

CEE Growth & Development

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Michælmas Term 2013

Growth and Development in CEE

- Homepage:
 - <http://home.cerge-ei.cz/gurgen/teaching/Growth.html>
- E-mail:
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- Office hours:
 - Wednesday, 1400h - 1500h, CERGE office #106
 - Any other time with prior agreement

Growth and Development in CEE

Text

- Main:
 - Weil, D.N. (2012). *Economic Growth*
- Secondary:
 - Clunies-Ross *et al.* (2009). *Development Economics*
 - Acemoglu, D. (2009). *Introduction to Modern Economic Growth*
- others...
- Fiction:
 - Kapuściński *Imperium*
 - Ugrešić *The Culture of Lies*
 - Johnson *Central Europe: Enemies, Neighbours, Friends*

Course outline

Date	Topic	Weil
Week 1	CEE, Growth, Development, Measures (Ch1&2)	Ch. 1&2
Week 2	Factor Accumulation, Physical Capital and Transition	Ch. 3
Week 3	Population, Human Capital and Overeducation	Ch. 4&6
Week 4	Productivity and Efficiency	Ch. 7&8
Week 5	Technology, Innovation and Imitation	Ch. 9&10
Week 6	<i>Midterm</i>	
Week 7	Foreign investments and Trade	
Week 8	Fundamentals: Geography, History, Culture and Religion	Ch. 12
Week 9	Fundamentals: Geography, History, Culture and Religion	Ch. 14&15
Week 10	Globalisation, and Political Economy	
Week 11	Sustainable Development and Future Prospects	Ch. 16

Note: Some guest lectures and study visits will be announced in class.

Grading

- Final examination 40 per cent
- Mid-term examination 30 per cent
- Participation 30 per cent
 - Activity 10 per cent
 - Paper 20 per cent
 - Drafting, presenting and final version

Week's Topic

Growth and Development in CEE

- Growth vs. Development
- Measures of Growth and Development

- CEE
 - Political and Economic Map of CEE
 - Ali and Nino (first 3-4 pages)
 - Dynamicism vs. Static Spatial Concept
 - Lech, Czech, and Rus
 - Habsburgs, Romanoffs and the Ottoman

Growth and Development in CEE

Definitions

Definition (**Growth**)

- 1 Process of growing toward full size or maturity, development.
- 2 Increase, as in size, importance, or power.

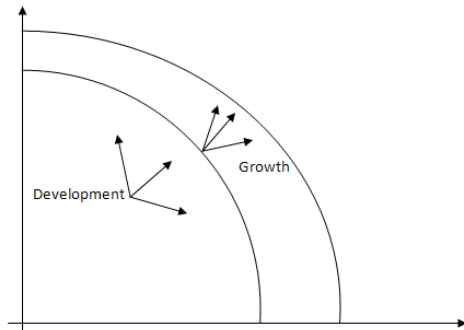
© Scribner Dictionary

Example

"Note that when economists talk about 'economic growth,' they have in mind growth [...] over long periods of time; in the literature on transition economies, we use 'growth' in a more literal sense, that is, as referring to the short-run dynamics of GDP per capita or labor productivity."

Growth and Development in CEE

Definitions



Growth Rate, $g(t)$

$$\frac{y_{t+1} - y_t}{y_t} = g_t$$

$$y_{t+1} = y_t (1 + g_t)$$

y_t is pc output at time t , and
 g_t is the growth rate

$$y_{t+n} = y_t (1 + g)^n$$

$$\frac{\dot{y}}{y} = g$$

$$\dot{y} = \frac{d}{dt} y$$

$$g = \frac{d}{dt} \log y$$

Growth Rate, $g(t)$

$$\frac{y_{t+1} - y_t}{y_t} = g_t$$

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y_t is pc output at time t , and
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Economy in the future

- Czech economy grows 3.2 per cent annually
- How Czech economy will compare with current level in 10, (25, 50) years?

<i>now</i>	100
10y	137
25y	220
50y	483

Growth Rate, $g(t)$

Different Growth Rates

- Czech Republic and Poland have similar economies
- Czech economy grows 3.2 per cent annually
- Polish economy grows 4.5 per cent annually
- How Czech and Polish economies will compare in 10, (25, 50) years?

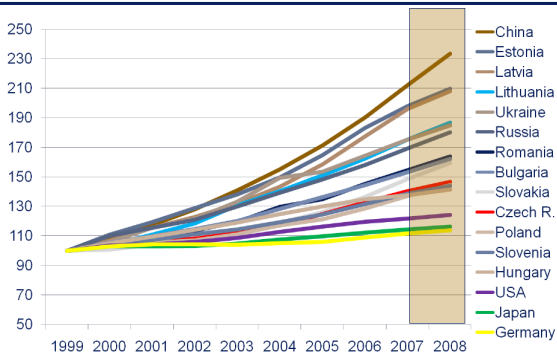
	<i>Czech</i>	<i>Polish</i>
<i>now</i>	100	100
10y	137	155
25y	220	300
50y	483	903

Double production

$$\begin{aligned}y_{t+n} &= 2y_t \\2y_t &= y_t (1 + g)^n \\ \log 2 &= n \log (1 + g) \\ n &\simeq \frac{\log 2}{g} \left[\simeq \frac{70}{g\%} \right]\end{aligned}$$

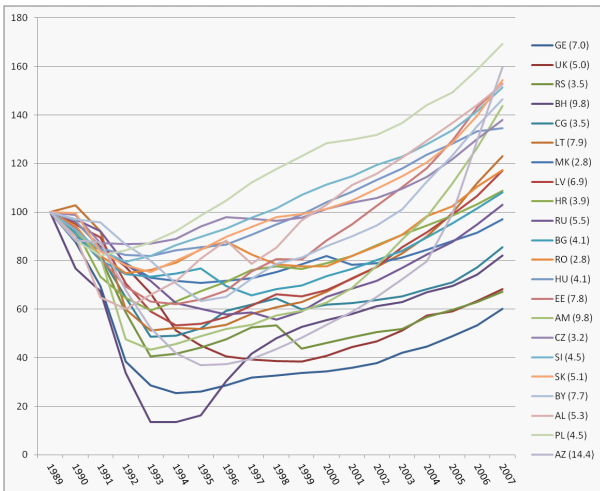
CE Growth Rates

Real GDP Index (Base Year 1999)



Source: IMF, World Economic Outlook; 2007 a 2008 – IMF estimates

CEE Transition



2008 and after...

