**DEEP ORIGINS OF COMPARATIVE ECONOMIC DEVELOPMENT**



From plus.google.com

**Instructor: Dr. Dmitry Veselov (****dveselov@hse.ru****)**

**COURSE DESCRIPTION**

**Abstract**

This course summarises 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 economies. The third part of the course shows how political and economic institutions affect modern comparative development and provides explanations for the determinants of institutional formation in society. The final fourth part of the course provides evidence of the influence of deep-rooted factors in modern Russia. 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 contest.

**Сours outline**

|  |  |  |
| --- | --- | --- |
|  |  | **Hours** |
| 1 | Introduction to modern economic growth | 2 |
| 2 | Modelling economic growth | 4 |
| 3 | The unified growth theories | 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 | 2 |
| 7 | Growth and development of Russian economy. The role of deep-rooted factors | 4 |
| 8 | Presentation of research projects | 6 |
| 9 | Final exam | 2 |

**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 (4 hours)**

Explanation of differences in incomes and growth rates across countries in the neoclassical growth model. Growth accounting. Conditional convergence hypothesis. 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. Openness and Great Divergence. Technological adoption, appropriate technologies and long-run economic growth. Resources curse and resource blessing.

**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

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

• 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 Failures: The Origins of Power, Prosperity and Poverty.
* Giuliano P, Nunn N. (2017) [Understanding Cultural Persistence and Change](http://scholar.harvard.edu/nunn/publications/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 (2 hours)**

Inequality in land and capital and the transition from stagnation to growth. the transition from physical capital to human capital and its politico-economic consequences. Economic backwardness in political perspective. Political regimes and economic development. Institutions and Constitutions. 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. Growth and development in Russia: the role of deep-rooted factors (4 hours)**

Russia and little divergence. Political economy of Russian take-off in the XiX century. Economic growth in Russian in long-run. The growth and stagnation of the Soviet economy. The collapse of Soviet economy and the transition to the market economy: evolution of institutions and culture. Russian economy in the globalised world. Growth and development in 1990-2000 in Russia. The proximate and fundamental course of growth in Russia. Resources curse and resource blessing. Challenges for modern Russian economy.

**Recommended literature**

Natkhov, T. & Polishchuk, L., 2017. "[Political Economy of Institutions and Development: The Importance of Being Inclusive. Reflection on "Why Nations Fail" by D. Acemoglu and J. Robinson. Part II. Institutional Change and Impli](https://ideas.repec.org/a/nea/journl/y2017i35p12-32.html)," [Journal of the New Economic Association](https://ideas.repec.org/s/nea/journl.html), New Economic Association, vol. 35(3), pages 12-32.

Mau V. and Drobyshevskaya T. (2013) Modernization and the Russian Economy: Three Hundred Years of Catching Up. In Oxford Handbook of Russian Economy edited by M. Alexeev and S. Weber. Oxford. Oxford University Press.

Polishchuk L. (2013) Institutional performance In Oxford Handbook of Russian Economy edited by M. Alexeev and S. Weber. Oxford. Oxford University Press.

Veselov D. (2019) “Russia in a globalised world” in Russian economy: a view after the reforms, edited by E.G. Yasin. Moscow. HSE publishing house (forthcoming)

Veselov D. (2019) “Growth and development” in Russian economy: a view after the reforms, edited by E.G.Yasin Moscow. HSE publishing house (forthcoming)

Veselov D. (2019) “Institutions and values” in Russian economy: a view after the reforms, edited by E.G. Yasin. Moscow. HSE publishing house. (forthcoming)

Veselov D. (2019) “Political economy of Russian reforms” in “Russian economy: a view after the reforms” edited by E.G. Yasin. Moscow. HSE publishing house. (forthcoming)

**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%