

Introduction to Economic Growth: Why some countries are poorer than others?

Alexander Yarkin

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Introduction to the Course

The world we live in...

- If I were to ask you for ***Two Words*** to describe the socio-economic reality of our world... What would your words be?

The world we live in...

- If I were to ask you for ***Two Words*** to describe the socio-economic reality of our world... What would your words be?
- Mine are: (i) Inequality and (ii) Growth

Family Portraits: USA



Figure 1: A typical family in Texas, USA. Source: Material World Project by Peter Menzel.

Family Portraits: Mexico



Figure 2: A typical family in Guadalajara, Mexico. Source: Material World Project by Peter Menzel.

Family Portraits: Mali



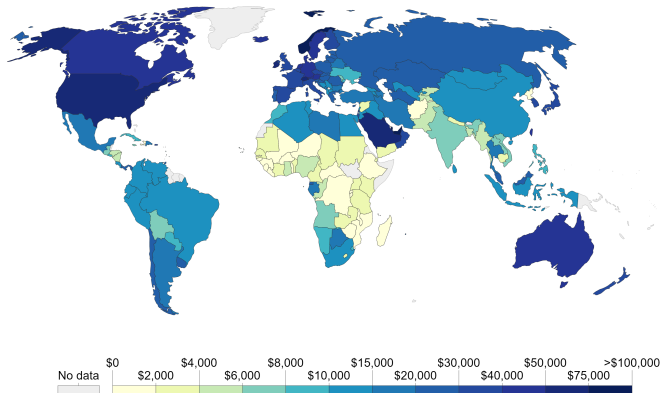
Figure 3: A typical family in Kouakourou, Mali. Source: Material World Project by Peter Menzel.

Inequality across the world today

GDP per capita, 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.

Our World
in Data



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

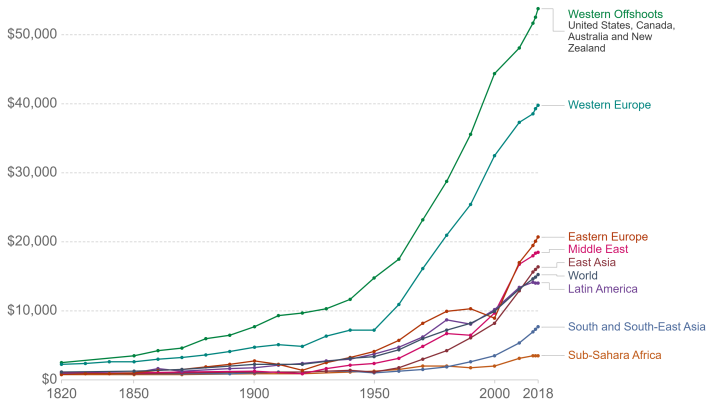
OurWorldInData.org/economic-growth • CC BY

Figure 4: GDP per capita across the world in 2018. Source: ourworldindata.org

Inequality across the world historically: divergence

GDP per capita, 1820 to 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

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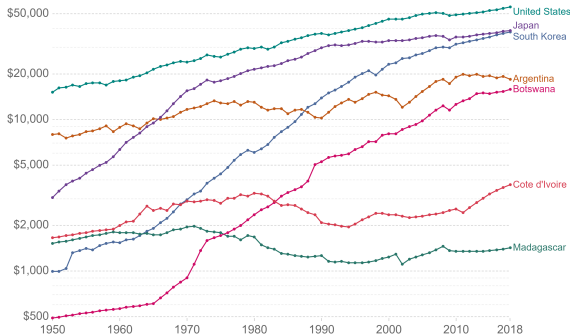
Figure 5: Divergence of incomes per capita. Source: ourworldindata.org

Varieties of growth experiences: stable growth, catch-up growth, growth disasters and growth miracles

GDP per capita, 1950 to 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.

Our World
in Data



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

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Figure 6: Varieties of growth trajectories. Source: ourworldindata.org

The 'conceptual framework' for this course

- Income is higher where there are more production factors per worker, and where they are used more efficiently.
- Differences in incentives explain why certain countries have more education, more investment, more innovations, etc.
- Differences in institutions explain differences in incentives.
- Deeper factors, such as geography and history, affect institutions, and hence, all other proximate factors...

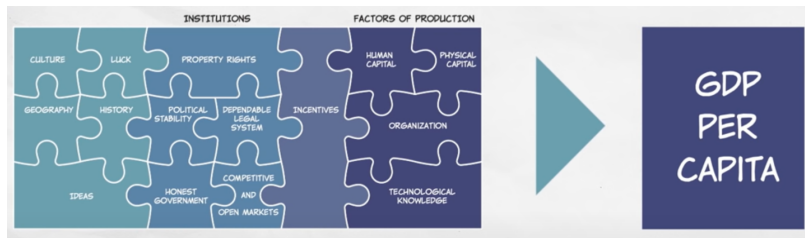


Figure 7: Growth puzzle completed? Source: Tabarrok and Cowen, MRU

What's next

Let's do the following now:

- let's take a look at the syllabus
- then at the canvas course page
- and then I'll say a few words on what I expect from you folks