UNIVERSITY OF KENT AT CANTERBURY

SCHOOL OF ECONOMICS

EC569 Economic Growth

Spring 2018/19

Module Convener: Ilhan Guner

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Consultation Hours: Mondays & Wednesdays 10:00-11:00

INTRODUCTION

This module is a final year optional module in the program. It will cover a variety of growth issues from both empirical and theoretical views. The first part of the course deals with basic concepts of economic growth. In this part we will learn how to measure growth and study core theories of economic growth. The second part deals with productivity. In this part we will learn how to measure productivity and analyze different sources of productivity growth. The third part deals with economic fundamentals. In this part we will study the relationship between openness, inequality, the government and growth.

TIMETABLE

Lectures: Weeks 13-24, Monday 14:00 – 15:00.

Seminars: Weeks 16-18, 20-22, TBA.

Exam: May/June

TEXTBOOKS

Main Textbooks:

- Weil, D., 2013, Economic Growth, 3rd ed., Pearson.
- Jones, C. and D. Vollrath, 2013, Introduction to Economic Growth, 3rd ed., W.W. Norton.

COURSEWORK AND ASSESSMENT

Coursework counts for 20% of the final grade and the final examination in May counts for 80%. Note that exam format will be different than last year's format. Coursework is assessed by 3 problem sets (10% total) and an end-of-term essay of approximately 2,000 words (10%).

<u>Problem sets:</u> There will be 3 problem sets which are due Week 15, 19, and 21. Each problem set will be released a week in advance of its due. Problem sets will be assessed using Moodle quizzes. On the due weeks of problem sets, quizzes will appear on Moodle for 48 hours from Monday 4pm to Wednesday 4pm. To take a quiz, first, you must submit your work on the problem set in digital form (typed or scanned copy of your hand-written solution). Each problem set quiz will be on the questions of the problem set.

<u>Essay</u>: Essay question will be posted to Moodle by week 14, and it will be due Monday of week 24 via Turnitin.

AIMS AND LEARNING OUTCOMES

Aims: The aim of the course is to teach the basic principles of economic growth in order to answer such questions as:

- -What are the determinants of growth?
- -Why are there differences in the level of income among countries?
- -How can we improve productivity?
- -What kind of role does the government play on growth?

Learning Outcomes: Students who complete this module will:

- be able to manipulate a number of theoretical models to analyze economic growth.
- be able to understand and critically evaluate economic growth articles in academic journals.
- be able to present and debate growth issues in seminars.
- be able to form their own independent opinion on ongoing growth issues.

Pre-requisites: EC502 Macroeconomics.

TEACHING METHODS

The course is taught via 12 lectures and 6 seminars. Lectures will outline some main topics in macroeconomics and, with the suggested readings, give guidance to students on further independent study. The seminars give the opportunity for students to discuss and analyze specific topics. Students are encouraged to ask questions and participate throughout the course, and this is particularly important in the seminars. Students are expected to work 10 hours per week (including lecture and seminar attendance).

Lectures: Lectures will last for 60 minutes. Students are expected to complete the assigned readings prior to each lecture.

Seminars: Seminars will comprise solutions of seminar questions and discussion of the

assigned readings. Seminar questions will be released a week in advance. All students are expected to solve the seminar problems before the seminar, complete the assigned reading for each seminar and participate in the discussion. Seminar attendance will be recorded

Readings: Papers/articles in the Readings section marked with (*) are mandatory. There will be exam questions on them.

OTHER RESOURCES:

- https://ourworldindata.org : A thoughtful collection of essays on changing living conditions around the world, supplemented with striking visualization of recent data.
- Rosling, H., Rosling, O., & Rönnlund, A. R. (2018). Factfulness: Ten Reasons We're Wrong about the World--and why Things are Better Than You Think. St Martin's Press.
- https://voxeu.org : VOX CEPR Policy Portal, "Research-based policy analysis and commentary from leading economists". Here, economists write about their research in an accessible style.
- https://growthecon.com/blog/ : Blog of Dietrich Vollrath.
- https://gunerilhan.github.io/teaching/ : My personal webpage where I post module related material.

LECTURE SCHEDULE AND SUGGESTED READINGS

Week 13: Introduction

- Chapters 1, 2 (Weil)
- Chapter 1 (Jones and Vollrath)
- *Amartya Sen, Quality of Life: India vs. China, NYRB, 21 May 2011
- Kevin Bryan, "How we create and destroy growth: The 2018 Nobel laureates", VOX 11 October 2018
- *Paul M. Romer, Economic Growth, The Library of Economics and Liberty

Week 14: Physical Capital

- Chapter 3 (Weil)
- Chapter 2.1 (Jones and Vollrath)

PROBLEM SET #1 RELEASED

Week 15: Population

• Chapter 4 (Weil)

PROBLEM SET #1 DUE

Week 16: Extended Solow Model, Converge of countries

• Chapters 2.2, 3.1, 3.2 (Jones and Vollrath)

Seminar 1: Convergence

- *Dietrich Vollrath, <u>"New evidence on convergence"</u>, Growth Econ November 2, 2018
- *Dev Patel, Justin Sandefur and Arvind Subramanian, "Everything You Know about Cross-Country Convergence Is (Now) Wrong", Center for Global Development October 15 2018.
- Johnson, Paul, Papageorgiou, Chris (Forthcoming). What Remains of Cross-Country Convergence?, Journal of Economic Literature

Week 17: Human Capital

• Chapter 6 (Weil)

Seminar 2: Human Capital

• *Barro (2001)

Week 18: Productivity

• Chapter 7 (Weil)

Seminar 3: Growth Accounting

- Young (1995)
- *Paul Krugman, "The Myth of Asia's Miracle," Foreign Affairs, Nov/Dec 1994.
- *Zhu, X. (2012). Understanding China's growth: Past, present, and future. *Journal of Economic Perspectives*, 26(4), 103-24.

PROBLEM SET #2 ASSIGNED

Week 19: Technology

- Chapters 8, 9 (Weil)
- Chapter 4 (Jones and Vollrath)

PROBLEM SET #2 DUE

Week 20: Technology (cnt'd) and Efficiency

- Chapter 4 (Jones and Vollrath)
- Chapter 10 (Weil)
- Bloom, N., Sadun, R., & Van Reenen, J. (2016). *Management as a Technology?* (No. w22327). National Bureau of Economic Research.
- Nicholas Bloom, Erik Brynjolfsson, Lucia Foster, Ron Jarmin, Megha Patnaik, Itay Saporta Eksten, John Van Reenen, "Adding a piece to the productivity puzzle: Management practices", VOX 17 May 2017
- Dietrich Vollrath, "The paradox of markups", May 7, 2018

Seminar 4: Technology adoption

- Neil Irwin, "What Was the Greatest Era for Innovation? A Brief Guided Tour", New York Times, May 13, 2016
- *Chad Jones, "New ideas about new ideas: Paul Romer, Nobel laureate" VOX, 12 October 2018
- *Bloom, N., Jones, C. I., Van Reenen, J., & Webb, M. (2017). *Are ideas getting harder to find?* (No. w23782). National Bureau of Economic Research.
 - Nicholas Bloom, Chad Jones, John Van Reenen, Michael Webb, <u>"Ideas aren't running out, but they are getting more expensive to find"</u>, VOX 20 September 2017

PROBLEM SET #3 ASSIGNED

Week 21: Openness

• Chapters 11, 8.3 (Weil)

Seminar 5: Capital flows and financial development:

- *Kose, Prasad & Terrones (2009)
- *Beck, Levine & Loayza (2000)

PROBLEM SET #3 DUE

Week 22: Inequality

• Chapter 13 (Weil)

Seminar 6: Income distribution

- *Dollar and Kraay (2002)
- Branko Milanovic, "Why inequality matters?", VOX 20 December 2018

• Branko Milanovic, <u>"The Inequality Paradox: Rising Inequalities Nationally, Diminishing Inequality Worldwide"</u>, ProMarket 10 December 2018

Week 23: Government

- Chapter 12 (Weil)
- *Hausmann, R., Rodrik, D., & Velasco, A. (2008). <u>Growth diagnostics</u>. The Washington consensus reconsidered: Towards a new global governance, 324-355.
- Juhász, R. (2018). Temporary protection and technology adoption: Evidence from the napoleonic blockade. American Economic Review, 108(11), 3339-76.
- Philip P. Pan, <u>"The Land That Failed to Fail"</u>, New York Times 18 November 2018

Week 24: Environment

- Chapter 16 (Weil)
- *Kenneth Gillingham, "William Nordhaus and the costs of climate change", VOX 19 October 2018

ESSAY DUE

Readings

- *Barro, Robert, Human Capital and Growth, *American Economic Review*, 91 (2), 2001, pp.12-17
- *Beck, Thorsten, Ross Levine and Norman Loayza, Finance and the sources of growth, *Journal of Financial Economics*, 58 (1-2), 2000, pp.261-300.
- Bloom, N., Sadun, R., & Van Reenen, J. (2016). *Management as a Technology?* (No. w22327). National Bureau of Economic Research.
 - Nicholas Bloom, Erik Brynjolfsson, Lucia Foster, Ron Jarmin, Megha Patnaik, Itay Saporta Eksten, John Van Reenen, <u>"Adding a piece to the productivity"</u> puzzle: Management practices", VOX 17 May 2017
- *Bloom, N., Jones, C. I., Van Reenen, J., & Webb, M. (2017). *Are ideas getting harder to find?* (No. w23782). National Bureau of Economic Research.
 - Nicholas Bloom, Chad Jones, John Van Reenen, Michael Webb, <u>"Ideas aren't running out, but they are getting more expensive to find"</u>, VOX 20 September 2017
- *Dev Patel, Justin Sandefur and Arvind Subramanian, "Everything You Know about Cross-Country Convergence Is (Now) Wrong", Center for Global Development October 15 2018.
- *Dollar, David and Aart Kraay, Growth is Good for the Poor, *Journal of Economic Growth*, 7 (3), 2002, pp.195-225.
- *Kenneth Gillingham, "William Nordhaus and the costs of climate change", VOX

- 19 October 2018
- *Hausmann, R., Rodrik, D., & Velasco, A. (2008). <u>Growth diagnostics</u>. The Washington consensus reconsidered: Towards a new global governance, 324-355.
- Neil Irwin, "What Was the Greatest Era for Innovation? A Brief Guided Tour", New York Times, May 13, 2016
- Johnson, Paul, Papageorgiou, Chris (Forthcoming). What Remains of Cross-Country Convergence?, Journal of Economic Literature
- *Chad Jones, "New ideas about new ideas: Paul Romer, Nobel laureate" VOX, 12
 October 2018
- Juhász, R. (2018). Temporary protection and technology adoption: Evidence from the napoleonic blockade. American Economic Review, 108(11), 3339-76.
- *Kose, Ayhan, Eswar Prasad and Marco Terrones, Does openness to international financial flows raise productivity growth? 2009, *Journal of International Money and Finance*, 28, pp.554-580.
- *Paul Krugman, "The Myth of Asia's Miracle," Foreign Affairs, Nov/Dec 1994.
- Branko Milanovic, "Why inequality matters?", VOX 20 December 2018
- Branko Milanovic, <u>"The Inequality Paradox: Rising Inequalities Nationally,</u> <u>Diminishing Inequality Worldwide"</u>, ProMarket 10 December 2018
- Philip P. Pan, "The Land That Failed to Fail", New York Times 18 November 2018
- Parente, Stephen and Edward Prescott, Barriers to Technology Adoption and Development, *Journal of Political Economy*, 102 (2), 1994, pp.298-321
- *Paul M. Romer, Economic Growth, The Library of Economics and Liberty
- *Amartya Sen, Quality of Life: India vs. China, NYRB, 21 May 2011
- Young, Alwyn, The Tyranny of Numbers: Confronting the Statistical Realities of the East Asia Growth Experience, *Quarterly Journal of Economics*, 110 (3), 1995, pp. 641-680
- *Zhu, X. (2012). Understanding China's growth: Past, present, and future. *Journal of Economic Perspectives*, 26(4), 103-24.
- *Dietrich Vollrath, <u>"New evidence on convergence"</u>, Growth Econ November 2, 2018
- Dietrich Vollrath, "The paradox of markups", May 7, 2018