

## ECON 5041 Macroeconomic Theory II

2<sup>nd</sup> Semester 2020 - 2021

**Class Schedule:** Mon 2:30PM - 5:15PM

**Instructor:** Prof. *Yip Chong Kee*, ELB 922; ext: 38187

### **Objective:**

The emphasis of this course is on the modern analysis of growth and development. New development on the theories of growth and development are studied. Theoretical part of the course covers on models of technological change, models of structural change, matching models and unified growth models. The application part of the course emphasizes how to apply the theories to understand cross-country income differences in the world economy. The use of macroeconomic data is emphasized.

### **Learning Outcome:**

Based on different dynamic macroeconomic models, we try to understand the driving forces behind the growth process of an economy and the related policy implications. This allows us to identify the sources of world income differences.

**Evaluation:** To give a presentation of “facts” and to propose a way to develop a model to explain them.

### **Basic References:**

(AH) Philippe Aghion and Peter Howitt, *The Economics of Growth*, The MIT Press.

(A) Daron Acemoglu, *Introduction to Modern Economic Growth*, 2009, Princeton University Press

(BS) Robert Barro and X. Sala-I-Martin, *Economic Growth*, second edition, 2004, McGraw Hill, Inc.

(P) Christopher A. Pissarides, *Equilibrium Unemployment Theory*, Second Edition, 2000, The MIT Press.

### **Readings:**

Caselli, Francesco, *Accounting for Income Differences across Countries*, in *Handbook of Economic Growth*, Vol. 1A, P. Aghion and S. Durlauf, eds. (Amsterdam: Elsevier, 2005, Chap. 9).

Jones, C., 2005. “The Shape of Production Functions and the Direction of Technical Change.” *Quarterly Journal of Economics*, 517-549.

Buera, F.J. and Kaboski, J.P., “Scale and the origins of structural change,” *Journal of Economic Theory* 147 (2012) 684–71.

Acemoglu, D., 2015. “Localised and Biased Technologies: Atkinson and Stiglitz’s New View, Induced Innovations, and Directed Technological Change.” *The Economic Journal* 125, 443-463.

Caselli, F., Coleman, W., 2006. “The world technology frontier.” *American Economic Review* 96, 499-522.

Klump, R., de la Grandville, O., 2000. “Economic growth and the elasticity of substitution: two theorems and some suggestions.” *American Economic Review* 90, 282-291.

- Aghion, P., Akcigit, U., Howitt, P. (2014) “What Do We Learn from Schumpeterian Growth Theory” In Handbook of Economic Growth, Vol 2, pp. 515–563.
- Jones, C. (2016) “The Facts of Economic Growth” In Handbook of Macroeconomics, Vol 2A, pp. 3–69.
- Galor, Oded, and David N. Weil (1996) “The Gender Gap, Fertility, and Economic Growth.” American Economic Review 86: 374–387.
- Galor, O., Weil, D.N., 2000. “Population, Technology and Growth: From the Malthusian Regime to the Demographic Transition.” American Economic Review 110, 806-828.
- Galor, Oded (2005) “From Stagnation to Growth: Unified Growth Theory.” In Handbook of Economic Growth, Philippe Aghion and Steven N. Durlauf (editors). Amsterdam: North-Holland, pp. 171–293.
- Acemoglu, Daron, and Veronica Guerrieri (2008) “Capital Deepening and Non-Balanced Economic Growth.” Journal of Political Economy 116: 467–498.
- Kongsamut, Piyabha, Sergio Rebelo, and Danyang Xie (2001) “Beyond Balanced Growth.” Review of Economic Studies 48: 869–882.
- Ngai, L.R., Pissarides, C., 2007. “Structural change in a multi-sector model of growth.” American Economic Review 97, 429–443.
- Ngai, L.R., Pissarides, C., 2008. “Trends in hours and economic growth.” Review of Economic Dynamics 11, 239-256.
- Herrendorf, B., Rogerson, R., Valentinyi, A. (2014) “Growth and Structural Transformation” In Handbook of Economic Growth, Vol 2, pp. 855–941.
- Breinlich, H., Ottaviano, G., Temple, J. (2014) “Regional Growth and Regional Decline” In Handbook of Economic Growth, Vol 2, pp. 683-799.
- Banerjee, A., Duflo, E. (2005) “Growth Theory from the Lens of Development Economics” In Handbook of Economic Growth, Vol 1, pp. 473-522.

### **Topics to be covered: (subject to the time constraint)**

1. Facts
2. Structural Change
3. Technology and Growth
4. Search, Match, and Growth
5. Unified Growth

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### **Academic Honesty**

Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at <http://www.cuhk.edu.hk/policy/academichonesty/>.