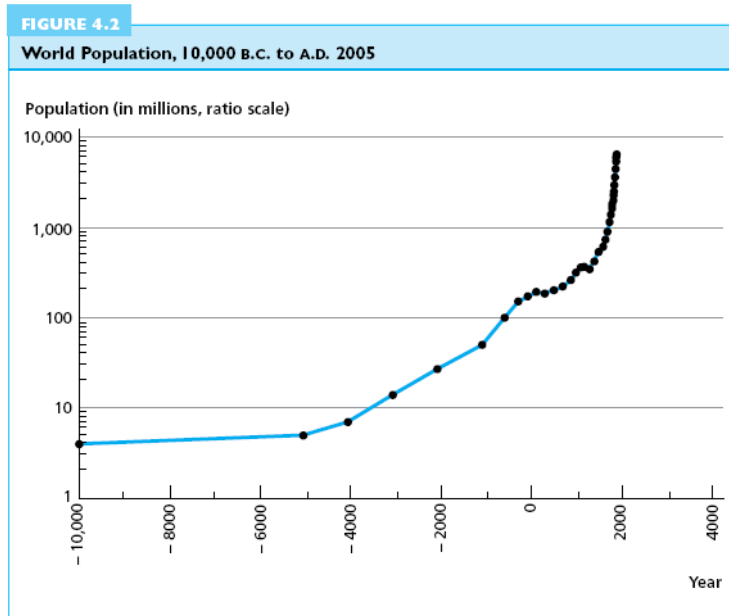


2. How Population Effects Development

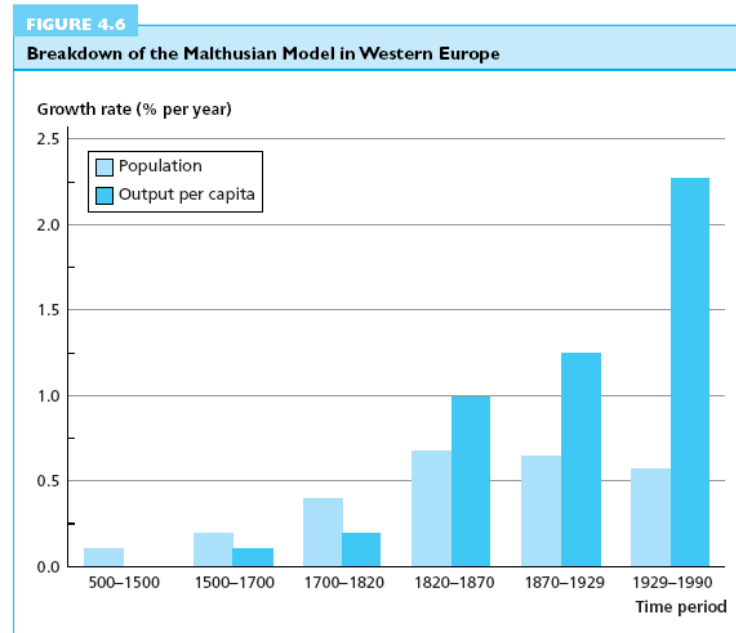
A. Malthusian Model



Source: Kremer (1993).

- Thomas Malthus's 1798 "Essay on the Principle of Population" provided explanation for historical constancy of population
- Malthus observed that, given right circumstances, humans can breed at a prodigious rate. e.g. Hutterites
- Force that limited human population in the face of this potential fertility was limited resources, particularly land.
- Graphical representation of Malthusian model

- How will improvements in productive environment affect standard of living? Example: China, introduction of potato in Ireland
- How will introduction of contraception affect standard of living?
- Breakdown of Malthusian Model



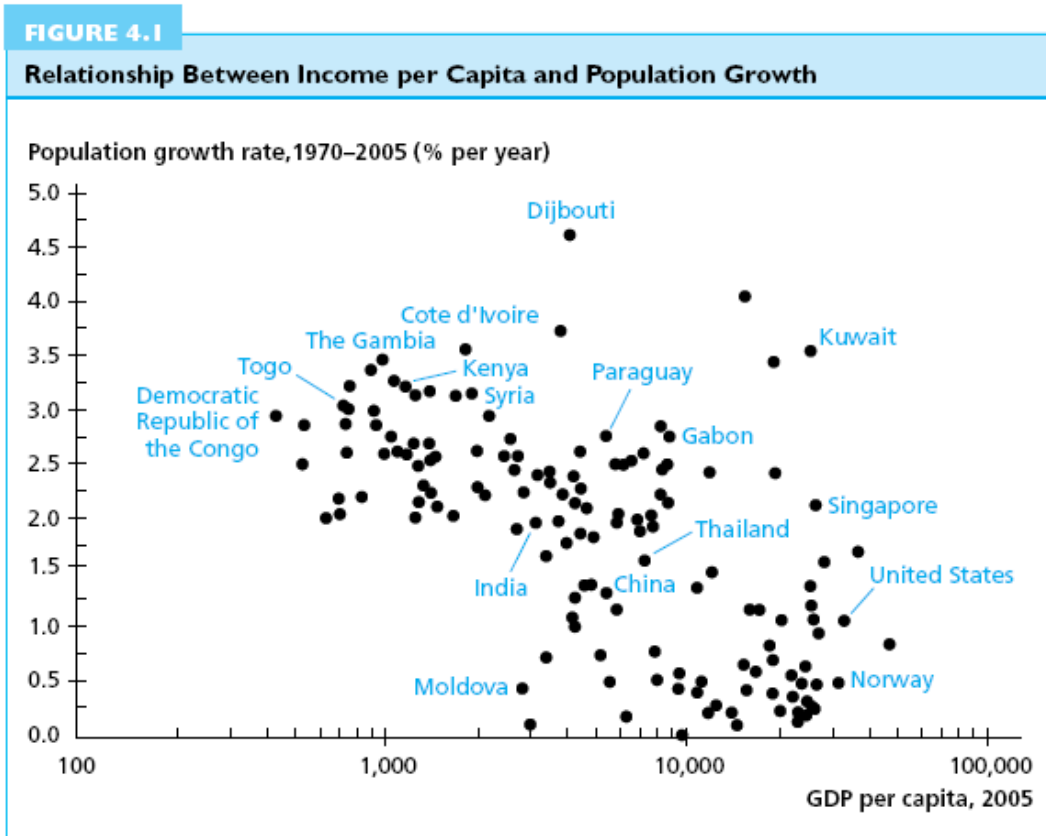
Source: Galor and Weil (2000).

B. Solow Model

- Effect of population growth on income growth via the channel of capital dilution
- Start out with same basic Solow structure we saw before, add element of capital dilution

- Find steady state

- What does Solow model predict for relative levels of steady state output per worker?



Source: Heston et.al. (2006), World Bank (2007a).

Next time: Education