

Syllabus

Prof. Dr. GRAFF Michael, ETH Zurich

Economic Growth and Development

Course at Fudan University, Shanghai, fall semester 2020

(This version: 8th of September 2020)

Course Description

Economic development represents one of the most interesting and important branches of economics. Understanding the causes and consequences of economic growth and development is the key to improving the material living conditions of humanity. This course addresses the topic from a pronouncedly transdisciplinary perspective, encompassing economics, sociology, politics, and history.

The course is aimed at (1) giving students an overview of the history of technology from the beginnings to the present, (2) introducing students to the most important theoretical models of economic growth (3) providing students with an overview of some of the major ideas in development thinking; (4) analysing the economic problems of developing countries, especially problems related to slow growth, high poverty rates, high income inequality, and chronic external crises; and (5) discuss strategies for accelerating growth, attaining sustainable development, reducing poverty and income inequality, and decreasing external imbalances. The applied analyses will give special attention to the challenges facing the Chinese economy.

Additional Information

The lectures begin with a historical perspective on economic development. After this, we shall look at some of the latest and most important data characterising the poorer parts of the world, including poverty, income, inequality, gender, health, fragmented markets and institutional weakness. We then look at the most prominent economic growth models and theories. We continue with theories and strategies designed to break the vicious cycles of poverty. Finally, we shall take a closer look at some of the challenges facing the Chinese economy.

Prerequisites for this course are interest in questions related to economic growth and development and readiness to study the nominated Chapters of the textbook (Todaro/Smith) as well as the other mandatory readings in depth; readiness to deliver a short group presentation on the major challenges facing the Chinese economy on the last lecture date. Basic knowledge of economics is an advantage, but not a prerequisite.

Students are advised to complete the mandatory readings *before* the respective sessions.

In-class work consists of five online lectures in the period Tuesday 13th to Thursday 22th of October 2020. Regular online participation is highly recommended, but not mandatory.

The course's assessment will consist of a final exam, to be staged before the end of October 2020.

Learning Objectives

After successfully completing this course, you should be able to:

1. Understand the basics of the economic history of the world from the beginnings to the present; identify the most important gradual as well as revolutionary changes.
2. Explain the basic concepts of economics growth models and evaluate their benefits and shortcomings.
3. Explain the basic concepts of development economics and compare the main characteristics of countries at the different stages of economic development.
4. Understand the implications of the major economic development theories.
5. Evaluate the growth and development performance of your own country and other countries with particular interest in the issues of poverty and inequality.
6. Evaluate the growth and development performance of your and other countries with particular interest in the policies relating to the role of human capital in economic development.
7. Understand the challenges that developing countries face in relation to population dynamics, globalisation and openness to trade, education, and financial development and evaluate the relevant policy options.
8. Understand the main issues at stake in the current policy debates on growth and development in domestic as well as global perspective.

Grading Information

The written final examination (60 minutes) will comprise multiple choice questions as well as open questions. It will be staged after the end of the course.

The course's overall grading will refer to a predetermined 50% threshold of the total marks for assignment and exam for a 'pass', and equal intervals for all marks better than this, subject to a 30% cap for the total of all A and A- grades.

Learning Resources

All mandatory reading will be provided as pdf files to the students enrolled in the course. The lecture slides will be made available before each session.

Important and up-to-date information on international trade and the international economy is available on the web pages of numerous organisations, such as central banks and statistical offices as well as supranational organisations like the IMF, the OECD and the World Bank.

Textbook

Todaro, Michael P. and Smith, Stephen C. (2015): *Economic Development*, 12th Edition: Pearson.

This is the course's basic textbook. It gives a comprehensive overview over economic growth and development economics, including aspects that we cannot dwell on in depth during the lectures.

Other Mandatory Reading

Graff, M., A. G. Kenwood and A. L. Loughheed (2013): *Growth of the International Economy, 1820–2015*, Routledge, Prologue and Chapters 1 and 21–23.

Graff, M. and A. Karmann (2006): *What Determines the Finance-Growth Nexus? Empirical Evidence for Threshold Models*. *Journal of Economics* 87 (2): 127–157.

Psacharopoulos, George and H. A. Patrinos (2002): *Returns to Investment in Education, A Further Update*. World Bank Policy Research Working Paper No. 2881: Washington.

Lectures

Lecture 1

Course organisation: Syllabus, readings, grading, allocation of students' presentations
The status of economic history, growth theory and development economics
Economic stagnation and development: concepts and definitions, facts and figures

Mandatory reading (examinable):

- Todaro, Michael P. and Smith, Stephen C. (2015): *Economic Development*, Preface and Chapter 1.

Lecture 2

Economic history and history of technology from the beginnings to the present

Mandatory reading (examinable):

- Graff, M., A. G. Kenwood and A. L. Lougheed (2013): *Growth of the International Economy, 1820–2015*, Routledge, Prologue and Chapter 1
- Todaro, Michael P. and Smith, Stephen C. (2015): *Economic Development*, Chapter 2.

Recommendations for further reading (during or after the course, not examinable):

- Cameron, Rondo (1967), *Some Lessons of History for Developing Nations*, The American Economic Review 57 (2), Papers and Proceedings: 312–324.

Lecture 3

Economic growth theory: a short recapitulation
Demographic change and economic development
Poverty and inequality
The environment

Mandatory reading (examinable):

- Todaro, Michael P. and Smith, Stephen C. (2015): *Economic Development*, Chapters 3, 5–6 and 10.

Recommendations for further reading (during or after the course, not examinable)

- Malthus, Thomas (1798): *An Essay on the Principle of Population*: London; Chapters 1–2.
- Mankiw, N. Gregory, David Romer, and David Weil (1992): *A Contribution to the Empirics of Economic Growth*. Quarterly Journal of Economics 107: 407–438.

Lecture 4

Human capital and economic development

Mandatory reading (examinable):

- Todaro, Michael P. and Smith, Stephen C. (2015): *Economic Development*, Chapter 8.
- Psacharopoulos, George and H. A. Patrinos (2002): *Returns to Investment in Education, A Further Update*. World Bank Policy Research Working Paper No. 2881: Washington.

Recommendations for further reading (during or after the course, not examinable):

- Pritchett, Lant (2001): *Where Has All the Education Gone?* World Bank Economic Review 15 (3): 367–391.

Lecture 5

Financial activity and economic development

Globalisation and economic development

Summary and outlook:

Advice: How to do well in the final examination

Mandatory reading (examinable):

- Todaro, Michael P. and Smith, Stephen C. (2015): *Economic Development*, Chapter 12–13.
- Graff, M., A. G. Kenwood and A. L. Loughheed (2013): *Growth of the International Economy, 1820–2015*, Routledge, Prologue and Chapters 21–23.
- Graff, M. and A. Karmann (2006): *What Determines the Finance-Growth Nexus? Empirical Evidence for Threshold Models*. *Journal of Economics* 87 (2): 127–157.

Recommendations for further reading (during or after the course, not examinable):

- Levine, Ross (1997): *Financial Development and Economic Growth: Views and Agenda*, *Journal of Economic Literature* 35: 688–726.
- Pomeranz, Kenneth (2000): *The Great Divergence: China, Europe, and the Making of the Modern World Economy*.