

北京大学国家发展研究院

PKU National School of Development

《Growth Economics》

Instructor: Prof. Gordon Liu Students: Undergraduate Students
Course Title: **Growth Economics** (in English)
Term: Spring 2016 Time: 3-6pm on Sundays, Feb 28-May 29, 2016
Weekly hours: 3 Credits: 3
Prerequisite: English Classroom: 北大理教 310

TAs:

巫丽敏 wuliminlisa@163.com 188 1300 5328
孙雅琪 sunyaqi@pku.edu.cn 152 0147 6705
苏东灵 sudongling@pku.edu.cn 178 8883 8298

Instructor:

Prof. Gordon Liu is a Yangtze River Scholar Professor of Economics at Peking University National School of Development (NSD), and Director of PKU China Center for Health Economic Research. His research interests include health and development economics, health reform, and pharmaceutical economics. Prior to PKU NSD, he served as full-time faculty at USC, UNC Chapel Hill, and PKU Guanghua School of Management. He has taught courses as China in Transition, Managerial Economics, Macroeconomy and Health, and Health Economics.

教师简介：刘国恩老师，北京大学国家发展研究院经济长江学者特聘教授、博士生导师，北大中国卫生经济研究中心主任，国务院国家医改专家咨询委委员。刘国恩教授曾执教于美国南加州大学，北卡大学，北大光华管理学院。曾讲授《China in Transition》，《Managerial Economics》，《宏观经济与健康投资》，《健康经济学》和《中国医疗体制改革》。

Email: gordonliu@nsd.pku.edu.cn; Tel: 6275-6963。

I. Course Overview

The world economies have experienced the greatest divergence in economic growth in history since the Industrial Revolution. China, in particular, went through perhaps the most dramatic transitions, from leading the world economy for most of the agricultural era, to falling among the poorest economies in the late 70s, and then to upturning again with an

unprecedentedly high growth for the recent decades. While the world great divergence is well observed, large disputes remain on the key economic drivers and mechanisms for growth.

This course will provide undergraduate students with a systematic view of economic concepts, basic theories, analytic frameworks, and primary literature with empirical evidence that are essential to a full understanding of the most fundamental part for economic growth. Drawing upon the materials from the economics textbooks and literature, this course will have 12 central topics on growth for lectures, presentations, and discussions throughout a semester. For outcomes, this course expects students to gain a basic understanding of why and how growth matters, and what is known and what is not known from the literature on the driving forces of growth.

II. Course Objectives

This is a semester-long course, aiming at providing undergraduate students with a systematic view of economic concepts, basic theories, analytic frameworks, and empirical data and evidence from literature that are essential to a full understanding of the most fundamental part for economic growth.

III. Course Topics

Topic 1 The World Economic Growth and Great Divergence – from the Agricultural Era to Industrial Revolution

Today's world as a whole is surely much more prosperous than ever before. In the meantime, it also has been accompanied with growing disparities in income and living conditions across the planet, leading to the greatest income divergence ever in human history. How has the human income gap changed over time? What are the major drivers for income growth and distribution gaps? How to determine economic growth in an analytic framework from the conventional theory? What happened to the dynamics of China's economy in history?

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Topic 2 Growth Model and Factors of Production: Physical Capital

How economists model economic growth in the context of conventional framework? What are the most fundamental factors of production in growth models? How is capital determined and how its nature and roles have been evolved over time in human history of economic growth? What are the major shortcomings with the conventional growth model settings?

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Topic 3 Growth Model and Factors of Production: Labor Supply and Population

What is the relationship between population, labor supply, and economic growth? What is the well-known Malthusian trap and why it was once popular and then collapsed later during the Industrial Revolution? How to model the roles of population and labor supply in income growth model? How did Malthusian theory influence the population control policies in China? What are the central driving forces for fertility transition and population growth in the long run?

References

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Topic 4 Growth Models and Factors of Production: Human Capital

How does the quality of labor matter to production? How to measure labor quality from the perspective of education and health as two most critical human capitals in growth models? What are the similarities and differences between human capital and physical capital, and the relationship between health and education human capitals? How to predict the future potentials of human capitals in China's economic growth?

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Topic 5 Growth Models and the Roles of Productivity

Why cannot the different aspects of factors of production fully explain all of the income variation among countries? How to measure productivity in growth models, and how much of the unexplained income variation can be attributed to productivity? How and why productivity differs among countries? How to assess China's growth potential from productivity perspective?

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Topic 6 Productivity and Determination: Technology

For a given quantity of physical and human capitals, improved productivity must mean a greater technology or better efficiency. What determines technology and how it is created and applied to economic production process? How technologies differ among countries, and how to model technology improvement in growth production?

References

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Topic 7 Productivity and Determination: Efficiency

In addition to technology, how much of the productivity variation can be explained by efficiency levels associated with the users? How efficiency differs among countries? What are the different types of inefficiencies? How efficiency is determined by state institutional arrangement and openness/globalization?

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Topic 8 Fundamental Conditions for Growth: Government

Why does a society need government and what should be its proper roles in the economy? How government would affect growth? Why did government intended goals often end up with different or sometimes opposite outcomes in economy? Why poor countries tend to have poor government?

References

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Topic 9 Fundamental Conditions for Growth: Income Distribution

Why do income distribution and inequality matter to growth? How to measure income inequality and how did it change along with economic growth in human history? What is the effect of income inequality on accumulation of physical capital? How does it matter to human capital? How does it affect economic efficiency, political economy, and social sustainability?

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Topic 10 Fundamental Conditions for Growth: Culture and Value Ideas

To what extent do culture and value ideas affect economic growth? Through what mechanisms do culture and value ideas may play a significant role in economic productivity? How to measure culture and value effect on growth? What determines culture and value ideas? Can culture and value ideas be changed through government or public interventions such as freedom of speech and “market” for ideas? What are the implications of culture effect on economic activities for Chinese?

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Topic 11 Fundamental Conditions for Growth: Geography, Climate, and Natural Resources

To what extent can geographic locations explain income difference across countries? How does climate matter to growth and why? From a country perspective, whether and how the endowment of natural resources may matter to its growth? How would the relationship between the natural resources and growth change from the global perspective?

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Topic 12 Growth from the Global Perspective: Natural Resources and Environment

Taking the global perspective, whether and how will economic growth sustain associated with the use of nonrenewable resources and the environmental degradation? How should one reconcile the economic profit maximization and sustainability, particularly with environment challenges to our future generations on this planet? From economics literature, what conceptual solutions and empirical understanding of the issues have been offered, and what are the major disputes still remained? Can market mechanisms such as technological substitution, pricing, and property right solve the problems?

References

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Sokoloff, K. L., and S. L. Engerman, “Institutions, Factors Endowments, and Paths of Development in the New World,” *Journal of Economic Perspectives*, 2000 (14): 217-232.

Davis, D. R., and D. E. Weinstein, “Bones, Bombs, and Break Points: The Geography of Economic Activity,” *American Economic Review*, 2002 (92): 1269-1289.

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Shafik, Nemat, “Economic Development and Environmental Quality: An Econometric Analysis,” *Oxford Economic Papers*, 1994 (46): 757-773.

IV. Textbook Reference

David N Weil, **Economic Growth**, third edition, Pearson, 2013

V. Grading Policy

Quizzes: 60 points (12 times)

Final Test: 40 points, Team Project Paper plus Oral Presentation in class on June 5, 2016.