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Concerns about the quality of China’s official GDP statistics have been a perennial question in understanding its economic dynamics. We use data on satellite-recorded nighttime lights as an independent benchmark for comparing various published indicators of the state of the Chinese economy. Using the methodology of Pinkovskiy and Sala-i-Martin (2016a and b), we exploit nighttime lights to compute the optimal weights for various Chinese economic indicators in a best unbiased predictor of Chinese growth rates. Our computations of Chinese growth based on optimal weightings of various combinations of economic indicators provide evidence against the hypothesis that the Chinese economy contracted precipitously in late 2015, and are consistent with the rate of Chinese growth being higher than is reported in the official statistics.
166 countries have some kind of public old age pension. What economic forces create and sustain old age Social Security as a public program? Mulligan and Sala-i-Martin (1999) document several of the internationally and historically common features of social security programs, and explore political' theories of Social Security. This paper discusses the efficiency theories, ' which view creation of the SS program as a full or partial solution to some market failure. Efficiency explanations of social security include the SS as welfare for the elderly', the retirement increases productivity to optimally manage human capital externalities', optimal retirement insurance', the prodigal father problem', the misguided Keynesian', the optimal longevity insurance', the government economizing transaction costs' and the return on human

capital investment'. We also analyze four narrative' theories of social security: the chain letter theory', the lump of labor theory', the monopoly capitalism theory', and the Sub-but-Nearly-Optimal policy response to private pensions theory'. The political and efficiency explanations are compared with the international and historical facts and used to derive implications for replacing the typical pay-as-you-go system with a forced savings plan. Most of the explanations suggest that forced savings does not increase welfare, and may decrease it. Abstract: The dismal growth performance of Africa is the worst economic tragedy of the XXth century. We document the evolution of per capita GDP for the continent as a whole and for subset of countries south of the Sahara desert. We document the worsening of various income inequality indexes and we estimate poverty rates and headcounts. We then analyze some of the central robust determinants of economic growth reported by Sala-i-Martin, Doppelhofer and Miller (2003) and project the annual growth rates Africa would have enjoyed if these key determinants had taken OECD rather than African values. Expensive investment goods, low levels of education, poor health, adverse geography, closed economies, too much public expenditure and too many military conflicts are seen as key explanations of the economic tragedy. Leading economists analyze the multiple factors that drive competitiveness among nations in world markets. Competitiveness among nations is often approached as if it were a sports competition: some countries win medals, others lose out. This view of countries fighting it out in the economic arena is especially popular in business circles and among politicians. Economists, however, take a very different approach to international economic relations, arguing that international trade leads not to winners and losers but to win-win situations in which all countries profit. In this volume, leading economists take on the sometimes-derided concept of competitiveness, demonstrating the value of systematic analysis in an area too often dominated by special interest groups who use (and abuse) the concept to advance hidden agendas. The chapters range from broad theoretical views to case studies, examining the multiple factors that drive competitiveness. Contributors consider the conceptual framework underlying the World Economic Forum's approach to competitiveness; differences in per capita GDP between the United States and the European Union; an integrated approach to measuring competitiveness and comparative advantage; divergent trends in price and cost competitiveness in the euro area; methodological issues in constructing competitiveness indicators; taxation and international competitiveness; and a case study of Mexico's competitiveness in world markets in comparison to China's. Contributors Harry P. Bowen, Michele Ca' Zorzi, Jean-Philippe Cotis, Romain Duval, Christoph Fischer, Michael S. Knoll, Inmaculada Martinez-Zarzoso, Wim Moesen, Felicitas Nowak-Lehmann, Xavier Sala-i-Martin, Bernd Schnatz, Alain de Serres, Eckhard Siggel, Sebastian Vollmer The World Economic Forum’s annual Global Competitiveness Report evaluates the potential for sustained economic growth of over 130 developed and emerging economies and ranks them accordingly. Since its first release in 1979, the Report has become the most authoritative and comprehensive study of its type. The 2007-2008 Report contains: • Detailed country competitiveness profiles of 131 economies • Data tables for survey and hard data variables ranking profiled economies • Global rankings: the Global Competitiveness Index and the Business Competitiveness Index, measuring growth and productivity, respectively • Exclusive data from the Executive Opinion Survey, with over 11,000 responses from business leaders worldwide. Produced in collaboration with a distinguished group of international scholars and a global network of over 130 leading national research institutes and business organizations, the Report also showcases the latest thinking and research on issues of immediate relevance for business leaders and policy-makers. This graduate level text on economic growth surveys neoclassical and more recent growth theories, stressing their empirical implications and the relation of theory to data and evidence. The authors have undertaken a major revision for the long-awaited second edition of this widely used text, the first modern textbook devoted to growth theory. The book has been expanded in many areas and incorporates the latest research. After an introductory discussion of economic growth, the book examines neoclassical growth theories, from Solow-Swan in the 1950s and Cass-Koopmans in the 1960s to more recent refinements; this is followed by a discussion of extensions to the model, with expanded treatment in this edition of heterogenity of households. The book then turns to endogenous growth theory, discussing, among other topics, models of endogenous technological progress (with an expanded discussion in this edition of the role of outside competition in the growth process), technological diffusion, and an endogenous determination of labor supply and population. The authors then explain the essentials of growth accounting and apply this framework to endogenous growth models. The final chapters cover empirical analysis of regions and empirical evidence on economic growth for a broad panel of countries from 1960 to 2000. The updated treatment of cross-country growth regressions for this edition uses the new Summers-Heston data set on world income distribution compiled through 2000. 166 countries have some kind of public old age pension. What economic forces create and sustain old age Social Security as a public program? We document some of the internationally and historically common features of Social Security programs including explicit and implicit taxes on labor supply, pay-as-you-go features, intergenerational redistribution, benefits which are increasing functions of lifetime earnings and not means-tested. We partition theories of Social Security into three groups: political', efficiency' and narrative' theories. We explore three political theories in this paper: the majority rational voting model (with its two versions: the elderly as the leaders of a winning coalition with the poor' and the once and for all election' model), the time-intensive model of political competition' and the taxpayer protection model'. Each of the explanations is compared with the international and historical facts. A companion paper explores the efficiency' and narrative' theories and derives implications of all the theories for replacing the typical pay-as-you-go system with a forced savings plan. Abstract: We use aggregate GDP data and within-country income shares for the period 1970-1998 to assign a level of income to each person in the world. We then estimate the gaussian kernel density function for the worldwide distribution of income. We compute world poverty rates by integrating the density function below the poverty lines. The $1/day poverty rate has fallen from 20% to 5% over the last twenty five years. The $2/day rate has fallen from 44% to 18%. There are between 300 and 500 million less poor people in 1998 than there were in the 70s. We estimate global income inequality using seven different popular indexes: the Gini coefficient, the variance of log-income, two of Atkinson's indexes, the Mean Logarithmic Deviation, the Theil index and the coefficient of variation. All indexes show a reduction in global income inequality between 1980 and 1998. We also find that most global disparities can be accounted for by across-country, not within- country, inequalities. Within-country disparities have increased slightly during the sample period, but not nearly enough to offset the substantial reduction in across-country disparities. The across-country reductions in inequality are driven mainly, but not fully, by the large growth rate of the incomes of the 1.2 billion Chinese citizens. Unless Africa starts growing in the near future, we project that income inequalities will start rising again. If Africa does not start growing, then China, India, the OECD and the rest of middle-income and rich countries diverge away from it, and global inequality will rise. Thus, the aggregate GDP growth of the African continent should be the priority of anyone concerned with increasing global income inequality. This paper analyses the role of social safety nets in the form of redistributional transfers and wage subsidies. It is argued that public welfare programs can be viewed as a crime-preventing or disruption-preventing devices because they tend to increase the opportunity cost of engaging in crime or disruptive activities. It is shown that, in the presence of a leisure choice, wage subsidies may be better than pure transfers. Using a simple growth model, the optimal size of the public welfare program is found and it is argued that public welfare should be financed with income (not lump-sum) taxes, despite the fact that income taxes are distortionary. The intuition for this result is that income taxes act as a user fee on congested public goods and transfers can be thought of as productive public goods subject to congestion. Finally, using a cross-section of 75 countries, the partial correlation between transfers and growth is shown to be significantly positive. This work presents the theories and the empirical record of modern growth scholarship. It is the first volume in McGraw-Hill's Advanced Series in Economics. We survey the literatures that study the relation between the trade regime and growth and financial development, financial repression, and growth. We analyze the relation between the trade regime, the degree of financial development and the growth performance of a large cross section of countries. The systematic finding is that there is a negative relation between trade distortions and growth. We also present some variables that capture the degree to which the financial sector is distorted. We find that financial repression has negative consequences for growth. We also find that inflation is negatively related to growth. We interpret this relation, however, as symptomatic rather than causal. We show that once we hold constant measures of the trade regime and financial repression, the regional dummies for Latin America are no longer significant. Thus, the poor performance of the Latin American countries over the last few decades is related to the trade and financial policies pursued by their governments. The main goal of this paper is to estimate to what extent the federal government of the United States insures member states against regional income shocks. We find that a one dollar reduction in a region's per capita personal income triggers a decrease in federal taxes of about 34 cents and an increase in federal transfers of about 6 cents. Hence, the final reduction in disposable per capita income is on the order of 60 cents. That is, between one third and one half of the initial shock is absorbed by the federal government. The much larger reaction of taxes than transfers to these regional imbalances reflects the fact that the main mechanism at work is the federal income tax system which in turn means that the stabilization process is automatic rather than specifically designed each time there is a cyclical movement in income. Some economists may want to argue that this regional insurance scheme provided by the federal government is an important reason why the system of fixed exchange rates that exists within the United States today has survived without major problems. Under this view, the creation of a European Central Bank that issues unified European currency without the simultaneous introduction (or expansion) of a fiscal federalist system could put the project at risk. Rough calculations of the impact of the existing European tax system on regional income suggests that a one dollar shock to regional GDP will reduce tax payments to the EEC government by half a cent!. Hence, the current European tax system has a long way to go before it reaches the 34 cents of the U.S. Federal Government. The long-awaited second edition of an important textbook on economic growth—a major revision incorporating the most recent work on the subject. This graduate level text on economic growth surveys neoclassical and more recent growth theories, stressing their empirical implications and the relation of theory to data and evidence. The authors have undertaken a major revision for the long-awaited second edition of this widely used text, the first modern textbook devoted to growth theory. The book has been expanded in many areas and incorporates the latest research. After an introductory discussion of economic growth, the book examines neoclassical growth theories, from Solow-Swan in the 1950s and Cass-Koopmans in the 1960s to more recent refinements; this is followed by a discussion of extensions to the model, with expanded treatment in this edition of heterogenity of households. The book then turns to endogenous growth theory, discussing, among other topics, models of endogenous technological progress (with an expanded discussion in this edition of the role of outside competition in the growth process), technological diffusion, and an endogenous determination of labor supply and population. The authors then explain the essentials of growth accounting and apply this framework to endogenous growth models. The final chapters cover empirical analysis of regions and empirical evidence on economic growth for a broad panel of countries from 1960 to 2000. The updated treatment of cross-country growth regressions for this edition uses the new Summers-Heston data set on world income distribution compiled through 2000. Abstract: Do poor economies grow faster than rich ones? This important economic question (which we call [beta]-convergence) is analyzed in this paper using two regional data sets: 47 Prefectures in Japan and 48 States of the U.S. We find clear evidence of convergence in both countries: poor prefectures and states grow faster. We also find that there is intraregional as well as interregional convergence. We analyze the cross sectional standard deviation across prefectures and states. We find that in both countries there has been a long term decline (a phenomenon that we call [sigma]-convergence). Finally we study the determinants of the rates of regional in-migration and, again. find striking similarities. In both countries, the reaction of net in-migration rates to the log of initial income is slightly above .025, which indicates a slow (although very significant) speed of population adjustment to income differentials. We find little evidence in favor of the argument that population movements are the reason why we find convergence across economies. Why economists' attempts to help poorer countries improve their economic well-being have failed. Since the end of World War II, economists have tried to figure out how poor countries in the tropics could attain standards of living approaching those of countries in Europe and North America. Attempted remedies have included providing foreign aid, investing in machines, fostering education, controlling population growth, and making aid loans as well as forgiving those loans on condition of reforms. None of these solutions has delivered as promised. The problem is not the failure of economics, William Easterly argues, but the failure to apply economic principles to practical policy work. In this book Easterly shows how these solutions all violate the basic principle of economics, that people—private individuals and businesses, government officials, even aid donors—respond to incentives. Easterly first discusses the importance of growth. He then analyzes the development solutions that have failed. Finally, he suggests alternative approaches to the problem. Written in an accessible, at times irreverent, style, Easterly's book combines modern growth theory with anecdotes from his fieldwork for the World Bank. The Global Competitiveness Report 2003-2004 is the 24th of the World Economic Forum's annual rankings of the world's leading economies. Written in a non-technical language and style, this report aims to appeal to a broad audience consisting of policy makers, business leaders and academics. Abstract: A key economic issue is whether poor countries or regions tend to grow faster than rich ones: are there automatic forces that lead to convergence over time in levels of per capita income and product? After considering predictions of closed- and open-economy neoclassical growth theories, we examine data since 1840 from the U.S. states. We find clear evidence of convergence, but the findings can be reconciled quantitatively with neoclassical models only if diminishing returns to capital set in very slowly. The results from a broad sample of countries are similar if we hold constant a set of variables that proxy for differences in steady-state characteristics. Two types of existing theories seem to fit the facts: the neoclassical growth model with broadly-defined capital and a limited role for diminishing returns, and endogenous growth models with constant returns and gradual diffusion of technology across economies. Una antología de los controvertidos artículos periodísticos del economista español más polémico, contestatario y, al mismo tiempo, admirado y seguido. Con rigor y sencillez, Xavier Sala i Martín explica tanto a los entendidos como a los neófitos las bases de la economía y del sistema económico mundial. La actual crisis financiera, definida por el autor como una de las más importantes de los últimos cien años, centra gran parte de sus últimos artículos periodísticos, que han sido recogidos en este libro. Asimismo, también nos ofrece su opinión sobre temas como el cambio climático, la situación de África y otros aspectos de la actualidad mundial, con una nueva visión de la economía que deja de lado propuestas obsoletas y plantea los grandes temas con lucidez y originalidad. According to mainstream discourse of the Cold War, post-1945 Western Europe was essentially a homogeneous historical space fully integrated into modern industrial society. But as Southern Europe? makes clear, Western European societies were in fact divided by deep political and economic inequalities. While nations in the north embodied consolidated democracies, Spain, Portugal, and Greece were at times all authoritarian regimes. Deeply afflicted with underdevelopment, these countries were cut off from the "economic miracles" other Western European states were experiencing. With its weak democracy, Italy held a contradictory position between the struggles of the Iberian and Greek peninsulas and the progress of its neighbors beyond the Alps. Now, old inequalities long believed to be things of the past have resurfaced, and a new debt crisis appears to be splitting the continent apart along historic lines. This book raises the important question of whether studying the geopolitics and social history of southern Europe might be a valuable analytical tool for understanding these contemporary financial catastrophes. Abstract: The recent literature on endogenous economic growth allows for effects of fiscal policy on long-term growth. If the social rate of return on investment exceeds the private return, then tax policies that encourage investment can raise the growth rate and levels of utility. An excess of the social return over the private return can reflect learning-by-doing with spillover effects, the financing of government consumption purchases with an income tax, and monopoly pricing of new types of capital goods. Tax incentives for investment are not called for if the private rate of return on investment equals the social return. This situation applies in growth models if the accumulation of a broad concept of capital does not entail diminishing returns, or if technological progress appears as an expanding variety of consumer products. In growth models that incorporate public services, the optimal tax policy hinges on the characteristics of the services. If the public services are publicly-provided private goods, which are rival and excludable, or publiclyprovided public goods, which are non-rival and non-excludable, then lump-sum taxation is superior to income taxation. Many types of public goods are subject to congestion, and are therefore rival but to some extent nonexcludable. In these cases, income taxation works approximately as a user fee and can therefore be superior to lump-sum taxation. In particular, the incentives for investment and growth are too high if taxes are lump sum. We argue that the congestion model applies to a wide array of public expenditures, including transportation facilities, public utilities, courts, and possibly national defense and police. Abstract: Many political economic theories use and emphasize the process of voting in their explanation of the growth of Social Security, government spending, and other public policies. But is there an empirical connection between democracy and Social Security program size or design? Using some new international data sets to produce both country-panel econometric estimates as well as case studies of South American and southern European countries, we find that Social Security policy varies according to economic and demographic factors, but that very different political histories can result in the same Social Security policy. We find little partial effect of democracy on the size of Social Security budgets, on how those budgets are allocated, or how economic and demographic factors affect Social Security. If there is any observed difference, democracies spend a little less of their GDP on Social Security, grow their budgets a bit more slowly, and cap their payroll tax more often, than do economically and demographically similar nondemocracies. Democracies and nondemocracies are equally likely to have benefit formulas inducing retirement and, conditional on GDP per capita, equally likely to induce retirement with a retirement test vs. an earnings test. Abstract: This is a survey of the literature on Economic Growth. In the introduction we analyze the main differences between exogenous and endogenous growth models using fixed savings rate analysis. We argue that in order to have endogenous growth there must be constant returns to the factors that can be accumulated. A graphical tool is then developed to show that changes in the savings rate have different effects on long run growth in the two kinds of models; we show that only endogenous growth models are affected by shifts in the savings rate. We then explore two versions of the Raasey-Cass-Koopmans neoclassical model where savings are determined optimally; one with exogenous productivity growth and one without The long-awaited second edition of an important textbook on economic growth—a major revision incorporating the most recent work on the subject. This graduate level text on economic growth surveys neoclassical and more recent growth theories, stressing their empirical implications and the relation of theory to data and evidence. The authors have undertaken a major revision for the long-awaited second edition of this widely used text, the first modern textbook devoted to growth theory. The book has been expanded in many areas and incorporates the latest research. 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The updated treatment of cross-country growth regressions for this edition uses the new Summers-Heston data set on world income distribution compiled through 2000. Abstract: We estimate the world distribution of income by integrating individual income distributions for 125 countries between 1970 and 1998. We estimate poverty rates and headcounts by integrating the density function below the $1/day and $2/day poverty lines. We find that poverty rates decline substantially over the last twenty years. We compute poverty headcounts and find that the number of one-dollar poor declined by 235 million between 1976 and 1998. The number of $2/day poor declined by 450 million over the same period. We analyze poverty across different regions and countries. Asia is a great success, especially after

1980. Latin America reduced poverty substantially in the 1970s but progress stopped in the 1980s and 1990s. The worst performer was Africa, where poverty rates increased substantially over the last thirty years: the number of $1/day poor in Africa increased by 175 million between 1970 and 1998, and the number of $2/day poor increased by 227. Africa hosted 11% of the world's poor in 1960. It hosted 66% of them in 1998. We estimate nine indexes of income inequality implied by our world distribution of income. All of them show substantial reductions in global income inequality during the 1980s and 1990s. The empirical evidence reveals conditional convergence in the sense that economies grow faster per capita if they start further below their steady-state positions. For a homogeneous group of economies - like the U.S. states, regions of western European countries, and the GECD countries - the convergence is unconditional in that the poor economies grow faster than the rich ones. The neoclassical growth model for a closed economy fits these facts if capital is viewed broadly to encompass human investments, so that diminishing returns to capital set in slowly, and if differences in government policies or preferences about saving lead to heterogeneity in steady-state positions. Yet if the model is opened to allow for full capital mobility, then the predicted rates of convergence for capital and output are much higher than those observed empirically. We show that the open-economy model conforms with the evidence if an economy can use foreign debt to finance only a portion of its capital, even if 50% or more of the total. The problems in using human capital as collateral can explain the required imperfection in the credit market. Abstract: This paper examines the robustness of explanatory variables in cross-country economic growth regressions. It employs a novel approach, Bayesian Averaging of Classical Estimates (BACE), which constructs estimates as a weighted average of OLS estimates for every possible combination of included variables. The weights applied to individual regressions are justified on Bayesian grounds in a way similar to the well-known Schwarz criterion. Of 32 explanatory variables we find 11 to be robustly partially correlated with long-term growth and another five variables to be marginally related. Of all the variables considered, the strongest evidence is for the initial level of real GDP per capita. We construct a model that combines elements of endogenous growth with the convergence implications of the neoclassical growth model. In the long run, the world growth rate is driven by discoveries in the technologically leading economies. Followers converge toward the leaders because copying is cheaper than innovation over some range. A tendency for copying costs to increase reduces followers' growth rate and thereby generates a pattern of conditional convergence. We discuss how countries are selected to be technological leaders, and we assess welfare implications. Poorly defined intellectual property rights imply that leaders have insufficient incentive to invent and followers have excessive incentive to copy. Abstract: In this paper we study the effects of policies of financial repression on long term growth and try to explain why optimizing governments might want to repress the financial sector. We also explain why inflation may be negatively related to growth, even though it does not affect growth directly. We argue that the main reason why governments repress the financial sector is that this sector is the source of "easy" resources for the public budget The source of revenue stemming from this intervention is modeled through the inflation tax. Our model has the implication that financial development reduces money demand. Hence, if the government allows for financial development the inflation tax base, and the chance to collect seigniorage, is reduced. To the extent that the financial sector increases the efficiency of the allocation of savings to productive investment, the choice of the degree of financial development will have real effects on the saving and investment rate and on the growth rate of the economy. We show that in countries where tax evasion is large the government will optimally choose to repress the financial sector in order to increase seigniorage taxation. This policy will then reduce the efficiency of the financial sector, increase the costs of intermediation, reduce the amount of investment and reduce the steady state rate of growth of the economy. Financial repression will therefore be associated with high tax evasion, low growth and high inflation. Some natural resources-oil and minerals in particular-exert a negative and nonlinear impact on growth via their deleterious impact on institutional quality. We show this result to be very robust. The Nigerian experience provides telling confirmation of this aspect of natural resources. Waste and poor institutional quality stemming from oil appear to have been primarily responsible for Nigeria's poor long-run economic performance. We propose a solution for addressing this resource curse which involves directly distributing the oil revenues to the public. Even with all the difficulties that will no doubt plague its actual implementation, our proposal will, at the least, be vastly superior to the status quo. At best, however, it could fundamentally improve the quality of public institutions and, as a result, durably raise long-run growth performance. The steady state and transitional dynamics of two-sector models of endogenous growth are analyzed in this paper. We describe necessary conditions for endogenous growth. The conditions allow us to reduce the dynamics of the solution to a system with one state-like and two control-like variables. We analyze the determinants of the long run growth rate. We use the Time-Elimination Method to analyze the transitional dynamics of the models. We find that there are transitions in real time if the point-in-time production possibility frontier is strictly concave, which occurs, for example, if the two production functions are different or if there are decreasing point-in-time returns in any of the sectors. We also show that if the models have a transition in real time, the models are globally saddle path stable. We find that the wealth or consumption smoothing effect tends to dominate the substitution or real wage effect so that the transition from relatively low levels of physical capital is carried over through high work effort rather than high savings. We develop some empirical implications. We show that the models predict conditional convergence in that, in a cross section, the growth rate is predicted to be negatively related to initial income but only after some measure of human capital is held constant. Thus, the models are consistent with existing empirical cross country evidence.

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