

## International Economics Development Economics

Academic year 2020-2021

### Advanced Development Macroeconomics: Drivers of Growth

**EI085 - Autumn - 3 ECTS**

Monday 16h15 - 18h00

### Course Description

The course presents the main theories of economic growth. In addition to the main frameworks, we review 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.

In emerging economies, growth can be set back for several years because of financial crises. I am unlikely to have time to cover this topic in lectures, but the reading list includes several papers on the issue that can be the topic of presentation by students.

The presentation of the paper should focus on the motivation of the question, the salient findings, and avenues for future work.

The course grade is based on the final exam (60% of the grade), and the presentation of the paper (40%).

#### > PROFESSOR

[Cédric Tille](#)

[Office hours](#)

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#### > ASSISTANT

[Office hours](#)

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## 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 growth, as well as on financial and sovereign crises.

## 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 6-11 (emphasis on 10-11)

### 3. Policies (class 4)

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

## TOPICS FOR PRESENTATIONS BY STUDENTS

### Growth

Acemoglu, Daron (2010). "Theory, General Equilibrium, and Political Economy in Development Economics." *Journal of Economic Perspectives*, 24(3), pages 17-32.  
<https://www.aeaweb.org/articles?id=10.1257/jep.24.3.17>

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, pages 473-552.  
<https://economics.mit.edu/files/521>

Bloom, Nicholas, John Van Reenen, and Heidi Williams. 2019. "A Toolkit of Policies to Promote Innovation." *Journal of Economic Perspectives*, 33 (3), pages 163-84.  
<https://www.aeaweb.org/articles?id=10.1257/jep.33.3.163>

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.  
<https://www.nber.org/papers/w10828>

Deaton, Angus (2010). "Understanding the Mechanisms of Economic Development." *Journal of Economic Perspectives*, 24(3), pages 3-16.  
<https://www.aeaweb.org/articles?id=10.1257/jep.24.3.3>

Johnson, Paul, and Chris Papageorgiou. 2020. "What Remains of Cross-Country Convergence?" *Journal of Economic Literature*, 58 (1), pages 129-75.  
<https://www.aeaweb.org/articles?id=10.1257/jel.20181207>

Jones, Charles and Peter Klenow (2016) "Beyond GDP? Welfare Across Countries and Time," *American Economic Review* 106(9), pages 2426-2457.  
<https://www.aeaweb.org/articles?id=10.1257/aer.20110236>

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.  
<https://www.nber.org/chapters/c11037.pdf>

Lee, Kenneth, Edward Miguel, and Catherine Wolfram. 2020. "Does Household Electrification Supercharge Economic Development?" *Journal of Economic Perspectives*, 34 (1), pages 122-44  
<https://www.aeaweb.org/articles?id=10.1257/jep.34.1.122>

- Mankiw, Gregory., David Romer, and David Weil (1992) "A Contribution to the Empirics of Economic Growth," *Quarterly Journal of Economics*, 107(2), pages 407-437.  
[https://eml.berkeley.edu/~dromer/papers/MRW\\_QJE1992.pdf](https://eml.berkeley.edu/~dromer/papers/MRW_QJE1992.pdf)
- Ray, Debraj (2010). "Uneven Growth: A Framework for Research in Development Economics." *Journal of Economic Perspectives*, 24(3), pages 45-60  
<https://www.aeaweb.org/articles?id=10.1257/jep.24.3.45>
- Romer, Paul (1990). "Endogenous Technological Change," *Journal of Political Economy* 98(5), pages 71-102.  
<https://www.journals.uchicago.edu/doi/abs/10.1086/261725>
- Romer, Paul (1986). "Increasing Returns and Long-Run Growth," *Journal of Political Economy* 94(5), pages 1002-1037.  
<https://www.journals.uchicago.edu/doi/10.1086/261420?mobileUi=0>
- 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/S001429210001008>
- Arellano, Cristina (2008). "Default Risk and Income Fluctuations in Emerging Economies." *American Economic Review*, 98(3), pages 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](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), pages 35-54.  
<http://www.ucema.edu.ar/publicaciones/download/volume1/calvo.pdf>
- 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](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](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](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](https://www.jstor.org/stable/1344591?seq=1#metadata_info_tab_contents)
- Krugman, Paul (1979). "A Model of Balance-of-Payments Crises", *Journal of Money, Credit, and Banking* 11(3), pages 311-25.  
[http://www.columbia.edu/~rhc2/Spring2006/G6904/Papers/Krugman\\_79.pdf](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](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), pages 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, pages 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), pages 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.