

Topics in Economic Growth and Development

3 ECTS

TERM 3

ELECTIVE

Professor

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Overview and objectives

Ideas—scientific, technological, and social ideas—are the ultimate engines of growth, shaping the world around us. In this course, we will explore the economics of ideas, research, innovation and their impact on economic prosperity. We will also examine the role of development aid in economic growth, questioning why, despite good intentions, it has often fallen short of delivering sustained growth.

Prerequisites to enroll

The course requires basic level graduate macroeconomics and undergraduate-level econometrics.

Course outline

LIST OF TOPICS

(1) Prosperity

- a. Data
- b. Gods
- c. History
- d. Poverty
- e. Inequality and the World Distribution of Income
- f. Happiness (psychology and biology)

- Acemoglu, Daron and James Robinson, (2015), "[The Rise and Fall of General Laws of Capitalism](#)", *Journal of Economic Perspectives*, Winter.
- Anand, Sudhir, and Paul Segal, (2008), "What Do We Know about Global Income Inequality?" *Journal of Economic Literature*, 46(1): 57-94.
- Balla, Surjit, (2002), "Imagine there is No Country", Institute for International Economics.
- Bourguignon, François and C. Morrisson, C., (2002), "Inequality Among World Citizens: 1820-1992", *American Economic Review*.
- Cowell, F.A., (1995), "Measuring Income Inequality", 2nd Edition, Harvester Wheatsheaf, Hemel Hempstead.
- Chen, Shaohua and M. Ravallion, (2010), "The Developing World Is Poorer Than We Thought, but No Less Successful in the Fight against Poverty." *Quarterly Journal of Economics* 125, no. 4: 1577- 1625.
- Diamond, Jared (1997), "[Guns, Germs, and Steel: The Fates of Human Societies](#)". W. W. Norton.
- Jones, Charles and Peter Klenow, (2010), "Beyond GDP? Welfare Across Countries and Time", [mimeo](#) Stanford University
- Piketty, Thomas (2014), "[Capital in the XXIst Century](#)", Harvard University Press.

- Pinkovskiy, Maxim, and Xavier Sala-i-Martin, (2009), "Parametric Estimations of the World Distribution of Income," NBER Working Paper No. 15433 October.
- Pinkovskiy, Maxim and Xavier Sala-i-Martin, (2016), "[Lights, Cameras,... Income!: Estimating Poverty using National Accounts, Survey Means, and Lights](#)", Quarterly Journal of Economics, vol 131, Issue 2, pages 579-632. May
- Pinkovskiy, Maxim and Xavier Sala-i-Martin, (2020), "Shedding Lights on PPPs" *American Economic Journal: Macroeconomics* (October)
- Ravallion, Martin and Chen C. "How did the World's Poor Fare in the 1990s?", mimeo the World Bank (2001)
- Rosling, Hans (2018), "[Factfulness: Ten Reasons We're Wrong About the World--and Why Things Are Better Than You Think](#)", Flatiron Books.
- Sala-i-Martin, Xavier, (2002), "[The World Distribution of Income \(estimated from Individual Country Distributions\)](#)", NBER wp 8933. <http://www.columbia.edu/~xs23/papers/WorldDistribution.htm>
- Sala-i-Martin, X. "[The Disturbing 'Rise' of World Income Inequality](#)", NBER wp 8904
- <http://www.columbia.edu/~xs23/papers/GlobalIncomeInequality.htm>
- Sala-i-Martin, Xavier, (2006), "[The World Distribution of Income: Falling Poverty and... Convergence, Period!](#)", Quarterly Journal of Economics, Vol. CXXI, No. 2 (May), pp. 351–97
- Stevenson, Betsey and Justin Wolfers, (2008), "[Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox](#)", mimeo University of Pennsylvania
- Young, Alwyn. (2012). "The African Growth Miracle." *Journal of Political Economy* 120, no. 4, pp. 696-739.
- ([Gapminder](#))

1. Ideas (brain, mind, nature of ideas (rivalry, excludability), types of ideas (social, technological, scientific), The Adjacent Possible (house of ideas) production function, Solow-Swan, ultimate source of growth, Incentives (Ramsey), Models R&D, Non-R&D)

(2) Ideas

- a. The Human Brain and the Human Mind**
- b. The physical nature of ideas**

c. Types of ideas: science, technology, social ideas

d. The house of ideas

e. The production function

f. Quick refresher (1): Solow-Swan

g. Quick refresher (2): Ramsey and incentives

h. Research and Development

i. True Innovation

- Barro and Sala-i-Martin chapters 1, 2, 3, 6.
- Cass, D., "Optimum Growth in an Aggregative Model of Capital Accumulation", Review of Economic Studies, July 1965.
- Dyer, Jeff, Hal Gregersen, and Clayton M. Christensen Christensen, Clayton M (2011), "The Innovator's DNA: Mastering the Five Skills of Disruptive Innovators" Harvard Business Review Press.
- Easterly, William (2002), "The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics", MIT Press
- Easterly, W. "The Elusive Quest for Growth", MIT Press 2002.
- Grossman, G. and Helpman, E., "Innovation and Growth in the World Economy", M.I.T. Press, 1991, Chapters 3 and 4.
- Harrod, R. F., "An Essay in Dynamic Theory", The Economic Journal, March 1939.
- King, R. and S. Rebelo, "Transitional Dynamics and Economic Growth in the Neoclassical Model", American Economic Review, September 1993.
- Koopmans, T. C., "On the Concept of Optimal Growth", in "The Econometric Approach to Development Planning", North Holland, 1965.
- Kremer, Michael (2000), "Creating Markets for New Vaccines I and II", NBER Working Papers w7716 and w7717.
- Mankiw, N.G., D. Romer and D. Weil, "A Contribution to the Empirics of

Economic Growth", Quarterly Journal of Economics, May 1992.

- Naam, Ramez, (2013), "The infinite resource the power of ideas on a finite planet " UPNE.
- Ramsey, F., "A Mathematical Theory of Saving", Economic Journal, 1928.
- Robinson, Ken: "Finding Your Element: How To Discover Your Talents and Passions and Transform Your Life" (with Lou Aronica). Viking. 2013
- Romer, P., "Growth Based on Increasing Returns due to Specialization", American Economic Review, 77: (2) 56-62. May 1987.
- Romer, P., "Endogenous Technological Change", Journal of Political Economy, October 1990
- Romer, P., "Economic Growth", The Concise Encyclopedia of Economics, David R. Henderson, ed. Liberty Fund, 2007
- Solow, R., "A Contribution to the Theory of Economic Growth", Quarterly Journal of Economics, February, 1956.
- Swan, T. W., "Economic Growth and Capital Accumulation", Economic Record, 1956

(3) Development Aid

a. Introduction: History of Aid

b. Conditional Aid

c. Poverty Traps and Millennium Villages

d. The Impossible dream

e. The RCT craze

- Ashraf, Nava, Dean Karlan, and Xavier Giné (2008), "Finding Missing Markets", mimeo Harvard Business School.
- Azariadis, C. and A. Drazen, "Threshold Externalities in Economic Development", Quarterly Journal of Economics, May 1990, pp. 501-26

- Banerjee, Abhijit and Esther Duflo, (2011), "[Poor Economics: Barefoot Hedge-fund Managers, DIY Doctors and the Surprising Truth about Life on less than \\$1 a Day](#)", Penguin Books
- Burnside, Craig, and David Dollar, 2000, "Aid, Policies and Growth" American Economic Review, Vol. 90, No. 4, pp. 847–868.
- Blair, Tony, 2005, "[Our Common Interest: Report of UK's Commission for Africa](#)".
- Boone, Peter (1994), "The Impact of Foreign Aid on Savings and Growth", LSE working paper 677.
- Clemens, Michael, Steven Radelet and Rikhil Bhavnani (2004) "Counting Chickens before they Hatch: The Short Term Effect of Aid on Growth", mimeo
- Cohen, Jessica and Pascaline Dupas (2007), "[Free Distribution or Cost-Sharing? Evidence from a Malaria Prevention Experiment in Kenya](#)", PAL WP
- Deaton, Angus (2013), "[The Great Escape: Health, Wealth, and the Origins of Inequality](#)", Princeton University Press
- (*) Duflo, Esther (2006), "[Field Experiments in Development Economics](#)", Poverty Action Lab, MIT
- Duflo, Esther and Hannah (2006), "[Holding Teachers Accountable: Evidence From a Randomized Evaluation in India](#)", PAL working paper
- Duflo, Esther, and Michael Kremer (2003), "[Use of Randomization in the Evaluation of Development Effectiveness](#)", PovertyAction Lab.
- Duflo, Esther, Rachel Glennerster, and Michael Kremer, (2006), "[Using Randomization in Development Economics Research: A Toolkit](#)", mimeo Poverty Lab
- Duflo, Esther, Pascaline Dupas, Michael Kremer, and Samuel Sinei (2006) "[Education and HIV/AIDS Prevention: Evidence from a randomized evaluation in Western Kenya](#)", mimeo Poverty Lab
- Duflo, Esther, (2004) "[Scaling Up and Evaluation](#)", Annual, Bank Conference on Development Economics, The World Bank
- Dreher, Axel, Peter Nunnenkamp, and Rainer Thiele (2007), "Does Aid for Education Educate Children: Evidence from Panel Data", mimeo January.
- Easterly, William, 2002, "The Elusive Quest for Growth" (MIT Press)
- Easterly, William, 2003, "[Can Foreign Aid Buy Growth?](#)", Journal of Economic Perspectives, Vol 17, No.3, pp. 23–48.
- Easterly, William, 2005. "[Reliving the 50s: the Big Push, Poverty Traps, and Takeoffs in Economic Development](#)" DRI Working Paper No. 15

(June).

- Easterly, William, 2005, "The Utopian Nightmare" Foreign Policy (September/October).
- Easterly, William, 2006, *The White Man's Burden* (New York, NY: The Penguin Press). Hansen, Henrik and Finn Tarp (2001), "Aid and Growth Regressions", *Journal of Development Economics*, 64(2), pp547-70.
- (*) Easterly, William 2008, "[Can the West Save Africa](#)" forthcoming *Journal of Economic Literature*
- Easterly, William, (2014), "[The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor](#)", Basic Books.
- Galor, O. and J. Zeira, "Income Distribution in Macroeconomics", *Review of Economic Studies*, 1993, 60, 35-52.
- Gertler, Boyce (2001) @progressa@
- Hodler, Roland and Paul Raschky (2014), "[Regional Favoritism](#)", *Quarterly Journal of Economics*, Vol 129, 2, pp 995-1033.
- Karlan, Dean and Xavier Giné (2008), "Peer Monitoring and Enforcement: Long Term Evidence from Microcredit Lending Groups with and without", Mimeo Yale University
- Karlan and Valdivie (2006), "[Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions](#)" Mimeo Poverty Lab
- (*) Kremer, Michael 2008, "[Pricing and Access: Lessons from Randomized Evaluations in Education and Health](#)", Mimeo Harvard University
- Kremer, Michael and Edward Miguel, (2004), "Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities," *Econometrica* 72(1): 159-217."
- Kraay, Art and Raddatz (2005), "Poverty Traps, Aid and Growth", *Journal of Development Economics*, Vol 82 Issue 2.
- Kraay, Art and David McKenzie (2014), "Do Poverty Traps Exist: Assessing the Evidence", *Journal of Economic Perspectives*, Vol 28, number 3.
- Krugman, P., (1991), "History versus Expectations", *Quarterly Journal of Economics*, May 1991, vol 106, pp. 651-667.
- Michaelowa, Katharina, and Anke Weber (2006), "Aid Effectiveness Reconsidered: Panel Data Evidence for the Education Sector, Hamburg Institute for International Economics discussion paper 264.
- Matsuyama, K. "Increasing Returns, Industrialization, and Indeterminacy of Equilibrium", *Quarterly Journal of Economics*, May 1991, vol 106, pp.

617-650.

- Mishra, Prachi and David Newhouse (2007), "Health, Aid, and Infant Munk, Nina (2013), ["The Idealist: Jeffrey Sachs and the Quest to End Poverty"](#), Doubleday
- Murphy, K. A. Shleifer, and R. Vishny, "Industrialization and the Big Push", *Journal of Political Economy*, vol 97. October 1989, 1003-1002
- Mortality", IMF Working Paper 07/100, April 2007
- Moyo, Dambisa, (2009), ["Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa"](#).
- Rajan, Raghuram and Arvind Subramanian, 2005a, ["Aid and Growth: What Does the Cross-Country Evidence Really Show?"](#) IMF Working Paper 05/127 (Washington: International Monetary Fund)
- Rajan, Raghuram and Arvind Subramanian, 2005b, ["What Determines Aid's Impact on Growth?"](#), paper presented at the IMF Research Department conference "Trade and Growth," Washington, January.
- Rodman, David (2007) "The Anarchy of Numbers: Aid, Development, and Cross Country Empirics", CGD Working paper 32.
- Rodman, David, (2007) "Macro Aid Effectiveness Research: A Guide for the perplexed"
- Sachs, Jeffrey, 2005, "The End of Poverty", The Earth Institute, Columbia University, New York
- Sachs, Jeffrey D., John W. McArthur, Guido Schmidt-Traub, Margaret Kruk, Chandrika Bahadur, Michael Faye, and Gordon McCord. "Ending Africa's Poverty Trap." *Brookings Papers on Economic Activity*. 2004:1 [Download article as [PDF](#)].
- Sachs, Jeffrey et al. [Investing in Development: A Practical Plan to Achieve the Millennium Development Goals](#), UN Millennium Project, Earthscan: New York, 2005.

4. Government and Institutions

a. Social Ideas

b. Government Spending and Endogenous Growth

c. Social Security and Growth

d. Property Rights and Social Disruption

e. Inequality and Growth

f. Market Failures and the Role for Government according to Economists

g. Government Failures and the Role for Markets

h. Embracing Ignorance: Learning, Design Thinking, and Implementing Reforms

- Acemoglu, D. and J. Robinson, (2012), "[Why Nations Fail: the Origins of Power, Prosperity, and Poverty](#)", Crown Publishers, New York.
- (*) BX Chapter 4.
- Barro, R.J., "Government Spending in a simple model of Endogenous Growth", *Journal of Political Economy*, October 1990.
- Barro, R. and X. Sala-i-Martin, "Public Finance in Models of Economic Growth", *Review of Economic Studies*, October 1992.
- De Soto, Hernando, "The Other Path: The Economic Answer to Terrorism", Basic Books, 1989.
- Fisman, Raymond, and Edward Miguel. "Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets." *Journal of Political Economy* 115 (6): 1020-1048. 2007
o See a summary of this paper in "Corruption and Culture":
http://emiguel.econ.berkeley.edu/assets/miguel_articles/14/Corruption-and-Culture.pdf
- Transparency International, Corruption Perception Index (<http://www.transparency.org/research/cpi/overview>)
- World Bank, Doing Business Report (<http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Full-Report.pdf>)
- World Economic Forum: The Global Competitiveness Report, 2017 (http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf)

Evaluation

There will be a final exam at the end of the semester.

The final grade will be based on the final exam which will take place at the end of the semester.

Materials

Lecture slides will available.

Reading List

There is NO textbook for this course. This syllabus provides a list of recommended readings (papers and books). You are NOT required to read all the material referenced in this syllabus.

LIST OF RECOMMENDED BOOKS IN THE GENERAL AREA OF GROWTH AND DEVELOPMENT

- Acemoglu, Daron and James Robinson (2012), "[Why Nations Fail: the Origins of Power, Prosperity, and Poverty](#)", Crown Publishers, New York. Topic: institutional economics.
- Barro, Robert and Xavier Sala-i-Martin (2004), "[Economic Growth](#)", MIT Press. Topic: Economic Growth.
- Banerjee, Abhijit and Esther Duflo, (2011), "[Poor Economics: Barefoot Hedge-fund Managers, DIY Doctors and the Surprising Truth about Life on less than \\$1 a Day](#)", Penguin Books. Topic: Poverty and Randomized Field Trials.
- Deaton, Angus (2013), "[The Great Escape: Health, Wealth, and the Origins of Inequality](#)", Princeton University Press. Topic: Health Economics.
- Diamond, Jared (1997), "[Guns, Germs, and Steel: The Fates of Human Societies](#)". W. Norton. Topic: Development and innovation.
- Easterly, William (2006), "[The White Man's Burden](#)", Penguin. Topic: Development Aid.
- Moyo, Dambisa, (2009), "[Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa](#)". Topic: Development Aid.

- Munk, Nina (2013), "[The Idealist: Jeffrey Sachs and the Quest to End Poverty](#)", Doubleday. Topic: Development Aid.
- Rosling, Hans (2018), "[Factfulness: Ten Reasons We're Wrong About the World--and Why Things Are Better Than You Think](#)", Flatiron Books. Topic: Data.
- Ridley, Matt (2020), "[How Innovation Works](#)". Topic: Innovation and technological progress.
- Sala-i-Martin, Xavier (2023), "De la Sabana a Marta: Economía de la Inteligencia Natural", Penguin (In Spanish)

Learning outcomes

The students will understand the role of ideas in economic development and will learn to be critical about development aid programs that promise economic miracles but often fail to deliver.