Process of convergence in EU

Introduction to the course

Edgardo Sica*

Contact:

Edgardo Sica – University of Foggia (ITALY)

Email: edgardo.sica@unifg.it

Room: 316

Structure of the course

The course comprises lectures and computer laboratories during which practical analysis of topics discussed during the lectures will be held with the use of real statistical data.

- Lectures: 30 h
  - Concepts, measures, theories, stylised facts…

- 'Laboratories' (with the use of computers): 15h
  - practical seminars, analysis of real economic data

Course organisation – winter semester 2019/2020

- Please refer to the official timetable

Rules of assessment

- Final mark is given on the basis of the points gathered from the final exam that will be held on **15th November 2019** (within the last lecture of the course).

- Different final exam for attending and non attending students

ATTENDING STUDENTS

- The exam will be based on written test (multiple choice test + open questions) focused on topics analysed in lectures
- Minimum requirement: 60% of points
- Attending students are those who have attended **at least 5 out of the 7** lectures/labs held on: 05/11, 06/11, 07/11, 08/11, 12/11, 13/11, 14/11

NON ATTENDING STUDENTS

- The exam will be based on written test (multiple choice test + open questions) focused on topics analysed **both** in lectures & labs
- Minimum requirement: 60% of points (**each part**)

Course aim

What generates economic growth? Are economies converging toward one common state? The aim of this course is to acquaint students with recent developments in **economic growth theory** and to answer these important questions.

This course combines **theory**, history and **analytic tools** to explore the determinants of the process of economic growth at the world level as the sources of income and growth differences across countries.

After-course ability list

By the completion of the course student should be able to:
- identify and use key concepts related to the growth theories and process of convergence
- apply comparative analytical skills necessary for cross cultural analysis
- carry on an independent research on selected topics and to present the results in a well organized way

Computer Laboratories

❑ Practical analysis based on the topics covered during lectures using real statistical data

Syllabus

1. Introduction to the course
2. Measuring economic growth and convergence
3. Production function – tools for analysis
4. The Solow growth model
5. Augmented Solow model
6. Convergence – types and methods of measurement
7. Growth decomposition and convergence in the Solow model
8. Endogeneous growth models
9. Empirical models of growth and convergence

Literature

1. Weil D., Economic Growth, (2013) Pearson International Edition

2. Jones Ch.I., Vollrath D. (2013), Introduction to Economic Growth, Third Edition, W.W.Norton & Company

3. Barro R. J. and Sala-i-Martin X, (2004) Economic Growth, Second Edition, MIT Press

4. Convergence Report (2018) European Central Bank

Additional literature

❑ Barro, R. J. (2012). Convergence and modernization revisit*ed* (No. w18295). National Bureau of Economic Research

❑ Dobrinsky, R., & Havlik, P. (2014). Economic convergence and structural change: The role of transition and EU accession. WIIW Research Report 395

❑ Mankiw, Romer, Weil (1992) A Contribution to the Emirics of Economic Growth, *The Quarterly Journal of Economics*, vol 107 (2): 407-437

❑ Próchniak, M. (2011), Determinants of Economic Growth in Central and Eastern Europe: the Global Crisis Perspective, *Post-Communist Economies*, Vol. 2 3, No. 4, pp. 449-468.

❑ Rapacki R. & Próchniak M. (2009) Real beta and sigma convergence in 27 transition countries, 1990–2005, *Post-Communist Economies*, 21:3, 307-326

❑ Sala-i-Martin X. (1997) I Just Ran Two Million Regressions, *American Economic Review*, Vol. 87, No. 2, pp. 178-183.

❑ Wolszczak-Derlacz, J. (2008). Price convergence in the EU — an aggregate and disaggregate approach. *International Economics and Economic Policy*, 5(1-2), 25-47

Why focus on economic convergence ?

- to understand why some countries are rich and others poor

- because the welfare of people around the world is involved

- to test theories

- to verify the policy implications, e.g. evaluation of the effectiveness of the European Structural Funds

Illiterate parents looking through barred window of one-room school, Makhaltala slum, Calcutta (2008). Image copyright: Heather Jones

"*I do not see how one can look at figures like these without seeing them as representing possibilities. Is there some action a government of India could take that would lead the Indian economy to grow like Indonesia's or Egypt's?*
If so, what, exactly? If not, what is it about the' nature of India' that makes it so? The consequences for human welfare involved in questions like these are simply staggering: *Once one starts to think about them, it is hard to think about anything else*"

Lucas R. (1988) „On the Mechanics of Economic Development" Journal of Monetary Economics 22 *p.* 5

Concentration of economic activity in the world as seen from the outer space

'Earth at night' C. Mayhew & R. Simmon (NASA / GSFC), NOAA / NGDC, DMSP Digital Archive
http://apod.nasa.gov/apod/ap001127.html

❑Unconventional form of data is the amount of light that is visible at night from outer space

❑Lights from: houses, workplaces, cars etc.

❑Richer countries produc more light

❑The relationship between economic activity and light produced is inexact!!!

❑https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4112959/

1. Some productive activities such as steelmaking produce a lot of light; others such as software design produce very little.
2. Countries or regions may differ in the fraction of their economic activity that takes place after dark (for example, Las Vegas vs. Salt Lake City).
3. Patterns of settlement (for example, whether people live in multi-storey buildings), the availability of hydropower, etc. may all affect how much light is visible from space for a given level of income and population.
4. True light is imperfectly measured by the satellites due to humidity, reflectivity, etc.