

## ECO362H1F – Economic Growth

Summer, 2014

Department of Economics, University of Toronto

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### **Instructor: Chaoran Chen**

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**Teaching Assistant:** Yiyang Wu.

**Office Hours:** Instructor: Monday 2 - 4 p.m. at GE80.

**Lecture Times:** Mondays and Wednesdays 10 - 12 noon at LM162.

**Tutorial Times:** Mondays and Wednesdays 12 - 13 p.m. at LM162. (Note that we do not have tutorials at every tutorial time slot. I will announce in advance when we have tutorials.)

### **Course Description**

In the first half of this course, we answer two main questions: why are some countries much richer than others and what make countries grow at different rates? To address these questions, we will first discuss some basic facts on economic growth. Then we will develop a theoretical framework to analyse the mechanism of economic growth. These models let us know the determinants of the wealth of a nation. In the second half semester we will discuss the facts on structural transformation, and discuss what trigger the structural transformation. Then at the end of this semester, we will go over some special topics on growth and development.

**Prerequisite:** ECO200Y1/ECO204Y1/ECO206Y1, ECO202Y1/ECO208Y1/ECO209Y1, ECO220Y1/ECO227Y1/(STA247H1,STA248H1)/(STA250H1/STA255H1)/(STA257H1,STA261H1).

**Exclusion:** ECO352H1, ECO360Y1, ECO362H5.

I expect that you will be able to perform basic calculus, including simple partial and total derivatives. It is your responsibility to make sure you satisfy the prerequisites. The administration is very strict and does not allow me to issue waivers to students who do not have all of the prerequisites. The details on prerequisite can be found here.

### **Textbook**

The recommended textbook for this course is *Economic Growth*, by David N Weil, 2nd or 3rd edition.

### **Evaluation**

Your grade of this course is based on an assignment (growth accounting), a midterm test and a final exam. To be specific, your grade is computed as: Assignment 10%; Midterm, 40%; Final 50%. The assignment is due on June 4th in class (1% out of 10% penalty per day of lateness).

### **Problem Sets**

I will hand out a few problem sets over the semester. They will not be graded, but will be discussed

in the tutorials. Tutorials will be effective only if you have tried the problems before.

### **Email Policy**

I will try to answer any emails within 24 hours on workdays and 48 hours at the weekends. I only respond to e-mails posing questions that can be answered in a few sentences. For detailed questions, please come to office hours. I do not reply to e-mails that request information that can be found on the website or the syllabus. I only answer emails sent from an official UofT email account.

### **Missing the Midterm**

You need to email me BEFORE the exam using your official UofT email explaining the reason. In case of extreme emergencies (e.g. traffic accident right before the test) you have till 24 hours after the midterm to send the email. The email should end with the following sentence “I understand that it is a punishable academic offence to present false or misleading information in support of my request for accommodation for missed term work, followed by your name and student number. If your reason is proper and you can support it with proper certification, then a made-up midterm will be offered.

### **Regrading**

Requests for re-grades will be accepted in writing up to two weeks after each exam or assignment is returned. When requesting a re-grade, it is important to attach a detailed note on the front indicating the problem you want us to take a look at, as well as why you think your grade should be changed. We re-grade entire exams, not just individual questions, so your grade could go up or down.

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## COURSE OUTLINE

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- **May 12th:**
  - Facts and framework about economic growth.
  
- **May 14th:**
  - Solow Growth Model (1)
    - \* Model Setup
    - \* The Steady State of Capital
    - \* Comparative Statics
    - \* Transition Dynamics
  
- **May 21th**
  - Solow Growth Model (2)
    - \* the Golden Rule Allocation
  - Technology and Productivity
    - \* Technology
    - \* Solow Model with Exogenous Technological Growth

- **May 26th:**
  - Human Capital
    - \* Health and Education
    - \* Mincer Return
    - \* Augmented Solow Growth Model with Human Capital
- **May 28th:**
  - Growth and Development Accounting
    - \* Perpetual Inventory Method
    - \* Return to Education
    - \* H-P Filter
    - \* Growth Accounting
    - \* Development Accounting
- **June 2nd: Midterm Test.** In class.
- **June 4th:**
  - Structural Transformation (1)
    - \* Kuznets Facts
    - \* Petty-Clark's Law
    - \* Non-Homothetic Preferences
    - \* The Demand Approach of Structural Transformation
- **June 9th:**
  - Structural Transformation (2)
    - \* The CES Preferences
    - \* The Productivity Approach of Structural Transformation
  - The Role of Agriculture
    - \* The Agricultural Productivity Gap
    - \* A Simple Two-Sector Model with Land
- **June 11th:**
  - International Trade and Economic Growth
    - \* East Asia's Growth Miracle
    - \* Product Life-Cycle Theory and Akamatsu's Flying Geese Paradigm
    - \* Mercantilism and Liberalism
    - \* Import Substitution Industrialization
    - \* Foreign Direct Investment

- **June 16th:**

- Dual-Economy Models
  - \* Lewis Model
  - \* Ranis-Fei Model
- Income Inequality (1)
  - \* The Measurement of Income Inequality

- **June 18th:**

- Income Inequality (2)
  - \* The Trend of Inequality
  - \* The Decomposition of Income Dispersion
  - \* The Kuznets Hypothesis of Inequality
- Economic Geography and Institution
  - \* Geography and Trade
  - \* The Dutch Disease
  - \* Jeffrey Sachs: The Environment View
  - \* Daron Acemoglu: The Institution View

- **Final Exam:** To be announced.

Note: The course outline is subject to any change announced in class. I would adjust the course materials delivered after the midterm according to your performance on the midterm.