

Growth and Development: Selected Topics

Advanced Studies Program in International Economic Policy Research

Kiel Institute
March 15-19, 2010

Course Structure and Contents

The course will be based in part on *Development Macroeconomics* (P.R. Agénor and P.J. Montiel, 3rd ed., Princeton University Press, 2008) and in part on some recent papers, published and unpublished. It will consist of five sessions:

- **Session 1.** Infrastructure and Growth
- **Session 2.** Public Expenditure Allocation and Growth
- **Session 3.** Women's Time Allocation and Economic Development
- **Session 4.** Sources of Growth: Selective Review of the Evidence
- **Session 5.** Macroeconomic Models for Growth, Poverty, and Human Development Analysis

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.

Session 2 will focus on the composition of public spending and growth. It will review the mechanisms through which the level and composition of public investment (disaggregated into infrastructure, education, and health) and other categories of “productive” spending (such as maintenance of public capital) affect growth. Optimal

allocation rules for government spending will also be reviewed and their practical implications discussed.

Session 3 will discuss how women's time allocation changes in the process of development and how such changes affect growth. It will begin with some background evidence on gender disparities in developing countries. It will then examine factors affecting women's time allocation, with particular attention to the role of infrastructure and technology. A general analytical framework (which builds on Sessions 1 and 2), based on an Overlapping Generations (OLG) model with gender, will be presented and used to analyze the role of public policy.

Session 4 will provide a selective and critical review of the recent empirical evidence on the sources of growth in developing countries. After discussing the Report of the Growth Commission of the World Bank, methodological issues will be identified. The presentation will then focus on the link between cognitive skills, human capital, and growth, and the link between trade openness and growth.

Session 5 will present a particular class of macroeconomic models (denoted SPAHD) designed for analyzing the links between public capital, the level and composition of public investment, economic growth, and indicators of human development (such as poverty and life expectancy). The discussion will focus on how these models address the issue of changes in foreign aid and the allocation of public investment on growth in low-income countries.

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., and B. Moreno-Dodson, "Public Infrastructure and Growth: New Channels and Policy Implications," in *Public Expenditure*, ed. by Maura Francese, Daniele Franco, and Raffaella Giordano, Banca d'Italia (Rome: 2007).

*Calderon, Cesar, and L. Servén, "Infrastructure and Economic Development in Sub-Saharan Africa," Policy Research Working Paper No. 4712 (September 2008).

Session 2

*Agénor, P.R., and K. Neanidis, "The Allocation of Public Expenditure and Economic Growth," unpublished, University of Manchester (September 2008).

*Bose, N., M. E. Haque, and D. Osborn, "Public Expenditure and Economic Growth: A Disaggregated Analysis for Developing Countries," *Manchester School*, 75 (September 2007), 533-56.

Ghosh, S., and A. Gregoriou, "The Composition of Government Spending and Growth: Is Current or Capital Spending Better?," *Oxford Economic Papers*, 60 (June 2008), 484-516.

Session 3

*Blackden, C. M., S. Canagarajah, S. Klasen, and D. Lawson, "Gender and Growth in Sub-Saharan Africa: Issues and Evidence," Research Paper No. 2006/37, United National University (April 2006).

*Blackden, C. M., and Q. Wondon, eds., *Gender Time Use, and Poverty in Sub-Saharan Africa*, World Bank Working Paper No. 73 (Washington DC: 2006), Chapters 1 to 3.

Herz, B., and G. B. Sperling, *What Works in Girls' Education: Evidence and Policies from the Developing World*, Council on Foreign Relations Press (New York: 2004).

Session 4

*Agénor, P.R., and P.J. Montiel, *Development Macroeconomics*, 3rd ed., Princeton University Press (Princeton, NJ: 2008), Chapter 17 (Section 1 to 4).

*World Bank, *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, World Bank (Washington DC: 2008)

Agénor, P.R., *The Economics of Adjustment and Growth*, 2nd ed., Harvard University Press (Cambridge, Mass.: 2004), Chapter 13.

Hanushek, E. A., and L. Woessmann, "The Role of Cognitive Skills in Economic Development," *Journal of Economic Literature*, 46 (September 2008), 607-68.

Chang, R., L. Kaltani, and N. V. Loayza, "Openness can be Good for Growth: The Role of Policy Complementarities," *Journal of Development Economics*, forthcoming (September 2009).

Session 5

*Agénor, P.R., N. Bayraktar, and K. El Aynaoui, "Roads out of Poverty? Assessing the Links between Aid, Public Investment, Growth, and Poverty Reduction," *Journal of Development Economics*, 86 (June 2008), 277-95.

*Agénor, P.R., N. Bayraktar, E. Pinto Moreira, and K. El Aynaoui, “Achieving the Millennium Development Goals in Sub-Saharan Africa: A Macroeconomic Monitoring Framework,” *World Economy*, 29 (November 2006), 1519-47.

Pinto Moreira, Emmanuel, and Nihal Bayraktar, “A Macroeconomic Framework for Quantifying Growth and Poverty Reduction Strategies in Niger,” *Journal of Policy Modeling*, 30 (May 2008), 523-39.

Organization

The course will take place during March 15-19, 2010. It will be delivered by Professor Pierre-Richard Agénor.

Pierre-Richard Agénor is Hallsworth Professor of International Economics and Development Economics in the School of Social Sciences at the University of Manchester, and co-Director of the School’s Centre for Growth and Business Cycle Research. Professor Agénor is an economist with a distinguished worldwide reputation. He is the author of several bestselling books, including *The Economics of Adjustment and Growth* (Harvard University Press, 2004) and *Development Macroeconomics* (with P. J. Montiel, Princeton University Press, 2008). He is widely regarded as one of the leading contributors to the recent analytical and operational research on the macroeconomics of growth, poverty reduction, and human development, and is currently pursuing a research agenda on poverty and growth traps in developing countries, with particular emphasis on the role of public capital, governance, and volatility.

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