

# 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** (English)  
Term: Spring 2017, Feb 26-May 28              Time: 3:10-6:30pm on Sundays  
Weekly hours: 3                                      Credits: 3  
Prerequisite: English                              Classroom: 北大理教 302

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### TAs:

巫丽敏 [wuliminlisa@163.com](mailto:wuliminlisa@163.com)      188 1300 5328  
李锐熙 [cfaulrx@126.com](mailto:cfaulrx@126.com)              158 0100 0767  
苏东灵 [sudongling@pku.edu.cn](mailto: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学长江学者特聘教授、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](mailto:gordonliu@nsd.pku.edu.cn); Tel: 6275-6963。

## I. Course Overview

The world economies have experienced the greatest divergence in economic growth in human 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 into 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 so far, large disputes and puzzles still remain on why and how the divergence took place in such a way that is so in favor of most nations primarily in the west Europe and North America, but not for many of those in the tropical zones and Africa? Would the divergence trend continue forever or inevitably turn to a convergence at some point in 21st century due to the conventional wisdom of diminishing returns to economic production?

This course will provide undergraduate students with a systematic view of economic principles, key frameworks, and empirical literature that are essential to a comprehensive understanding of economic growth, with some focus on China. Drawing upon the materials from the economics textbooks and literature, this course will have 13 central topics on growth, walking students through the tour of what has happened across nations in terms of living standards and income before and after the Industrial Revolution, followed by a set of key economic principles, basic growth models and empirical evidence aiming to explain the growth observations.

As for outcomes, this course expects students to gain a good understanding of why and how growth paths have taken place as observed between the rich and poor nations, with a particular focus on China's transitions, and hopefully to help students set a sound economic perspective in assessing policies and choices for future economic growth in China.

## **II. 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 may be the possible main drivers for the observed growth and distribution gaps? How to determine economic growth in an analytic framework from the conventional theory? What happened to the dynamics of economic transitions in China and why?

#### **References**

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Lin, J. Y., "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China?" *Economic Development and Cultural Change*, 1995 (43): 269-292.

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China's Economic Boom,” *Journal of Economic Literature*, 2014 (52): 45-123.

Pritchett, L., “Divergence, Big Time,” *Journal of Economic Perspectives*, 1997 (11): 3-17.

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罗伯特·巴罗, 《经济增长的决定因素: 跨国经验研究》, 李剑译, 中国人民大学出版社, 2004 年第 1 版。

林毅夫, “李约瑟之谜、韦伯疑问和中国的奇迹——自宋以来的长期经济发展”, 《北京大学学报(哲学社会科学版)》, 2007 年第 44 卷第 4 号, 第 5-22 页。

德怀特·帕金斯, “从历史和国际的视角看中国的经济增长”, 《经济学(季刊)》, 2005 年第 4 卷第 4 期, 第 981-912 页。

## **Topic 2 Economic Principles**

This topic will help students with a quick review of main economic principles that are offered from introductory economics. Mainly drawing from Mankiw’s textbook, it will cover the principles of how individuals make rational decisions based on cost benefit analysis. How individuals would better gain from participating in market exchanges for economic goods and services? How government plays a role in a market society, leading to possible changes that can be better or worse than otherwise without such interventions to improving economic well-being?

### References

Gregory Mankiw, *Principles of Economics*, 2009

Zhang Weiying, *The Logic of the Market*, 2015

## **Topic 3 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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吴忠群, “中国经济增长中消费和投资的确定”, 《中国社会科学》, 2002 年第 3 期, 第 49-62 页。

#### **Topic 4 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**

Bernard, A., and B. Meghan, “Who Wins the Olympic Games: Economic Resources and Medal Totals,” *Review of Economics and Statistics*, 2004 (86): 413-417.

Galor, O., and D. Weil, “Population, Technology, and Growth: from Malthusian Stagnation to the Development of Transition and Beyond,” *American Economic Review*, 2000 (90): 806-828.

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汪伟, “经济增长、人口结构变化与中国高储蓄”, 《经济学 (季刊)》, 2010 年第 1 期, 第 29-52 页。

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期，第 991-1018 页。

蔡昉，“人口转变、人口红利与刘易斯转折点”，《经济研究》，2010 年第 4 期，第 4-13 页。

## **Topic 5 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?

### **References**

Becker, G. S., *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, 1994, Chicago: University of Chicago Press.

Acemoglu, D., and S. Johnson, "Disease and Development: the Effects of Life Expectancy on Economic Growth," *Journal of Political Economy*, 2007 (115): 925-985.

Smith, J. P., "Healthy Bodies and Thick Wallets: The Dual Relation between Health and Economic Status," *Journal of Economic Perspectives*, 1999 (13): 145-166.

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Bloom, D., and D. Canning, "The Health and Wealth of Nations," *Science*, 2000 (287): 1207-1209.

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刘国恩、William H. Dow、傅正泓、John Akin, "中国的健康人力资本与收入增长", 《经济学 (季刊)》, 2004 年第 4 期, 第 101-118 页。

Thomas G. Rawski, "人力资源与中国长期经济增长", 《经济学 (季刊)》, 2011 年第 4 期, 第 1153-1186 页。

姚先国、张海峰, "教育、人力资本与地区经济差异", 《经济研究》, 2008 年第 5 期, 第 47-57 页。

薛进军、高晓淳, "再论教育对收入增长与分配的影响", 《中国人口科学》, 2011 年第 2 期, 第 2-13 页。

## **Topic 6 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 7 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 8      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 9      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 10 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?

## References

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## **Topic 11 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 12 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 13 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?

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### **III. Textbook Reference**

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

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### **V. Grading Policy**

Quizzes: 56 points (4points each lecture quiz, for 14 times)

Final Test: 44 points, Team Project Paper plus Oral Presentation in class on June 11, 2017.