MACROECONOMIC 2
MATH-ECON
FALL 2008

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SUMMARY 1
WEEK 1

GROWTH THEORY: EMPIRICAL REGULARITIES

Readings: Slides + Sørensen og Whitta-Jacobsen (2005), Ch. 2

Measurement: GDP, GDP per capita (living standards), GDP per worker (labor productivity), purchasing-power-adjusted exchange rate.

Fundamental fact: Persistent growth in GDP per capita is a fairly recent phenomenon

Other important facts:

Within countries:

The "Kaldorian Facts": Stable growth in GDP per capita over time; Constant real rates of return; constant relative factor shares. From this follows constant growth in capital and wages (equal to GDP and GDP per worker, respectively), and thus constancy of the capital-output ratio. The non-universality of the Kaldorian facts (e.g., growth in GDP per capita in poor countries is far from stable).

Across countries:

Persistent differences in growth rates; huge differences in labor productivity. "Catch-up" is said to occur if poorer countries tend to outgrow richer countries. Generally no tendency for poor countries (ex ante) to outgrow rich counterparts; if "similar" countries is considered an inverse association between initial GDP per capita and growth appears.

Inequality
If "the country" is unit of analysis we see increasing dispersion of GDP per worker. If we are thinking about "the global distribution of income", un-weighted numbers are inappropriate (DNK same weight as China, for instance). With population weights, inequality is constant or moderately declining over time. Taking the local (country specific) income distributions into account: falling inequality, though rising without China. Accounting: The lions share of global inequality is due to "across country" inequality, not "within country inequality".