

ECONOMIC GROWTH

Economics 432

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Why are some countries rich and some poor? This is perhaps the most important question in economics. Although an enormous amount of research has been done on the subject, economic growth is one of the most active fields in economics today as there is still much to be understood. In this class we will discuss three types of factors that contribute to economic growth. The first is what is called factor accumulation: the build-up over time of things like physical capital (machines, tools, etc.), human capital (education and skills), and population. The second is technology: new ways of combining capital, labor and natural resources to produce more (and new) goods and services. The last is the broadest area and consists of ‘non-economic’ factors such as political institutions, geography, and culture.

The prerequisites for the course are Economics 380 and 381.

Required Texts:

- 1) Economic Growth by David Weil; Pearson/Addison-Wesley
- 2) The Elusive Quest for Growth by William Easterly; MIT Press

Grading: Paper – 20%
 Midterm – 30%
 Final – 50%

Practice problems will be assigned but will not count towards course grade.

Course Outline

<u>Topic</u>	<u>Readings</u>
Introduction	1&2 (W); 1 (E)
Physical capital accumulation with exogenous saving	3 (W); 2&3 (E)
Physical capital accumulation with endogenous saving	Handout
Population Growth	4 (W); 5 (E)
Human Capital	6 (W); 4(E)
Measuring Productivity	7 (W)
Technology	8&9 (W); 9 (E); Handout
Efficiency	10 (W)
Growth in the open economy	11 (W); 6&7 (E)
Government and Institutions	12 (W); 11&12 (E)
Culture	14 (W); 13 (E)
Geography	15 (W); 10 (E)

The midterm will be given in class on Thursday, May 19th

The final will be given in class on Thursday, June 16, 3:00 p.m. to 4:50 p.m.

Course Paper for Economics 432

The paper for this course will consist of a country study. One country will be chosen (developed or underdeveloped) by the student. The paper will consist of two parts:

Part 1 – A historical background for the country. This should include a brief overview of country's history from 19th century onward, focusing on factors that have likely affected the country's economic development. Topics covered can include colonial history (if ex-colony), cultural background, political institutions (democracy, dictatorships, etc.), major wars or political instability, structure of the economy (agriculture, industries, major exports, etc). The paper must also contain time series of economic data for the country. This *must* include GDP per capita (real/constant prices), and can also include population, physical capital, education, and possibly inequality measures and trade statistics. Availability and/or time horizons of data will likely vary by country. The data can be presented in graph or table form.

Part 2 – The second part of the paper will focus in more detail on one specific area that can contribute to economic growth. These areas are generally the topics covered in the course outline. These include the following: physical capital accumulation/large scale investment projects; education provision/reform; political and institutional reform; corruption; privatization; trade policy; technology policy; foreign aid (World Bank, etc); other areas (culture, geography, disease environment).

The major source for data is the Penn World Table at:
http://pwt.econ.upenn.edu/php_site/pwt_index.php

Other data sources, especially on political variables, can be found at the World Bank website <http://www.worldbank.org/data/databytopic/databytopic.html>

There is no firm length requirement for the paper, although you should need at least 10 pages to cover the necessary topics.

A proposal for the paper listing the country chosen and the area chosen for part 2 is due in class on May 10th. The paper itself will be due the last day of class, June 13th. NO LATE PAPERS WILL BE ACCEPTED!

I will be glad to look over and comment on drafts of your paper, as long as they are given to me at least a week before the due date.