

V31.0323 – SECTION 001
ECONOMIC GROWTH & DEVELOPMENT
(AS OF MARCH 20TH, 2006)

COURSE DESCRIPTION:

A Nobel Prize winner acknowledges that *growth* and *development* are two different fields of study “with growth theory defined as those aspects of economic growth we have some understanding of, and development defined as those we don’t.”¹ As such, we can define economic growth narrowly, as just the increase, in per capita terms, in the production of goods and services in a country. In turn, economic development involves growth in human welfare, such as improvements in health, education, personal safety, and other goods and services that are difficult to measure. But there is no unanimous agreement, and some economists use the terms interchangeably, defining economic growth as the entire process that results in higher per capita output and broad changes in the society and the economy.

In this course we are going to cover most of the issues that normally falls under one or both terms. After all, there cannot be sustained economic development without a rise in the economy’s ability to produce more output, and it is difficult to observe sustained economic growth without fundamental changes in the structure of the economy. In the first part of the course we will study models that explain increase in output –hence, economic growth–. In the second half, we extend the analysis to examine changes in the society and the economy, such as income distribution, health, education, and international trade –hence, economic development–.

CLASS MEETINGS:

The classes are held Mondays and Wednesdays from 3:30 PM to 4:45 PM in the Silver building, room 808. The course starts January 18th and ends May 1st.

COURSE WEBSITE

This course will take full advantage of the “Blackboard” web service, available through your NYU Home account. *You are responsible to check Blackboard frequently* for postings and announcements. If you haven’t checked for several days, click the “View All” tab when looking at announcements, or else you will only see the most recent ones.

GETTING HELP: OFFICE HOURS:

I hold office hours Mondays and Wednesdays from 5:00 PM to 6:30 PM, in 110 Fifth Ave., room 516 (corner with 16th St.). No appointment is necessary. Please feel free to drop by my office to ask questions, to make suggestions, or even just to introduce yourself. In addition, I can answer questions right after class. You can also contact me by e-mail at Martin.Paredes@nyu.edu.

¹ Robert Lucas Jr. (1988) “On the Mechanics of Economic Development,” *Journal of Monetary Economics*, Vol. 22, p.13.

Additional assistance for this class is available to you free of charge at the College Learning Center located on the 1st Floor of Weinstein Hall (right behind Java City). For information on one-on-one and group peer tutoring, please stop by the CLC or go to their website: <http://www.nyu.edu/cas/clc>

GRADER:

Ashok Mathew is the grader assigned to this course. He holds office hours by appointment only. You can reach him by e-mail at ashoka@gmail.com.

TEXTBOOKS:

I will draw my lectures from a combination of the following three textbooks:

- Charles I. Jones, *Introduction to Economic Growth*, W.W. Norton, 2nd Edition, 2002
- Dwight H. Perkins, Steven Radelet, Donald R. Snodgrass, Malcolm Gillis & Michael Roemer, *Economics of Development*, W.W. Norton, 5th Edition, 2001.
- Debraj Ray, *Development Economics*, Princeton University Press, 1st Edition, 1998.

For the first part of the course –economic growth– I will use Jones’ textbook, while for the second part –economic development– I will employ mostly Perkins’ textbook. The book by Debraj Ray is slightly more advanced and technical, and I will use it to complement my lectures in both growth and development. All books are available for purchase at the NYU Book Center (18 Washington Place), and I will also ask Bobst Library to hold a copy of the books on reserve. Another book that you would need is:

- William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, MIT Press, 1st Edition, 2002.

Usually I would assign some chapters to read as the course evolves. In addition, I may supplement some of my lectures with material from the following textbooks:

- Michael Todaro & Stephen Smith, *Economic Development*, Addison Wesley, 9th Edition, 2006.
- Hendrik Van Den Berg, *Economic Growth and Development*, Irwin McGraw-Hill, 1st Edition, 2001.
- David Weil, *Economic Growth*, Addison Wesley, 1st Edition, 2005.

None of these additional books is required (so you do not need to purchase them) but, since none of them is available at [Bobst Library](#), I will make a photocopy of the relevant chapters as required, and placed them on reserve there.

COURSE REQUIREMENTS:

Your *average score* in the course will be a weighted average of the following:

Problem Sets:	10%
Presentation:	25%
Best Exam:	35%
Worst Exam:	30%

Your final letter grade will be determined solely from your average score, based on the Department of Economics' grading practice, as follows:

<u>Grade:</u>	<u>Average score required for each grade:</u>
A, A-	in the top 30% of the class
B+, B, B-	in the top 70% of the class
C+, C, C-	in the top 90% of the class OR 60.0 or greater (either is sufficient)
D+, D	in the top 97% of the class OR 50.0 or greater (either is sufficient)
F	in the bottom 3% of the class AND below 50.0 (both must apply)

I know that grades are important to students, and be assured that I will do everything I can to treat everyone fairly. But your course grade is based solely on the average score, computed from problem sets and exams; no extra credit or additional work is offered, and grades cannot be negotiated. All your grades will be posted on Blackboard.

EXAMS:

There will be one midterm exam and one final exam. Each of them will be a one-day take-home exam. I will release the exam on Blackboard in the morning (8 AM), and you should bring your complete answers by the end of the day (6 PM). There will be no make-up exams, that is, nobody will be allowed to take an exam earlier or later. The midterm exam will be on Friday, March 3rd, and will cover the first half of the course, i.e., economic growth. The final exam will be on Tuesday, May 2nd, (the reading day) and will cover the second half of the course, i.e., economic development. Students who miss an exam will receive a grade of zero in that exam, *unless* they have documented medical reasons. The final exam is not comprehensive.

PROBLEM SETS

I will assign six (6) problem sets during the semester. Only the best five (5) will count for your grade. They will be posted on Blackboard for downloading and printing, and your completed answers will be usually collected one week later during lecture, usually Wednesdays. The specific date will be written on the respective problem set. If you know in advance that you will miss lecture, make prior arrangements with another student to turn in any problem set that is due. Also, do *not* leave problem sets in my mailbox or your grader's mailbox, and do *not* email them. No late problem sets will be accepted.

In addition, you will NOT get back your completed problem sets. So, please make a photocopy of your answers, hand in your original with multiple pages stapled, and keep the photocopy for yourself. If you forget to make a photocopy, you can pick up your problem set from your grader's office hours, but you will have to sort through the pile and find it, and then return it after you made your photocopy.

PRESENTATIONS

You will form groups of no less than three (3) and no more than four (4) students. I will expect each group to choose a developing country in which their members are interested and do a presentation about it. You should inform me of the members of your group and your chosen country as soon as you can. Every group should do a different country, so if you have a strong preference you should tell me right away. Ideally, you should pick a country with which you are not already familiar.

Each group will have 30-35 minutes for the presentation (so two groups per day). Your presentation should include a brief economic and political history of your chosen country. Then, you should relate your country's history to various development indicators including, among others, real GDP per capita, inflation, exchange rate, unemployment rate, terms of trade, income inequality or any other indicator you are interested in.

As part of the presentation, each group should provide a handout to the class of no more than five (5) pages with the highlights of your presentation. Your grade will be an average of the quality of the presentation and the handout. On the day of your presentation you must also provide me with a copy of your handout as well as a copy of your slides.

Presentations will run the last 3 to 4 weeks of class (depending on the number of groups) and end before the final exam.

INCOMPLETES:

The Department of Economics does not grant incompletes except in cases of genuine emergencies, which must be documented and approved by the department's Director of Undergraduate Studies. The appeal and documentation must be provided before the final exam. Do not assume that you can miss the final exam and make it up later.

COURSE OUTLINE

I. Economic Growth

1. Introduction. (Jones, Ch. 1 | Perkins, ch. 1 | Ray, ch. 2, 3.1 & 3.2)
2. Mathematical Overview (Jones, Appendix A | Ray, Appendix 1)
3. The Harrod-Domar Model (Ray, ch. 3.3.1 & 3.3.2 | Perkins, ch. 2 [pp. 39-51])
4. The Solow Model. (Jones, ch. 2 & 3 | Perkins, ch. 2 [pp.51-78] | Ray, ch. 3.3.3, 3.4 & 3.5)
5. Endogenous Growth Models. (Jones, ch. 4, 5 & 8 | Ray, ch. 4)
6. Infrastructure and Long-Run Economic Performance (Jones, ch. 7)

II. Economic Development

1. A model of Growth and Development (Jones, ch. 6)
2. History & Expectations (Ray, ch. 5)
3. Income Distribution and Inequality (Ray, ch. 6 & 7)
4. Poverty (Ray, ch. 8)
5. Population (Perkins, ch. 7)
6. Labor and Human Capital (Perkins, ch. 8 & 9)
7. Health and Nutrition (Perkins, ch. 10)
8. (Optional) Development and Production (Perkins, ch. 15, 16 & 17)

IMPORTANT DATES TO REMEMBER

Wednesday	January 18 th	First lecture
Friday	March 3 rd	Midterm Exam
Wednesday	April 5 th	Last lecture (tentative)
Monday	April 10 th	Start of Presentations (tentative)
Monday	May 1 st	End of Presentations
Tuesday	May 2 nd	Final Exam

CLASS ATTENDANCE

Attendance is *not* mandatory, but you are responsible for everything covered. If, for any reason, you have to miss a lecture (or part of it), I encourage you to make prior arrangements with another student to take careful notes for you and to sit with you and explain their notes afterward. I will be happier to explain the material if you have made a previous effort of understanding the material in your own.

- 9. Development and International Trade
- 10. Financial Markets

(Perkins, ch. 18 & 19 | Ray, ch. 16, 17 & 18)
(Ray, ch. 14 & 15)