

Syllabus

Economic Development in the Long-Run: Theory and Empirics

Higher School of Economics
Master's Programme Economics: Research Programme

Spring 2020: Module 4

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Class Times: TBA
Classroom: TBA

Course description:

Most affluent countries of the world today are about 30 times richer than those at the very bottom. How can we explain such vast differences in levels of prosperity across nations? To what extent can we understand these gaps in prosperity by analyzing factors that mattered only over the past few decades? Or shall we seek the answers in deeper developmental factors over the past few centuries, or the past few millennia? Is global inequality likely to persist unless action is taken, or shall we expect a convergence to take place through natural processes of economic development? If contemporary differences in living standards have “deep” historically-rooted origins, to what extent can policies help reduce global inequality today? This course will present a unified theory of economic growth and introduce the seminal body of empirical evidence on long-run comparative development to help us think about these and related questions. Some of the topics we will cover include: Malthusian stagnation during the pre-industrial stage of economic development; the importance of demographic transition and human capital formation in the course of industrialization; the persistent legacy of colonialism, slavery, and ethnic fragmentation in shaping contemporary politico-economic institutions; and the enduring effects of geography on comparative development, through its impact on the timing of the transition to agriculture and its influence in shaping the ancestral compositions of human populations across the globe.

This is a one-module-long course. We will begin with a descriptive analysis of the process of long-run economic development, documenting stylized facts regarding the Malthusian stagnation in income per capita across societies over the vast portion of mankind's history until the Industrial Revolution. We will document how industrialization and the associated phenomenon of the demographic transition ultimately permitted some societies to escape from the Malthusian “trap” earlier than others and enter a modern regime of sustained growth in income per capita –leading to a phenomenon referred to as the Great Divergence.

We will do a brief overview of neoclassical (Solow) model of economic growth and the endogenous (or innovation-based) theory of modern economic growth that are helpful in understanding the growth experience of industrialized countries over the last century. Then we will see how a more unifying framework for understanding the entire growth experience of societies from the pre-industrial epoch of

mankind's history to the modern era can help us gain new insights about the deep-rooted sources of contemporary wealth differences among countries.

We will then move on to study the basic building blocks of a unified theory of economic growth in the very long run, including (a) the Malthusian hypothesis, an analytical framework that describes the aggregate behavior of pre-industrial societies; and (b) the so-called demographic transition of some societies from a high-fertility regime to a low-fertility regime, which enabled their "take-off" from the long epoch of Malthusian stagnation in income per capita during the process of industrialization. Our analyses of these building blocks will culminate to an examination of the powerful Unified Growth Theory, a micro-founded model that formalizes the aggregate behavior of an economy over the entire process of development, beginning with an epoch of Malthusian stagnation, leading to industrialization and the demographic transition, and ultimately, to the modern era of sustained economic growth.

The rest of the course will be devoted to studying the roots of comparative economic development. We will trace the origins of differences in the wealth of nations today to various mechanisms that influenced the timing of the "take-off" to the modern growth regime over the last two centuries. To this effect, we will examine several hypotheses that have been set forth by long-run growth economists and economic historians regarding the roles of (a) geography; (b) political institutions; (c) cultural characteristics; and (d) human capital formation. We will end the course with a discussion of some exciting and provocative hypotheses regarding the role of "deeply rooted" prehistoric factors in contributing to aggregate economic differences across societies today such as (a) the differential timing of the transition from hunting and gathering to agriculture during the Neolithic Revolution; and (b) the "out of Africa" migration of humans during the initial populating of the world tens of thousands of year ago.

Course Materials

There are no textbooks because much of what we will be covering is based on a relatively new frontier of research in economic growth. Readings will consist of published journal articles, unpublished working papers, and various chapter excerpts from book manuscripts. Readings for each class meeting will be posted online ahead of time on the #Slack platform that I will set up for our class. I will assume that you will have read the assigned readings before each class in order to prepare yourself for class discussions. I will also provide a reading list for you to (1) select the paper you want to discuss in your final paper and (2) for the interested students to get deeper on topics of their interest.

Some useful books to read and have

Causal inference methods:

[Mastering 'Metrics: The Path from Cause to Effect](#), Joshua D. Angrist & JörnSteffen Pischke.

OR

[Causal Inference: The Mixtape](#), Scott Cunningham.

Popular general audience books on the subject:

[Unified Growth Theory](#) by [Oded Galor](#)

[Guns, Germs, and Steel: The Fates of Human Societies](#) by Jared Diamond

[Why Nations Fail: The Origins of Power, Prosperity, and Poverty](#) by [Daron Acemoglu](#) and [James A. Robinson](#)

Student tasks and evaluation:

Weekly summaries of readings

Each week students are required to write a short summary of one of the required readings and send the summary to me via direct message on #Slack at least 2 hours before the beginning of each class. The summary should cover the following: (i) Why is the paper important (or why not)? (ii) An overview of the core contributions of the paper. (iii) What you liked (or did not like) about the paper. (iv) How the paper is connected to other studies in the course.

Problem Sets

There will be 2-3 problem sets over the course period. Due dates for problem sets will be announced as the course progresses. Turning in a problem set answer that is identical to one of your classmate's and/or does not reflect your own comprehension will be considered a violation of the academic code. Late turn-ins of the problem sets will not be accepted.

Referee Report

This short writing assignment will require you to write a 2-page referee report (i.e., a critical review) on a scholarly paper from the literature on the long-run determinants of comparative development. Your main objective in this assignment will be to, first, aptly summarize the premise, key arguments, and main findings of the scholarly paper, and second, provide some arguments for and against the scientific credibility of the paper's arguments, methodologies, and conclusions. Later in the semester, I will be furnishing multiple scholarly papers on long-run development from which you would be able to choose the one that you find most intellectually appealing for writing your referee report.

Attendance and Class Participation

You will be judged extensively on class participation over the semester. A pattern of repeated absences will thus be reflected in your grade. It is inherently difficult to spell out the criteria by which constructive participation is assessed. In general, the participation portion of your grade will be based on your overall contribution to class discussions. This includes asking relevant questions during lectures, being involved in discussions on a regular basis, and general engagement with the class, reflecting your ability to contribute thoughtfully, sensitively, and respectfully to an intellectual debate. As a commitment device for class participation, I may set up a schedule for groups of 2–3 students to lead class discussions on a rotational basis.

Final paper

Students will a 10-page discussion paper (or an extended referee report) on a scholarly article of your choice from the reading list that I will provide. Details about expectations and format will be announced later during the course. If you are interested in doing research (writing your master thesis) that is related to the topics covered in the class or the reading list, and you have a research idea in mind, you can instead write a brief overview of multiple articles that are most relevant to your research idea and devote the rest of the paper to explaining your research proposal (question, motivation and methodology).

Grading

Your final grade for this class will be determined as follows:

Weekly reading summary	15%
Problem Sets	30%
Final Paper	35%
Referee Report	10%

Class Participation	10%
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Course Outline (Tentative)

First class meeting

Introduction and Overview

No readings.

Topic 1

From Malthusian Stagnation to Modern Economic Growth: Characterizing the Process of Development

Required Reading:

- Oded Galor (2005): “From Stagnation to Growth: Unified Growth Theory,” in *Handbook of Economic Growth*, Vol. 1A, P. Aghion and S. Durlauf (eds.), pp. 171–293. Read pp. 171–219.
- Gregory Clark (2007): *A Farewell to Alms: A Brief Economic History of the World*, Princeton University Press, Ch. 1 on “The Sixteen-Page Economic History of the World.”

Supplementary Reading:

- Oded Galor and Brian Snowdon (2008): “Towards a Unified Theory of Economic Growth: Oded Galor on the Transition from Malthusian Stagnation to Modern Economic Growth. An Interview with Introduction by Brian Snowdon,” *World Economics*, 9(2).

Topic 2

The Neoclassical (Solow) Growth Model: Analytical Framework

Required Reading:

- Oded Galor (2010): *Notes on Economic Growth*, Ch. 3 on “The Neoclassical Growth Model.” Read pp. 3–42.

Topic 3

The Neoclassical (Solow) Growth Model: Empirical Assessment

Required Reading:

- Oded Galor (2010): *Notes on Economic Growth*, Ch. 3 on “The Neoclassical Growth Model.” Read pp.43–54 and pp. 66–78.
- William Easterly (2001): *The Elusive Quest for Growth*, MIT Press, Ch. 3 on “Solow’s Surprise: Investment is Not the Key to Growth.”
- Lant Pritchett (1997): “Divergence, Big Time,” *Journal of Economic Perspectives*, 11(3), pp. 3–17.

Topic 4

The Innovation-Based (Endogenous) Theory of Modern Growth

Required Reading:

- Charles I. Jones and Dietrich Vollrath (2013): *Introduction to Economic Growth*, W.W. Norton & Co., Chs. 4 and 5 on “The Economics of Ideas” and “The Engine of Growth.” Skip pp. 119–132.

Topic 5

The Malthusian Regime of Long-Run Development: Theory and Evidence

Required Reading:

- Quamrul Ashraf and Oded Galor (2011): “Dynamics and Stagnation in the Malthusian Epoch,” *American Economic Review*, 101(5), pp. 2003–2041.
- Gregory Clark (2007): *A Farewell to Alms: A Brief Economic History of the World*, Princeton University Press, Chs. 2 and 3 on “The Logic of the Malthusian Economy” and “Living Standards.”

Supplementary Reading:

- Thomas R. Malthus (1798): *An Essay on the Principle of Population*, J. Johnson in St. Paul’s Churchyard, excerpts. Full text available at: <http://www.econlib.org/library/Malthus/malPlong.html>.

Topic 6

The Demographic Transition: Theories and Empirical Assessment

Required Reading:

- Oded Galor (2005): “The Demographic Transition and the Emergence of Sustained Economic Growth,” *Journal of the European Economic Association*, 3(2-3), pp. 494–504.
- Oded Galor (2005): “From Stagnation to Growth: Unified Growth Theory,” in *Handbook of Economic Growth*, Vol. 1A, P. Aghion and S. Durlauf (eds.), pp. 171-293. Read pp. 224–235.

Supplementary Reading:

- John Caldwell (1976): “Toward a Restatement of Demographic Transition Theory,” *Population and Development Review*, 2(3-4), pp. 321–366.

Topic 7

Unified Growth Theory: The Analytical Framework

Required Reading:

- Oded Galor and David Weil (1999): “From Malthusian Stagnation to Modern Growth,” *American Economic Review*, 89(2), pp. 150–154.
- Oded Galor (2005): “From Stagnation to Growth: Unified Growth Theory,” in *Handbook of Economic Growth*, Vol. 1A, P. Aghion and S. Durlauf (eds.), pp. 171-293. Read pp. 235–264.

Topic 8

Unified Growth Theory: Insights for the Great Divergence and Comparative Economic Development

Required Reading:

- Oded Galor (2010): “The Lawrence Klein Lecture: Comparative Economic Development – Insights from Unified Growth Theory,” *International Economic Review*, 51(1), pp. 1–44.

Supplementary Reading:

- Eric Jones (2003): *The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia*, Cambridge University Press, Ch. 12 on “Summary and Conclusion.”
- Douglass North and Robert Thomas (1976): *The Rise of the Western World: A New Economic History*, Cambridge University Press, Chs. 1 and 2 on “An Issue” and “An Overview.”
- David Landes (2006): “Why Europe and the West? Why Not China?” *Journal of Economic Perspectives*, 20(2), pp. 3–22.
- Joel Mokyr (2009): “Intellectual Property Rights, the Industrial Revolution, and the Beginnings of Modern Economic Growth,” *American Economic Review*, 99(2), 349–355.

Topic 9

The Role of Culture in Comparative Development

Required Reading:

- Sascha Becker and Ludger Woessman (2009): “Was Weber Wrong? A Human Capital Theory of Protestant Economic History,” *Quarterly Journal of Economics*, 124(2), pp. 531–596.
- Gregory Clark (1987): “Why Isn’t the Whole World Developed? Lessons from the Cotton Mills,” *Journal of Economic History*, 47(1), pp. 141–173.
- Luigi Guiso, Paola Sapienza, and Luigi Zingales (2006): “Does Culture Affect Economic Outcomes?” *Journal of Economic Perspectives*, 20(2), pp. 23–48.

Topic 10

The Legacy of Colonialism and Slavery through Persistent Institutions

Required Reading:

- Daron Acemoglu, Simon Johnson, and James Robinson (2001): “The Colonial Origins of Comparative Development: An Empirical Investigation,” *American Economic Review*, 91(5), pp. 1369–1401.
- Nathan Nunn (2008): “The Long-Term Effects of Africa’s Slave Trades,” *Quarterly Journal of Economics*, 123(1), pp. 139–176.

Supplementary Reading:

- Nathan Nunn and Leonard Wantchekon (2011): “The Slave Trade and the Origins of Mistrust in Africa,” *American Economic Review*, 101(7), pp. 3221–3252.

Topic 11

Geography vs. Institutions in the Making of the Modern World Income Distribution

Required Reading:

- Dani Rodrik, Arvind Subramaniam, and Francesco Trebbi (2004): “Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development,” *Journal of Economic Growth*, 9(2), pp. 131–165.
- Jeffrey Sachs (2003): “Institutions Don’t Rule: Direct Effects of Geography on Per Capita Income,” NBER Working Paper 9490, National Bureau of Economic Research, Cambridge, MA.
- James Feyrer and Bruce Sacerdote (2009): “Colonialism and Modern Income – Islands as Natural Experiments,” *Review of Economics and Statistics*, 91(2), pp. 245–262.

Supplementary Reading:

- John Gallup, Jeffrey Sachs, and Andrew Mellinger (1999): “Geography and Economic Development,” *International Regional Science Review*, 22(2), pp. 179–232.

Topic 12

The Role of “Deep Rooted” Factors in Comparative Development

Required Reading:

- Quamrul Ashraf and Oded Galor (2013a): “The ‘Out of Africa’ Hypothesis, Human Genetic Diversity, and Comparative Economic Development,” *American Economic Review*, 103(1), pp. 1–46.
- Douglas Hibbs, Jr. and Ola Olsson (2004): “Geography, Biogeography, and Why Some Countries are Rich and others are Poor,” *Proceedings of the National Academy of Sciences*, 101(10), pp. 3715–3720.

Supplementary Reading:

- Jared Diamond (1997): *Guns, Germs, and Steel: The Fates of Human Societies*, W. W. Norton, Chs. 4 and 5 on “Farmer Power” and “History’s Haves and Have-Nots.”
- Quamrul Ashraf and Oded Galor (2013b): “Genetic Diversity and the Origins of Cultural Fragmentation,” *American Economic Review (Papers and Proceedings)*, 103(3), pp. 528–533.
- Cemal Eren Arbatli, Quamrul Ashraf, Oded Galor and Marc Klemp (2019): Diversity and Conflict, *forthcoming in Econometrica*. [Link to NBER Working Paper](#).