POLITICS OF ECONOMIC GROWTH

The course is an advanced introduction to the literature, with a heavily methodological bent. It focuses on indentifying what we do not know and on the methods for finding out.

The first part of the course is an introduction to growth economics. The second part examines political aspects of growth.

Class meetings will consist mainly of lectures. There will be a take-home exam, which is enclosed.

Students will be assumed to know some economics (with calculus), some game theory and some statistics (OLS). Readings will be extensive and some difficult. The pace will be rapid.

Items under "Read" provide general introductions to particular topics; those under "Study" will be explained in class; these constitute required reading. "Recommended" comprises items that will be referred to in the lectures. "Assumed" are-self-explanatory; "Background" includes some classical articles that you may find useful if you would like to learn more about a particular topic. If possible, you should read in the order indicated. You may wish to reread the material after it was discussed in class.

A package of readings will be available.
1. Introduction


Read:


Background:


2. Mechanics of Economic Growth


Comment: For those of you who need to brush up on the mathematics, an excellent source is Appendix A to Jones, Charles I. 1998. Introduction to Economic Growth. New York: W.W. Norton.

Read:


Background: (Early growth models.)
3. Dynamic Optimization


Study:


Recommended:


Background:


4. Engines of Growth


Read: (You may want to read Grossman and Helpman first and then read it again after you have read the rest.)


Study:


Background:


5. Path Dependence and Poverty Traps


Study:


Read:

Recommmended:


6. Evidence

GDP as the measure of output. International comparisons of GDP. Long-term patterns of growth. Output growth and population growth. Cross-national inequality and individual inequality. Do levels of per capita income converge? What is the relevant evidence? Historical patterns. Traps, spurts, and collapses. Cross-country regressions. What do the data tell us about the models?

Study:


Read:


Recommended: (Cross-country regressions):


Background: (Historical patterns)


7. Politics of Economic Growth


Study:


Recommended:


Background:


8. Benevolent Government and Growth

When do governments have a role to play? Public and private capital as substitutes and complements. Externalities, public goods, fixed costs. What should governments do to promote growth? Government services as inputs. Optimal size of the government. Production services and consumption services. Taxes and investment.

Read:


Study:


Recommended:


Background: (This is a random selection of views on what governments should and should not do.)


9. Self-interested Government and Growth


Read:


Study:

Recommended:


Ventelou, Bruno. 2002. "Corruption in a model of growth: Political reputation, competition and shocks." *Public Choice* 110: 23-40. (Note the mistake in equation 6, which is correctly reproduced on page 33.)

Background: (Arguments and models of the impact of "predatory state" on growth).


Background: (This is a debate about "bureaucratic insulation.")


### 10. Class Conflict


Study:


Recommended:


Background (Contrasting views on human capital accumulation):


11. Inequality and Growth via Median Voter Model


Study:


Get the main points of:


Assumed:

Background:

(1) Median voter models


(2) Other mechanisms


(3) Overviews


(4) Income Distribution Data:


12. Time Inconsistency and Inefficiency in Voting Models

Time inconsistency. Time inconsistency and inefficiency. Commitment. Sources of time inconsistency in voting models. Do current voters anticipate decisions of future voters?

Study:


Recommended:


13. Political Institutions and Growth

The central difficulty of institutionalism. The role of institutions in development. Equilibrium institutions. Endogenous institutions. Institutional reforms: when can they work?

Read:


Recommended:


Background:


14. Overview

What makes countries grow and stagnate? Does growth come in spurts? Does politics make a difference? How?

Read:
Take-home examination

Your answers should be no longer than six single-spaced pages in total. Please leave a sufficient left-hand margin for my comments. Do not use a smaller font than 10cpi.

You do not need to cite full references of items on the syllabus (e.g. "Barro 1990: 105" is enough) but do provide full information about other sources.

Answer all three questions:

I. What are the arguments in favor and against the existence of a trade-off between equality and growth? In the light of the evidence, what is your view of the issue?

II. What is the general structure of the arguments about "poverty traps"? Choose one trap to illustrate your answer. Do you think "poverty traps" explain income divergence between countries?

III. Discuss one example of governmental intervention that is said to impede growth and one that is said to accelerate growth. What are the arguments and evidence of each policy having the presumed effect? What are the political conditions under which each is likely to occur.