

15E031

## Topics in Economic Growth and Development

Term 3 – 3 ECTS

Elective Course

Prof. Luigi Pascali

### Prerequisites to Enroll

The course requires basic understanding of econometric theory and techniques (e.g. OLS, 2SLS, Difference-in-difference, GMM)

### Overview and Objectives

In recent years an exciting economic literature has emerged that seeks to understand disparities in economic development across countries by going far back in history. A series of historical events, have been considered responsible of long-lasting effects on institutions, culture, human capital and technology and, through those channels, on current domestic living conditions.

The purpose of this course is to debate about the most recent and innovative developments in this literature.

### Course Outline

The course is divided in 5 parts covering:

1. The role of geography for economic growth
2. The role of institutions and culture
3. The role of trade
4. The role of inequality
5. The role of human capital

Each part will be discussed for two weeks.

### Required Activities

Students are supposed to write a research proposal (which will be handed out by the last class of the course) and to present in class at least one article from those reported in the reading list.

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### Evaluation

The evaluation will be fully based on a research proposal that will be handed-in by email at the end of the last class.

### Competences

- Capacity of utilization of the theoretical instruments of the to analyze situations of coherent form.
- Ability to use the appropriate (statistical and numerical) techniques.
- Ability to identify and successfully search for the data necessary for the analysis, either grossly or in the form of more elaborate databases.
- Ability to make independent judgments and defend them dialectically.
- Ability to write formal reports.
- Acquire a solid knowledge base for the study of quantitative issues.
- Ability to Recognize and know how to use the principles of econometrics and statistics.
- Ability to work with microeconomic analysis tools and their empirical and theoretical applications.

### Learning Outcomes

- Students should get an overview of economic and financial theory.
- Students must be able to recognize theories and present arguments with precise examples.
- Students will have the ability to understand how markets work and explain their weaknesses.
- Students will acquire the technical tools that will allow them to perform the advanced analytics required in the second module as econometric methods.
- Students will know what the appropriate inference for each situation is.

### Materials

Lecture slides are available on the course Box shared folder. The course is largely based on the critical reading of recent research articles and book chapters. Compulsory and complimentary readings can be found on JSTOR.

### Reading List

Note: The reading list is deliberately long, with the intention of those of you who are interested, something more to read up and chew over. While there are no required texts, I do recommend that you read/acquire

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these two classics. The first is Jared Diamond's "Guns, Germs and Steel" and the second is Daron Acemoglu and James Robinson "Why Nations Fail: The Origins of Power, Prosperity and Poverty".

Every single paper denoted by \* will be discussed by the instructor during the class.

Every single paper denoted by # will be discussed by a student or a group of students during the class.

Every paper denoted by \* or # will be covered by the final exam.

### A. GEOGRAPHY AND GROWTH

#### The origin of differences in economic development across regions

\*Diamond, Jared, "Guns, Germs and Steel: A short history of everybody for the last 13,000 years", (1998), Vintage.

Diamond, Jared (2002), "Evolution, consequences and the future of plant and Animal domestication", Nature, Vol. 418

<http://www.data.forestry.oregonstate.edu/orb/BiotechClass/2004%20materials/2A-AG%20HIST/DiamondDomestication-2002-Nature01019.pdf>

\*Hibbs and Olsson (2004). Geography, biogeography, and why some countries are rich and others are poor. *Proceedings of the National Academy of Sciences*, 101

\*Mayshar, Moav, Neeman and Pascali (2015). Cereals, Appropriability and Hierarchy. CEPR Working Paper 10742.

\*Sanchez de la Sierra (2015). On the Origins of States: Stationary Bandits and Taxation in Eastern Congo", mimeo, Berkeley

#Ashraf and Galor (2013), "The Out of Africa Hypothesis, Human Genetic Diversity, and Comparative Economic Development, *American Economic Review* 103.

# Ozak and Galor (2017) "The agricultural origins of time preference", *American Economic Review*.

#### From stagnation to growth

\*Ashraf and Galor (2011). Dynamics and Stagnation in the Malthusian Epoch. *The American Economic Review* 101.

Galor and Weil (2000). Population, Technology and Growth: from the Malthusian Regime to the Demographic Transition. *American Economic Review* 110.

Hansen and Prescott (2000). Malthus to Solow. *American Economic Review* 92.

Galor (2011). *Unified Growth Theory*. Princeton University Press.

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### Geography and Development

\*Sachs, Jeffrey, “Institutions Matter, But Not for Everything” (2003)  
<http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/sachs.pdf>

\*Faye, McArthur, Sachs and Snow (2004), “The Challenge Facing Landlocked Developing Countries, Journal of Human Development

\*Melissa Dell, Ben Jones and Ben Olken (2009), “Temperature and Income”. American Economic Review Papers and Proceedings

\*Acemoglu, Johnson and Robinson (2002), “The Reversal of Fortune”. Quarterly Journal of Economics 117

### B. INSTITUTIONS AND CULTURE

#### Institutions and long-run development

\*Acemoglu, Daron, Simon Johnson and James Robinson (2001). “The Colonial Origins of Comparative Economic Development: An Empirical Investigation”, American Economic Review 91.

\*Melissa Dell (2010). “The persistent effects of Peru’s mining Mita”, Econometrica 78.

\*Acemoglu and Johnson (2005). Unbundling Institutions. Journal of Political Economy 113.

\*Luigi Pascali (2016), “Banks and Development: Jewish Communities in the Italian Renaissance and Current Economic Performance”, The Review of Economics and Statistics.

Acemoglu, Daron, Simon Johnson and James Robinson 2011 The Consequences of Radical Reform: The French Revolution *American Economic Review*

#### Culture and long-run development

\*Guiso, Sapienza, Zingales (2010). “Long Term Persistence”. NBER WP 14278.

# Michalopoulos, Stelios and Elias Pappaioannou (2013), “National Institutions and Sub National Development in Africa”, Quarterly Journal of Economics.

\*Becker, Sascha and L. Woessmann (2009), “Was Weber Wrong? A Human Capital Interpretation of Protestant Economic History”, Quarterly Journal of Economics.

\*Nunn (2008). The long-term effects of Africa’s slave trade. Quarterly Journal of Economics 123(1).

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# Alesina, Giuliano, Nunn (2013). On the origins of gender roles: women and the plough. Quarterly Journal of Economics 128(1).

\*Nunn (2008). The long-term effects of Africa's slave trade. Quarterly Journal of Economics 123(1).

### **C: THE INTERPLAY OF CULTURE AND INSTITUTIONS**

#### **Trust and Regulation**

# Aghion, Algan, Cahuc and Shleifer (2010). Regulation and Distrust. Quarterly Journal of Economics 125(3).

Alesina, Algan, Cahuc and Giuliano (2015). Family Values and the Regulation of Labor, Journal of European Economic Association.

Aghion, Algan and Cahuc (2011). Civil Society and the State: the Interplay between Cooperation and Minimum Wage Regulation, Journal of European Economic Association 9(1).

Guiso, Sapienza, Zingales (2008). Trusting the stock market. Journal of Finance 63(1).

#### **Collectivist versus individualist social organizations**

Grief (1993). Contract enforceability and economic institutions in early trade: the Maghribi trade coalition. American Economic Review 83(3).

# Grief (1994). Cultural beliefs and the organization of society: a historical and theoretical reflection on collectivist and individualist societies. Journal of Political Economy 102(5).

# Gorodnichenko and Roland (forthcoming). Culture, Institutions and the Wealth of Nations. The Review of Economics and Statistics.

#### **Can changes in institutions affect culture?**

# Alesina, Fuchs-Schündeln (2007). Good Bye Lening or Not? The Effect of Communism on People's Preferences. American Economic Review 97.

\* Becker. Boeckh, Hainz, Woessmann (2015). The empire is dead, long live the empire! Long-run persistence of trust and corruption in the bureaucracy. Economic Journal 126.

# Cassar, D'Adda, Grosjean (2014). Institutional Quality, Culture and Norms of Cooperation. The Journal of Law and Economics 57.

# Gneezy and Rustichini (2000). A fine is a price. The Journal of Legal Studies 29.

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### D: INSTITUTIONS, TRADE AND DEVELOPMENT

#### The impact of institutions on comparative advantage and patterns of trade

Levchencko (2007). Institutional Quality and International Trade. *Review of Economic Studies* 74(3).

# Nunn (2007) Relationship-Specificity, Incomplete Contracts and the Pattern of Trade. *Quarterly Journal of Economics* 122(2).

\* Pascali (forthcoming) The Wind of Change: Maritime Technology, Trade and Economic Development. *American Economic Review*.

#### International trade and institutional change

# Acemoglu, Johnson and Robinson (2005). The rise of Europe: Atlantic trade, institutional change, and economic growth. *The American Economic Review* 95.

# Eagerman and Sokoloff (1997). Factor endowments, institutions and differential paths of growth among new world economies: a view from economic historians of the United States. In S. Harber, ed.

# Bruhn and Gallego (2012). Good, Bad and Ugly Colonial Activities: Do They Matter for Economic Development? *Review of Economics and Statistics* 94(2).

# Fenske (2014). Ecology, Trade and States in pre-colonial Africa. *The Journal of European Economic Association* 12.

# Puga and Trefler (2014) International Trade and Institutional Change: Medieval Venice's Response to Globalization. *Quarterly Journal of Economics*

#### Comparative advantages, occupational selection and conflicts

Botticini and Eckstein. 2005. Jewish Occupational Selection: Education, Restrictions, or Minorities? *Journal of Economic History*, 65.

\* Jha (forthcoming). Unfinished business: historic complementarities, political competition and ethnic violence in Gujarat. *Journal of Economic Behaviour and Organization*.

\* Jha (2013). Trade, institutions and ethnic tolerance: evidence from South Asia. *American Political Science Review* 107.

\* Pascali and Becker (2016) Religion, Division of Labor and Conflict: Anti-Semitism in German Regions over 600 years. *CAGE Working Paper* 288.

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# Grosfeld, Sakalli and Zhuravskaya (2017) Middlemen minorities and ethnic violence: anti-Jewish pogroms in the Russian Empire.

# Dippel 2014 Forced Coexistence and Economic Development: Evidence from Native American Reservations  
*Econometrica*

### E. INEQUALITY AND GROWTH

\*Galor and Zeira (1993), "Income Distribution and Macroeconomics" *Review of Economic Studies* 60.

Ghatak and Jiang (2002), "A simple model of inequality, occupational choice and development" 69.

\*Clarke, G. (1995), "More evidence on income distribution and growth" *Journal of Development Economics* 47.

\*Forbes (2000), "A Reassessment of the Relationship between Inequality and Growth" *American Economic Review*.

\*McKenzie, D. and Woodruff, C. (2006). "Do entry costs provide an empirical basis for poverty traps? Evidence from microenterprises. *Economic Development and Cultural Change*.

Piketty (2013), *Capital in the Twenty-First Century*

### G. HUMAN CAPITAL AND GROWTH

\*Valencia, F. 2016. *The Mission: Economic Persistence, Human Capital Transmission and Culture in South America*.

\*Squicciarini and Voigtländer 2015 Human Capital and Industrialization: Evidence from the Age of Enlightenment  
*Quarterly Journal of Economics*

# Hornung 2014 Immigration and the diffusion of technology: the Huguenot diaspora in Prussia. *American Economic Review*

# Dittmar 2011 Information Technology and Economic Change: The Impact of the Printing Press. *Quarterly Journal of Economics*.

# Waldinger 2012 Peer Effects in Science - Evidence from the Dismissal of Scientists in Nazi Germany *The Review of Economic Studies*

# Cantoni and Yuchtman 2014 Medieval Universities, Legal Institutions, and the Commercial Revolution *Quarterly Journal of Economics*.