

GALATASARAY UNIVERSITY
Department of Economics

ECK 552 MACROECONOMICS II (Grad.)

II. Semester 2013-14

Instructor: Ozan BAKIS, bakis@sabanciuniv.edu

Course: Wednesday, 10:00-13:00 at YL 1.

1 Course description

Topics: economic growth, migration, growth and inequality, dual economy models, credit imperfections...

The course outline lists main articles that will be discussed in the class. There will be no required text. However, some textbooks that give some background to the articles discussed in the class are listed below. Students can refer to these textbooks to complement these articles.

Grading: A term paper (20%), Presentation (20%), Attendance (10%), Final exam (50%).

The term paper will be based on papers in the “Term paper topics” list. Ideally, the term paper will cover a particular topic which requires the understanding of several related papers on the topic you have chosen. Term papers are due by the last session of the semester. Students will also make a presentation based on a paper you choose (typically one of papers you use for your term paper). The date of the presentation will be decided once term paper choices are definitive.

Textbooks: There is no textbook for this course. We will use mostly journal articles for each lecture. However, below textbooks may be useful to review basics of economic development and growth.

- Aghion, P. and P. Howitt (2009): *The Economics of Growth*, MIT Press (AH).
- Todaro P.M. and S.C. Smith (2012): *Economic development*, Addison-Wesley (TS).
- Easterly, W. (2001): *Elusive Quest for Growth*, MIT Press (E).

TS’s book is essentially an undergraduate book on economic development with some chapters addressed to graduate students. In case you need to review basic concepts, this book may be useful. AH’s book an advanced graduate textbook on endogenous growth. Authors develop a Schumpeterian model of economic growth and apply this framework to analyze a wide range of issues related to growth such as trade, inequality, market structure, innovation. E’s book is dedicated to the real problems observed in underdeveloped countries. It is a mixture of “personal experience at World Bank” and “development strategies developed by World Bank and IMF to reduce poverty”. The book focuses on the reasons of failure of policies developed by World Bank and IMF and tries to detect the reasons of this failure.

2 Course Outline

2.1 INTRODUCTION

- Acemoglu, D. (2010): "Theory, General Equilibrium, Political Economy and Empirics in Development Economics," *Journal of Economic Perspectives*, 24(2), 17-32.

2.2 EVOLUTION OF DEVELOPMENT THEORIES

- Lindauer, D. and L. Pritchett, (2002): "What's the Big Idea? The Third Generation of Policies for Economic Growth," *Economia*, vol. 3(1).
- Rodrik, D. (2008): "Growth Diagnostics" (with R. Hausmann and A. Velasco), in J. Stiglitz and N. Serra, eds., *The Washington Consensus Reconsidered: Towards a New Global Governance*, Oxford University Press: New York.
- Atiyas, I. and O. Bakış (2011): *Türkiye'de Büyümenin Kısıtları: Bir Önceliklendirme Çalışması*, TUSIAD Publication, No. 2011/11/519.

2.3 DUAL ECONOMY

- Harris, J. R., and Todaro, M. P. (1970): Migration, unemployment and development: a two-sector analysis. *The American Economic Review*, 126-142.
- Temple (2005): "Dual Economy Models: A Primer for Growth Economists," *Manchester School*, 73, 435-478.
- Bourguignon, F. (1990): "Growth and inequality in the dual model of development: the role of demand factors". *The Review of Economic Studies*, 57(2), 215-22.

2.4 GROWTH ACCOUNTING

- Hall, R. and C. Jones (1999): "Why Do Some Countries Produce So Much More Output per Worker than Others?" *Quarterly Journal of Economics*, 114, 83-116.
- Caselli, F. (2005): Accounting for cross-country income differences. *Handbook of economic growth*, Vol. 1, 679-741.

2.5 RESOURCE ALLOCATION, TECHNOLOGY AND PRODUCTIVITY

- Hsieh, C., and P. Klenow (2009): "Misallocation and manufacturing TFP in China and India". *The Quarterly Journal of Economics*, 124(4), 1403-1448.
- Restuccia, D., and Rogerson, R. (2008). Policy distortions and aggregate productivity with heterogeneous establishments. *Review of Economic Dynamics*, 11(4), 707-720.

2.6 CREDIT MARKET IMPERFECTIONS AND MULTIPLE EQUILIBRIA

- Galor, O. and Zeira, J. (1993): "Income Distribution and Macroeconomics", *Review of Economic Studies* 60, 35-52.
- Ljungqvist (1994): "Economic Underdevelopment: The Case of a Missing Market for human capital", *Journal of Development Economics*, vol. 40(2), 1993, 219-239.

- Banerjee, A. and A. Newman (1993): "Occupational Choice and the Process of Development". *Journal of Political Economy* 101(2), 274-298.

2.7 POVERTY TRAPS AND COORDINATION PROBLEMS

- Kremer, M. (1993): "The O-Ring Theory of Economic Development", *The Quarterly Journal of Economics*, 108(3), 551-75.
- Murphy, K., A. Shleifer and R. Vishny (1989): "Industrialization and the Big Push" *Journal of Political Economy*, 1003-1026.
- Cooper, R. and A. John (1988): Coordinating coordination failures in Keynesian models. *The Quarterly Journal of Economics*, 103(3), 441-463.

2.8 INSTITUTIONS

- Acemoglu, D., S. Johnson and J. Robinson (2001): "The Colonial Origins of Comparative Development: An Empirical Investigation". *American Economic Review*, 91(5), 1369-1401.
- Glaeser, E. L., R. La Porta, F. Lopez-de-Silanes, and A. Shleifer (2004): "Do institutions cause growth?". *Journal of Economic Growth*, 9(3), 271-303.
- Acemoglu, D., Johnson, S., and Robinson, J. A. (2005): Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*, Vol. 1, 385-472.

3 Term paper topics:

- Hausmann, R., R. Klinger and R. Wagner (2008): *Doing Growth Diagnostics in Practice: A 'Mindbook'*, Center for International Development Working Paper No. 177.
- Caselli, F. (2005): Accounting for cross-country income differences. *Handbook of economic growth*, Vol. 1, 679-741.
- Galor, O. and O. Moav (2004): From physical to human capital accumulation: Inequality and the process of development. *The Review of Economic Studies*, 71(4), 1001-1026.
- Bollard, A. P. Klenow and G. Sharma (2013) "India's Mysterious Manufacturing Miracle", *Review of Economic Dynamics* 16, 59-85.
- Parente, S.L. and E. Prescott (1994) "Barriers to Technology Adoption and Development," *Journal of Political Economy*, 102(2): 298-321.
- Banerjee, A. and E. Duflo (2005): Growth theory through the lens of development economics. *Handbook of economic growth*, Vol. 1, 473-552.
- Kremer, M. (1993): "The O-Ring Theory of Economic Development", *The Quarterly Journal of Economics*, 108(3), 551-75.
- Acemoglu, D., S. Johnson and J. Robinson (2001): "The Colonial Origins of Comparative Development: An Empirical Investigation" *American Economic Review*, 91(5), 1369-1401.