

Economic Growth and Development: Selected Topics

PhD Course in Economics

**Department of International and European Economic Studies
Athens University of Economics and Business
January 9-11, 2012**

Course Structure and Contents

This course consists of three three-hour sessions on topics in the area of economic growth and development. The main idea is to provide a workhorse model which through various extensions and modifications can be used to study a variety of issues that influence economic growth. The covered topics dwell on such modifications. The syllabus of the course will be based mostly on journal articles but also on some recent unpublished manuscripts. The sessions are:

- **Session 1.** Infrastructure and Growth
- **Session 2.** Humanitarian Aid and Growth (and Welfare)
- **Session 3.** Crime and Growth

Session 1 will focus on the role of infrastructure in economic growth. It will review the various channels, old and new, through which infrastructure may affect growth. In addition to the conventional productivity, complementarity, and crowding-out effects typically emphasized by macroeconomists, new channels include an impact on adjustment costs associated with private investment, an effect on the durability of private capital, and an effect on the production (and availability) of health and education services. Network effects of infrastructure will also be discussed. It will then examine analytically the implications for growth of both an old channel (productivity) and a new channel (health) based on an Overlapping Generations (OLG) model.

Session 2 will focus on the relationship between humanitarian aid and economic growth. It will review the evidence regarding the impact of foreign aid on economic growth. It will then use a modified OLG model, based on the framework presented in session 1, to analyze the role of humanitarian aid from both growth and welfare perspectives. The model will then be used to empirically examine its testable implications.

Session 3 will consider the role of crime for economic growth. After discussing the mechanisms through which crime affects growth, we will present an analytical framework that extends the OLG model of session 1. This model brings together two pioneering works of Becker (1960, 1968) to illustrate the relationship between crime and fertility and their joint impact on growth. This will be followed by an empirical examination of the implications of the model.

Readings

Recommended readings are marked with a (*) and will be circulated to participants prior to the course. Some additional readings are also provided.

Session 1

(*) Agénor, P-R., (in press). *Public capital, growth and welfare: analytical foundations for public policy*. 1st ed., Princeton, NJ: Princeton University Press, Chapter 1 (Sections 1-5).

(*) Agénor, P-R., (2009). Public capital, health persistence, and poverty traps. Working Paper no. 115, Centre for Growth and Business Cycle Research, University of Manchester.

Barro, R.J., (1990). Government spending in a simple model of endogenous growth. *Journal of Political Economy* 98(5), S103-S125.

Agénor, P-R., and Neanidis, K.C., (2011). The allocation of public expenditure and economic growth. *Manchester School* 79(4), 899-931.

Agénor, P-R., (2010). A theory of infrastructure-led development. *Journal of Economic Dynamics and Control* 34, 932-50.

Session 2

(*) Neanidis, K.C., (forthcoming). Humanitarian aid, fertility and economic growth. *Economica*.

(*) Miller, S.M., and Neanidis, K.C., (2011). Demographic transition and economic welfare: the role of humanitarian aid. Unpublished manuscript, University of Manchester.

Angeles, L., and Neanidis, K.C., (2009). Aid effectiveness: the role of the local elite. *Journal of Development Economics* 90, 120–134.

Azarnert, L.V., 2008. Foreign aid, fertility and human capital accumulation. *Economica* 75, 766–81.

Becker, G.S., (1960). An economic analysis of fertility. In NBER, Demographic and Economic Change in Developed Countries, National Bureau Conference Series no. 10. Princeton, NJ: Princeton University Press.

Chatterjee, S., Sakoulis, G., and Turnovsky S.J., (2003). Unilateral capital transfers, public investment, and economic growth. *European Economic Review* 47, 1077-1103.

Clemens, M. A., Radelet, S., and Bhavnani, R., (2004). Counting chickens when they hatch: the short-term effect of aid on growth. . Working Paper, vol. 44. Center for Global Development.

Neanidis, K. C., and Varvarigos, D., (2009). The allocation of volatile aid and economic growth: theory and evidence. *European Journal of Political Economy* 25(4), 447–62.

Session 3

(*) Neanidis, K.C., and Papadopoulou, V., (2011). Crime, fertility and economic growth: theory and evidence. Unpublished manuscript, University of Manchester.

Becker, G.S., (1968). Crime and punishment: an economic approach. *Journal of Political Economy* 76(2), 169-217.

Detotto, C., and Otranto, E., (2010). Does crime affect economic growth? *Kyklos* 63(3), 330-345.

Fajnzylber, P., Lederman, D., and Loayza, N., (2002). What causes violent crime? *European Economic Review* 46, 1323-1357.

İmrohoroğlu, A., Merlo, A., and Rupert, P., (2004). What accounts for the decline in crime? *International Economic Review* 45(3), 707-729.

Levitt, S.D., (2004). Understanding why crime fell in the 1990s: four factors that explain the decline and six that do not. *Journal of Economic Perspectives* 18(1), 163-190.

Mauro, L., and Carmeci, G., (2007). A poverty trap of crime and unemployment. *Review of Development Economics* 11(3), 450-462.

Mocan, H.N., Billups, S.C., and Overland, J., (2005). A dynamic model of differential human capital and criminal activity. *Economica* 72, 655-681.

Organization

The course will take place during January 9-11, 2012. It will be delivered by Dr Kyriakos C. Neanidis, who is a Senior Lecturer in Macroeconomics at the University of Manchester.

PowerPoint files will be used for each presentation and will be circulated in handout form to all participants.