

# DEEP ORIGINS OF COMPARATIVE ECONOMIC DEVELOPMENT



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## COURSE DESCRIPTION

### Abstract

This course summarizes recent theoretical and empirical evidence about the influence of deeply rooted factors (geography, cultural determinants, political and economic institutions, historical factors) on a modern variation of incomes per capita across countries. The first part of the course provides an overview of the unified growth theories that are helpful for our understanding of the transition to modern economic growth in the world economy. The second part of the course discusses the role of deep factors and mechanisms that explain the Great Divergence, the growing differences in living standards between rich and poor countries. The final part of the course shows how political and economic institutions effects modern comparative development and provides explanations for the determinants of institutional formation in the society. The course is based on rich recent literature in economics, history and political science that challenge our understanding of the modern comparative development of nations.

## Learning Objectives

### The objectives of the course are:

- to provide students with the knowledge of new concepts and models that explains the comparative economic development of nations
- to develop students' ability to apply economic models to the analysis of specific economic cases
- to develop students' ability to study long-term economic processes in a broad economic, historical, cultural and political context.

### Cours outline

		hours
1	Introduction to modern economic growth	2
2	Modelling economic growth	6
3	The unified growth theory	4
4	Deep roots of comparative development: biogeographical factors	2
5	Deep roots of comparative development: institutional and cultural factors	4
6	Political economy of the transition from stagnation to growth	4
7	Openness and growth	2
8	Presentation of research projects	8

## LIST OF TOPICS

### 1. Introduction to modern economic growth and development (2 hours)

The evolution of income per capita growth rates across time and space. Income and welfare. The Great Divergence. Poverty and growth. Quantitative and qualitative changes in economic development. Key questions of economic growth. Kaldor, Easterley, Jones facts about economic growth. The quest for determinants of long-run economic growth.

#### Recommended literature

- Acemoglu, D. (2010) Introduction to modern economic growth. Chapter 1, 2, 4.
- Charles I. Jones & Paul M. Romer, 2010. "The New Kaldor Facts: Ideas, Institutions, Population, and Human Capital," American Economic Journal: Macroeconomics, American Economic Association, vol. 2(1), pages 224-45, January.
- Easterly, William (2001) The Elusive Quest for Growth. The MIT Press, Cambridge, MA.

- Helpman E. The mystery of economic growth. – Harvard University Press, 2009.

## **2. Modelling economic growth (6 hours)**

Explanation of differences in incomes and growth rates across countries in the neoclassical growth model. Growth accounting. Conditional convergence hypothesis. The rise of endogenous growth theories. Technologies as a public good. Horizontal and vertical innovations. Schumpeterian growth. Market failures and government failures in the exploration of new technologies. Convergence clubs models. The mechanisms of poverty traps. Proximate and fundamental causes of economic growth.

### **Recommended literature**

- Acemoglu, D. (2010) Introduction to modern economic growth. Chapter 3, 4, 13.
- Aghion, Philippe and Peter Howitt (2009) The economics of growth. The MIT Press.
- Howitt, Peter & Mayer-Foulkes, David, 2005. "R&D, Implementation, and Stagnation: A Schumpeterian Theory of Convergence Clubs," Journal of Money, Credit and Banking, Blackwell Publishing, vol. 37(1), pages 147-177
- Veselov, D. (2011) Market failures and government failures in the model of transition from stagnation to growth. Journal of the New Economic Association. 12, pp 24-39

## **3. The unified growth theory. (4 hours)**

The transition from stagnation to growth. The dynamics of population, technology and output per capita in the Malthusian regime, the Post-Malthusian regime and on the stage of modern growth. The exit from the Malthusian trap. The mechanisms of transition from stagnation to growth. The role of education during the transition from stagnation to growth. Great Divergence and its explanation in the unified growth framework. The evolutionary theory of long-run growth.

### **Recommended literature**

- Galor, O. (2011). Unified growth theory. Princeton University Press.
- Galor, Oded and David Weil (2000) "Population, Technology, and Growth: From Malthusian Stagnation to the Demographic Transition and Beyond." American Economic Review, 90, pp. 806-828.
- Galor, O., & Moav, O. (2002). Natural selection and the origin of economic growth. The Quarterly Journal of Economics, 117(4), 1133-1191.

#### **4. The deep roots of comparative development: biogeographical factors (2 hours)**

Direct and indirect effects of geographical factors on economic development. Diamonds theory of modern comparative development. Empirical studies of the role of biogeographical factors on long-run economic growth. The causal effect of geographical factors on institutions, culture and economic growth. Neolithic Revolution and the Formation of States. The out of Africa hypothesis. An agricultural endowment, patience and economic development.

##### **Recommended readings:**

- Quamrul Ashraf & Oded Galor & Marc Klemp, 2015. "Heterogeneity and Productivity," Working Papers 2015-4, Brown University, Department of Economics.
- Diamond, Jared M. (1997) *Guns, Germs and Steel: The Fate of Human Societies*. W.W. Norton & Co., New York NY.
- Galor, O., Özak, Ö.. (2016) The Agricultural origins of Time Preference. *American Economic Review*, 106(10):3064-3103
- Lagerlöf N.P. (2016). Statehood, democracy and preindustrial development *Journal of Economic Dynamics & Control* 67 58–72
- Olsson, O., Hibbs, D. (2005). *Biogeography and Long-Run Economic Development*. *European Economic Review* 49 (4): 909-938

#### **5. Deep roots of comparative development: institutional and cultural factors (4 hours)**

Effects of institutions on economic performance. Reversals of fortune. Little Divergence in Europe. Natural states and open access societies. Formation and persistence of economic institutions. Formation of open access societies. The role of culture and religions in sustainable economic development. The causes of Little Divergence in Europe. The long-term effects of Africa slaves' trade. Social capital and economic development.

##### **Recommended literature**

- Acemoglu, Daron and James Robinson (2012) *Why Nations Fail: The Origins of Power, Prosperity and Poverty*.
- Giuliano P, Nunn N. (2017) *Understanding Cultural Persistence and Change*. Working Paper
- Oded Galor & Omer Moav & Dietrich Vollrath, 2009. "Inequality in Landownership, the Emergence of Human-Capital Promoting Institutions, and the Great Divergence," *Review of Economic Studies*, Oxford University Press, vol. 76(1), pages 143-179.
- North, Douglass, Wallis John Joseph and Barry R. Weingast. (2012) *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*.

- Nunn, N., & Wantchekon, L. (2011). The Slave Trade and the Origins of Mistrust in Africa. *The American Economic Review*, 101(7), 3221-3252.
- Nunn N. (2007) Historical Legacies: A Model Linking Africa's Past to its Current Underdevelopment. *Journal of Development Economics*. 83(1):157-175
- Robinson, James A, Daron Acemoglu, and Simon Johnson. 2005. "Institutions as a Fundamental Cause of Long-Run Growth." *Handbook of Economic Growth 1A*: 386-472.
- Sokoloff, K., Engerman, S. (2000). History Lessons: Institutions, Factors Endowments, and Paths of Development in the New World. *The Journal of Economic Perspectives*, 14(3), 217-232.

## **6. Political economy of the transition from stagnation to growth (4 hours)**

Inequality in land and capital and the transition from stagnation to growth. Das Human Capital: the Transition from physical capital to human capital and its politico-economic consequences. Economic backwardness in political perspective. Oligarchic versus Democratic Societies. Institutions and Constitutions. A political regime, barriers to entry, redistribution and economic growth.

### **Recommended literature**

Acemoglu, Daron (2008) "Oligarchic Versus Democratic Societies," *Journal of the European Economic Association*, MIT Press, vol. 6(1), pages 1-44, 03.

Acemoglu, D., & Robinson, J. A. (2006). Economic backwardness in political perspective. *American Political Science Review*, 100(1), 115-131.

Oded Galor & Omer Moav, 2004. "Das Human Kapital: A Theory of the Demise of the Class Structure," *Review of Economic Studies*. 02/2006; 73(1):85-117

Veselov D. (2015) Democratization and Barriers to Entry in a Two-Dimensional Voting Model. Working papers by Centre d'Economie de la Sorbonne. Series cesdoc:13050 "Documents de travail du Centre d'Economie de la Sorbonne". 04.2015.

Veselov, D., & Yarkin, A. (2016). Wealth Distribution and Political Conflict in the Model of Transition from Stagnation to Growth. *Journal of the New Economic Association*, 32(4), 30-60.

## **7. Openness and growth (2 hours)**

Comparative advantage and economic development. Static and dynamic comparative advantage. Openness and Great Divergence. Technological adoption, appropriate technologies and long-run economic growth. Resources curse and resource blessing. The political economy of brain drain.

### **Recommended literature**

Baldwin, R. E., Martin, P., & Ottaviano, G. I. (2001). Global income divergence, trade, and industrialization: The geography of growth take-offs. *Journal of Economic Growth*, 6(1), 5-37.

Galor, O., & Mountford, A. (2006). Trade and the great divergence: the family connection.

Docquier F. And Rapoport H. "Globalization, brain drain and development", *Journal of Economic Literature* Vol. 50, No. 3 (2012): 681-730.

Lucas, R. E. (2009). Trade and the Diffusion of the Industrial Revolution. *American Economic Journal: Macroeconomics*, 1(1), 1-25.

Van der Ploeg, F. (2011). Natural resources: Curse or blessing?. *Journal of Economic Literature*, 49(2), 366-420.

### **Research project**

Throughout the course, students prepare a group research project in teams on one of the topics of the course. They study literature on the topic and develop a case study of the persistent effect of a particular historical, cultural or institutional phenomenon on the long run prosperity of a country. At the end of the course, teams do short presentations of the projects.

### **Final exam**

The final exam has a written open-book form and constitutes short questions and essay-type questions about the content of the course.

### **Grading system**

The final grade for the course will consist of

a research project 50%

final exam: 50%