

Department of Economics, University of Toronto
ECO451H1S – Macroeconomic Growth
Winter 2024

Instructor: Professor Diego Restuccia

Office: Max Gluskin House (150 St. George Street), Room 201

Office hours: M 1-2pm by appointment

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Lectures: M 2-4pm WW 120

Tutorials: M 4-5pm WW 120 (First tutorial Jan 15, runs every week)

Overview:

This course is aimed at advanced undergraduate students with interest in macroeconomics, development, and/or international economics. The course will be delivered in seminar style. 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 in detail the ability of theoretical models to account for the empirical facts characterizing economic development and growth over time and across countries. You will learn the main theoretical frameworks and how to apply them to answer quantitatively specific questions of interest.

Course Materials:

There is no mandatory textbook for the course, slides and other relevant materials will be posted on Quercus as the course proceeds. Make sure to check the course page regularly for updated materials and announcements. For a general treatment of some of the topics covered in class I recommend Economic Growth by David Weil, Addison-Wesley, 2014 3rd edition; and Introduction to Economic Growth by Charles Jones and Dietrich Vollrath, Norton, 2013, 3rd edition.

Course Work and Grading:

Given the seminar style of the course, class attendance is required and I expect active participation in class discussions. The final course grade will be determined as follows: Class presentations and participation (30%), country case study presentations and report (30%), and final exam (40%). Class presentations involve presentations of selected research papers and participation in class discussions. Details of selected papers and procedures will be announced in class. The country case study involves analyzing the growth and development path of a selected country, presentation of results, and a short final report. Details will be discussed in class. The final exam date will be determined by the Faculty and announced in class. Samples of previous final exams are available on Quercus. Sample problems will be distributed during the course and discussed during Tutorials. No other work will count towards your final grade.

E-mail Policy:

In my experience, e-mail is not the most effective means for discussing economics, office hours are more appropriate. I will endeavour to reply to e-mail within 24 hours, except on weekends. I will only respond to e-mails from utoronto accounts and that are clearly identified as ECO451 in the subject line.

Pre-requisites and academic integrity will be strictly enforced.

Tentative outline (subject to change):

1. Week 1 – Jan 8: Introduction
 - Some facts on growth and development
 - Growth and development accounting
 - Application: Latin America development problem
2. Week 2 – Jan 15: Data tutorial
 - Data tutorial
 - Introduction to case studies
3. Week 3 – Jan 22 (3 hour): Neoclassical growth model
 - Computation of transitional dynamics
 - Neoclassical growth model with distortions
 - Augmented neoclassical growth model
 - Application
4. Week 4 – Jan 29: Presentations
 - Mankiw, N. Gregory, David Romer, and David N. Weil (1992), “A contribution to the empirics of economic growth.” *Quarterly Journal of Economics* 107 (2): 407-437.
 - Hendricks and Schoellman (2018) “Human Capital and Development Accounting: New Evidence from Wage Gains at Migration,” *Quarterly Journal of Economics*.
5. Week 5 – Feb 5: Structural transformation
 - Models of structural transformation
 - Applications and extensions
6. Week 6 – Feb 12: Presentations
 - Rogerson (2008) “Structural Transformation and the deterioration of European labor market outcomes,” *Journal of Political Economy* 116, no. 2: 235-259.

- Gollin, Douglas, David Lagakos and Michael E Waugh (2014), “The Agricultural Productivity Gap in Developing Countries,” *Quarterly Journal of Economics*.

7. Week 7 – Feb 26: Presentations

- Case studies draft presentations

8. Week 8 – Mar 5: Production heterogeneity

- Misallocation and aggregate productivity
- Applications

9. Week 9 – Mar 11: Presentations

- Hsieh, Hurst, Jones, and Klenow (2019) “The allocation of talent and U.S. economic growth,” *Econometrica*.
- Alviarez, Cravino, and Ramondo (2023) “Firm-Embedded Productivity and Cross-Country Income Differences,” *Journal of Political Economy* 131(9): 2289-2327.

10. Week 10 – Mar 18: Presentations

- Dollar, David, and Aart Kraay (2002) “Growth is Good for the Poor,” *Journal of Economic Growth* 7: 195-225.
- Chen, Chaoran (2020) “Technology Adoption, Capital Deepening, and International Productivity Differences,” *Journal of Development Economics*, Volume 143, March, 102388.

11. Week 11 – Mar 25: Presentations

- Fried, S. (2018). “Climate policy and innovation: A quantitative macroeconomic analysis,” *American Economic Journal: Macroeconomics*, 10(1), 90-118.
- Qi, J., Tang, X., and Xi, X. (2021). The size distribution of firms and industrial water pollution: a quantitative analysis of China. *American Economic Journal: Macroeconomics*, 13(1), 151-183.

12. Week 12 – Apr 1: Presentations

- Case studies final presentations
- Wrap up