

Core Macroeconomics

Hillary Term 2008

Week 8: Economic Growth

Reading

An understanding of economic growth is now a central part of the macroeconomics syllabus. Romer (1996)** chapters 1 and 3 present a readable introduction to this topic, see also Burda & Wyplosz (2005) chapter 3 and Mankiw (2005) chapters 7 and 8 for background material. The main source is Jones (2002*a*), chapters 1–9. The classic reference is Solow (1957) but this material is also covered in Solow (1988). Since Romer (1986), attention has focussed on endogenous growth. The most accessible and interesting discussions are in Jones (1999)** , Jones (2002*b*)** and Temple (1999). You may also like to read Cameron (2003) for a modern textbook treatment. Mankiw, Romer & Weil (1992)** provides some empirical validation while Rogers (2003)** is more up-to-date. Romer (1986) and Mankiw, Phelps & Romer (1995) provide an alternative view and suggests that exogenous growth may be able to explain many growth phenomena. You may also wish to look at the articles in the *Oxford Review of Economic Policy* issue of Summer 1996. Crafts & Woodward (1991) chapter 9 provides a UK historical perspective. Crafts (1996) and Boltho & Holtham (1992) are also useful articles.

Take notes on:

1. The Solow model, absolute and conditional convergence
2. The effect of saving on growth in the Solow model
3. The AK model
4. The effect of saving on growth in the AK model
5. The sources of endogenous growth
6. Scale vs non-scale models of growth
7. Policies to raise productivity growth in the UK.

Class Assignment

Prepare a short presentation and detailed notes on your assigned topic (see syllabus for schedule) and be prepared to give a presentation in class. Also remember to bring copies for your cohort.

Recent Essay

How far can the shortcomings of the Solow neoclassical growth model be overcome by alternative models of economic growth?

Do the factors which explain why countries grow at different rates explain why their growth rates vary over time?

“The neo-classical growth model gives insufficient weight to the impact of capital on output.” “The neo-classical model attributes all differences in growth rates between countries to differences in the growth rate of the capital stock.” Can both these statements be true? (2006)

“In the neo-classical growth model a rise in the savings rate may or may not increase per capita consumption. If it does, welfare must rise.” Discuss. (2007)

References

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