

Determinants of Growth in Economic History

Summer Term 2018

Specialization: Growth, Labor and Inequality in the Global Economy

Lecture: Mo. 16:00-17:30, Room 410, starting April 9

Tutorial: Mo. 17:45-19:15, Room 410, starting April 16

Instructor: Prof. Dr. Erik Hornung

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Office: 7.36, WiSo building

Office Hours: Wednesday, 11:00-12:00 a.m., only by appointment

Content of the course:

This course aims to explain the very long run trends of growth in economic history. The two main questions that underlie the lecture and classes will be:

1. why are our societies so much more productive / rich than our ancestors' ones?
2. why are there such large differences in income levels across societies today?

To answer these questions, the course focuses on approaches that identify fundamental determinants of growth: the geographic approach (e.g. climate and soils), the institutional approach (e.g. property rights and democracy), and the cultural approach (e.g. religion and social capital). In particular, this course aims to explain how differences in geographic endowments, institutions, and in cultural factors can help understanding diverging patterns of economic development across the world. Discussing these three approaches and their ability to explain differential development among economies will be a major theme in this course.

The course is especially designed to introduce students to the historical background and facts, as well as to state of the art econometric techniques and methods used to analyze current and historical data empirically. By doing so, students have the opportunity to get acquainted with recent empirical research on the determinants of long-term growth. Discussing empirical questions and methodological aspects that allow for causal inferences will be an important part of the course. Students will be trained for working with economic models and interpreting statistical (econometric) evidence.

The lectures will introduce students to the seminal scholarly papers for each of the three approaches. These will be based on simple econometric analysis that allow students to get acquainted with the methodology. Lectures will be supported by the tutorial for which students are required to read and prepare one recent paper in the field for class discussion each week. These papers are chosen to deepen the acquired knowledge in both historical background and econometric methods.

The course will discuss applications of econometric methods for causal identification such as instrumental variable approaches, panel analysis using fixed effects, difference-in-differences models and regression discontinuity designs. After completing the course, students will be able to understand and evaluate recent research papers, and to assess the advantages and disadvantages of different empirical approaches for causal identification.

Textbook:

The lecture is based on scholarly papers. Students can familiarize themselves with the topic through popular science readings such as:

- Diamond, J. (1997). *Guns, Germs and Steel: A Short History of Everybody for the Last 13,000 Years*.
- Acemoglu, D. and J. A. Robinson (2012). *Why Nations Fail: The Origins of Power, Prosperity and Poverty*.
- Putnam, R. D., R. Leonardi, and R. Y. Nanetti (1994). *Making Democracy Work: Civic Traditions in Modern Italy*.

Prerequisites:

Basic knowledge of econometrics at the level of BM Econometrics is highly advantageous. If students feel uncomfortable with their existing econometric knowledge, I recommend consulting Joshua Angrist's and Jörn-Steffen Pischke's book 'Mostly Harmless Econometrics.'

Course Outline (Tentative):

Session 01 Introduction

- Allen, R. C. (2001). The Great Divergence in European Wages and Prices from the Middle Ages to the First World War. *Explorations in Economic History*, 38: 411-447
- Bleakley, H. and Lin, J. (2012). Portage and path dependence. *Quarterly Journal of Economics*, 127(2): 587-644
- Davis, D. R. and Weinstein, D. E. (2002). Bones, bombs, and break points: The geography of economic activity. *American Economic Review*, 92(5): 1269-1289
- Fisman, R. and Miguel, E. (2007). Corruption, norms, and legal enforcement: Evidence from diplomatic parking tickets. *Journal of Political Economy*, 115(6): 1020–1048.
- North, D. C. and Thomas, R. P. (1970). An Economic Theory of the Growth of the Western World. *Economic History Review*, 23(1): 1-17

Tutorial: Nunn, N. (2009). The Importance of History for Economic Development. *Annual Review Economics*, 1(1): 65–92.

Session 02 Geography I: Very long-run growth

- Comin, D. A., Easterly, W., and Gong, E. (2010). Was the wealth of nations determined in 1000 B.C.? *American Economic Journal: Macroeconomics*, 2(3): 65-97
- Diamond, J. (1997). Guns, Germs and Steel: A Short History of Everybody for the Last 13,000 Years.

Tutorial: Review of basic econometrics needed for the course

Session 03 Geography II: The Neolithic Revolution

- Ashraf, Q. and Michalopoulos S. (2015). Climatic fluctuations and the diffusion of agriculture. *Review of Economics and Statistics*, 97(3): 589–609.
- Gallup, J. L. and Sachs, J. D. (2001). The economic burden of malaria. *The American Journal of Tropical Medicine and Hygiene*, 64(1): 85–96.
- Olsson, O. and Hibbs Jr, D. A. (2005). Biogeography and long-run economic development. *European Economic Review*, 49(4): 909–938.
- Putterman, L. (2008). Agriculture, diffusion and development: Ripple effects of the neolithic revolution. *Economica*, 75(300): 729–748.

Mandatory reading for the tutorial: Andersen, T. B., Dalgaard, C. J., and Selaya, P. (2016). Climate and the Emergence of Global Income Differences. *The Review of Economic Studies*, 83(4): 1334-1363.

Session 04 Geography III: Exit from the Malthusian Trap

- Clark, G. (2007). A Farewell to Alms; A Brief Economic History of the World. Princeton University Press, Chapter 2
- Hajnal, J. (1965). European marriage patterns in perspective. In Glass, D. and Eversley, D., editors, *Population in History: Essays in Historical Demography*, chapter 6: 101-143.
- Voigtländer, N. and Voth, H. J. (2009). Malthusian dynamism and the rise of Europe: make war, not love. *American Economic Review*, 99(2): 248–54.
- Voigtländer, N. and Voth, H.-J. (2013). How the west 'invented' fertility restriction. *American Economic Review*, 103(6):2227-64.

Mandatory reading for the tutorial: Nunn, N. and Qian N. (2011). The potato's contribution to population and urbanization: evidence from a historical experiment. *The Quarterly Journal of Economics*, 126(2): 593–650.

Session 05 Institutions I: Medieval Autocracy

- Clark, G. (2005). The condition of the working class in England 1209-2004. *Journal of Political Economy*, 113(6):1307-1340
- De Long, J. B. and Shleifer, A. (1993). Princes and Merchants: European City Growth before the Industrial Revolution. *Journal of Law and Economics*, 36(2): 671-702
- North, D. C. and Weingast, B. W. (1989). Constitutions and commitment: The evolution of institutions governing public choice in seventeenth-century England. *Journal of Economic History*, 49(4): 803-32
- North, D. C. and Thomas, R. P. (1970). An Economic Theory of the Growth of the Western World. *Economic History Review*, 23(1): 1-17

Mandatory reading for the tutorial: Ashraf, Q. and Galor, O. (2011). Dynamics and stagnation in the malthusian epoch. *American Economic Review*, 101(5): 2003-2041

Session 06 Institutions II: Trade and Institutions

- Acemoglu, D., Johnson, S., and Robinson, J. (2005a). The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth. *American Economic Review*, 95(3): 547-579
- Greif, A. (1993). Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition. *American Economic Review*, 83(3): 525-548
- Greif, A., Milgrom, P., and Weingast, B. W. (1994). Coordination, Commitment, and Enforcement: The Case of the Merchant Guild. *Journal of Political Economy*, 102(4): 745-766

Mandatory reading for the tutorial: Aidt, T. S. and Franck R. (2017). Democratization under the threat of Revolution: evidence from the great reform act of 1832. *Econometrica*, 83(2): 505–547.

Session 07 Institutions III: Colonial Institutions I

- Engerman, S. L. and Sokoloff, K. L. (1997). Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies. In Haber, S., editor, *How Latin America Fell Behind*. Stanford University Press
- Acemoglu, D., Johnson, S. and Robinson, J. A. (2002). Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution. *Quarterly Journal of Economics*, 117(4):1231-1294

Mandatory reading for the tutorial: Cantoni, D. and Yuchtman, N. (2014). Medieval Universities, Legal Institutions, and the Commercial Revolution. *Quarterly Journal of Economics*, 129(2): 823-887

Session 08Institutions IV: Colonial Institutions II

- Acemoglu, D., Johnson, S., and Robinson, J. A. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, 91(5): 1369-1401
- Glaeser, E. L., La Porta, R., Lopez-de Silanes, F. and Shleifer, A. (2004). Do institutions cause growth? *Journal of Economic Growth*, 9: 271-303

Mandatory reading for the tutorial: Bruhn, M. and Gallego, F. A. (2012). Good, bad, and ugly colonial activities: do they matter for economic development? *Review of Economics and Statistics*, 94(2): 433-461.

Session 09 Culture I: Religion

- Becker, S. O. and Wmann, L. (2009). Was Weber Wrong? A Human Capital Theory of Protestant Economic History. *Quarterly Journal of Economics*, 124(2): 531-596
- Cantoni, D. (2014). The Economic Effects of the Protestant Reformation: Testing the Weber Hypothesis in the German Lands. *Journal of the European Economic Association*, 13(4): 561-598.
- Delacroix, J. and Nielsen, F. (2001). The beloved myth: Protestantism and the rise of industrial capitalism in nineteenth-century europe. *Social Forces*, 80(2):509-553

Mandatory reading for the tutorial: Feyrer, J. and Sacerdote, B. (2009). Colonialism and modern income: Islands as natural experiments. *The Review of Economics and Statistics*, 91(2): 245-262.

Session 10 Culture II: Social Capital

- Guiso, L., Sapienza, P., and Zingales, L. (2011). Civic Capital as the Missing Link. In Jess Benhabib, A. B. and Jackson, M., editors, *Handbook of Social Economics*, volume 1: 417-480.
- Guiso, L., Sapienza, P., and Zingales, L. (2016). Long-term persistence. *Journal of the European Economic Association*, 14(6): 1401–1436.
- Putnam, R. D., Leonardi R. and Nanetti R. Y. (1994). Making Democracy Work: Civic Traditions in Modern Italy.
- Tabellini, G. (2010). Culture and Institutions: Economic Development in the Regions of Europe. *Journal of the European Economic Association*, 8(4): 677-716

Mandatory reading for the tutorial: Grosjean, P. (2014). A History of Violence: The Culture of Honor and Homicide in the US South. *Journal of the European Economic Association*, 12(5): 1285-1316

Session 11 Culture III: The Epidemiological Approach

- Fernandez, R. and Fogli, A. (2009). Culture: An empirical investigation of beliefs, work, and fertility. *American Economic Journal: Macroeconomics*, 1(1): 146-177
- Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., and McElreath, R. (2001). In search of homo economicus: Behavioral experiments in 15 small-scale societies. *American Economic Review*, 91(2): 73-77

Mandatory reading for the tutorial: Alesina, A., Giuliano, P. and Nunn, N. (2013). On the origins of gender roles: Women and the plough. *The Quarterly Journal of Economics*, 128(2), 469–530.

Session 12 Culture IV: Origins of Trust

- Nunn, N. (2008). The Long Term Effects of Africa’s Slave Trades. *Quarterly Journal of Economics*, 123(1): 139–176.
- Nunn, N. and Wantchekon, L. (2011). The Slave Trade and the Origins of Mistrust in Africa. *American Economic Review*, 101(7): 3221-3252

Mandatory reading for the tutorial: Becker, S. O., Boeckh, K., Hainz, C. and Woessmann, L. (2016). The empire is dead, long live the empire! Long-run persistence of trust and corruption in the bureaucracy. *The Economic Journal*, 126(590): 40–74.

Session 13 Recap and Q&A

Mandatory reading for the tutorial: Spolaore, E. and Wacziarg, R. (2013). How deep are the roots of economic development?. *Journal of Economic Literature*, 51(2): 325–69.