Growth and Development 2019/2020

Exercise questions: Part II

1. Discuss how imperfect capital markets and investment indivisibilities may produce poverty

traps and a relation between inequality and growth.

1. What is a ‘multiple-equilibrium’ theory of poverty traps? Discuss some arguments that have

been raise against this explanation, and some counter-arguments.

1. Contrast a multiple steady-state poverty trap with a multiple equilibrium poverty trap and discuss their properties.
2. Discuss under what conditions the relation between within-industry competition and innovation is, or is not, inverse - U shaped.
3. Endogenous-growth theory argues that quality-ladder technology growth obtains if and to the extent that intellectual property rights confer post-innovation market power to a technology leader. Empirical evidence suggests that competition among firms with a similar technology level is positively related with innovation and growth. Aghion and Howitt (2009) show that the two propositions, far from being contradictory, do complement each-other. Discuss
4. Discuss how appropriate regulation and competition policy may change depending on a country proximity to the world technology frontier.
5. With imperfect credit markets credit to investment is favored by firms’ non-distributed dividends serving as a collateral. Since the import of foreign technology (learning) takes time and investment, it is not favored by an anti-regulation policy giving no protection to incumbents, thus leading to lower accumulation of profits and non-distributed dividends. Profit protection may also favor the import of foreign technology if it attracts foreign investors (FDI) that bring new capital and ideas within the country. Discuss and explain why the long-run success of a technology policy cannot persistently rely upon the ‘import’ of ideas.
6. Discuss the nature and causes of ‘premature de-industrialization’
7. What are the main building blocks and the predictions of Kaldor’s model of export-led growth?
8. Compare Harrod (1939) *warranted-growth* path, and *natural-growth* path, with Solow (1956) equilibrium growth path.
9. According to Harrod (1939), the warranted-growth path is a knife-edge. Discuss
10. Explain the definition and meaning of Hicks’ ‘Supermultiplier’, and clarify its steady-growth implications.
11. Explain how an inappropriate regulation policy can give rise to a ‘poverty trap’.
12. Clarify why incremental innovations and tacit knowledge may be necessary to reconcile the Schumpeterian quality ladder model of growth with the facts concerning the relation between competition and innovation.
13. What is ‘Kaldor's Paradox’? What are the insights we may draw from it concerning the complementation of price with quality competition?
14. Substitution effect, technological progress, and the dynamics of wage inequality, in the light of the USA post 1960 evidence.
15. Unlike the Goldin and Katz (2009) model of the ‘race between education and technology’, the skill and task model of wage inequality can explain wage polarization and job polarization. Still, a proper understanding of the recent experience of wage inequality in the USA and Europe cannot abstract from institutions.
16. Demand-side factors and supply-side factors behind the historical changes in the employment shares of agriculture, manufacturing and services.
17. The transition from a traditional economy with excess-population in agriculture to a market economy with competitive conditions in agriculture and industry. Discuss.
18. Present and discuss Paul Romer’s view of the Mauritius case: industry development through ‘imports of ideas’ and attraction of FDI through special regulations in the labour market.