

# History of Economic Growth and Crises

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This course examines perhaps the most fundamental question in economics and economic history: why are some places rich while others remain poor? It is a big, complex and controversial question that escapes easy answers. The aim of these lectures is not to push you to adopt any particular view. Rather, I hope to walk you through the most influential theories and to discuss some innovative empirical work that has tested and quantified these models and hypothesis. In order to do this, I will draw from narrative history, formal economic models and various strands of empirical economics. I will also discuss some work that has applied the lessons from history to contemporary contexts.

We will start with a review of the stylized facts and a discussion about growth in the pre-industrial era. The rest of the course is divided into three interrelated parts. First, we will discuss the main candidates for the fundamental causes of growth—luck, geography, culture and institutions—and recent work that has evaluated their empirical relevance. Second, we examine the interplay between these factors and innovation (both technological and institutional). In this part, we will also document how innovation invariably leads to creative destruction and sometimes to plain crises. We end by discussing how increased migration, social mobility and participation of women in the formal labor market reduced the waste of talent and thus gave rise to a more efficient allocation of labor.

## Material and requirements

Each lecture will provide a brief overview of the topic and discuss one paper in detail. Particular emphasis is given to studies using the comparative approach, i.e. papers that attempt to estimate causal effects using the methods of modern empirical economics. I will emphasize intuition for theory and identifying assumptions for empirics (in the expense of the more technical aspects of the papers). The methods are briefly introduced during the course in order to help students from diverse backgrounds to participate.

At the end of each lecture, I will shortly introduce two further papers related to each theme. You should select two pairs for out-of-class examination and to hand in **two summaries** about them. The summaries should answer the following questions:

1. What are the “take-aways” of the papers? Why are they important?

2. What are the key simplifying assumptions (theory) and/or identifying assumptions (empirics)? Do you find these assumptions reasonable? Why (not)?
3. In what respect do the papers contradict and/or complement each other?

The aim is to push you to focus on the essence of each paper and thus an assignment should not exceed 1,000 words. The **deadlines are February 7th and 21st**. The document “How to get a good grade?” available in the course website includes more detailed instructions on how to complete these assignments.

## Schedule and reading list

Articles denoted by (\*) are discussed in detail and you are strongly encouraged to familiarize yourself with them before the lecture. Those denoted by (+) are the stuff for the assignments/summaries. The rest are background material for the overview part of the lectures.

### 1. Introduction, the Malthusian Era

- (\*) Chaney, Eric and Richard Hornbeck (2016): Economic Dynamics in the Malthusian Era: Evidence from the 1609 Spanish Expulsion of the Moriscos. *Economic Journal* 126(594): 1404–1440.
- Clark, Gregory (2005): The Condition of the Working-Class in England, 1209-2004. *Journal of Political Economy* 113(6): 1307-1340.
- Steckel, Richard H. (1995): Stature and the Standard of Living. *Journal of Economic Literature* 33(4): 1903-1940.
- Voigtländer, Nico and Hans-Joachim Voth (2012): The Three Horsemen of Riches: Plague, War, and Urbanization in Early Modern Europe. *Review of Economic Studies* 80(2): 774-811.
- (+) Voigtländer, Nico, and Hans-Joachim Voth (2013): How the West "Invented" Fertility Restriction. *American Economic Review*, 103(6): 2227-64.
- (+) Beach, Brian and W. Walker Hanlon (2021): Culture and the Historical Fertility Transition. Working paper.

### 2. Geography

- (\*) Kline, Patrick and Enrico Moretti (2014): Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley. *Quarterly Journal of Economics* 129(1): 275-331.
- Acemoglu, Daron, Simon Johnson and James Robinson (2002): Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution. *Quarterly Journal of Economics*, 117: 1231-1294
- Krugman, Paul (1991): *Geography and Trade*, MIT Press. Chapter 1.
- (+) Bleakley, Hoyt and Jeffrey Lin (2012): Portage and Path Dependence. *Quarterly Journal of Economics*, 127 (2): 587–644

- (+) Alsan, Marcella (2015): The Effect of the TseTse Fly on African Development. *American Economic Review*, 105 (1): 382-410

### 3. Culture

- (\*) Alesina, Alberto, Paula Giuliano and Nathan Nunn (2013): On the Origins of Gender Roles: Women and the Plough. *Quarterly Journal of Economics* 128(3): 469–530.
- Guiso, Luigi, Paola Sapienza, and Luigi Zingales (2006): Does Culture Affect Economic Outcomes? *Journal of Economic Perspectives* 20(2): 23-48.
- Luttmer, Erzo F. P., and Monica Singhal (2011): Culture, Context, and the Taste for Redistribution. *American Economic Journal: Economic Policy* 3(1): 157-179.
- (+) Voigtlander, Nico and Hans-Joachim Voth (2012): Persecution Perpetuated: The Medieval Origins of Anti-Semitic Violence in Nazi Germany. *Quarterly Journal of Economics* 127(3): 1339–1392.
- (+) Nunn, Nathan and Leonard Wantchekon (2011): The Slave Trade and the Origins of Mistrust in Africa, *American Economic Review*, 101 (7): 3221-3252.

### 4. Institutions I

- (\*) Puga, Diego and Daniel Treffer (2014): International Trade and Institutional Change: Medieval Venice’s Response to Globalization, *Quarterly Journal of Economics* 129(2): 753-821.
- Acemoglu, Daron and James A. Robinson (2020): The Narrow Corridor. Penguin Books. Ch. 2.
- North, Douglass (1991): Institutions. *Journal of Economic Perspectives* 5(1): 97-112.
- Acemoglu, Daron, Simon Johnson and James A. Robinson (2005): The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth. *American Economic Review*, 95(3): 546-579
- (+) Karadja, Mounir and Erik Prawitz (2019): Exit, Voice, and Political Change: Evidence from Swedish Mass Migration to the United States. *Journal of Political Economy* 127(4): 1864-1925
- (+) Meriläinen, Jaakko, Matti Mitrunen and Tuomo Virkola (2021): The Violent Origins of Finnish Equality. Working paper.

### 5. Institutions II

- (\*) Acemoglu, Daron, Simon Johnson, James A. Robinson (2001): The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review*, 91: 1369–1401.
- Acemoglu, Daron, James A. Robinson (2012): *Why Nations Fail*. Crown Business. Ch. 1 and 9

- Nunn, Nathan (2008): The Long Term Effects of Africa’s Slave Trades. *Quarterly Journal of Economics* 123(1): 139–176
- (+) Acemoglu, Daron, Tristan Reed and Simon Johnson (2014): Chiefs: Economic Development and Elite Control of Civil Society in Sierra Leone. *Journal of Political Economy* 122(2): 319–368
- (+) Satyanath, Shanker, Nico Voigtländer and Hans-Joachim Voth (2017): Bowling for Fascism: Social Capital and the Rise of the Nazi Party. *Journal of Political Economy* 125(2): 478–526.

## 6. Technology I

- (\*) Dittmar, Jeremiah (2011): Information Technology and Economic Change: The Impact of the Printing Press, *Quarterly Journal of Economics*, 126 (3): 1133–1172.
- Mokyr, Joel (1990): *The Lever of Riches: Technological Creativity and Economic Progress*. Oxford University Press. Ch. 1–4
- (+) Hanlon, W. Walker (2015): Necessity Is the Mother of Invention: Input Supplies and Directed Technical Change. *Econometrica* 83(1): 67–100
- (+) Juhász, Réka (2018): Temporary Protection and Technology Adoption: Evidence from the Napoleonic Blockade. *American Economic Review*, 108(11): 3339–76

## 7. Technology II

- (\*) Allen, Robert C. (2009): *The British Industrial Revolution in Global Perspective*. Cambridge University Press.
  - Most of the material discussed is available online in Allen, Robert C. (2006): The British Industrial Revolution in Global Perspective: How Commerce Created The Industrial Revolution and Modern Economic Growth, presented at the NBER conference on Starting Economic Growth, June 1-2, 2006
- Mokyr, Joel (1990): *The Lever of Riches: Technological Creativity and Economic Progress*. Oxford University Press. Ch. 5–6, 10
- (+) Donaldson, Dave (2018): Railroads of the Raj: Estimating the Impact of Transportation Infrastructure. *American Economic Review* 108(4-5):899-934
- (+) Pascali, Luigi (2017): The Wind of Change: Maritime Technology, Trade, and Economic Development. *American Economic Review* 107(9): 2821-54.

## 8. Finance I

- (\*) Jha, Saumitra (2015): Financial Asset Holdings and Political Attitudes: Evidence from Revolutionary England. *Quarterly Journal of Economics* 103(3): 1485-1545.

- Goetzmann, W. and G. Rouwenhorst (eds., 2005): *The Origins of Value. The Financial Innovations that Created Modern Capital Markets*. Oxford University Press.
- Ferguson, Nial (2008): *The Ascent of Money: A Financial History of the World*. Penguin.
- Persson, Karl Gunnar (2010): *An Economic History of Europe: Knowledge, Institutions and Growth, 600 to the Present*. Cambridge University Press. Ch 7.
- (+) Pascali, Luigi (2016): Banks and Development: Jewish Communities in the Italian Renaissance and Current Economic Performance. *Review of Economics and Statistics*, 98(1): 140-158.
- (+) D'Acunto, Francesco, Marcel Prokopczuk and Michael Weber (2019): Historical Antisemitism, Ethnic Specialization, and Financial Development. *Review of Economic Studies* 86(3): 1170–1206.

## 9. Finance II.

- (\*) Reinhart, Carmen M. and Kenneth S. Rogoff (2009): *This Time Is Different: Eight Centuries of Financial Folly*. Princeton University Press.
  - Most of the material discussed is available online in Reinhart, Carmen M. & Kenneth S. Rogoff (2008): *This Time Is Different: A Panoramic View of Eight Centuries of Financial Crises*. NBER Working Paper 13882.
- Gorodnichenko, Yuriy, Enrique G. Mendoza, and Linda L. Tesar (2012): The Finnish Great Depression: From Russia with Love. *American Economic Review*, 102(4): 1619-44.
- Honkapohja, Seppo and Erkki Koskela (1999): The economic crisis of the 1990s in Finland. *Economic Policy* 14(29): 399–436
- Kiander, Jaakko and Pentti Vartia (1998): *Suuri lama. Suomen 1990-luvun kriisi ja talouspoliittinen keskustelu*. Taloustieto.
- Knüpfer, Samuli, Elias Rantapuska and Matti Sarvimäki (2017): Formative Experiences and Portfolio Choice: Evidence from the Finnish Great Depression. *Journal of Finance* 72(1): 133–166
- Malmendier, Ulrike and S. Nagel (2011): Depression Babies: Do Macroeconomic Experiences Affect Risk-Taking. *Quarterly Journal of Economics*, 126(1): 373-416.
- (+) Mian, Atif and Amir Sufi (2009): The Consequences of Mortgage Credit Expansion: Evidence from the U.S. Mortgage Default Crisis. *Quarterly Journal of Economics* 124(4): 1449-1496.
- (+) Rajan, Raghuram and Ramcharan, Rodney (forthcoming): The Anatomy of a Credit Crisis: The Boom and Bust in Farm Land Prices in the United States in the 1920s. *American Economic Review*.

## 10. Migration

- (\*) Sarvimäki, Matti, Roope Uusitalo, and Markus Jäntti (2021): Habit Formation and the Misallocation of Labor: Evidence from Forced Migrations. Working paper.
- Abramitzky, Ran, Leah Boustan, and Katherine Eriksson (2012): Europe's Tired, Poor, Huddled Masses: Self-Selection and Economic Outcomes in the Age of Mass Migration, *American Economic Review* 102(5): 1832–1856
- Chiquiar, Daniel and Gordon H. Hanson (2005): International Migration, Self-Selection, and the Distribution of Wages: Evidence from Mexico and the United States. *Journal of Political Economy* 113(2): 239–281
- Gollin, Douglas, David Lagakos, and Michael E. Waugh (2014): The Agricultural Productivity Gap. *Quarterly Journal of Economics* 129(2): 939–993.
- Abhijit V. Banerjee and Esther Duflo (2019): Good Economics for Hard Times. (Chapter 2)
- Bryan, Gharad, Shyamal Chowdhury, and Mushfiq Mobarak (2014): Underinvestment in a Profitable Technology: The Case of Seasonal Migration in Bangladesh. *Econometrica* 82(5): 1671–1748.
- (+) Hornung, Erik (2014): Immigration and the Diffusion of Technology: The Huguenot Diaspora in Prussia. *American Economic Review*, 104(1): 84–122.
- (+) Moser, Petra, Alessandra Voena, and Fabian Waldinger (2014): German Jewish Emigres and U.S. Invention. *American Economic Review* 104(10): 3222–3255.

## 11. Inequality and intergenerational mobility

- (\*) Pekkarinen, Tuomas, Sari Pekkala, and Roope Uusitalo (2009): School Tracking and Intergenerational Income Mobility: Evidence from the Finnish Comprehensive School Reform. *Journal of Public Economics*, 93: 965–973.
- Pekkala Kerr, Sari, Tuomas Pekkarinen, and Roope Uusitalo (2013): School Tracking and Development of Cognitive Skills. *Journal of Labor Economics* 31(3): 577–602.
- Galton, Francis (1886): Regression Towards Mediocrity in Hereditary Stature. *The Journal of the Anthropological Institute of Great Britain and Ireland* 15: 246–263
- Björklund Anders, Markus Jäntti, Mathew Lindquist (2007): Family background and income during the rise of the welfare state: Brother correlations in income for Swedish men born 1932–1968. *Journal of Public Economics* 93 (5–6), 671–680
- Pekkarinen, Tuomas, Kjell Salvanes and Matti Sarvimäki (2017): The evolution of social mobility: Norway during the 20th century. *Scandinavian Journal of Economics* 119(1): 5–33.

- Atkinson, Anthony B. and Thomas Piketty (2010). *Top Incomes over the Twentieth Century: A Global Perspective*. Oxford University Press.
- Piketty, Thomas (2014): *Capital in the 21st Century*. Harvard University Press.
- (+) Bütikofer, Aline, Antonio Dalla-Zuanna and Kjell G. Salvanes (2020): Breaking the Links: Natural Resource Booms and Intergenerational Mobility. *Review of Economics and Statistics*, forthcoming
- (+) Mitrunen, Matti (2021): Structural Change and Intergenerational Mobility: Evidence from the Finnish War Reparations. Working paper.

## 12. Marriage, family and work

- (\*) Goldin C. (2006): The Quiet Revolution That Transformed Women's Employment, Education, and Family. *American Economic Review P&P*: 1-21
- Goldin C, Katz LF (2002): The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions. *Journal of Political Economy* 110(4): 730–770
- Bailey, Martha (2006): More Power to the Pill: The Impact of Contraceptive Freedom on Women's Lifecycle Labor Supply. *Quarterly Journal of Economics* 121(1): 289-320
- Hsieh, Chang-Tai, Erik Hurst, Charles I. Jones and Peter J. Klenow (2019): The Allocation of Talent and U.S. Economic Growth. *Econometrica* 87(5): 1439–1474
- Myers, Caitlin Knowles (2017): The Power of Abortion Policy: Reexamining the Effects of Young Women's Access to Reproductive Control. *Journal of Political Economy* 125(6): 2178-2224
- (+) Acemoglu Daron, David H. Autor and David Lyle (2004): Women, War, and Wages: The Effect of Female Labor Supply on the Wage Structure at Midcentury. *Journal of Political Economy* 112: 497-551
- (+) Fernandez, Raquel, Alessandra Fogli and Claudia Olivetti (2004): Mothers and Sons: Preference Formation and Female Labor Force Dynamics. *Quarterly Journal of Economics*, 119(4): 1249–1299