

① Introduction

Reminder

② King and Rebelo. 1990.

Public Policy and Economic Growth: Developing Neoclassical Implications

③ Duflo. 2012.

Women Empowerment and Economic Development

④ Summaries & Questions

Poverty is multidimensional

Reminder: Poverty is multifaceted and **multidimensional**.

- Health
- Lack of education
- Inadequate living standards
- Disempowerment
- Poor quality of work
- The threat of violence
- Environmental hazards

Poverty is multidimensional

Poverty: Absolute or relative?

- King and Rebelo (1990) explore how public policies affect economic growth.
 - Can increase in economic development eliminate poverty?
 - What aspects of poverty King and Rebelo (1990) address?
- Duflo (2012) reviews existing studies on women's empowerment and development.
 - How can economic development reduce gender inequality?
 - Does gender inequality lead to economic development?
 - What else?

General question

Question:

Public Policy and Economic Growth: Developing Neoclassical Implications

Robert G. King

University of Rochester and Rochester Center for Economic Research

Sergio Rebelo

*Northwestern University, Portuguese Catholic University, and
Rochester Center for Economic Research*

Why do the countries of the world display considerable disparity in long-term growth rates? This paper examines the hypothesis that the answer lies in differences in national public policies that affect the incentives that individuals have to accumulate capital in both its physical and human forms. Our analysis shows that these incentive effects can induce large differences in long-run growth rates. Since many of the key tax rates are difficult to measure, our procedure is an indirect one. We work within a calibrated, two-sector endogenous growth model, which has its origins in the microeconomic literature on human capital formation. We show that national taxation can substantially affect long-run growth rates. In particular, for small open economies with substantial capital mobility, national taxation can readily lead to "development traps" (in which countries stagnate or regress) or to "growth miracles" (in which countries shift from little growth to rapid expansion). This influence of taxation on the rate of economic growth has important welfare implications: in basic endogenous growth models, the welfare cost of a 10 percent increase in the rate of income tax can be 40 times larger than in the basic neoclassical model.

This paper is a substantially revised version of one prepared for the conference on "The Problem of Development: Exploring Economic Development through Free Enterprise," held at the State University of New York at Buffalo in May 1988. The analysis of the two-sector model is our work, particularly in its open-economy version, drawn heavily on some recent research by Baxter (1986). We also thank her for pointing out the relationship between our model-building activity and the arguments of Schalte (1981). Finally, we have benefited from comments by Stanley Fischer and Arnold Harberger—who discussed the paper at the Buffalo conference—as well as by Kenneth Judd, who discussed the paper at the summer Economic Society meetings. Support from the National Science Foundation is gratefully acknowledged.

Journal of Political Economy, 1990, vol. 98, no. 5, pp. 21

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Question:

Why do the countries of the world display considerable disparity in long-term growth rates?

What is the linkage between national policies and long-term rates of economic growth?

Theory

What is the neoclassical economic model?

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- Assumes a rational individual.
- Emphasize free-market and private property.

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- Assumes a rational individual.
- Emphasize free-market and private property.
- *Equilibrium*: Where the supply and demand meet.
 - Market will find the optimal point–equilibrium by itself.
 - Under the equilibrium, supply and demand are harmonious.
Also, economies will show stable growth.
 - Do not touch the market, government...! → Small Govt.

Theory

Existing explanations; neoclassical model

- See King and Rebelo (1990, S129-S133).

Theory

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Theory

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- Basic neoclassical model: $Y_t = F(K_t, NX_t)$
 - Y_t : A single good in given time of t .
 - K_t : Physical capital
 - NX_t : Labor

Theory

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 - K_t : Physical capital
 - NX_t : Labor
 - N : Labor population
 - X_t Technological progress

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$$\begin{aligned} \text{Output(=Good)}_t &= F(\text{Physical capital}_{(\text{e.g. factory})} \\ &\times \text{Labor}_{(\text{=Labors and their skills})}) \end{aligned}$$

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- Argues that population growth (N) and technology progress (X_t) have exogenous effect on economic growth in the long-run.

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- Argues that population growth (N) and technology progress(X_t) have exogenous effect on economic growth in the long-run.
 - Neoclassical model tells that public policies have only 'short-term' effect on economic growth. \rightarrow Really?

Theory

King and Rebelo (1990)

- Public policies can have long-term effect on economic growth.
- Economic growth = $F(\text{Changes in public policies})$

Theory

King and Rebelo (1990)

- Public policies → Individuals' incentives
→ Levels of accumulation in physical and human capitals.
 - Explore the effect of public policies on economic growth with two sectors; physical capital and human capital.
 - Using the data from previous studies, King and Rebelo (1990) replicate the results of neoclassical model and expand them into models under different settings.

Theory

King and Rebelo (1990)

- Public policies → Individuals' incentives
→ Levels of accumulation in physical and human capitals.
 - Explore the effect of public policies on economic growth with two sectors; physical capital and human capital.
 - Using the data from previous studies, King and Rebelo (1990) replicate the results of neoclassical model and expand them into models under different settings.
 - Basic model (Only N and X_t matter)
 - Simple endogenous growth model (Only consider the endogenous effect of economic growth on physical capitals)
 - Two-sector endogenous growth model (Physical and human capitals)

Findings

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- Taxation may affect the growth rate in an important way, but that the magnitude of the influence depends on the production and tax structure.
- Economic growth \rightarrow Inequality in human capitals $\downarrow \rightarrow$ Economic growth.
- Endogenous relationship

Women Empowerment and Economic Development

General question

Journal of Economic Literature 2012, 50(4), 1003–1029
<http://dx.doi.org/10.1257/jel.50.4.1003>

Women Empowerment and Economic Development

ESTHER DUFLO*

Women empowerment and economic development are closely related: in one direction, development alone can play a major role in driving down inequality between men and women; in the other direction, empowering women may benefit development. Does this imply that pushing just one of these two levers would set a virtuous circle in motion? This paper reviews the literature on both sides of the empowerment–development nexus, and argues that the interrelationships are probably too weak to be self-sustaining, and that continuous policy commitment to equality for its own sake may be needed to bring about equality between men and women. (JEL: J14, J24, J32, J38, J53, J16, O15)

1. Introduction

The persistence of gender inequality is most starkly brought home in the phenomenon of “missing women.” The term was coined by Amartya Sen in a now classic article in the *New York Review of Books* (Sen 1990) to capture the fact that the proportion of women is lower than what would be expected if girls and women throughout the developing world were born and died at the same rate, relative to boys and men, as they do in sub-Saharan Africa. Today, it is estimated that 6 million women are missing every year (World Bank 2011). Of these, 23 percent are never born, 16 percent are missing in early childhood, 21 percent in the reproductive years, and 36 percent

above the age of 60. Stark as the excess mortality is, it still does not capture the fact that throughout their lives, even before birth, women in developing countries are treated differently than their brothers, lagging behind men in many domains. For each missing woman, there are many more women who fail to get an education, a job, or a political responsibility that they would have obtained if they had been men.

Table 1 summarizes some indicators of the relative position of women and men circa 1960 and circa 2000 in poor countries. Both the relative deprivation of women, and the extent to which there have been improvements over the last twenty years, are apparent in a number of places. In access to education, in low and moderate income countries, the enrollment rate for girls in secondary school was 34 percent in 2010, while that for boys was 41 percent. Twenty

Question:

* Massachusetts Institute of Technology

Women Empowerment and Economic Development

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Question:

Can economic development cause women’s empowerment?

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Can economic development cause women’s empowerment?

Can economic development solve gender inequality?

* Massachusetts Institute of Technology

General question

Journal of Economic Literature 2012, 50(4), 1031–1079
<http://dx.doi.org/10.1257/jel.50.4.1031>

Women Empowerment and Economic Development

ESTHER DUFOLO⁸

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1051

Question:

Can economic development cause women's empowerment?

Can economic development solve gender inequality?

Can women's empowerment cause economic development?

Theory

Existing studies on women empowerment and economic development

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- 1 Economic development $\uparrow \rightarrow$ Gender inequality \downarrow

Theory

Existing studies on women empowerment and economic development

- 1 Economic development $\uparrow \rightarrow$ Gender inequality \downarrow
- 2 Women empowerment \uparrow (Gender inequality \downarrow)
 \rightarrow Economic development \uparrow

Theory

Existing studies on women empowerment and economic development

- ① Economic development $\uparrow \rightarrow$ Gender inequality \downarrow
- ② Women empowerment \uparrow (Gender inequality \downarrow)
 \rightarrow Economic development \uparrow

"This paper reviews the evidence on both sides of the empowerment-development relationship." (Duflo 2012, 1053)

Theory

Existing studies on women empowerment and economic development

- ① Economic development $\uparrow \rightarrow$ Gender inequality \downarrow
- ② Women empowerment \uparrow (Gender inequality \downarrow)
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"This paper reviews the evidence on both sides of the empowerment-development relationship." (Duflo 2012, 1053)

- When poverty is reduced, the condition of everyone, including women, improves.

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- ① Economic development $\uparrow \rightarrow$ Gender inequality \downarrow
- ② Women empowerment \uparrow (Gender inequality \downarrow)
 \rightarrow Economic development \uparrow

"This paper reviews the evidence on both sides of the empowerment-development relationship." (Duflo 2012, 1053)

- When poverty is reduced, the condition of everyone, including women, improves.
- Gender inequality declines as poverty declines, so the condition of women improves more than that of men with development.

Theory

① Economic development $\uparrow \rightarrow$ Gender inequality \downarrow

Theory

- ① Economic development $\uparrow \rightarrow$ Gender inequality \downarrow
- Relaxing the grip of poverty (inequality \downarrow)
 - Improving maternal mortality
(=lower parental investment in childhood)
 - Providing women hope by expanding their opportunities
 - Freeing up women's time

Theory

② Gender inequality $\downarrow \rightarrow$ Economic development \uparrow

Theory

② Gender inequality ↓ → Economic development ↑

- A woman's education, earnings, or political participation
→ Family outcomes
- Giving women the right to vote makes a difference.
- Policies increasing women's welfare
→ Costs of childcare ↓ / women's access to the labor market ↑
→ Economic development ↑

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 \rightarrow Family outcomes
 - Giving women the right to vote makes a difference.
 - Policies increasing women's welfare
 \rightarrow Costs of childcare \downarrow / women's access to the labor market \uparrow
 \rightarrow Economic development \uparrow

Duflo (2012) utilizes literature survey and case studies.

- Literature on women's empowerment and development.

Findings

- Economic development can contribute to women's empowerment.

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 - Also, women's empowerment can enhance economic development.

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- **Economic development is not a sole determinant for women's empowerment and vice versa.**

Findings

- Economic development can contribute to women's empowerment.
 - Also, women's empowerment can enhance economic development.
 - However, their magnitudes of relationship are not so great as previous literature argues.
- **Economic development is not a sole determinant for women's empowerment and vice versa.**
- Policies targeted toward women can have immediate consequences.

Summaries

① King and Rebelo (1990)

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- However, is the budget always equal to the actual expenditure?

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② Duflo (2012)

- Previous studies report that women's empowerment and development have endogenous relationship.
- However, 'economic' development is not only the factor affects women empowerment.
 - Here, Duflo (2012) suggests policies are necessary to improve gender inequality.

Summaries

- King and Rebelo (1990) and Duflo (2012) have several implications.

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 - Economic development, inequality, and poverty are intertwined.
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 - Economic development, inequality, and poverty are intertwined.
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 - Inequality and poverty are multidimensional.
 - King and Rebelo (1990) see this issue with respect to physical AND human capitals.
 - Duflo (2012) addresses it with various paths (household environment, political rights etc).

Summaries

- King and Rebelo (1990) and Duflo (2012) have several implications.
 - Economic development, inequality, and poverty are intertwined.
 - Need to be cautious to understand the causal relationship.
 - Inequality and poverty are multidimensional.
 - King and Rebelo (1990) see this issue with respect to physical AND human capitals.
 - Duflo (2012) addresses it with various paths (household environment, political rights etc).
- Even the topic of 'development,' politics/policies matter.

Questions

Thank you!

Any questions or meetings?

✉ Email: sp23@email.sc.edu

✉ Calendly: [Here](#)

Duflo, Esther. 2012. “Women Empowerment and Economic Development.” *Journal of Economic Literature* 50(4):1051–1079.

King, Robert G and Sergio Rebelo. 1990. “Public Policy and Economic Growth: Developing Neoclassical Implications.” *Journal of Political Economy* 98(5):S126–S150.