Topics covered

Growth and development, growth rates (math of growth)

Measure of growth and development: GDP, GDPpc, GDPpw, GNP, HDI, happiness and efficiency

Growth theories: Growth philosophy and Solow model in the body of literature

Solow model: Production function, fundamental law of motion, steady state, balanced growth path, transition dynamics, multiple equilibria, transformations and solution (algebra), capital widening, deepening and dilution, *AK model, Growth Accounting*

Understanding growth further: Human capital, education (quality and externalities), over-education and cobweb model, Privatisation (source of capital, technology and efficiency)

Productivity: Technology and Efficiency. Common types of inefficiencies. Solow model with technology

Growth in an Open Economy: Capital Mobility (FDI: role and determinants), Balassa-Samuelson Effect, Technology transfer (imitation vs. innovation), privatisation, convergence (absolute and conditional)

Fundamentals: Geography, Institutions, History (pre-communist past) and Government (Olson's bandit theory, property rights, market failures, redistribution, taxation), Culture (as slow moving institution) and Religion (individual traits, Weber and Marx). Geography versus Institutions.

CEE: Countries and groupings

Chapters covered

	Read	*Skim*	*Skip*
Weil	Ch. 3 (with appendix) Ch. 1.1, 4.2, & 6.3 Ch. 7, 8.1 Ch. 10.1, & 10.3 Ch. 11.3 Ch. 12.1-12.3 Ch. 14.1	Ch. 1, 2 Ch. 6.2 Ch. 10.2 Ch. 11.1, 11.4 Ch. 14.2-14.3	Ch. 4.1, Ch. , 4.3-4.4 Ch. 4 Appendix, Ch. 6.1 Ch. 11.2, 11.5
Jones	Ch. 2.1-2.2	Ch.2.3-2.4	
Papers	Lucas (1990) Sections i. and ii. Aghion et al. (2010) Sections 1. and 2.	Benacek et al. (2000) sections iv and v Aghion et al. (2010) Section 3. Competition Roland (2010)	

The lecture slides should suffice for Convergence, Balassa-Samuelson effect, and for FDI. If necessary, more on FDI can be read from Chapters iv and v of Benacek *et al.* (2000).

Quizzes on Weil's text (as well as Jones Chapter 1, 2.1 and 3.2 with solved end-of-chapter problems) may prove useful. Knowledge on CEE linguistic, religious, economic, and political geography will be beneficial. Use lecture slides as your main guiding.

Literature:

***Lucas* (1990)** Why Doesn't Capital Flow to Poor Countries? or even shorter summary

***Benacek et al.* (2000)** paper is available here

***Aghion et al.* (2010)** paper is available here

***Roland* (2010)** paper is available here

Jones chapters are available here or at the library

Sample questions for exam

- How many years will take Georgia to double income if currently the annual growth is 7 per cent? Quadruple the income?
- True/False/Uncertain: Solow model suggests that high growth rates in CEE between 1996 and 2007 is explained by the fact that those countries suffered a severe output loss in early 90s.
- Suppose that a constant 20 per cent of output is invested and capital stock depreciates at a constant rate of 0.8 per cent and population is constant. If the economy exhibits a Cobb-Douglas production function, with $\alpha = 1/3$ and A = 1, and the current level of capital per worker is 125, what will happen to capital stock?
- Using the framework of Solow model algebraically derive the fact that in equilibrium the GDP is on balanced growth path when there is an exogenous population and technological growth. (Hint: In equilibrium the GDP per effective worker is in its steady state.)
- During 1991-1995 the growth rate of productivity was 8 per cent in Slovenia and the growth rate of output was 9 per cent. What was the growth rate of the factors of production?
- Various multiple choice questions.