The subject of this course is the modern theory of economic growth: the tradeoff between current and future consumption, the stability of capitalist economies, the effects of technological progress and monetary policy on economic growth, and the consequences of sustained, or alternatively, of zero economic growth. This course does not cover environmental economics – that is the focus of Econ 131: “Economics of the Environment.”

**DATE** | **TOPIC**
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Jan. 5 | The Mathematics of Growth I
Jan. 7 | The Mathematics of Growth II
Jan. 12 | Consumption vs. Growth with a Fixed Population: Robinson Crusoe’s Problem
Jan. 19 | Is Capitalism Doomed? The Harrod-Domar Growth Model I
Jan. 21 | Is Capitalism Doomed? The Harrod-Domar Growth Model II
Jan. 26 | **(Tuesday) 1st Midterm Exam 9:30 – 10:50am**
Jan. 28 | The Stabilizing Effect of Substitutability: The Neoclassical Growth Model I
Feb. 2 | The Stabilizing Effect of Substitutability: The Neoclassical Growth Model II
Feb. 4 | Extensions of the Neoclassical Growth Model I
Feb. 9 | Extensions of the Neoclassical Growth Model II
Feb. 11 | Technological Progress and Economic Growth I
Feb. 16 | Technological Progress and Economic Growth II
Feb. 18 | **(Thursday) 2nd Midterm Exam 9:30 – 10:50am**
Feb. 23 | Optimal Growth: The “Golden Rule”
Feb. 25 | Money and Economic Growth
Mar. 2 | Human Capital and Endogenous Economic Growth
Mar. 4 | Measuring the Rates and Determinants of Economic Growth
Mar. 9 | Alternative Theories of Growth and Distribution
Mar. 11 | Growth in a Finite World: The “Limits to Growth” Debate
Mar. 16 | **(Tuesday) FINAL EXAM 11:30am-2:30pm**
(Review Sessions will be scheduled prior to each exam.)

**READINGS:** A list of required and optional readings is attached. The required readings are available from Soft Reserve. Additional handouts will be passed out in class.

**LECTURES AND SECTIONS:** You are responsible for all the material in the lectures. If you miss one, borrow someone’s notes.

**EXAMS:** Your grade will be determined on the basis of two Midterm Exams and a Final Exam.

**PRACTICE QUESTIONS:** The Soft Reserve Package also contains a set of all of my old Econ 117 exam questions. Although we will go over some of these questions in office hours and review sessions, the best way to prepare for the exam is to practice doing them yourself.
I. THE MATHEMATICS OF GROWTH
   a. Stocks vs. Flows and the Dimensions of Economic Variables
   b. Absolute, Proportional & Percentage Changes in Variables
   c. Elasticity (Quick Review)
   d. Discrete Time versus Continuous Time
   e. Growth of Discrete Time Variables
      Proportional Growth Rate over a Given Period
      Constant Proportional Growth and Compounding
   f. Growth of Continuous Time Variables
      Instantaneous Proportional Growth Rate at a Given Moment
      Constant Proportional Growth (i.e. Exponential Growth)
   g. Products and Ratios of Growing Variables
   h. Functions of Growing Variables
   i. Notion of a “Steady State”
   j. Features of Differential Equations

II. CONSUMPTION VERSUS GROWTH WITH A FIXED POPULATION:
    ROBINSON CRUSOE’S PROBLEM
   a. The Tradeoff Between Current and Long Run Consumption Levels
   b. Maximizing Steady State Consumption

III. CONSUMPTION VERSUS GROWTH WITH A GROWING POPULATION:
     THE BLUE LAGOON PROBLEM
   a. The Effect of Population Growth on the Robinson Crusoe Problem
   b. Maximizing Steady State Per Capita Consumption

IV. IS CAPITALISM DOOMED? THE HARROD-DOMAR MODEL
   a. The Leontief or “Fixed Proportions” Production Function
   b. The “Natural” Rate of Growth
   c. The “Warranted” Rate of Growth
   d. The Instability of the Economy

V. STABILIZING EFFECT OF SUBSTITUTABILITY: THE NEOCLASSICAL MODEL
   a. Constant Returns to Scale (CRS) Production Functions
      Definition of Constant Returns to Scale (and Scale Invariance)
      Examples: Linear, Leontief, Cobb-Douglas, CES
      Some Strange & Wonderful Properties of CRS Production Functions
      Marginal and Average Products are All Scale Invariant
      Euler’s Theorem
      Input Elasticities Sum to Unity
   b. Factor Substitutability and “Smooth” Production Functions
   c. The Automatic Stabilizing Effect of Factor Substitution
d. Comparative Statics of the Steady State

e. Factor Prices and the Distribution of Income
VI. EXTENSIONS OF THE NEOCLASSICAL GROWTH MODEL
   a. Variable Population Growth Rates
   b. Variable Labor Supply
   c. Variable Savings Rate
   d. Taxation

VII. TECHNOLOGICAL PROGRESS AND ECONOMIC GROWTH
   a. The Sources of Technical Progress
   b. The Three Implications of Technical Progress
   c. Hicks Neutral, Harrod Neutral and Solow Neutral Technical Progress
   d. Continuous Technical Progress
   e. Technical Progress and Economic Growth
   f. Embodied Technical Progress

VIII. OPTIMAL GROWTH: THE “GOLDEN RULE”
   a. Diagrammatic Representation of the Golden Rule
   b. Intuitive Explanation of the Golden Rule

IX. MONEY AND ECONOMIC GROWTH
   a. Money as an Asset
   b. The Neoclassical Growth Model with Money
   c. The Effects of Monetary Policy on Economic Growth

X. HUMAN CAPITAL AND ENDOGENOUS ECONOMIC GROWTH

XI. MEASURING THE RATES AND DETERMINANTS OF ECONOMIC GROWTH
   a. Estimating “Aggregate Production Functions”
   b. Estimating Technological Progress and the Effects of Education
   c. Data Sets and Growth Accounting
   d. Empirical Analysis of Regional and Cross-Sectional Data Sets

XII. ALTERNATIVE THEORIES OF GROWTH & THE DISTRIBUTION OF INCOME
   a. The Ricardian and Marxian Theories
   b. The Keynesian or “Cambridge” Theory

XIII. GROWTH IN A FINITE WORLD: THE “LIMITS TO GROWTH” DEBATE
   a. The Possibility of Sustained Economic Growth
   b. The Desirability of Sustained Economic Growth
   c. The Consequences of Zero Economic Growth
   d. Global Modeling: The Club of Rome Model
ECON 117 READINGS

(Starred readings are required and are available in the Soft Reserve Package)

GENERAL TEXTS AND SURVEYS (in increasing order of difficulty)


Ramanathan, R. *Introduction to the Theory of Economic Growth*, Berlin: Springer-Verlag, 1982


BOOKS OF READINGS


READINGS BY TOPIC

I:  Appropriate sections of the Econ 117 Math Handout

II-III:  The lectures on this material will be self-contained


VI:  * Solow, R., “A Contribution ... ”


