

GROWTH AND DEVELOPMENT

COURSE SYLLABUS

Fourth Block, Academic year 2016-2017

INSTRUCTOR: Amaia Iza

OFFICE HOURS: MON 14:00 - 16:30; FRI; 9:30 – 11:50

COURSE PAGE: <https://egela1617.ehu.eus/>

A. **Description of the course.-** The purpose of this course is to study issues related to growth and development. Concerning growth, we will analyze the main factors that can drive long-run positive growth. Regarding development, we will focus on those studies that try to identify the main factors that are able to explain differences in GDP per capita across countries. We start the course by showing some international data. Subsequently, we analyze a neoclassical growth model augmented with human capital. Topic 3 considers the AK model that is able to generate endogenous long-run growth, assuming that the returns to capital are always constant. Topic 4 focuses on a relevant work in the endogenous technological progress as an engine of long-run growth. Topic 5 analyzes growth in a small open economy. Part Three of the course focuses on growth accounting (the analysis of contribution of production factors and TFP in GDP growth) and level accounting (analysis of the contribution of production factors and TFP in accounting for differences in income per capita across countries). Finally, the aim of Part Four is to make a deeper analysis of the aggregate Total Factor Productivity.

B.- Course Topics:

Part One: Data

Topic 1.- Empirical evidence.

Part Two: Growth Theories.

Topic 2.- An augmented neoclassical model with human capital.

Topic 3.- A simple endogenous growth model: The “AK” model.

Topic 4.- Technological Change as an engine of growth.

Topic 5 – Growth in a small open economy

Part Three: Accounting.

Topic 6 – Growth Accounting and Level Accounting.

Part Four: A deeper analysis of the Total Factor Productivity

Topic 7 – Understanding Total Factor Productivity.

C.- References*:

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**** Jones, Charles I., 2015,** "The Facts of Economic Growth" National Bureau of Economic Research, Working Paper No. 21142.

**** Jones, Charles I. and P. Romer, 2010,** "The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital", *American Economic Journal: Macroeconomics*, 2:1, 224–245

Jones, Charles I. and P. J. Klenow, 2016, "Beyond GDP? Welfare across Countries and Time" *American Economic Review*, 106(9): 2426–2457.

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**** Lucas, Robert E. Jr., "On the Mechanics of Economic Development",** *Journal of Monetary Economics*, July 1988, pp. 3-42.

**** Mankiw, G., D. Romer and D. Weil, 1992,** "A Contribution to the Empirics of Economic Growth", *Quarterly Journal of Economics*, Vol. 107(2), pp. 407-437.

McGrattan, Ellen R. and Schmitz, James A., 1998, "Explaining Cross-Country Income Differences." *Federal Reserve Bank of Minneapolis*, and in: J. B. Taylor & M. Woodford (ed.), *Handbook of Macroeconomics*, edition 1, volume 1, chapter 10, pages 669-737 Elsevier.

Parente, Stephen and Prescott, Edward C., 2000, *Barriers to riches*. Cambridge, MA: MIT Press.

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**** Solow, Robert M., 1957**. "Technical Change and the Aggregate Production Function". *Review of Economics and Statistics*, 39, August, 312--320.

Weil, D.N., 2013, "Economic Growth", Pearson Education Inc., Publishing as Addison-Wesley.

*Some of these references will be posted in eGela web page.

** Denotes mandatory references.

D.- Grading Plan

Coursework will be weighted as follows:

- 1.- Participation in class: 5%
- 2.- Homework: 25%
- 3.- Final exam: 70%

Participation in class:

Attendance is important. At every class, students will have to answer questions. Correct answers will be graded. The student with the higher grade will get the maximum weight.

Homework:

There will be an assignment to be handed out at the due date. Assignments handed out after the deadline will not be graded.

Final exam:

The final exam will be at class on March 17th, 2017.