

## ECO362H1F – Economic Growth

Summer, 2015

Department of Economics, University of Toronto

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### **Instructor: Chaoran Chen**

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**Teaching Assistant:** Stephen Ayerst.

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

**Lecture Times:** Tuesdays and Thursdays 10 - 12 noon, location TBA.

**Tutorial Times:** Tuesdays and Thursdays 12 - 13 p.m., location TBA. (Note that we do not have tutorials at every tutorial time slot. I will announce in advance when we have tutorials.)

### **Course Description**

The main objective of this course is to apply economic theory to understand and interpret empirical observations on economic development and growth. In this course, we will study the main facts characterizing economic development and growth over time and across countries, as well as the ability of theoretical models to account for these facts.

**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, 25%; Final 35%; and  $\max\{\text{Midterm}, \text{Final}\}$  30%. The due date of the assignment will be announced in class, and we apply an 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 one week 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:**
  - The Solow Growth Model
    - \* Model Setup
    - \* The Steady State of Capital
    - \* Comparative Statics
    - \* Transition Dynamics
    - \* The Golden Rule Allocation
- **May 19th**
  - Technology and Productivity
    - \* Technology
    - \* Solow Model with Exogenous Technological Growth
  - Human Capital (1)
    - \* Health and Education
    - \* Mincer Return

- **May 21th:**
  - Human Capital (2)
    - \* Augmented Solow Growth Model with Human Capital
  - Growth and Development Accounting
    - \* Perpetual Inventory Method
    - \* Return to Education
    - \* H-P Filter
    - \* Growth Accounting
    - \* Development Accounting
- **May 26th:**
  - The Endogenous Growth Model
    - \* The *AK* Model
    - \* The Lucas Model
    - \* Balanced Growth Path
- **May 28th: Midterm Test.** In class.
- **June 2nd:**
  - Structural Transformation (1)
    - \* Kuznets Facts
    - \* Petty-Clark's Law
    - \* Non-Homothetic Preferences
    - \* The Demand Approach of Structural Transformation
- **June 4th:**
  - 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 9th:**
  - Misallocation
    - \* Policy Distortions
    - \* A Model with Tax
- **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 tentative and subject to any changes announced in class.