

AAE374 Lecture Concepts and Overview

■ Lecture 1: Development

■ Key Indicators

- Monetary/Material (often measured by per-capita GDP)
- Health, Education
- Human Rights/Democracy

■ Measurement emphasis over time

- GDP/capita at first
- Human Development Index (UN)
- Multiple angles related to people being able to express their capabilities

■ Lecture 2: Rosenberg's article – “Free Trade Fix”

- Empirical trends in poverty and inequality
- Is globalization working for the middle class in US?
- Purchasing Power Parity – lead into trade section.

■ Lecture 3: PPP, Exchange Rates, Current Trade Picture

- Purchasing power parity and What Are Exchange Rates (Really)?
- Current Trade Picture
- Ricardian (Labor based) Trade model

■ Lecture 4: Ricardian Trade

- Open up 2x2x1 model to Trade [Appleyard 27-38]
 - Predict a pattern of production
 - Examine welfare (wage) effects
- Introduce Factor Endowment based trade (2x2x2 model) [Appleyard 85-99]
 - Second factor besides labor of which ownership might differ
 - Lets us consider inequality, political dimensions like tariffs, WTO, etc.

■ Lecture 5: Heckscher-Ohlin Trade

- Open up 2x2x2 model to Trade [Appleyard Chap. 6 & 8]
 - Predict a pattern of production and effects
 - Look at some growth connections
 - Examine welfare (input price) effects
- Trade Policy
 - Growth connections
 - How does 2x2x2 help inform us
 - North and South issues

■ Lecture 6/7: Lessons and Critiques of Comp. Adv.

- “Lessons” - Comparative Advantage
- Critiques of Comparative Advantage
 - Structuralist 1: Declining Terms of Trade, Unequal Exchange
 - Structuralist Critique 2: Technologically Stagnant
 - Resource Curse: Dutch Disease, Institutions, and Foreign Exploitation

■ Lecture 8: WTO and Base Politics

- The WTO
 - World Trade Organization (Jan 1995)>150 members
 - Evolved from GATT (1947-1994)
 - Negotiates and enforces trade and foreign investment rules aimed at integrating global economy.
- Base Politics
 - Special interests crowd out broader welfare outcomes when private gains far outweighed costs to others.
- Political Bases in US Politics
 - Rural areas strong in “House of Representatives”
 - Strong lobby interests tied up in ag distortions.

■ Lecture 9: Bt Cotton, Growth and Convergence

- Discuss Cotton Reaction Papers
- Road Map for Growth of Nations
- Getting Started on Capital Accumulation and Growth
- Growth and Convergence:First Look

■ Lecture 10: Harrod-Domar Growth

- As a tool to explain macroeconomic relationships
- w/Population growth
- Policy implications
- Critiques (leading to Solow on Wed)
- Time permitting: Solow

■ Lecture 11: Solow Growth

- Labor, Capital, Productivity (Diminishing Returns)
- Long run growth (Steady States)
- Convergence (Unconditional/Conditional)
- Towards Institutions & Human Capital

■ **Lecture 12: Human Capital and Growth**

- Human Capital (HC)
 - Health
 - Education
 - Missing pieces?
- A Walk on the Weil Side (Me and Lou)
- Solow Model w/ Human Capital
- Empirical Importance of HC in growth

■ **Lecture 13: Growth and Tech**

- Tech as a Non-Rival “Good”
 - IRS and related issues
 - “Intellectual Property”
- Solow Residuals and Tech Growth
- Guns, Germs and Steel: Technological transfer and Adoption

■ **Lecture 14: Geography, Tech Transfer and Institutions Intro**

- Discuss GGS and Tech Transfer
- Biased Technological Change and “lag”
- Institutions

(Midterm)

■ **Lecture 15/16: Tech Change, IRS and Endogenous Growth**

- Concepts and historical processes of technological change in:
 - U.S., Europe and Japan (just a bit)
 - East Asia
- Concepts of TD Group
- Big Picture of U.S. Technological Leadership
 - Late 19th Century through WWII - US
 - After WWII – US
 - Post WWII Convergence of Japan and Europe
- Patents/WTO – Weds, October 29
- Increasing Returns and Endogenous growth model, Nov 3, 5
- External increasing returns and dynamic comparative advantage (technology and trade) Nov 10 - 12
- Dynamic comparative advantage (E Asia)

■ **Lecture 17: Endogenous Growth & the US**

- Beyond Exogenous “A” in the Solow Model
- Start with another quick look at the early American Industrial Success
- Move onto Increasing Returns to Scale (internal to firm and external in sectors)
- Learning-by-doing model (how technology can mitigate diminishing marginal returns)

■ **Lecture 18: FDI, Technology and MNCs**

- How Can Developing Countries Use FDI to Pursue Technological Catch Up?
- Why Is FDI Important?
- How Does it Relate to Indigenous Technology Creation?
- Inside Pack and Saggi – MNC Strategies
- FDI, Technology, and the East Asian Miracle

■ **Lecture 19: External Scale Economies and Coordination**

- External Scale Economies (towards explaining heterogeneity)
- The Expectations Game
- External Scale and N/S Trade
- (*Time permitting*) External Scale and N/N Intra-industry Trade

■ **Lecture 20: How did Korea get from S to N?**

- Effective Rates of Protection
- Korean policy mix
- Can we replicate this?
- (*Time permitting*) Income distribution effects

■ **Lecture 21: Income distributions (and why?)**

- From GDP/capita to Kuznets/Gini measures
- Kuznet’s Hypothesis and Trends over time
- OECD and US policy

■ **Lecture 22: Sources of Inequality**

- Taxation/Accumulation Stories
- Social norms and Inequality
- Theoretical Underpinnings

■ **Lecture 23: Inequality and Growth**

- What is the impact of inequality on growth?
 - Are there vicious cycles of inequality impeding growth?
 - Virtuous cycles of low inequality propelling growth?
 - How might they relate to the “structure of the economy”?
- Conceptual approach first
 - Empirical evidence on behalf of virtuous cycles – Birdsall, Ross, and Sabot article
 - Inequality and polarization
 - A First Look at Institutions and Inequality

■ **Lecture 24: Institutions: What are they? Why they matter?**

- Institutions & Inequality – How inequality gives rise to dominated institutions and visa versa?
- Institutions, natural resource abundance, and development paths in Latin America

■ **Lecture 25: Institutions, Integration and Geography**

- Rodrik, Subramanian & Trebbi
- Brief-up on Regression as an analysis tool

■ **Lecture 26: Foreign Aid, Allocation, Effectiveness and Implementation**

- Quick overview of US foreign aid
- Politics of Aid Allocation (John)
- Designing Foreign Aid
- Approaches to aid effectiveness
- Dilemmas of implementation: Nicaragua & the MCC

■ **Lecture 27: Milanovic, “Two Faces of Globalization”**

- Two faces of development (convergence/divergence)
- R and L critiques
- What’s the real story?
- Two faces: Your take