

Eco 380
Seminar on Economic Growth and Development

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Office Hours: 1-4 Wednesdays

“Is there some action that the government of India could take that would lead the Indian economy to grow like Indonesia or Egypt? 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.” Robert Lucas, 1988

“Accumulate, accumulate; that is Moses and the prophets!” Karl Marx, *Capital* Vol. 1.

“Growth becomes [an industrializing society’s] normal condition. Compound interest becomes built, as it were, into its habits and institutional structure.” Walter Rostow

“The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour.” Adam Smith, *WN*, Book 1, Chapter 1.

Overview

Growth matters. Over time, nothing else makes much difference for human welfare. Since the late 80s, research on growth has exploded, fostered by the development of new data sets and a revolution in theory. This class is designed to introduce you to this work.

We start with the stylized facts of growth, the empirical observations we want to understand. From there we move to the primary proximate forces underlying economic growth: accumulation and technological progress. From there we move on to consider the deeper forces that underlie the growth process: governance, geography, law and culture. Finally, we turn our attention to a number of specific topics in the growth literature, including international aid, democracy, inequality and social conflict.

Being a seminar means that you will play a much more active role in this course than you would in a lecture course. With the exception of a few topics in growth theory, I will not be lecturing. Your discussions *are* the course. A corollary is that preparation and class participation matter much more in a seminar than in a lecture course, and will count for more of your grade.

Second, the emphasis will be on reading and understanding current economic research. Whereas textbooks often focus on what we know (education is good for growth), research is always about the limits of our knowledge. This can be an uncomfortable shift of perspective, but the boundaries of our knowledge is clearly where the action is.

Course Requirements

Class Participation: A big part of the course is talking about what you have read. In preparation for class discussions, you'll want to read the papers for that meeting carefully and think about them in depth before coming to class. At the end of the course, I'll ask each of you to rank your classmates based on their contribution to class discussions. I will use this information in determining your discussion grade. (25%)

In-Class Quizzes: I will start each discussion class with a short quiz to test whether you've read the material for that day. The quizzes will be graded on a 0-1 basis, and I will drop your lowest two grades. Your quiz average will count 25% toward your final grade. (25%)

Research Project: An important goal of the course is to assist you in what may be your first large research project. This will be a 15 – 20 page paper and presentation on a topic of your choice. This project is discussed in more detail in a separate handout. (50%)

<u>Activity</u>	<u>Date</u>	<u>Weight</u>
Choose an area to research	Sept. 16	0%
Meet with Davis	Sept. 19-23	0%
Literature Review	Sept. 30	5%
Meet with Davis	Oct. 10-14	0%
Rough Draft	Oct. 28	10%
Presentation	Nov. 8-15	10%
Referee Report	Nov. 8-15	5%
Final Paper Due	Nov. 16	20%

Course Materials: The course readings are posted on Blackboard. There's no text book, which saves you some serious money, but I do expect you to print out the papers for each day and bring them to class. Failure to have the papers physically in hand will cost you a point on your final grade.

Lectures: Some of the material for the course is hard for students to learn on their own and will be covered in lectures. You may want to download the mathematical notes I have posted for each on blackboard.

Writing Discussions: One of the main goals of this course is to help you improve your writing and research skills. To do this, we will be devoting a few minutes at the end of class to talk about some aspect of writing. We will also use this time to talk about issues you are running into in your research projects.

Attendance: It's hard to participate if you are not there. You get two free absences (10% of the class). After that, each missed class counts three (3) points off your final grade. This includes absences during student presentations at the end of the course.

Cell Phone and Laptop Policy: I don't allow the use of laptops during class. Looking at your cell phone during class will cost you a point on your final grade.

Course Outline

Note: For a number of topics, I have posted additional readings on blackboard marked by “***”. These are not required and are for your interest only.

I. Proximate Determinants of Growth: Accumulation and Innovation

1. The Stylized Facts of Growth

- a. Landes (1998), *The Wealth and Poverty of Nations*, Chapters 1 and 2.
- b. Pritchett (1997) “Divergence, Big Time,” *Journal of Economic Perspectives*, 3-17.

2. Lecture – Neoclassical Growth Theory

- a. Math notes on Blackboard.
- b. Choose an area for your research project.

3. Physical Accumulation and Neoclassical Growth Empirics

- a. Barro (1998) Chapter 1, *The Determinants of Economic Growth*.
- b. Krugman (1994) “The Myth of Asia’s Miracle,” *Foreign Affairs*.

4. It’s not Capital Accumulation

- a. Olson (1996) “Big Bills Left on the Sidewalk,” *Journal of Economic Perspectives*.
- b. Pritchett (2001) “Where has all the education gone?” *World Bank Economic Review*, 2001, v. 15, iss. 3, pp. 367-91.

5. Technology

- a. Rosenberg (1972) *Technology and American Economic Growth*, Ch 3 and 4.
- b. Hausmann and Rodrik (2003) “Economic Development as Self-Discovery,” *Journal of Development Economics* 72(2), 603-633.

II. Fundamental Determinants of Growth: Institutions, Law and Culture

1. Institutions

- a. North, Douglas, “Institutions,” *Journal of Economic Perspectives*, *The Journal of Economic Perspectives* 5(1), 97–112.
- b. Acemoglu, Johnson and Robinson (2001) “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review* 91(5), 1369-1401.

2. Institutions and Geography

- a. Sokoloff and Engerman (2000) “Institutions, Factor Endowments, and Paths of Development in the New World,” *Journal of Economic Perspectives* 14(3), 217-232.
- b. Easterly and Levine (2003) “Tropics, Germs, and Crops: How Endowments Influence Economic Development” *Journal of Monetary Economics*, v. 50, iss. 1, pp. 3-39.

3. Natural Resources

- a. Sachs and Warner, "The curse of natural resources," *European Economic Review* 45(4-6), 827-38.
- b. Acemoglu et al. (2002) "Botswana: An African Success Story," manuscript.

4. Legal Heritage and Regulation

- a. Beck et al. (2003) "Law and Finance: Why legal origin matters," *Journal of Comparative Economics* 31, 653–675.
- b. Djankov et al. (2002) "The regulation of entry," *Quarterly Journal of Economics* 116(1), 1-37.

5. Religion

- a. Kuran, Timur (2004) "Why the Middle East Is Economically Underdeveloped." *Journal of Economic Perspectives* 18, pp. 71–90.
- b. McKleary and Barro (2006) "Religion and Economy," *Journal of Economic Perspectives* 20(2), 49-72.

6. Culture

- a. Guiso et al. (2006) "Does Culture Affect Economic Outcomes?" *Journal of Economic Perspectives* 20(2), 23-48.
- b. Tabellini (2008) "Institutions and Culture" *JEEA*, April-May 2008 6(2-3) :255-294.

III. Topics: Aid, Democracy, Inequality, and Social Conflict

1. Aid I: International Aid

- a. Easterly (2006) "Planners vs. Searchers in Foreign Aid," talk given at the Asian Development Bank.
- b. Alesina and Dollar (2000) "Who Gives Aid to Whom and Why?" *Journal of Economic Growth*, 5: 33–63.
- c. Djankov et al. (2008) "The Curse of Aid," *Journal of Economic Growth*, 2008.

2. Aid II: Conditional Aid and Structural Adjustment Programs

- a. Easterly (2005) "What did Structural Adjustment Adjust?" *Journal of Development Economics*.
- b. Rodrik (2006) "Goodbye Washington Consensus, Hello Washington Confusion," *Journal of Economic Literature*.

3. Constitutions

- a. North and Weingast (1989) "Constitutions and Commitment," *Journal of Economic History* 49, 803-832.
- b. Persson and Tabellini (2004) "The Economic Effects of Constitutions," *Journal of Economic Perspectives* 18(1), 75–98.

4. Democratization

- a. Acemoglu and Robinson (2000) "Why did the West Extend the Franchise?" Quarterly Journal of Economics, 1167-1199.
- b. Bourguignon and Verdier (2000) "Oligarchy, Democracy, Inequality and Growth," Journal of Development Economics 62, 285-313.

5. Inequality

- a. Alesina and Rodrik (1994) "Distributive Politics and Economic Growth," Quarterly Journal of Economics 109(2), 465-90.
- b. Easterly (2007) "Inequality does cause underdevelopment," Journal of Development Economics 84(2), 755-776.

6. Social Conflict

- a. Rodrik (1999), "Where did all the growth go? External shocks, social conflict, and growth collapse," Journal of Economic Growth 4, 385-412.
- b. Easterly (1997) "Africa's Growth Tragedy: Policies and Ethnic Divisions," Quarterly Journal of Economics 112(4), 1203-50.

IV. Student Presentations: Last Nov. 8, 10 and 15