ‘The Natural Resource Curse: A Survey’, NBER Working Paper No. 15836
- April 14, Culture, Chapter 14  
Grief A. (1994) ‘Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies’, *The Journal of Political Economy* 102 (5), pp. 912-950
- April 16, Geography and Culture  
Nunn N. and L. Wantchekon (2011), “The Slave Trade and the Origins of Mistrust in Africa,” *American Economic Review* 101(7), pp. 3221-3252.  
Nunn N. and D. Puga D. (2012) “Ruggedness: The Blessing of Bad Geography in Africa,” *Review of Economics and Statistics* 94(1), pp. 20-36.
- April 21, Culture  
Tabellini (2010), “Culture and institutions: economic development in the regions of Europe”, *Journal of the European Economic Association* 8 (4), pp. 699-716  
Nunn N. (2012), “Culture and the Historical Process,” *Economic History of Developing Regions* 27 (S1), pp.108-126.
- April 23, Summary and discussion, Chapter 17

## 8. Student presentations

- April 28, up to 3 student presentations
- April 30, up to 3 student presentations
- May 5, up to 3 student presentations
- May 7, up to 3 student presentations
- May 9, up to 6 student presentations