

Supervision: Economic Growth

1 Questions

1. A large and growing empirical literature investigates the determinants of economics growth.
 - a. What are the facts about the evolution of inequality across individuals and countries over time?
 - b. What can we learn from the so-called growth regressions about the convergence hypothesis and about the evolution of the world income distribution?
2. Neo-classical growth theory provides very useful insights into the wealth of nations, but it is based on incomplete explanations of the determinants of economic growth.
 - a. Do endogenous growth models help us to fill the gap in understanding the determinants of economic growth?
 - b. Evaluate to what extend models of endogenous growth are supported by empirical evidence.

2 Readings

2.1 Textbooks

****Jones, Charles I. 1998, Introduction to economic growth. [Marshall Lib.] 90 A 74(14)

Barro, Robert J., and Sali-I-Martin, 1999, Economic growth. [Marshall Lib.] 89 D 51(20).

Aghion and Howith, 1998, Endogenous Growth Theory.

2.2 Mainly for question 1.

*Jones, chapter 3 (empirical evidence)

*Barro and Sali-I-Martin, chapters 10-12 (empirical evidence).

*Bourguignon and Morrison (2002), "Inequality Among World Citizens: 1820-1992." American Economic Review 92(4): 727-44.

*Sala-i-Martin (2002) "The World Distribution of Income: Falling Poverty and ... Convergence, Period." mimeo. Available at:
<http://www.econ.upf.es/%7Exsala/BMSS/XSiM%20WDI.pdf>

Symposium on Distribution of World Income, *Journal of Economic Perspectives*, Summer 1997 issue.

Symposium on Convergence Debate, *Economic Journal*, July 1996 issue

Jonathan Temple, 1999, The new growth evidence, *Journal of Economic Literature* XXXVII no 1, 112-156. (empirical evidence).

*Landes, 1990, Why are we so rich and they so poor. *American Economics Review* P&P 80, 1-13.

Quah, D. 1993, Galton's Fallacy and tests of the convergence hypothesis, *Scandinavian Journal of Economics* 95, 427-43.

*Jones, On the Evolution of the World Income Distribution, *Journal of Economic Perspectives* 11, 3 19-36.

Pritchett, 1997, Divergence, Big Time, *Journal of Economic Perspectives* 11(3), 3-17.

*Mankiw, Romer and Weil, 1992, A contribution to the empirics of economic growth. *Quarterly Journal of Economics* 107, 407-38.

Barro and Sala-i-Martin, 1992, Convergence. *Journal of Political Economy* 100: 223-51.

2.3 Mainly for question 2.

**Jones, chapters 4-9 (basic discussion of endogenous growth models)

Pack, 1994, Endogenous growth theory: Intellectual appeal and empirical shortcomings, *Journal of Economic Perspectives* 8(1), 55-72.

*Aghion and Howitt, chapter 1 (good overview of both neoclassical and endogenous growth models)

*Grossman and Helpman, 1994, Endogenous innovation in the theory of growth, *Journal of Economic Perspectives* 8(1), 23-44.

*Solow, 1994, Perspectives on Growth Theory, *Journal of Economic Perspectives* 8, 45-54.

*Romer, 1994, The origins of endogenous growth, *Journal of Economic Perspectives* 8(1), 3-22.

*Skott, P. and P. Auerback, 1994, Cumulative causation and the "new" theories of economic growth. Working Paper. Get copy from me.

*Mokyr, Innovation and its enemies: the economic and political factors of technological inertia. In Olson and Kahkonen, "A not-so-dismal science" (Oxford University Press), chapter 2.

Dalgaard, Carl-Johan; Kreiner, Claus Thustrup, 2003, Endogenous Growth: A Knife Edge or the Razor's Edge? *Scandinavian Journal of Economics*. March 2003; 105(1): 73-85.

Lucas, On the mechanisms of economic development. *Journal of Monetary Economics* 22, 3-42.

Barro and Sali-I-Martin, chapters 4-5 (a more technical exposition of the AK and the Uzawa-Lucas model).

Jones, 1995, Times series tests of endogenous growth models, *Quarterly Journal of Economics* 110, 495-525.

**Hall, and Jones (1999), "Why Do Some Countries Produce so much more Output per Worker than Others?", *Quarterly Journal of Economics* 114, February, pp. 83-116.

Young, 1995, The Tyranny of Numbers. *Quarterly Journal of Economics* 110: 641-80.

3 Additional questions and readings (not for supervision).

1. Economic historians have spilled a lot of ink over Britain's relative decline in the period 1870-1930.

What is the evidence on that decline?

What does the convergence hypothesis have to say about this decline?

What can endogenous growth theory tell us about this issue, especially if we try to account for the experience of the United States?

*Craft, 1998, Forging ahead and falling behind: the rise and relative decline of the First Industrial Nation. *Journal of Economic Perspectives* 12(2), 193-210.

*Broadberry, 1998, How did the US and Germany overtake Britain. A sectoral analysis of comparative productivity levels. *Journal of Economic History* 58(2), 375-407.

*Robert Gallman, "Economic Growth and Structural Change in the Long Nineteenth Century" in Stanley Engerman and Robert Gallman, *The Cambridge Economic History of the United States Vol II*

Moses Abramovitz and Paul A. David, "American macroeconomic growth in the era of knowledge-based progress: the long-run perspective" in Stanley Engerman and Robert Gallman, *The Cambridge Economic History of the United States Vol III*

Floud and McCloskey, *The Economic History of Britain* (2nd edition), chapter 12 in volume I

2. What is endogenous about endogenous growth theory? [Tripos, 1999]

3. The neoclassical growth model fits empirical data qualitatively, but not quantitatively." Discuss this statement with reference to:
 - (a) convergence of income per capita levels across countries over time;
 - (b) evidence on interest rates and capital flows;
 - (c) policy conclusions of your analysis in part (a) and (b). [Tripos, 2007]