

ECO 330: Economics of Development

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Recap of First Half of Semester

We focused mainly on three things

- Development gap between rich and poor countries
- Poverty and Inequality
- Growth models and growth accounting

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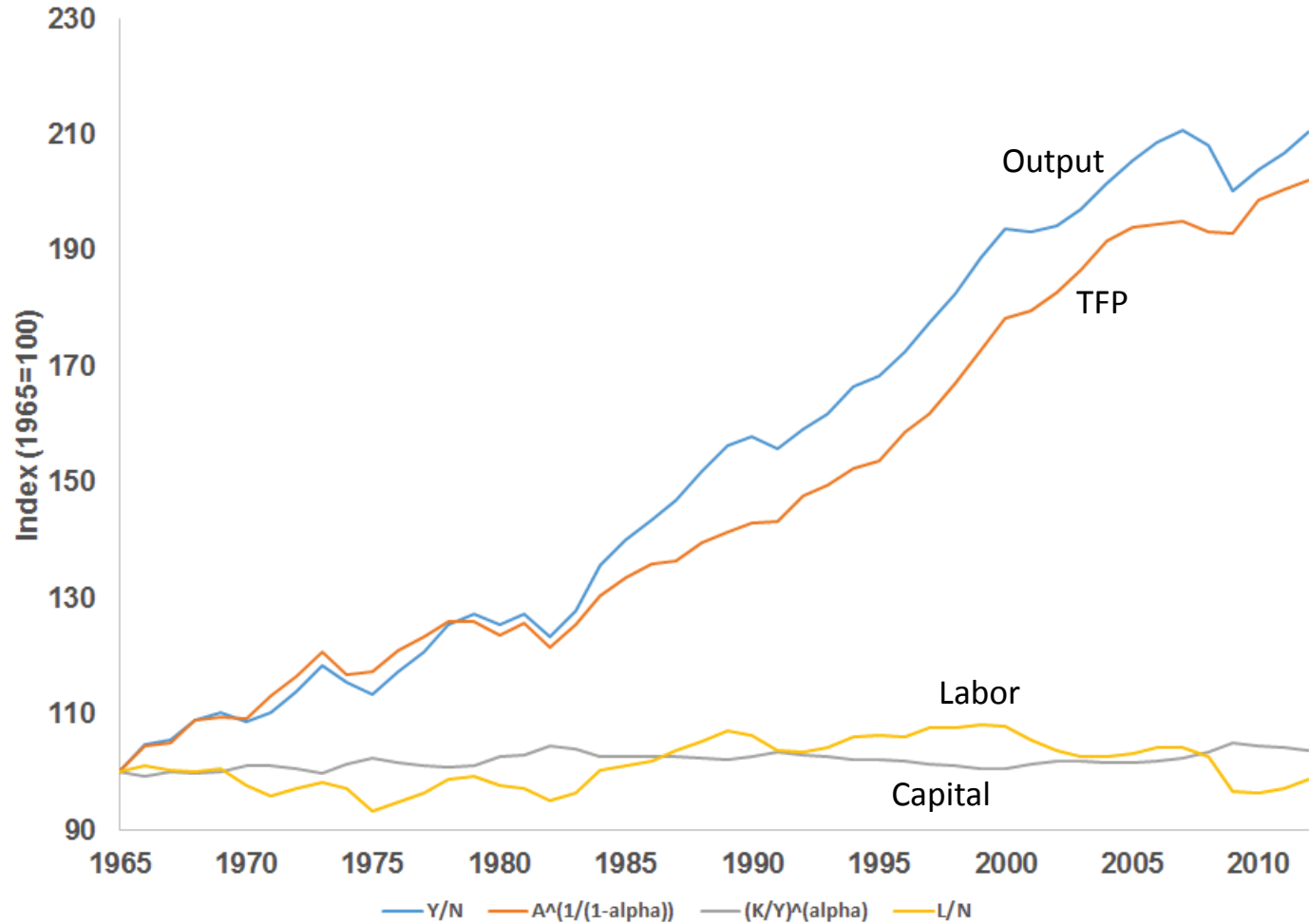
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Main Takeaways:

- Poor countries are extremely poor compared to rich countries. Poverty is a huge problem.
- Need economic growth to catch up. Economic growth seems to be driven by TFP.

United States Growth Accounting Decomposition, 1965–2012



Total Factor Productivity

What determines Total Factor Productivity?

- Technology (especially for developed countries)
- Human capital (but can't account for most TFP growth)
- Efficiency
- Other factors: Natural disasters and Wars, Disease, Geography. International prices.

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What determines efficiency?

- Things that distort allocation of resources (corruption, discrimination, distortionary taxes and regulations, inefficient **institutions**)
- Know-how. Understanding how to harness technology that exists.

Plan for Rest of Semester: Distortions and Causality

Distortions

- How can we tell that the allocation of resources is non-optimal?
- How do we detect and address discrimination and corruption?
- Examples of distortionary regulations and institutions that impede growth and efficiency

Causality

- How do we distinguish between Correlation and Causation?
- Micro-level development strategies and policy evaluation