

Course Calendar: ECGA 6470: Economic Growth & Development**Spring 2014**<http://class.povertylectures.com/ECGA6470CalendarSpring2014.pdf> mcleod@fordham.edu

Here is version 2 of the [final exam](#), much shorter and easier than version 1 but may not seem so at first. A lot of what you discuss on the exam apart from question F-1 depends on your case study. The key message is to ground your arguments carefully in the course readings (or in a previous study of your country which uses growth models/theory/diagnosis).

May-14						
SUN	MON	TUE	WED	THU	FRI	SAT
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Note that the 2nd exam date has been changed to 2pm Saturday May 10th (unfortunately I have an all-day Mexico [Dinero conference](#) May 9th at CUNY's Mexican studies Institute). Everyone must write your exam in class, during one of these time slots. If you are not sure about your case study supporting materials, described in repetitive [detail on the exam](#), to get feedback/comments on your supporting material submit it to turnitin.com by end of day Tuesday or submit after the exam, so I can print in color in an emergency). You can print in black and white in E-530, just use symbols and/or cross hatch patterns. Please let me know if you plan to attend the 2nd exam (actually I will know if are not at the 1st exam). You can bring supporting material to the exam (references and Figures/Tables) but not notes, outlines, slides with text please.

Some good news from the midterms (which were generally excellent, by the way) in most cases steady states do not predict post 2000 growth well at all with one huge exception: Brazil (see below, very relevant, inequality and education key, even some foreign Aid, though not ODA). Or along these same lines, congratulations to Karalea for winning the "best steady state" prediction that happens to be right contest (see below). For more on Brazil, inequality, reforms and growth see [Birdsall et al. 2011](#) or better yet, join us for the *Economics of Latin America, Econ 3235:2 next Fall....*

Recommended before the final exam:

- (1) Check comments on your midterms, which were generally excellent, but in few cases there were problems with choice of countries and formatting for Excel Figures (don't use excel defaults). If the Figures in the templates don't look like those I pasted on the calendar for you, let me know, perhaps we need to get you a more recent copy of excel (use the computers in IPED commons or in E-530, they should work, you can print Figures and Tables too). Problems? Ask me to print for you (color if you can submitted Tuesday on turnitin.com) or I can help with formatting issues. Your charts should look like Figure S-2 below, but Figure B-1 will not work unless you have a color printer (or ask me to print). Change over to cross hatch, dots, stripes etc. perhaps we can get the template changed to B&W, but faster right now to send me these charts to print in color. Normally, I have a color printer in my office but right now it is not set up, perhaps it will be ready on Wednesday, will let you know.
- (2) Pressed for time? You can often find Figures in IMF or WB publications, take "snapshots" in Acrobat and past into your case study, here again you need full citations (page numbers) and probably a color printer. As a back up, turn in your case Tables/Figures on turnitin.com and mention this in your exam (I can print them out, just the color ones please). Mention this in your exam book.
- (3) To get feedback on your case study material before the exam or as a "color" back up after the exam, you can turn in your Case study material on turnitin.com. This is not a substitute for paper turned in at the beginning your exam date (Wednesday 7:30pm or Saturday 2pm). Note change of 2nd final session. However, you can turn in this material before or after the exam for my feedback and to get credit for the work you did. Here can be color or B&W but remember if B&W you will need symbols or different line styles to separate countries (in B&W copy). Good luck on the final and enjoy the Summer reading Capital at the beach. We have all all earned this Summer...weather-wise and otherwise.

April 30th Last Lecture: [Aid and Growth](#) [Aid vs. Trade](#) [Ethiopia Template](#) [Ethiopia](#)

Here are the updated [final exam questions](#), we can discuss in class Wednesday (please read before class), We have Peiteng Zhai presentation on Thailand, if anyone else would like to present, please send me your presentation this evening Tuesday, late is Ok. At least one person cannot make the final exam next Wednesday, so we will schedule a 2nd exam period later in the week (you must write the final exam in class, even though the questions you answer are more or less as posted). Version 1A is posted, print and/or check for updates. Thanks in advance to presenters, I think the presentations have been very helpful.

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Congratulations to Karalea for winning the “best steady state” prediction happens to be right contest for Brazil (see below). Peiteng was a close 2nd with China & Bosworth Collins TFP of course—PWT 8.0 does not work, at all it seems, it may not be correct... sorry to say).

Brazil is worth mentioning for three reasons, always 3 (also if you cannot make the World cup, at least take my Economics of Latin America next Fall, ECON 3235):

1. Brazil was dead in the water (see below, $y^*/y = 1.04$ in 1997) but then it reduced inequality and increased education, moving toward the U.S. level of schooling (average years completed increased from 4.45 in 1997 to 7.55 in 2010, an even better 7.68 years for young women 15+ (up from what in 1995?).
2. Brazil did grow faster from 2003 to 2013 (10 years 2%+) as predicted by steady state analysis, and how why did education increase? Due in part to redistribution via Bolsa Familia which reduced child labor, reduced poverty and increased education (quality of education remains a problem).
3. The bad news, it did not last, perhaps because as Berg & Ostry, 2011 argue inequality remains high. Also according to new TFP data from PWT 8.0 (which does not seem to be that good) TFP in Brazil fell (this is possible due to Dutch Disease effects and lack of reforms, along Acemoglu and Robinson lines). Still Brazil has much better government, a growing middle class, falling poverty, rising education, the World Cup and the Olympics (if they can finish the Stadiums). In the exam I said you never find inequality and education are the obstacle to growth, but happily I was wrong. Why not more of the same, in the U.S. the average years of schooling is 13.1 years and in nearby Chile it is 10.2. Brazil can do better, both in terms of reducing inequality and increasing education levels, who says the text book model is never correct? (most of the time, to be fair, the steady state does not work, fortunately it seems to work in Brazil, a large country with enormous potential and some of the highest inequality in the world.... Onward and upward, see you at the World Cup (or at least in ECON 3235)!

Jones Chapter 3 Exercise 1– Where are these economies headed						(a) own TFP			(b) U.S. TFP			(c) U.S. schooling (u)			(d) U.S. Savings		
Countries 1997 data	y ₉₇	\$1,000	S _k	u	n	y*(a)	\$1,000	y*/y ₉₇	y*(b)	\$1,000	y*/y ₉₇	y*(c)	\$1,000	y*/y ₉₇	y*(d)	\$1,000	y*/y ₉₇
Brazil	0.298	12.2	0.165	4.45	0.017	0.310	12.7	1.04	0.410	17	1.37	0.654	27	2.19	0.360	15	1.208
USA	1.000	40.8	0.204	11.9	0.010	1.000	40.8	1.00	1.000	41	1.00	1.000	41	1.00	1.000	41	1.000
Canada	0.864	35.3	0.246	11.4	0.012	1.003	41.0	1.16	1.032	42	1.19	1.055	43	1.22	0.925	38	1.070
Argentina	0.453	18.5	0.144	8.5	0.014	0.302	12.3	0.67	0.585	24	1.29	0.425	17	0.94	0.368	15	0.812
Thailand	0.233	9.5	0.213	6.1	0.015	0.260	10.6	1.12	0.556	23	2.39	0.465	19	1.99	0.262	11	1.125
Cameroon	0.048	2.0	0.102	3.4	0.028	0.064	2.6	1.34	0.275	11	5.72	0.150	6	3.13	0.100	4	2.084
Mexico	0.460	18.8	0.157	6.96	0.020	0.470	19.2	1.02	0.508	21	1.10	0.770	31	1.67	0.565	23	1.228
China	0.097	4.0	0.235	6.11	0.013	0.063	2.6	0.65	0.590	24	6.09	0.112	5	1.15	0.059	2.4	0.612
Brazil	0.298	12.2	0.165	4.45	0.017	0.310	12.7	1.04	0.410	17	1.37	0.654	27	2.19	0.360	15	1.208
Haiti	0.036	1.47	0.260	2.83	0.020	0.113	4.6	3.15	0.432	18	12.0	0.281	11	7.81	0.106	4	2.949
Dominican Rep	0.21	8.6	0.185	4.66	0.021	0.207	8.5	0.99	0.435	18	2.07	0.428	17	2.04	1.113	45	0.24

Important: Iuri and Thomas' [updated Ukraine/Romania presentation](#). Clemens et al. 2012, [Counting Chickens: Timing and the effects of Aid on Growth](#), Economic Journal, 122:561 pages 590-617.

April 23rd 2014 [Thailand case study presentation Peiteng Zhai](#), New papers, similar findings:

[Democracy, Redistribution and Inequality](#), [Institutions, Human Capital and Development](#), [Culture and Institutions](#), [Redistribution Inequality and Growth](#) (Ostry, Berg updated, the [IMF votes for redistribution](#) and lower inequality...)

Rethinking [Growth Diagnostics](#) Pro poor growth, [Indonesia or Zambia](#) (see page 9) Bangladesh, not pro poor but not bad. See [Figure 1 for Thailand](#).

Piketty-Mania: Presenting at EPI with the Robert Solow as in [Solow 1956](#). [Solow reviews](#) Piketty, so does PK in the [New York Review of Books](#). And on [his blog](#) an (admiring) [skeptical's view \(Winship\)](#) in Forbes (beatlemania). The world [top incomes](#) database (fixes top coding problem). Growth and Capital's share.... [Why Kuznets was wrong](#).

Thailand and India presentation, Oh no, where's the TFP growth? The myth of Asia's miracle, again? But see [Table 3](#) (see also [Bosworth and Collin](#), 2003 and [2007 on China](#) and India here is the [update of their data](#) used in in Meliva and McLeod, 2010). Rodrik on China and India, Partha Das Gupta [Getting India Wrong](#), Arrow, Heal and Das Gupta on the sources of [Truly Sustainable Growth](#) Is [Bhagwati vs. Sen](#) is [Ghandi vs. Modi](#). The [battle over India's poverty](#) Why growth matters ([bhagwati and panaganya](#), 2013) [Rodrik and Subramanian reply to comments](#). Rodrik on [China's exports](#)

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Finance and Growth [Ross Levine slides](#), the [Finance, inequality and Growth](#) quest for politically acceptable Asset Redistribution (the really [unfinished agenda](#)) Lots of [attention to financial inclusion](#), to very little effect. Finance and [Growth circa 2004](#), Roodman strikes again (see his note of the [theme of too many instruments](#)) See Peter Blair Henry [JEL Review 2007](#).

April 16th 2014: [Rodrik growth prospects](#) [Growth Spells](#) [Growth Spells updated](#) and [Growth Diagnostics](#) [Print Aid \(Metcalf Ted Talk\)](#) [Aid and Growth](#) [Beck, Finance and Growth](#) *See also the [lecture notes on growth strategies](#).* [GEP Migration and development 2006](#) [Two Gap Model](#) [Does what you export matter?](#) [Collier and Goderis](#) [CAL and Economic Growth](#) [Capital Flows and Growth](#)

April 16th 2014: Amartya Sen talk 3pm Walsh Flom Auditorium, Peter Blair Henry's JEL article (if only it were true).

Final Exam: May 7th 530 Dealy Economics Conference Room

Class presentations: Please follow [WBI-VC slide formatting guidelines](#) closely adding [Cochrane's quick summary slide](#) is always a good idea because you only have 15-20 minutes to make your key points to the class. Similarly, what you can write about in 45 minutes on the exam is limited. Lists of bullet points are best, especially points that refer to a Table or Figure or previous growth study. Important critical ingredients of presentations, case study print outs for final exam (1) All Figures/Tables should be clearly numbered and include the data source at the bottom, same for Figures/Tables you borrow from others. (2) Use large fonts and follow the 8-8-8 rule if possible, see the [WBI-VC guidelines](#). (3) Do include some previous studies, when not by academics use growth diagnostics or Title IV or WB papers.... (4) If possible compute the steady states for your country, using Barro and Lee data and PWT TFP where possible. If you have a steady state for 1997, did it work as a crude predictor of growth? (5) Remember you will likely use black and white Figures for your final exam, so use symbols and/or dashes not just colors for countries. Again be sure to number all Tables and Figures, for the final exam only in

Examples of case studies from Spring 2013: [Malaysia \(Brittany Borg\)](#) [Argentina \(Shannon Pullaro\)](#)

April 23rd: Final exam review 2014 questions posted. [Final exam review questions 2013](#).

Roodman, D. (2009). A note on the theme of too many instruments*. *Oxford Bulletin of Economics and Statistics*, 71(1), 135-158.

Data sources;

You can find 1997 steady state calculations for a number of countries here, You can update these if you want to using the PWT 8.0, but it is not necessary <http://class.povertylectures.com/JonesSteadyStatesSpreadsheet2.xlsx>
Here is chapter 3 http://class.povertylectures.com/JonesChapter3_Reading.pdf

For income distribution (inequality and <http://class.povertylectures.com/PovcalnetApril2014.xlsx>

If you want a poverty rate, use \$2.50/day, Thailand has eliminated \$1/day poverty.

See the PCY-5 Figure on the PWT8 worksheet of this spreadsheet, just convert the countries to your group.

<http://class.povertylectures.com/ECON6470Spring2014CaseStudyDataScreen2.xlsx>

Wed April 2nd Lecture Notes: [Inequality and Growth](#) [IMF Anchoring Growth](#) [Midterm Case Study Figures](#), [Health, Population and Growth](#). [Ethiopia Template](#)

Tuesday March 25th Turn in your growth rate charts in for sigma and beta convergence, pasted into word using the spreadsheet templates Figure B-1 and Figure S-2 see [midterm version 2A](#) question B-2 part a. Use the format of Figure B-1 below and Figure S-2 http://class.povertylectures.com/Pwt71_PCY2_PeerGroupsVariousYears.xlsx. Be sure the spreadsheet you have uses the Ukraine group as it example, and see the 2nd page of the worksheet. If you have any trouble downloading this spreadsheet (data screen2) send me an email and I can send it to you.
(this file has just the convergence figures <http://class.povertylectures.com/ConvergenceFigures2.xls>

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This file is similar to the peer group file above, but larger

<http://class.povertylectures.com/ECON6470Spring2014CaseStudyDataScreen2.xls>

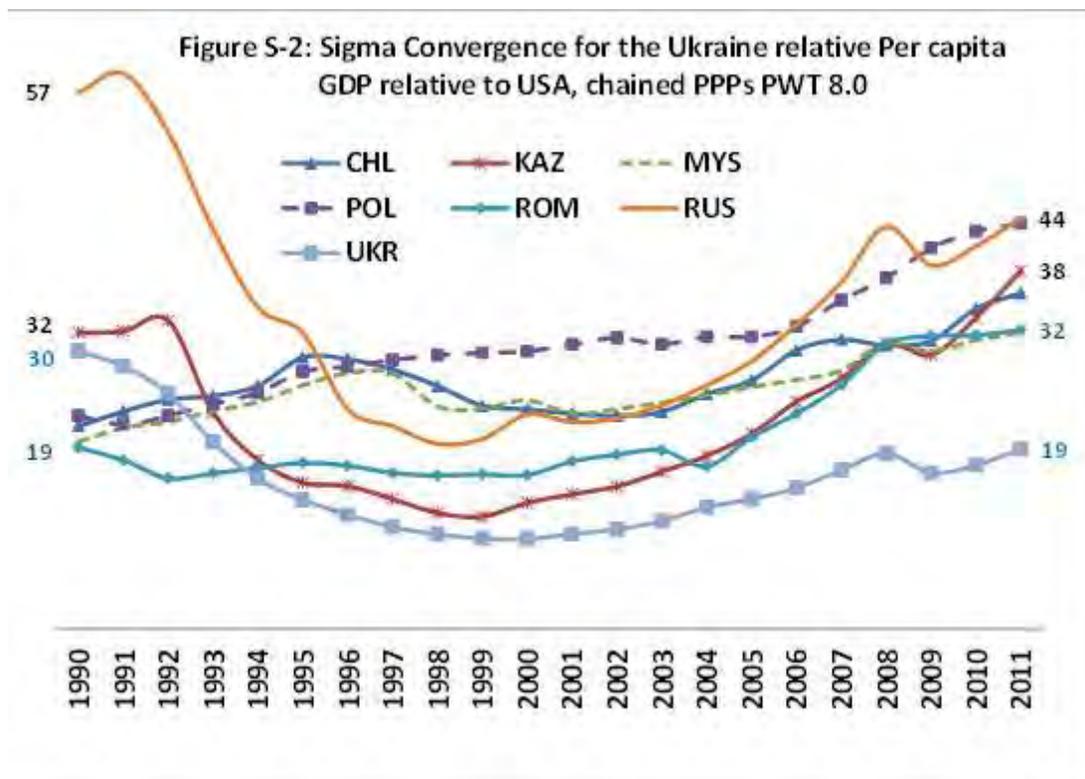
Tuesday March 4th Please submit case study peer and comparator lists and preliminary data check from PWT 8.0 and Povcalnet. Use this case [study data spreadsheet](#) to check data availability. For Peer countries (1960, 1997 or 2000) use the Jones Appendix C list (see the Rwanda example in the spreadsheet). For comparator countries use the [doing business reports](#) (any year is probably Ok). Use ISO codes to answer file in Table CS-1 on the 1st page of this [spreadsheet](#). The copy this files into a word format and turnitin.com and answer this brief questionnaire. Or just print this Table and bring it to class Wednesday. After you complete Table CS-1 please fill out this [short survey](#)

Friday March 28th Midterm v2 is due in turnitin.com **Wednesday April 2nd** please turn in answers to questions from [PS 2](#).

March 16th: Turn in midterm 1B or your case study spreadsheet.

March 16th : Turn in answers to the [Midterm](#) v 1B or later on turnitin.com. Be sure to ask in class if you have any questions regarding the midterm. We will discuss [growth accounting](#) [growth miracles](#) and convergence (see also [Sala-i-Martin](#) and [growth econometrics](#)).

March 5th [Openness and Growth](#) see also [Rodriguez and Rodrik, Trade Policy](#) McLeod and [Meliva, 2011](#).



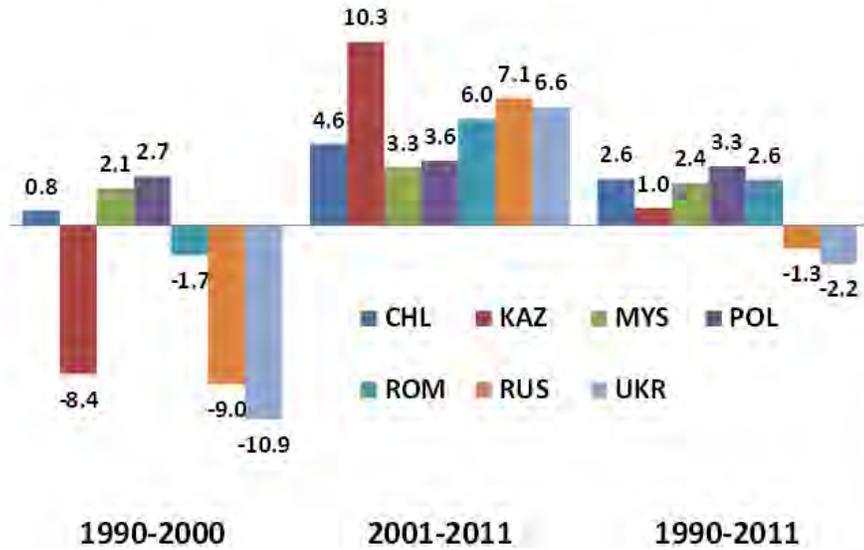
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To use this template with a black white printer for the exam perhaps reduce number of countries and use cross hatch, dotted fill patterns etc. (not shades of gray or color).

Figure B-1 Beta convergence per capita growth minus USA rates decade averaged

(PWT 8.0 per capita Chained expenditure side real GDP growth rates)

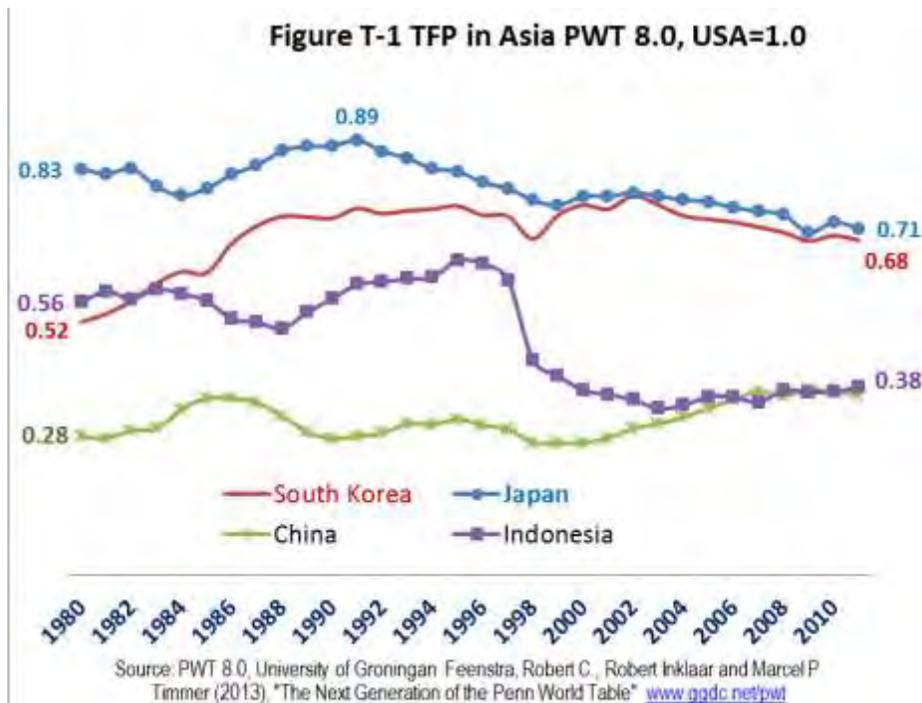


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uesday February 18th 2014: please turnitin.com answers to [PS 1B v3](#) questions 1.5 and 1.7

Wednesday February 12th 2014: The answer to 1.2D is now included near the end of the TGM [handout](#). This [spreadsheet](#) is relevant to Chapter 3 of Jones. Going forward we will try to say a little bit about [growth strategy](#), [growth models](#) and [empirical evidence](#) during each class. See also the Barro [growth model with government](#). We are very fortunate to now have access to new and improved Penn World Tables 8.0 at the [University of Groningen](#) in the Netherlands. Please make sure at least one or two of your countries include TFP data (see below for examples from Asia, TFP is measured as a share of U.S. TFP, which follows the approach of Jones (2006) [Chapter 3](#) this will prove very handy for our case studies).



Tuesday February 4th: Turn in word your answer to [PS 1B](#), question 1.2B using this [word version](#) (put each answer right after the question) use your lecture to notes to answer this question, if you missed the lecture, do your best and ask in class. You may need this word copy of the [Three Growth Models](#) handout or the [pdf version](#), draw and take a picture or try copying the diagrams from the handout or notes [Sachs et al. 2004](#) next lecture (Feb. 5th) will focus on convergence (conditional and absolute) and poverty traps (see also the [stylized facts lecture notes](#), and the growth models lecture notes, PhD students should read [Acemoglu, 2009 Chapter 1](#) and masters students [Chapter 1](#) and [Chapter 2](#) of Jones 2nd edition as well as [Appendix A](#) carefully. If there is anything in these two chapters you do not understand, please let me know Feb 5th if it matters we can review it. *Be sure to answer 1.2B in Problem Set 2B, Masters students answer parts a to d, PhD students answer part e as well. Draw and photograph figures, or copy figures from handouts or text pdf files, add letter labels using the insert text box command in word (or insert symbols where necessary). Make use of the subscript and superscript and become familiar with insert symbols. For pdf graphics use cut and past "snapshot", If you have trouble with any of these commands, ask for a demonstration in class.*

Example for Ethiopia Rwanda (change as needed)								
Table CS-1 Case Study Template		Spring 2014						
Case study Key Data Sources		Your Name:						
ISO codes	Country Names	(insert rows as needed)						
Core Countries		Check only for Core countries						
		TFP?	AppC	Table C-2	Povcalnet?	4 recent years		
RWA	Rwanda	0.36	\$ 953	5.2	2011	2006	2000	1985
ETH	Ethiopia	NA	\$ 538	5.9	2011	2005	2000	1995
MOZ	Mozambique	0.18	\$ 1,906	5.4	2008	2003	1996	2004
Peer Countries (year: ? 1960?)								
BFA	Burkina Faso	NA						
NER	Niger	0.18						
GIN	Guinea	NA						
BDI	Burundi	0.14						
CHN	China	0.28	\$ 1,075					
Comparator Countries*								
ZAF	South Africa	0.68						
EGY	Egypt	0.87						
KEN	Kenya	0.32						
UGA	Uganda	NA						
Previous case studies? Growth Diagnostics?								
Select values by pressing F2 and then move cursor to cell on Worksheet								
Table C-2 Growth rate 2000-2013								
TFP: value 1990								
*from www.doingbusiness.org for Ethiopia see page below to right								

January 29th: Going forward we will try to say a little bit about [growth strategy](#), [growth models](#) and [empirical evidence](#) during each class. This should allow you to think about your case study country earlier: each case study country requires three things, 1) a growth incidence curve or data on povcalnet.org, to be listed on the “convergence big time” [Table C-2](#), and a previous country case study paper (often a growth diagnostics paper). There are “work arounds” for these requirements: if you country does not have much data you can find a twin or “comparator” country that does have data.

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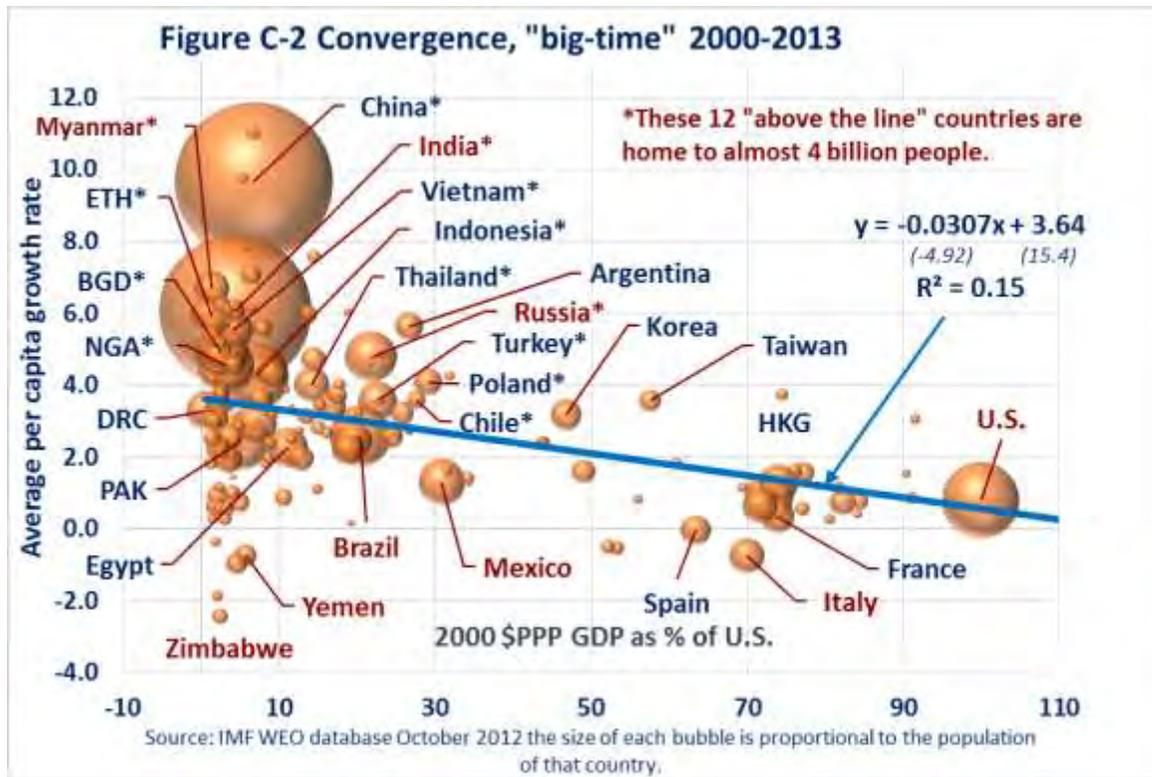
For example, [Ethiopia](#) has lots of data, but Eritrea has very little, but enough to compare the two. The main endogenous growth model we will study is the Barro model with Government, [see PS2A](#).

January 23rd turn in your answers to [question 1.1 of PS1](#) if possible on Turnitin.com class: 7548029 password: Ethiopia. Use the [word version of PS 1](#) to prepare your answers, inserting text and graphics after each question mark. Use a different font for your answers (but the same font for all your answers). Here is the word version of PS 1 (check for updates, but once you download a version, you can answer that version as long as you use the word file as a template).

January 22nd: Answer question 1.1 from [problem set 1](#), use this question to focus your readings, See [Sachs et. al. 2004 on Africa's poverty trap](#) (we will review these diagrams in class, you can skip them for now). Sachs review of [Acemoglu and Robinson, 2012, in Foreign Affairs](#) and the skim the Kindle samples of Acemoglu and Robinson, 2012 especially [Chapter 1](#), and [Chapter 14](#) (the whole chapter if you have the book, but especially on the [American South](#) for MLK Monday) see the Kindle or Ibook sample of A&R, 2012). See also the [lecture notes on growth strategies](#).

See also readings, handouts and lecture notes Problem set 1 [lecture 1](#) Three [Growth Models handout](#) (with the three Sachs et.al. poverty trap diagrams); [Sachs et al. 2004](#); Charles Jones and Paul Romer, [The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital](#) *American Economic Journal: Macroeconomics* 2010,2:1, 224–245, this link should work on campus, if not use [Jones and Romer \(2010\)](#). Growth lecture notes: [Lecture 2 Growth Theory to Growth Strategy](#), [Lecture 3 Growth Models: convergence of growth theory, if not rhetoric \(and countries\)](#). See also [Agenor Chapter 12 and Agenor Chapter 13](#). [Three Growth Models handout](#) Three growth models with diagrams [Barro's AK Model with Government](#) [Chapter 3, Ex 1 page 75 spreadsheet](#)

Phd students: Skim Acemoglu, [2009 Chapter 1](#) Masters Students, take a look at [Chapter 1](#) and [Chapter 2](#) of Jones 2nd edition if you have time (available online).



Growth provocations...foreign aid & authoritarian growth miracles.... Growth models were more or less abandoned during the 1960s well into the 1980s¹ as being too technical and empirically irrelevant. Today growth accounting of one sort or another may determine who dominates the new world order, as in [Eclipse](#), or at who will commandeer the world's resources, as in *Winner Take All*. Are we on the eve of a new world order? Perhaps not: in the first 15 minutes of this [Economist talk](#) Bill Easterly offers an "authoritarian regime" variation of institutions and growth argument: institutions (private property, rule of law, etc.) do not just determine the level of national income, as in AJR, 2001, changes in authoritarian regimes (reforms in China) lead to changes in GDP growth but at a diminishing rate. China's authoritarian growth boom is coming to an end, Easterly argues, partly because reform has slowed and partly because authoritarian growth booms never last that long anyway (he mentions Togo, but Egypt early in the 20th century may be a better example—see photos from [Grand Pursuit](#) below). Dambasi Moyo of *Dead Aid* fame disagrees. She argues authoritarian regimes can grow forever, perhaps even better than democracies (who seem to have lost their edge). As long as they get the "fundamentals" right (her first answer is quick lesson in growth accounting). She also mentions how Africa's relatively low debt to GDP ratios averaging 40% look good compared to OECD (Greece and the U.S. for that matter are near or over 100% debt/GDP ratios). But why is debt so low in Africa? She goes on to argue, here "Winner take all" argument that China's (and India's) appetite for Africa's (and Latin America's) resources is boundless (like Shanta, she mentions Rwanda, world champion reformer..). The 4th quarter 2012 rebound Chinese growth lends support to Dambasi Moyo's view, that China is staging a comeback. But these are long run arguments: Chinese growth in 2012 was "just" 7.8% lowest in 13 years. On the other hand, China's boom has lasted over 30 years, a long run by any measure. A new China growth outlook" case study would be great, see the Fall 2012 roundtable on China in the [Journal of Economic Perspectives](#) and of course we have [Eclipse](#) (chapter 4 is required, but most of Subramanian's argument is here but most of the argument is here). Also of interest is Moyo's new book *Winner Take All* (have not read it) which you can [preview here](#). Toward the end of the [Economist talk](#) Dambasi Moyo says "there is not a single country that has achieved long term growth and reduced poverty in a meaningful way by relying on aid, not one..." Of course this statement is carefully

¹ It was 1986 before R.E. Lucas' student Paul A. Romer "resurrected" growth theory by rediscovering the "<http://class.povertylectures.com/Romer-86IncreasingReturns.pdf>" theory of long run growth" (that is constant returns technologies, aka endogenous growth theory. This paper was followed by Lucas' own 1988 classic the [Mechanics of Economic growth](#), an accounting exercise published, of all places, in the *Journal of Monetary Economics*. Where Lucas' famous "it is hard to think about anything else" line appears as he ponders the differences between India and other countries "Is there some action a government of India could take that would lead the Indian economy to grow like Indonesia's or Egypt's? If so, what, exactly? If not, what is it about the nature of India that makes it so? The consequences for human welfare involved in questions like these are simply staggering: Once one starts to think about them, it is hard to think about anything else."

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parsed, to provoke while misleadingly suggesting aid is not helpful for growth & poverty reduction.... We can turn this question around: are there successful growth and poverty reduction stories that started with massive inflows of aid? We cannot look at postwar Europe in this course, but the post conflict countries in Africa ([Mozambique](#), Uganda, Rwanda, Ethiopia among others—see [Chapter 4 of the 2004 UNDP BCPR](#) report did much of the research for, along with South Korea, Bangladesh, India and Indonesia all received massive foreign aid flows early on... and the low debt/gdp ratios she discusses in Africa now are largely due to debt relief (even in Nigeria). Gleneagles and HIPC and PEPFAR were massive aid programs that seem to have made a big difference (though Chinese FDI and high commodity prices—do in part to demand from China and India, as well as QE 1-3). My undergraduates are watching [“Give us the Money”](#) about Bob Geldorfs and Bono’s campaign for aid and debt relief (starting with the Live Aid concert to benefit Ethiopia—highly recommended, too bad ours is a graduate class....). Dambasi recent talk at LSE on [Winner take all](#) is also excellent (but 1 hour 20 minutes—or see [her on the Daily Show](#) if you only have six minutes—she makes her anti-aid quip more carefully) as it happens her native Zambia is one of the most important beneficiaries of Chinese trade with Africa (see Figure 5, in [African Pulse, September 2012](#)). Within the growth and development literature there much controversy over the impact and role of aid, but as an anti-dote to Dambasi-Easterly view, [Arndt, Jones and Tarp \(2010 p. 24\)](#) argue “...we conclude that the bleak pessimism of much of the recent aid-growth literature is unjustified and the associated policy implications drawn from this literature are often inappropriate and unhelpful. Aid has been and remains an important tool for enhancing the development prospects of poor nations.” (note that this statement is not inconsistent with Moyo carefully parsed statements and to be fair the impact of Aid is less than [Arndt et al. 2012](#) hoped as well...).

Interesting and some topical case study countries: every country is of interest in its own way, but try to stay above 15 million people* (a billion even better) and make sure basic data is available, the IMF WEO or World Bank WDI is basic data source, but povcalnet.org and the WB/IFC doing business web page is helpful as well, and for history, it is should be one of the PWT 7.1 countries. Former Soviet bloc countries are OK, but most data starts in 1990 and even then plunges during the conversion to capitalism (why? This is an interesting question) but even 20 years is enough. Here are some interesting countries, in no particular order: Ethiopia, Mozambique, Ghana, Kenya, Rwanda, Angola, China, Vietnam, Cambodia, Bangladesh, India, Ireland, Poland, Peru, Costa Rica, Brazil, Mexico, Chile (normally Mali, Niger – the later was the fastest growing country in Africa last year would be good case studies, but it is probably best to avoid countries entering a period of political instability, including most of the Arab Spring countries, Egypt, Tunisia, Algeria but not perhaps Morocco or Oman. Venezuela, Argentina, Nigeria, Sudan the DRC are all borderline cases... going through difficult time. Many countries in Africa just got debt relieve and more aid during the past decade, they are good subjects. *There are exceptions to the too small rule, Botswana has only about a million people, but grew rapidly until HIV-Aids hit; perhaps study it with Zambia and South Africa—Acemoglu and Johnson, 2012 *Why Nations Fail* discusses the history of many countries, including Mexico, Zambia and others, this might be a good place to start. Burkino Faso is another, the World Bank chief economist may come to speak to us.

*Case study preview (early I know, but never to early to start thing about it). Your country must be listed in this spreadsheet, see the [spreadsheet and full Table C-2](#), see also the [lecture notes on convergence](#). **Two helpful new reports** (search for your top 3 countries) include the just being released IMF World Economic Outlook: [hopes realities and risks](#), April 2013, see especially [Chapter 4](#) “Breaking through the frontier: can today’s dynamic low income countries make it?” and the *The 2013 Human Development Report – “The Rise of the South: Human Progress in a Diverse World”* – “examines the profound shift in global dynamics driven by the fast-rising new powers of the developing world and its long-term implications for human development.” First case study question, Are your countries above or below the blue line? Table and Figure C-2 divides all the large countries into two groups, those above the line are growing faster than warranted given their income level in 2000, those below are underperforming given their starting position (this is what absolute convergence means). You be able to fine your countries and label it in Figure C-2 (but be careful, if you remove countries from the excel figure, the blue line may move, if this happens don’t worry, and just find your country in Table C-2 here or on the spreadsheet (Table C-2 lists all the countries in the WEO and adds the blue line in the form of blue*

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growth rates that gradually trend up).² Please create a table with your peer countries and your case study country. Are the peer countries you have selected above and below the blue line in Figure C-2?

	1	2	3	4	5	6	7	8	9
Country	1997 % of U.S.	1960 % of U.S.	2000 Rank	2000 % of U.S.	blue line	2000- 2013	above- below	Pop	Above Below
Guinea	4.3%	3.8%	20	2.5	3.6	0.5	-3.0	11	below
Burundi	1.9%	4.3%	2	1.2	3.6	1.8	-1.8	9.0	below
Niger	2.1%	3.7%	6	1.4	3.6	2.5	-1.1	16	below
Malawi	3.3%	3.1%	9	1.6	3.6	3.0	-0.6	17	below
Burkina Faso	2.7%	3.2%	19	2.3	3.6	3.0	-0.5	18	below
Botswana	19.5%	5.0%	98	25	2.9	2.6	-0.2	1.9	on line
Uganda	7.2%	5.2%	15	2.2	3.6	3.5	-0.1	37	on line
Rwanda	2.9%	3.9%	10	1.6	3.6	5.2	1.6	11	Above
China	9.7%	4.4%	55	6.7	3.4	9.7	6.2	1360	above
Mozambique	4.6%	7.8%	4	1.3	3.6	5.4	1.8	23	above
Ethiopia	2.1%	2.2%	5	1.3	3.6	5.9	2.3	91	above

Source: Cols 1 and 2 Jones, 2001, Appendix C, IMF WEO October 2012, accessed 3-25-2013.
Columns 3-8 are trend line and data per capita income as share of \$U.S. per capita income in \$PPP 2005 current or constant 2005 prices.

² Twin economies are ones that start out at the same level of income, peer economies are comparable now, for example Rwanda and Ethiopia are landlocked post conflict economies in Africa. They also happen to be twins, Ethiopia was the poorest country in the world in 1960 according to Jones, 2001 Appendix C. What are comparator countries then? I am not sure, ask the [IFC-World Bank Doing Business](#).

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Course readings ftp: type <ftp.povertylectures.com> into any web browser (chrome or explorer or firefox), user name: econ6470 password: Fall2011. See below for what the reader looks like in chrome or firefox (similar in explorer as well). For Jones chapters, see core readings/book excerpts. Try this link as well, <ftp://ftp.povertylectures.com/Growth&DevelReader/>

Index of /Growth&DevelReader/ see <ftp.povertylectures.com>

Name	Size	Date Modified
[parent directory]		
CoreReadings/		1/28/11 12:26:00 PM
CountryStudies/		1/28/11 12:31:00 PM
ECGA-6470WebpageApril2007.pdf	7.2 MB	2/25/09 10:52:00 AM
ECGA-6470_PrintedSylabus.doc	175 kB	1/16/08 4:09:00 PM
ECGA6470WebPageFeb07.pdf	21.5 MB	1/31/07 1:23:00 PM
Growth Data Sets/		1/28/11 12:48:00 PM
GrowthClassics/		1/28/11 12:49:00 PM
McLeod Permanent ECGA 6470.doc	52.5 kB	1/16/08 3:48:00 PM
NotesPresentations/		1/28/11 12:50:00 PM
WBPublications/		1/28/11 12:53:00 PM

Case study growth diagnostics and policies: For many developing countries, in fact some of the poorest in the world, the last decade has been a pleasant surprise. Prior to the crisis, growth in China and India grew rapidly, an average of 8.5% per capita 2002 to 2007, and 6.9% average from 2008 to 2013 (IMF forecast, [April 2013 WEO](#)). This was part of the reason many low income countries and the BRICs experience relatively rapid growth despite the crisis. One reason we compute the post 2000 growth rates is that this boom in Asia spread to Africa and Latin America in part because of commodity price increases and in part because of debt relief and aid increases (motivated by the debt crisis of the 1980s & 1990s and fear of another post crisis slow down). But as the [IMF WEO April 2013 Chapter 4](#) points out not all low and middle income countries did well, despite this generally favorable environment. So what happens next? This is the question you will need to answer in your case studies. There are basically two scenarios, depending on whether your country was above or below the blue line, post 2000. If your country was above the blue (or had a growth survey as defined in Table 4.1), the question is will it last? There are three schools of thought on this sort of sustainability: A-the end is near: [Dani Rodrik](#), [Paul Collier](#) and [Bill Easterly](#) think the party is over, growth is slowing in China and India (due to a lack of sustained reform) and unless fundamental institutional change takes place this low income boom will soon end, perhaps in a debt or financial crisis as in the 1990s (see Table 4.3, page 7, WEO 4-2013). B-Growth seems poised to continue, especially in SSA (look at Figure 2.15, all the dark blue). See Chapters 2 and 4 of the WEO outlook and for Africa. In the EU Ireland is recovering (Chapter 2) and Poland never stopped growing, despite its proximity to the EU. [Dambasi Moyo](#) thinks Africa and the “frontier markets” will keep going. C- It does not matter, growth is inclusive (raising education, exports and life expectancy) and countries have levers for growth even if institutions are less than perfect (look at Ethiopia, Mozambique and Cambodia—the last two have nice little case studies in Chapter 4 of the WEO, see Figure 4.14 and 4.15). For discussion of inclusive growth, see the IMF jobs report cited by [Rodrik as “growth diagnostics”](#) at the IMF.

What if your country missed the post 2000 boom and is below the blue line? This is where your peers, twins and comparator economies come in. What did they do differently? What special constraints does your country face? Is it landlocked with bad neighbors (as in Burkina or Malawi—which are actually above the blue line). Or it is caught in a poverty trap (Madagascar, Haiti and?) related to climate and/or the burden of disease. Or are the problems largely self-inflicted as is the case with South Africa.

Presentation/case study shortcuts: see if your country has an Article IV report for the IMF, or a recent PRSP from the World Bank or IMF, you can often

All class presentations and Figures/Tables used for should include:

For the case study exam sections: Printed slides with titles OK for figures, but watch out for slides that rely on colors to read properly. Bring only tables, Figures and a list of references. too you bring to the exam, except no slides 6-6-6 slides, no words, lists, bullet points, etc. only Figures, Tables and a list of author(data) format references at the end. Try to list only references and include only Tables and Figures you will reference in your essay (of course this is hard to predict, but this probably means about 10 Figures/Tables and about five authors max, unless you are a very fast writer....). If English is not your first language, you can ask for extra time..

HW 8.1 (due Tuesday April 16th end of day): If you did any of these as part of your exam, just cut and paste into a word file/ (a) discuss how you determined your peer/twin/comparator economies—or PTC (for example, my twins come from Jones Appendix C data, here is group in 1960, here is group in 1997, or I chose 1980 as a base year Use your PTC list to construct Table C-3 (as in the [example for Rwanda](#) here and below, see footnote 2 next page for instructions). (b) Use the IFC_WB DB equivalent of Figure 1.4 to identify changes in institutions in your country over time. (c) Copy and paste/special a “comparator” Table for one or more of the indicators you identified in part b (Figure 1.4) as problem areas (“far from frontier”) or areas of change, or example for Ireland “registering” property would be interesting. Referring to your Figure by number briefly define what this indicator means and why it may be a concern (or not)? [Do these IFC-WB economies](#) overlap with your list at all? If not, should you change your group or does your group make sense as it is?

Where did this table come from? Answer, just click it or download it here,

If all of you countries are above or below the blue line, please adjust your group of peers so you have a mix of over and underperforming countries, with at least two countries in each group. Peers can include countries that are similar geographically or in size (population) but it is best to have countries that were close to your country in whatever base year you have chosen. For African countries for example the 2000 base year used for Figure C-2 and Table C-2 may be appropriate for. You can submit 7.1 either a part of your revised data inventory or as a separate assignment (everyone should do one or the other or both). A sample answer to 7.1 (for [Rwanda, taken from this spreadsheet, 1960 peers](#)) is shown below. As it happened the only above the line countries in the original group was Rwanda and China, two countries which are not really comparable (though it is interesting that they had similar per capita incomes in 1960). To have a few comparable above the line countries, I added Mozambique and Ethiopia, both post conflict, landlocked economies in Africa. Perhaps we have too many under the line countries, but they can be dropped later. I pasted this file directly from excel, if necessary a row can be eliminated without going back to the spreadsheet.

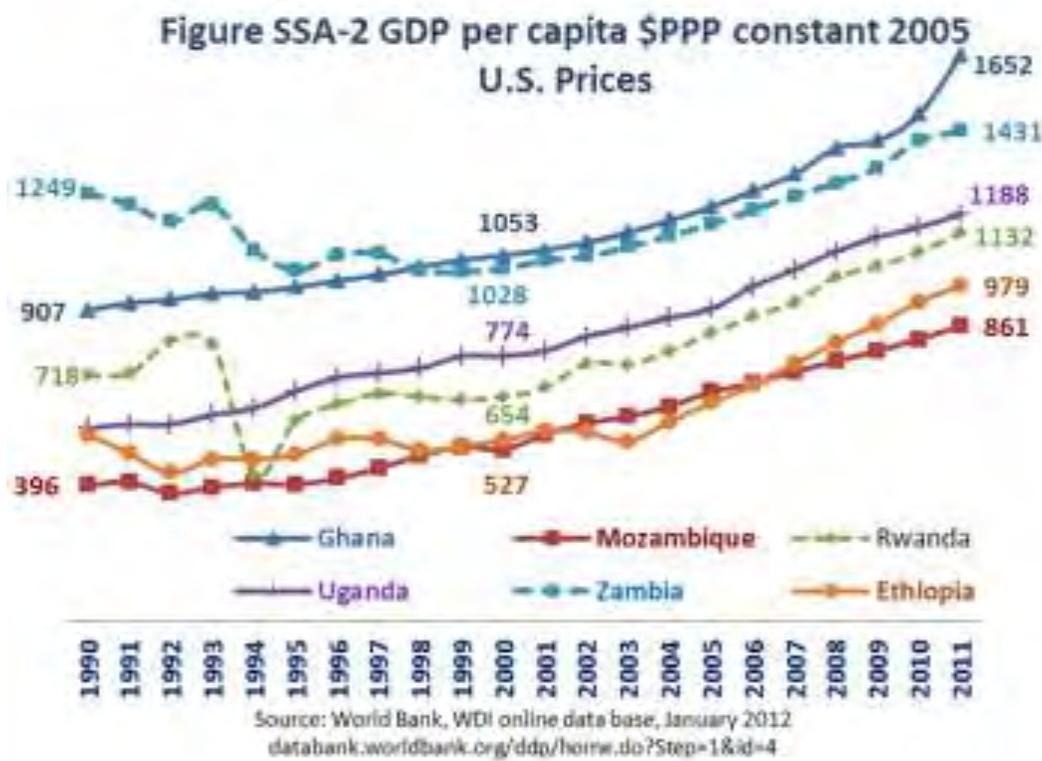
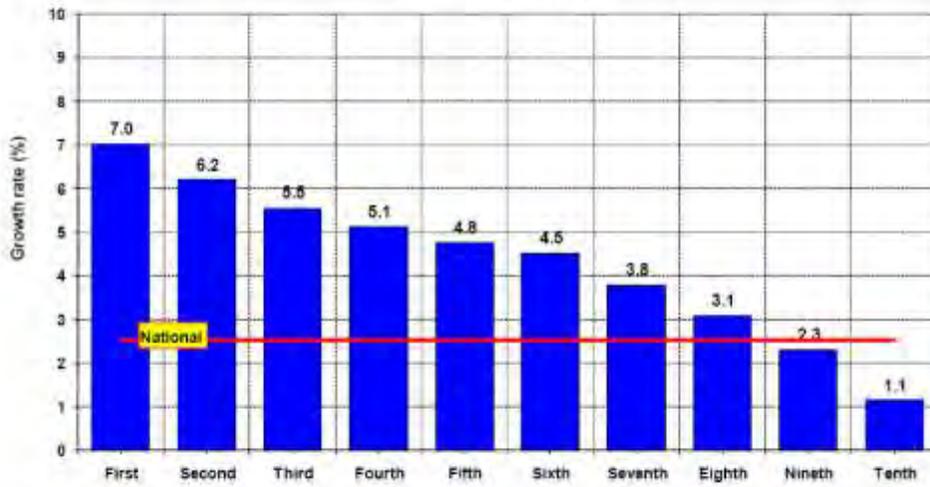


Figure 10

Figure 2.4: Annual growth rate for per capita income in Brazil, by percentile, 2001-2007



Source: Estimales baseadas en Pesquisa Nacional por Amostragem de Domicílios (PNAD), 2001 and 2007

Source: Barros et al. (2009).



The greatest American economic thinker of the last century was a Yankee tinkerer, teetotaler, and TB survivor. Trained in mathematics but desiring "contact with the living age," Irving Fisher invented the *holodex*, the consumer price index, and the economic forecast. By the 1920s, Fisher (*bottom, left*) was America's economic oracle, wellness guru, and stock picker, his celebrity rivaling that of Alexander Graham Bell (*right*).



In a postgraduate year in London, Joseph Alois Schumpeter rode, fenced, dressed, and talked like one of the Viennese aristocrats he wished to be taken for. He spent most of his time at the British Museum writing a book criticizing economic theory for ignoring how the economy evolved over time.



After marrying inquisitively, Schumpeter rushed off to Egypt, the miracle economy of the Belle Epoque, to make his fortune as a lawyer and money manager. In Cairo, he found inspiration for his greatest work, *The Theory of Economic Development*.

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Here are two versions of the same Figure, the top one can be edited, but is fragile, and will change shape & layout depending where you paste it. In fact if you past this version into a power point the fonts will change, so create a picture using “paste/special/ windows metafile” (or and graphics form Stable and flexible.

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Figure 1.1 Growth Convergence post 2000

(source: WEO April 2013 database)

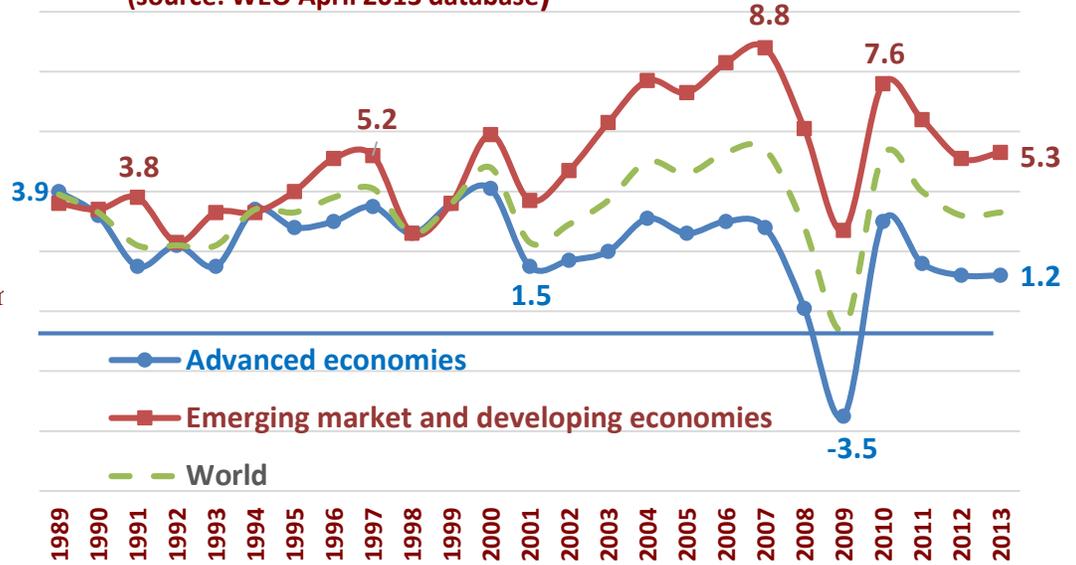


Figure 1.1 Growth Convergence post 2000

(source: WEO April 2013 database)

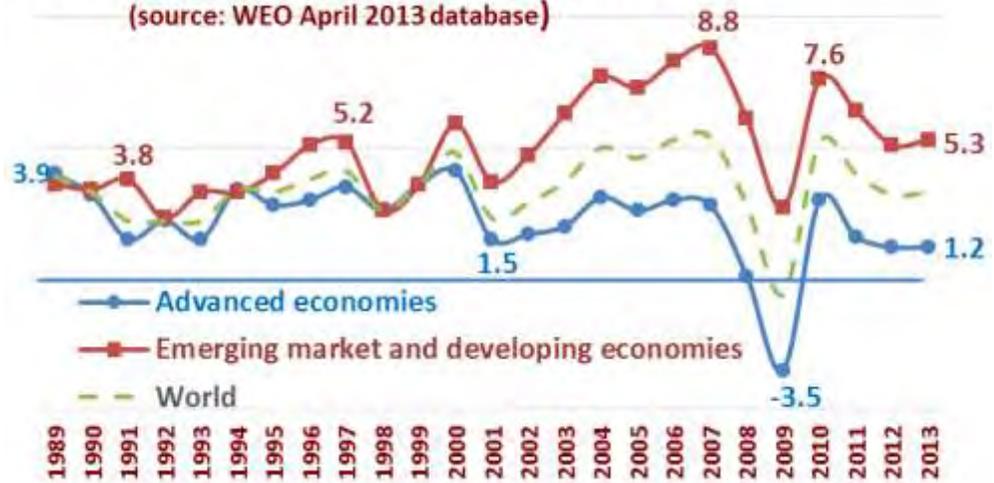
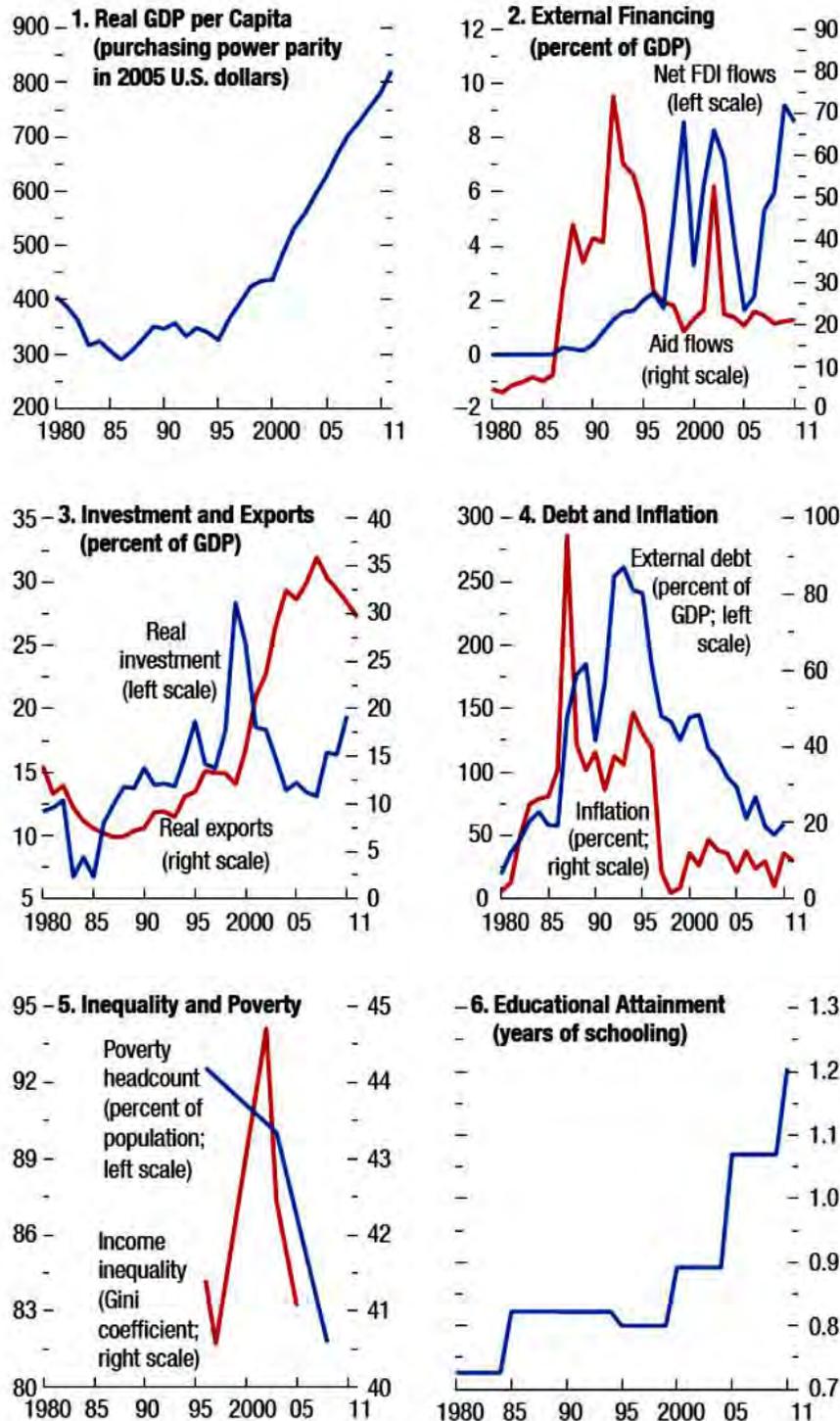


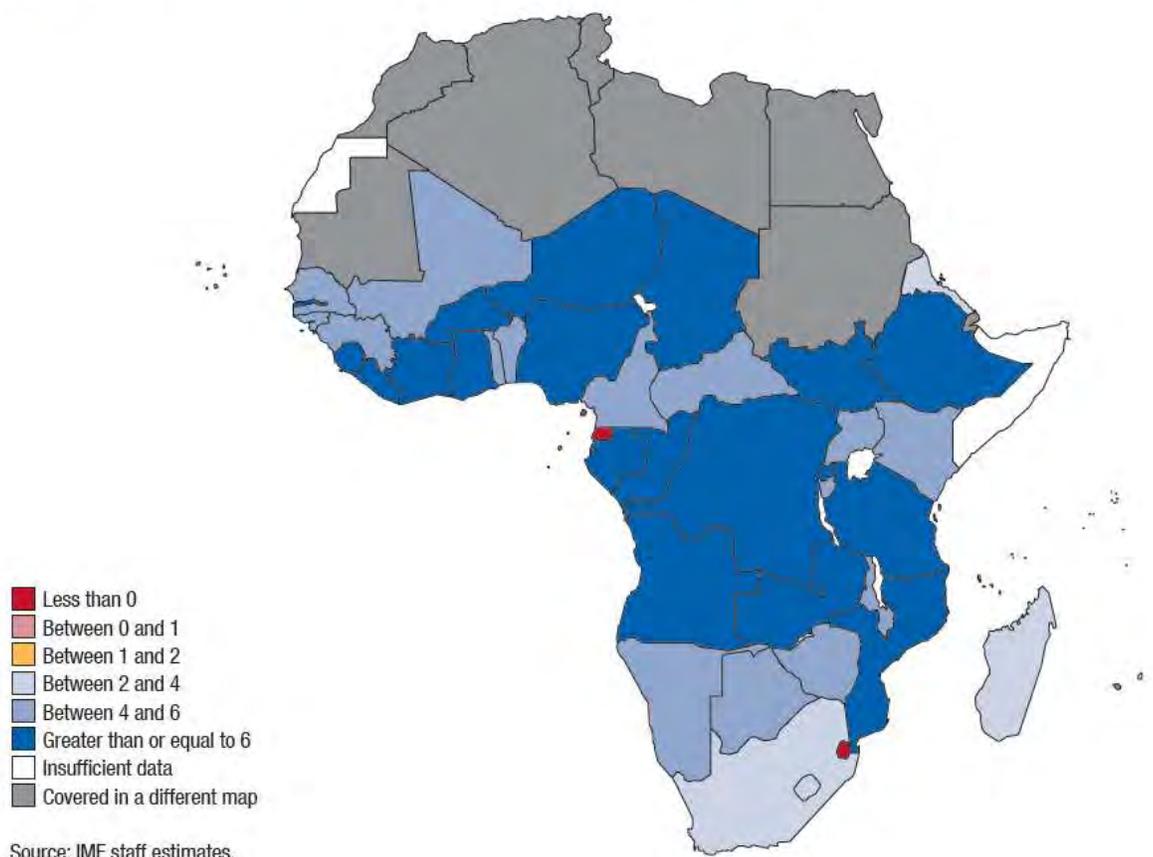
Figure 4.14. Mozambique's Growth Experience since the 1990s

Mozambique's experience highlights the benefits of undertaking policies and measures that attract private investment financed by foreign direct investment (FDI). It also reveals the challenges arising from commodity-based growth, whereby lasting structural reforms will be needed for broad-based improvements in productivity, growth, and living standards.



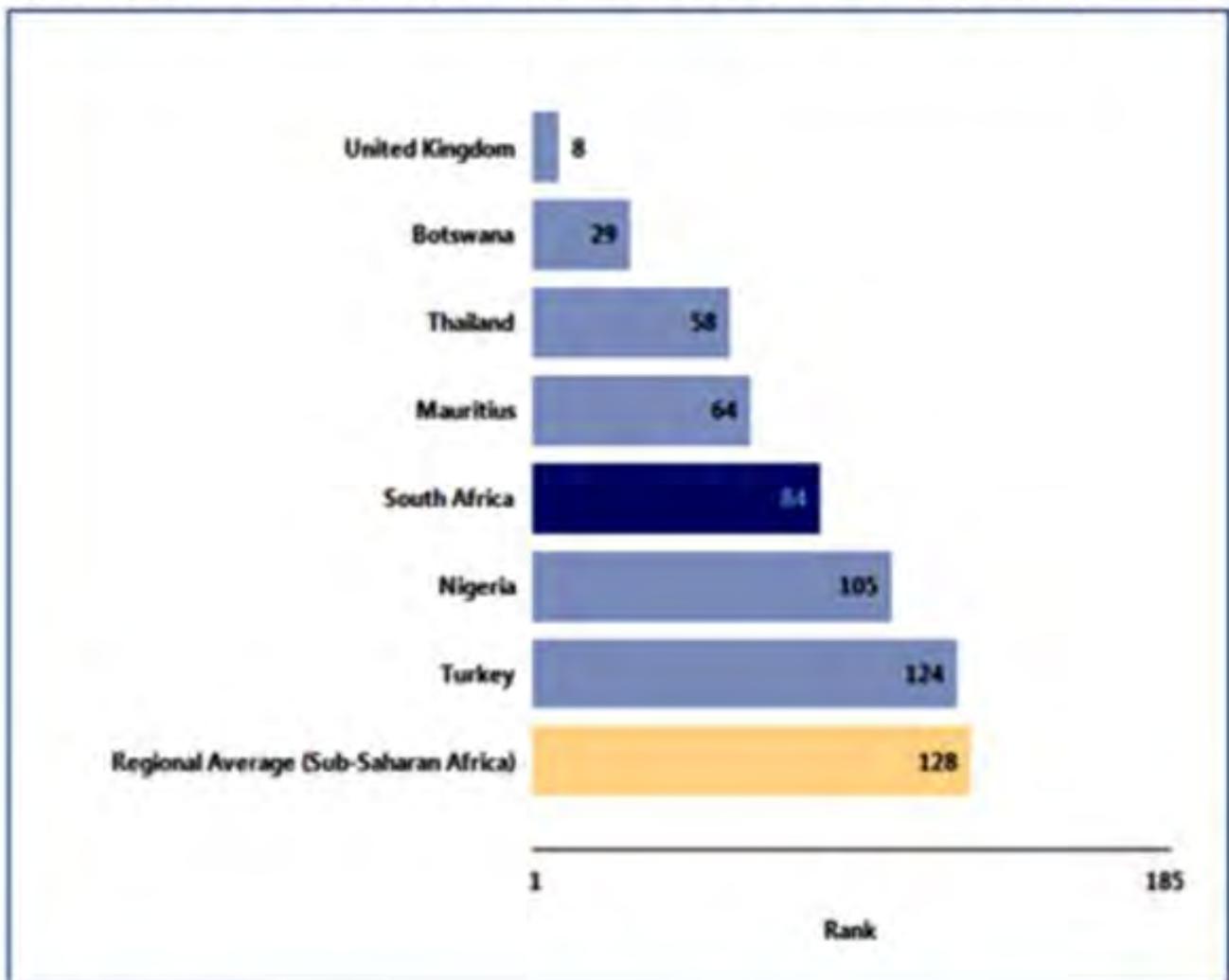
Sources: Barro and Lee (2010); IMF, Balance of Payments Statistics database; IMF, World Economic Outlook database (October 2012); Lane and Milesi-Ferretti (2007) updated to 2011; Penn World Table 7.1; Solt (2009); World Bank, World Development Indicators database (2012); and IMF staff calculations.

Figure 2.15. Sub-Saharan Africa: 2013 GDP Growth Forecasts
(Percent)



Source: IMF staff estimates.

Figure 11.1 How South Africa and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.