

International Economics
Development Economics

Academic year 2019-2020

Advanced Development Macroeconomics: Drivers of Growth

EI085 - Autumn - 3 ECTS

Monday 14:15-16:00

Course Description

The course presents the main theories of economic growth, reviews the impact of several dimensions such as competition, and then considers the available policies.

The course consists of 4 lectures by the Professor that go over the main points of each topic. 2 classes consist of presentations (25 min) by the students of papers from the reading list. The closed book final exam will be in the last week.

The presentation of the paper should focus on the motivation of the question, the salient findings, and avenues for future work. In addition to the presentation, each student will write a 4-5 pages critical review of the paper (to be handed in by the end of the final week), with an emphasis on how the paper fits in the literature and proposals for future work.

The course grade is based on the final exam (50% of the grade), the presentation of the paper (30%) and the critical review (20%).

The course is for PhD students.

> PROFESSOR

Tille Cédric
(Cedric.Tille@graduateinstitute.ch)

[Office hours](#)

Syllabus

The course relies on textbook by Philippe Aghion and Peter Howitt, *The economics of growth* (MIT press, 2009), as well as some papers from the reading list below.

The class does not go through a detailed presentation of the mechanisms in the textbook, but instead focusing on the main points to provide a big picture of the issue.

The reading list provides you with a range of papers on the issue of growth, but also on the issue of financial and sovereign crises. I won't have time to cover crises in class, but the issues can be taken as topics for presentation.

LECTURES

1. The main theories of growth

The Neoclassical model, and the AK model (class 1), Aghion and Howitt, chapters 1-2.

Variety, Schumpeterian growth, and accounting (class 2), Aghion and Howitt, chapters 3-5.

2. Factors affecting growth (class 3)

Finance, spillovers, market size and technologies

Aghion and Howitt, chapters 6-9

Acemoglu, Daron (2010). "Theory, General Equilibrium, and Political Economy in Development Economics." *Journal of Economic Perspectives*, 24 (3): 17-32.

<https://www.aeaweb.org/articles?id=10.1257/jep.24.3.17>

Ray, Debraj (2010). "Uneven Growth: A Framework for Research in Development Economics." *Journal of Economic Perspectives*, 24 (3): 45-60

<https://www.aeaweb.org/articles?id=10.1257/jep.24.3.45>

3. Policies (class 4)

Competition, education, trade, and the environment, Aghion and Howitt, chapters 12-13, 15-16

TOPICS FOR PRESENTATIONS

Growth

Banerjee, Abhijit and Esther Duflo (2005), "Growth Theory through the Lens of Development Economics", *Handbook of Economic Growth*, Vol. 1A, eds. Philippe Aghion and Steven Durlauf, Amsterdam: Elsevier, 473-552.

Deaton, Angus (2010). "Understanding the Mechanisms of Economic Development." *Journal of Economic Perspectives*, 24 (3): 3-16.

<https://www.aeaweb.org/articles?id=10.1257/jep.24.3.3>

Jones, Charles and Peter Klenow (2016) "Beyond GDP? Welfare Across Countries and Time," *American Economic Review* 106(9), 2426-2457.*

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

Klenow, Peter and Andrés Rodríguez-Clare (1997). "The Neoclassical Revival in Growth Economics: Has It Gone Too Far?," NBER Chapters, in: *NBER Macroeconomics Annual 1997*, Volume 12, pages 73-114 National Bureau of Economic Research, Inc. *

Caselli, Francesco, (2005). "Accounting for Cross-Country Income Differences," *Handbook of Economic Growth*, in: Philippe Aghion and Steven Durlauf (ed.), *Handbook of Economic Growth*, edition 1, volume 1, chapter 9, pages 679-741.

Romer, Paul (1990). "Endogenous Technological Change," *Journal of Political Economy*.

Lucas, Robert (1988). "On the Mechanics of Economic Development," *Journal of Monetary Economics*.

Romer, Paul (1986). "Increasing Returns and Long-Run Growth," *Journal of Political Economy*.

Symposium (2010). "The Agenda for Development Economics", *Journal of Economic Perspectives*, 24 (3)

<https://www.aeaweb.org/issues/149>

Financial and sovereign crises

- Aghion, Philippe, Philippe Bacchetta, and Abhijit Banerjee (2001). "Currency crises and monetary policy in an economy with credit constraints," *European Economic Review*, vol. 45(7), pages 1121-1150.
<https://www.sciencedirect.com/science/article/pii/S0014292100001008>
- Arellano, Cristina (2008). "Default Risk and Income Fluctuations in Emerging Economies." *American Economic Review*, 98 (3): 690-712.
<https://www.aeaweb.org/articles?id=10.1257/aer.98.3.690>
- Calvo, Guillermo (2011). "Varieties of Capital Market Crises" IDB working paper 250.
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1815934
- Calvo, Guillermo (1998). "Capital Flows and Capital Market Crises: The Simple Economics of Sudden Stops", *Journal of Applied Economics* 1(1), pp. 35-54.
<http://www.ucea.edu.ar/publicaciones/download/volume1/calvo.pdf>
- Cole, Harold, and Patrick Kehoe (1998). "Models of Sovereign Debt: Partial versus General Reputations," *International Economic Review*, vol. 39(1), pages 55-70.
https://www.jstor.org/stable/2527230?seq=1#metadata_info_tab_contents
- Chang, Roberto, and Andrés Velasco (2001). "A Model Of Financial Crises In Emerging Markets," *Quarterly Journal of Economics*, vol. 116(2), pages 489-517.
https://www.jstor.org/stable/2696471?seq=1#metadata_info_tab_contents
- Dornbusch, Rudiger, Ilan Goldfajn, and Rodrigo Valdés (1995). "Currency Crises and Collapses," *Brookings Papers on Economic Activity*, vol. 26(2), pages 219-294.
https://www.brookings.edu/wp-content/uploads/2016/07/1995b_bpea_dornbusch_goldfajn_valdes_edwards_bruno.pdf
- Eaton, Jonathan, and Mark Gersovitz, (1981). "Debt with Potential Repudiation: Theoretical and Empirical Analysis," *Review of Economic Studies* vol. 48(2), pages 289-309.
https://www.jstor.org/stable/2296886?seq=1#metadata_info_tab_contents
- Eichengreen, Barry, Andrew Rose, and Charles Wyplosz (1995). "Exchange Market Mayhem: The Antecedents and Aftermath of Speculative Attacks" *Economic Policy* 39.
https://www.jstor.org/stable/1344591?seq=1#metadata_info_tab_contents
- Krugman ,Paul (2010) "Crises", mimeo
<http://www.princeton.edu/~pkrugman/CRISES.pdf>
- Krugman, Paul (1979). "A Model of Balance-of-Payments Crises", *Journal of Money, Credit, and Banking* 11(3), pp. 311-25.
http://www.columbia.edu/~rhc2/Spring2006/G6904/Papers/Krugman_79.pdf
- Morris, Stephen, and Hyun Song Shin (1998). "Unique Equilibrium in a Model of Self-Fulfilling Currency Attacks," *American Economic Review*, vol. 88(3), pages 587-97.
https://www.jstor.org/stable/116850?seq=1#metadata_info_tab_contents
- Obstfeld, Maurice, and Alan M. Taylor (2017). "International Monetary Relations: Taking Finance Seriously." *Journal of Economic Perspectives*, 31 (3): 3-28.
<https://www.aeaweb.org/articles?id=10.1257/jep.31.3.3>
- Obstfeld, Maurice (1996). "Models of currency crises with self-fulfilling features", *European Economic Review* 40, pp. 1037-1047.
<http://www.nber.org/papers/w5285>
- Panizza, Ugo, Federico Sturzenegger, and Jeromin Zettelmeyer (2009). "The Economics and Law of Sovereign Debt and Default." *Journal of Economic Literature*, 47(3): 651–98.
<http://www.aeaweb.org/articles.php?doi=10.1257/jel.47.3.651>

Pesenti, Paolo, and Cédric Tille (2000). "The Economics of Currency Crises and Contagion: An Introduction", *Federal Reserve Bank of New York Economic Policy Review*.
<http://www.newyorkfed.org/research/epr/00v06n3/0009pese.html>

Vegh, Carlos (2014), *Open Economy Macroeconomics in Developing Countries*, MIT Press chapter 17.