

Economic Growth

Introduction

The Importance of Growth

[https://www.gapminder.org/tools/#\\$state\\$time\\$value=2018;;&chart-type=bubbles](https://www.gapminder.org/tools/#$state$time$value=2018;;&chart-type=bubbles)

“I do not see how one can look at figures like these without seeing them representing possibilities. Is there some action a government of India could take that would lead the Indian economy to grow like Indonesia's or Egypt's? If so, what exactly? If not, what is it about the "nature of India" that makes it so? The consequences for human welfare involved in questions like these are simply staggering: once one starts to think about them, it is hard to think about anything else.”

Robert Lucas, 1988

The Importance of Growth

As a means of reducing poverty:

[https://
marginalrevolution.com/marginalrevolution/2018/10/words-of-wisdom-14.html](https://marginalrevolution.com/marginalrevolution/2018/10/words-of-wisdom-14.html)

[https://
www.cgdev.org/sites/default/files/alleviating-global-poverty-labor-mobility-direct-assistance-and-economic-growth.pdf](https://www.cgdev.org/sites/default/files/alleviating-global-poverty-labor-mobility-direct-assistance-and-economic-growth.pdf)

Economic Growth

- Exogenous Growth
 - The Solow-Swan Model
 - evidence on convergence
 - Including Human Capital – Mankiw, Romer and Weil
- Endogenous Growth models
- Empirical determinants of growth
 - The historical importance of institutions
 - The recent growth slowdown

- Small differences in annual growth make big differences in *levels* of GDP

US Growth Experience

GDP pc		GDP pc	Rank	
1985 \$	Growth	1985 \$		
1870	Rate	1990		
\$2,244	1.75% p.a.	\$18,258	1	8-fold increase
\$2,244	0.75% pa.	\$5,519	37	2.5-fold incease
\$2,244	2.75% pa.	\$60,841		27-fold incease

Similar to Japan,
Taiwan

Same as Pakistan,
India, Philippines