

EC938 Macroeconomic Topics in Development and Transition

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Macroeconomic Topics in Development and Transition:

This class covers contemporary approaches to the macroeconomics of developing countries, including: discussion of growth models; relationships between growth, poverty and inequality; governance and institutions; trade and growth; issues of financial and currency crises; political economy of policymaking and development, foreign aid and corruption. The objective of the class is to provide a rigorous overview of these issues, with emphasis on recent scholarly work and policy debates.

Due to the great amount of research being done on the macroeconomics of development, this class is heavy in reading. Be prepared to spend a considerable amount of time reading each week. The expectation is not necessarily to read each article in detail, but rather to grasp the central argument and contribution to the literature of each one: what key idea is being advanced, what methods are being used to favor it over competing views, what are the strengths and weaknesses in its logic or methodology, etc.. It is expected that you will come to class prepared to discuss these points for assigned readings. *The reading list below is suggestive and will be updated as the course progresses. I should also point out that the lectures will not follow the topics below in a linear fashion.*

Part 1: Eugenio Proto

1. Basic Model of Growth

Robert Barro and Xavier Sala-i-Martin, "Economic Growth" MIT Press, 2004. Second Edition (pages 86-118, 206-220, 512-541)(**)

Barro, Robert J. 1991. "Economic Growth in a Cross Section of Countries". *Quarterly Journal of Economics*, 106, pp. 407-443. (*)

Griliches, Z. , 1979. "Issues in Assessing the Contribution of Research and Development to Productivity Growth," *Bell Journal of Economics*, The RAND Corporation, vol. 10(1), pages 92-116, Spring. (*)

Lucas, Jr., R. E., 1998, "On the Mechanics of Economic Development," *Journal of Monetary Economics*, V.22, N.1, pp.3-42. (*)

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

Romer, P. M., 1986, "Increasing Returns and Long-Run Growth," *Journal of Political Economy*, V.94, N.5, pp.1002-1037. (*)

2. From Growth Models to Development Models

Daron Acemoglu (2009) Introduction to Modern Economic Growth ch. 20 Introduction, Ch. 21 pag 788-793 (**)

a) Agrarian Sector, Development and Unbalanced growth

Acemoglu, Daron and Veronica Guerrieri (2006) "Capital Deepening and Non-Balanced Economic Growth." forthcoming *Journal of Political Economy*. (*)

Baumol, William J. (1967) "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis." *American Economic Review*, 57, pp. 415-426.

Crafts, N. F. R. and Harley, C. K. (2002), "Precocious British Industrialization A General Equilibrium Perspective", LSE working paper no. 67/02.(*)

Matsuyama, Kiminori (1992) "Agricultural Productivity, Comparative Advantage and Economic Growth." *Journal of Economic Theory*, 58, pp., 317-334 (**)

Proto, E. "Land and the transition from a Dual to a Modern Economy" *Journal of Development Economics* 83 (2007) 88-108 (*)

b) Demographic Transition

Daron Acemoglu (2009) Introduction to Modern Economic Growth pag 806-813 (**)

Galor Oded and David N. Weil, "Population, Technology and Growth: From Malthusian Stagnation to the Demographic Transition and Beyond," *American Economic Review*, 90, 806-828, (September 2000) (**)

Galor Oded and David N. Weil, "From Malthusian Stagnation to Modern Growth," *American Economic Review*, 89, 150-154, (May 1999) (**)

c) Finance and Growth

Daron Acemoglu (2009) Introduction to Modern Economic Growth pag 801-806 (**)

Bencivenga, Valerie and Bruce Smith (1991) "Financial Intermediation and Endogenous Growth." *Review of Economic Studies*, 58, pp. 195-209.(*)

Greenwood, Jeremy and Boyan Jovanovic (1990) "Financial Development, Growth and the Distribution of Income." *Journal of Political Economy*, 98, pp. 1076-1107 (**)

Jayarathne, Jay and Philip Strahan (1996) "The Finance-Growth Nexus: Evidence from Bank Branch Deregulation." *Quarterly Journal of Economics*, 111, pp. 639-670.

King, Robert G. and Ross Levine (1993) "Finance, Entrepreneurship, and Growth: Theory and Evidence." *Journal of Monetary Economics*, 32, pp. 513-542.

Levine, Ross (2005) "Finance and Growth" in Philippe Aghion and Steven N. Durlauf (editors) the *Handbook of Economic Growth*, North-Holland, Amsterdam. (*)

Rajan, Raghuram and Luigi Zingales (1998) "Financial Dependence and Growth." *American Economic Review*, 88, pp. 559-586.

Townsend, Robert (1979) "Optimal Contracts and Competitive Markets with Costly State Verification." *Journal of Economic Theory*, 21, pp. 265-293. (**)

d) Poverty Trap

Daron Acemoglu (2009) Introduction to Modern Economic Growth pag 837-844 (**)

Banerjee, Abhijit V. and Andrew Newman (1993) "Occupational Choice and the Process of Development." *Journal of Political Economy*, 101, pp. 274-298. (*)

Benabou, R. "Inequality and Growth" *NBER Macroeconomics Annual*, 1996, B. Bernanke and J. Rotemberg, eds., 11-74

Galor, Oded and Joseph Zeira (1993) "Income Distribution and Macroeconomics." *Review of Economic Studies*, 60, pp. 35-52. (**)

Piketty, Thomas (1997) "The Dynamics of Wealth Distribution and the Interest Rate with Credit Rationing." *Review of Economic Studies*, 64, pp. 173-190 (*)

Proto, E. "Land and the transition from a Dual to a Modern Economy" *Journal of Development Economics* 83 (2007) 88-108 (*)

3. Technological Progress in a LDC and a Unified Model

Daron Acemoglu (2009) Introduction to Modern Economic Growth pag 822-831 and 844-850 (**)

Murphy, Kevin M., Andrei Shleifer and Robert W. Vishny (1989) "Industrialization and the Big Push." *Quarterly Journal of Economics*, 106, pp. 503-530 (*)

Acemoglu, Daron, Philippe Aghion and Fabrizio Zilibotti (2006) "Distance to Frontier, Selection, and Economic Growth." *Journal of the European Economic Association*, 4(1), pp. 37-74. (**)

3. Happiness and Economic Growth

Clark, Andrew E., Paul Frijters, and Michael A. Shields “Relative Income, Happiness, and Utility: An Explanation for the Easterlin Paradox and Other Puzzles, *Journal of Economic Literature* 2008, 46:1, 95–144(**)

Blanchflower, David G., and Andrew J. Oswald. 2004. “Well-Being over Time in Britain and the USA.” *Journal of Public Economics*, 88(7–8): 1359–86.(*)

Easterlin, Richard A. 1995. “Will Raising the Incomes of All Increase the Happiness of All?” *Journal of Economic Behavior and Organization*, 27(1): 35–47
 Oswald, Andrew J. 1997. “Happiness and Economic Performance.” *Economic Journal*, 107(445): 1815–31.

Oswald, Andrew J. 1997. “Happiness and Economic Performance.” *Economic Journal*, 107(445): 1815–31.(*)

Ng, Y.K., 1997. A case for happiness, cardinalism, and interpersonal comparability. *Economic Journal* 107,1848–1858(**)

Stevenson, B. and Justin Wolfers *Economic Growth and Subjective Well-Being: Reassessing the Easterlin Paradox. Brookings Papers on Economic Activity*, Spring 2008 (*)