

*Moore School of Business*  
*University of South Carolina*  
Economic Growth and Development

Economics 705: Spring Semester 2008

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Why do countries grow, and how do they change as they grow? These questions have occupied thinkers for centuries. The purpose of this course is to acquaint the student with the basic elements of the theory of growth and development, and to provide a survey of the recent empirical research in this area.

There is one textbook, *The Elusive Quest for Growth* by William Easterly. It is available at the Russell House bookstore. There is also a book in PDF file format on my website (*The Growth Book*). This material is designed to help the student with some technical basics but also contains papers on substantive issues not covered elsewhere.

The grade will be decided by the following scheme: Midterm Exam 30%, Empirical Group Project 40%, Final Exam 30%.

The Empirical Project will be an analysis of a question dealing with growth and development across a sample of countries (see Chapter 9 in *The Growth Book*). Groups will consist of about 3 people. The group will write a short paper (approximately 10 pages) and present it in class (approximately 15 minutes).

This class is directed primarily toward Masters students in various disciplines but Ph.D. students in areas other than economics are encouraged to attend.

Readings below marked with an **R** below are required. Those marked with **pdf** can be found in the “Readings” or “The Growth Book” sections of my website in pdf format. Other required readings are on reserve in the Business Library. The exception is Easterly’s book, which you must buy. The other readings are optional. The last section of this syllabus is a list of websites that contain data, scholarly work, and popular work on these and other topics in economics. You are encouraged to find other websites with useful data.

## 1 Introduction

Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. **Chapters 1 – 2. (R)**

Maddison, Angus, *Dynamic Forces in Capitalist Development*. Oxford: Oxford University Press, 1991. Chapter 2.

McDermott, John. "Growth and Development: The Principal Issues." Chapter 1, *The Growth Book*. **(R-pdf)**

## 2 Comparison of Income in Time and Space

McDermott, John. "International Comparison of Income Across Time and Space." Chapter 2, *The Growth Book* **(R-pdf)**.

Parente, S. and Prescott, E., "Changes in the Wealth of Nations," *Federal Reserve Bank of Minneapolis Quarterly Review*, Spring 1993: 1 – 16. **(R-pdf)**.

Pritchett, Lant, "Divergence, Big Time." *Journal of Economic Perspectives* 11, 3 (Summer 1997): 3– 17 **(R-pdf)**.

Summers, Robert, and Heston, Alan. "The Penn World Table (Mark 5): An Expanded Set of International Comparisons, 1950-1988." *Quarterly Journal of Economics* 108 (May 1991): 327 – 68. **(pdf)** This data is available online at <http://pwt.econ.upenn.edu/> or <http://datacentre.chass.utoronto.ca/pwt/index.html>

## 3 Historical Transitions

McDermott, John. "Principal Eras of Economic History." Chapter 3, *The Growth Book* **(R-pdf)**.

North, Douglass, *Structure and Change in Economic History*. New York: Norton, 1981. Chapter 7. **(R)**.

## 4 Neoclassical Growth Theory

Barro, Robert. *The Determinants of Economic Growth*. Cambridge, MA: MIT Press, 1998. Chapter 1. **(R)**.

Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press,

2002. **Chapters 3 – 7. (R)**

Jones, Charles. “On the Evolution of the World Income Distribution.” *Journal of Economic Perspectives* 11, 3 (Summer 1997): 19–36.(pdf)

Mankiw, Greg. “The Growth of Nations.” *Brookings Papers on Economic Activity* Part 1, 1995, pp. 275-326. (R-pdf)

McDermott, John. "Rates of Growth, Interest, and Time." Chapter 4, *The Growth Book* (R-pdf).

McDermott, John. "The Neoclassical Growth Model." Chapter 5, *The Growth Book* (R-pdf).

McDermott, John. "Regression Analysis." Chapter 6, *The Growth Book* (R-pdf).

Solow, Robert “A Contribution to the Theory of Economic Growth.” *Quarterly Journal of Economics* (1956): 65 – 94.

Solow, Robert, “Technical Change and the Aggregate Production Function.” *Review of Economics and Statistics*, (1957): 312 - 20. (R).

## **5 Population, Technology, and Growth**

Dasgupta, Partha, “The Population Problem: Theory and Evidence.” *Journal of Economic Literature*, December, 1995. (R-pdf)

Kremer, Michael, “Population Growth and Technological Change: One Million B. C. to the Present,” *Quarterly Journal of Economics* 108 (August 1993): 681 – 716. (R-pdf).

McDermott, John. "Issues in Technology and Growth." Chapter 7, *The Growth Book* (R-pdf).

Romer, Paul, “Why Indeed in America? Theory, History, and the Origins of Modern Economic Growth.” *American Economic Review* 86 (May 1996): 202 – 06. (R-pdf).

Tranter, N. L., Editor, *Population and Industrialization*. London: A. & C. Black, 1973. Chapters 2, 5, 6. (R).

## **6 Increasing Returns and Other Alternatives to Neoclassical Growth**

Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press,

2002. **Chapters 8 – 10. (R)**

Goodfriend, Marvin, and McDermott, John, “Early Development,” *American Economic Review* 85 (March 1995): 116 - 133. **(pdf)**

Kremer, Michael. “The O-Ring Theory of Economic Development”.  
*Quarterly Journal of Economics* 108 (August 1993): 551–575. **(pdf)**

Romain Wacziarg. “Review of Easterly’s Elusive Quest for Growth” *Journal of Economic Literature* Vol XL (September 2002): 907-918. **(R-pdf)**

## **7 Government**

### **A) Policy and Strategy**

Bruton, Henry, A Reconsideration of Import Substitution. *Journal of Economic Literature* 36 (June 1998): 903 – 36. **(R-pdf)**.

Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. **Chapter 11. (R)**

### **B) Institutions: Theory**

Baumol, W., “Entrepreneurship: Productive, Unproductive, and Destructive,”  
*Journal of Political Economy*, 98 (October 1990): 893 – 921. **(R-pdf)**.

Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. **Chapter 12. (R)**

McDermott, John. “Mercantilism and Modern Growth.” *Journal of Economic Growth* (March 1999): 55 – 81. **(R-pdf)**.

McDermott, John, “Exploitation and Growth.” *Journal of Economic Growth* 2 (September 1997): 251 – 278. **(pdf)**

Murphy, K., Shleifer, A., and Vishny, R., “The Allocation of Talent: Implications for Growth,” *Quarterly Journal of Economics* 106 (May 1991): 503 – 30. **(R-pdf)**.

Shleifer, A., and Vishny, R., “Corruption,” *Quarterly Journal of Economics* 108 (August 1993): 599 – 617. **(R-pdf)**

### **C) Institutions: Empirical**

Barro, Robert. *The Determinants of Economic Growth*. Cambridge, MA: MIT Press, 1998. Chapter 2. **(R)**.

Hall, Robert, and Charles Jones, "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" *Quarterly Journal of Economics* 114 (February 1999): 83 – 116. **(R-pdf)**.

Mauro, Paulo. "Corruption and Growth." *Quarterly Journal of Economics* 110 (August 1995): 681 – 712. **(pdf)**

## **8 Globalization, Distribution, Sustainability**

Basu, Kaushik. "Globalization and the Politics of International Finance: The Stiglitz Verdict." *Journal of Economic Literature* 41 (September 2003): 885–899. **(R-pdf)**

Goodfriend, Marvin, and McDermott, John, "Industrial Development and the Convergence Question", *American Economic Review*, December 1998. **(R-pdf)**.

McDermott, John. "The Limits to Wage Equalization Across Countries." Chapter 8, *The Growth Book*. **(R-pdf)**

Stiglitz, Joseph, *Globalization and Its Discontents*. 2001.

## **9 Geography and Colonialism**

Acemoglu, Daron, Johnson, Simon, and Robinson, James, "Reversal of Fortune: Geography and Institutions in the Making of Modern World Income Distribution." *Quarterly Journal of Economics* CXVII (November 2002): 1231 – 1264. **(R-pdf)**.

Acemoglu, Daron, Johnson, Simon, and Robinson, James, "The Colonial Origins of Comparative Development: An Empirical Investigation." *American Economic Review* 91 (2001). **(R-pdf)**.

Easterly, William, *The Elusive Quest for Growth*. Cambridge: MIT Press, 2002. **Chapters 13 – 14. (R)**

McArthur, John, and Sachs, Jeffrey, "Institutions and Geography: A Comment on Acemoglu, Johnson, and Robinson." *NBER Working Paper* 8114, February 2001. **(R-pdf)**

Sachs, Jeffrey. "Tropical Underdevelopment." *CID Working Paper*, December 2000. **(R-pdf)**.

Sach, Jeffrey. "Institutions Don't Rule: Direct Effects of Geography on Per Capita Income." *NBER Working Paper* 9490. February 2003. **(R-pdf)**

## 10 Convergence around the World

### A) Is the World Converging?

- Baumol, William, "Productivity Growth, Convergence, and Welfare." *American Economic Review* 76 (December 1986): 1072 – 85.
- Baumol, W. and Wolff, E, "Reply to DeLong." *American Economic Review* 78 (December 1988): 1155 – 59.
- DeLong, J. Bradford, "Productivity Growth, Convergence, and Welfare: Comment." *American Economic Review* 78 (December 1988): 1138 – 54.
- Easterly, William, "The Lost Decades: Developing Countries' Stagnation in Spite of Policy Reform 1980-1998." *Journal of Economic Growth* 6 (June 2001): 135–157.

### B) East Asia

- Lee, Jong-Wha. "Government Intervention and Productivity Growth." *Journal of Economic Growth* 1 (September 1996): 391 – 414.
- Young, Alwyn, "Lessons From the East Asian NICS: A Contrarian View," *NBER Working Papers* No. 4482, Cambridge MA., 1993.
- Young, Alwyn, "The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience," *Quarterly Journal of Economics* 110 (August 1995): 641 – 80.

### C) Africa

- Easterly, William, and Levine, Ross, "Africa's Growth Tragedy: Policies and Ethnic Divisions." *Quarterly Journal of Economics* 112 (November 1997): 1203–1250. (R-pdf)

### D) Other Country Studies

- Besley, Timothy, "Property Rights and Investment Incentives: Theory and Evidence from Ghana." *Journal of Political Economy* 103 (October 1995): 903 - 37.
- Chow, Gregory, "Capital Formation and Economic Growth in China," *Quarterly Journal of Economics* 108 (August 1993): 809 – 42.
- Taylor, Alan, "Three Phases of Argentine Economic Growth," *NBER*

*Historical Papers* No. 60, Cambridge, MA., 1994.

**E) Other Empirical Studies**

DeLong, J. Bradford, “Productivity and Machinery Investment: A Long-Run Look.” *Journal of Economic History* 52 (June 1992): 307 – 24.

DeLong, J. Bradford and Summers, L., “Equipment Investment and Economic Growth.” *Quarterly Journal of Economics* 106 (May 1991): 445 – 502.

Levine, R. and Renelt, D. “A Sensitivity Analysis of Cross-Country Growth Regressions.” *American Economic Review* 82 (September 1992): 942 – 63.

Useful Websites

John McDermott: <http://dmsweb.moore.sc.edu/mcdermott/index.html>

Summers–Heston –Aten Data (Penn World Tables) **Site 1:** <http://pwt.econ.upenn.edu/>

Summers–Heston –Aten Data (Penn World Tables) **Site 2:** <http://datacentre.chass.utoronto.ca/pwt/index.html>

JSTOR, Journal Archive: <http://www.jstor.org/journals>

Robert Barro: <http://post.economics.harvard.edu/faculty/barro/barro.html>

National Bureau of Economic Research: <http://www.nber.org/>

William Easterly: <http://www.nyu.edu/fas/institute/dri/Easterly/index.html>

Easterley’s Data Base: <http://www.worldbank.org/research/growth/GDNdata.htm>

Charles Jones: <http://elsa.berkeley.edu/~chad>

Angus Maddison's site: <http://www.eco.rug.nl/~Maddison/>

World Bank Research: <http://www.worldbank.org/research/growth>

AEA Resources for Economists (Bill Goffe): <http://rfe.wustl.edu/EconFAQ.html>

FDI (Columbia U): <http://www.columbia.edu/cu/lweb/indiv/business/guides/>

[fordinv.html](#)

Economic Commission for Latin America (UN): <http://www.eclac.cl/>

International Labor Organization: <http://laborsta.ilo.org/>

Globalization Website: <http://www.emory.edu/SOC/globalization/data.html>

Distance Calculator: <http://www.indo.com/distance>

Jonathan Temple (University of Bristol): <http://www.bris.ac.uk/Depts/Economics/Growth/>