



“Current Issues” and “UF2”

Economic development of nations

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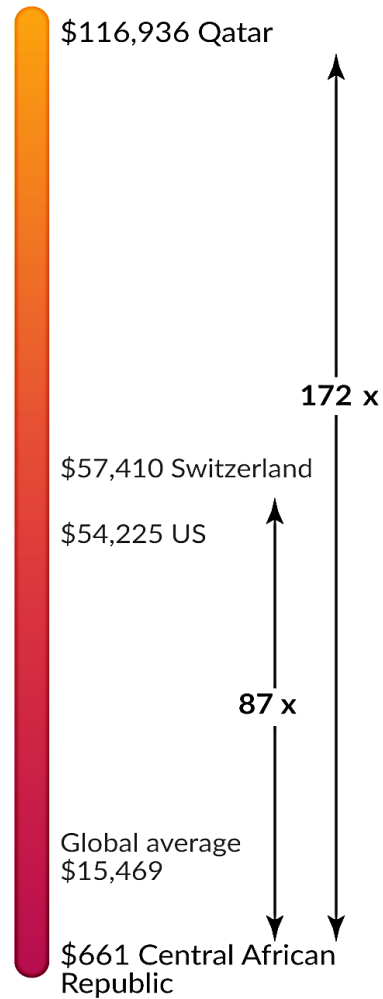


**1. What will
we study?**

The world is unequal

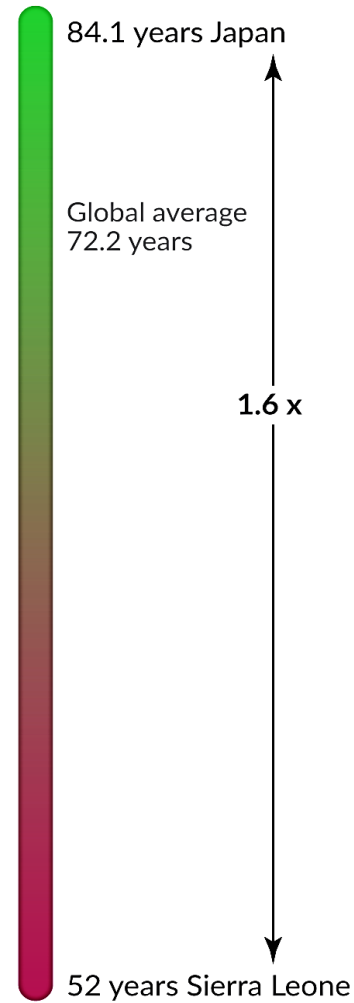
Average income

(GDP per capita adjusted for price differences between countries)
2017 data



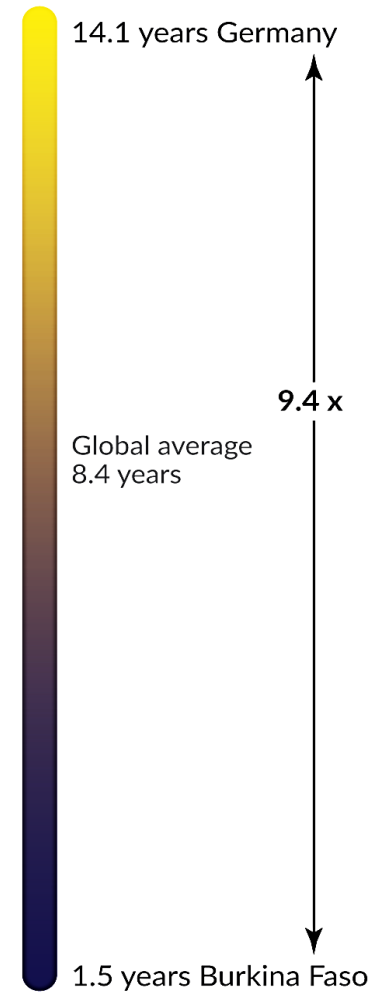
Life expectancy at birth

2017 data



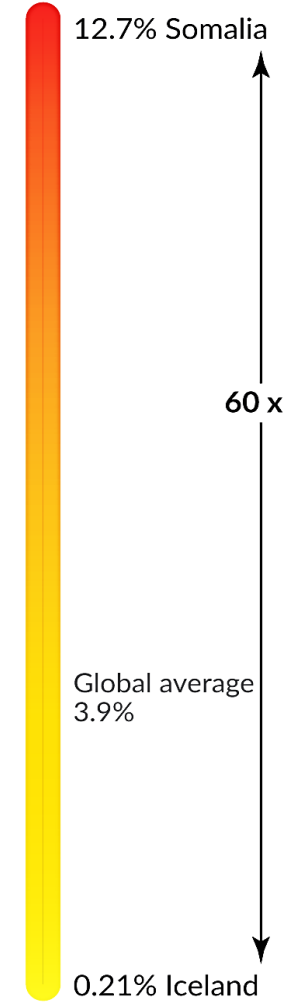
Mean years of schooling

received by people older than 24. Data for 2017.



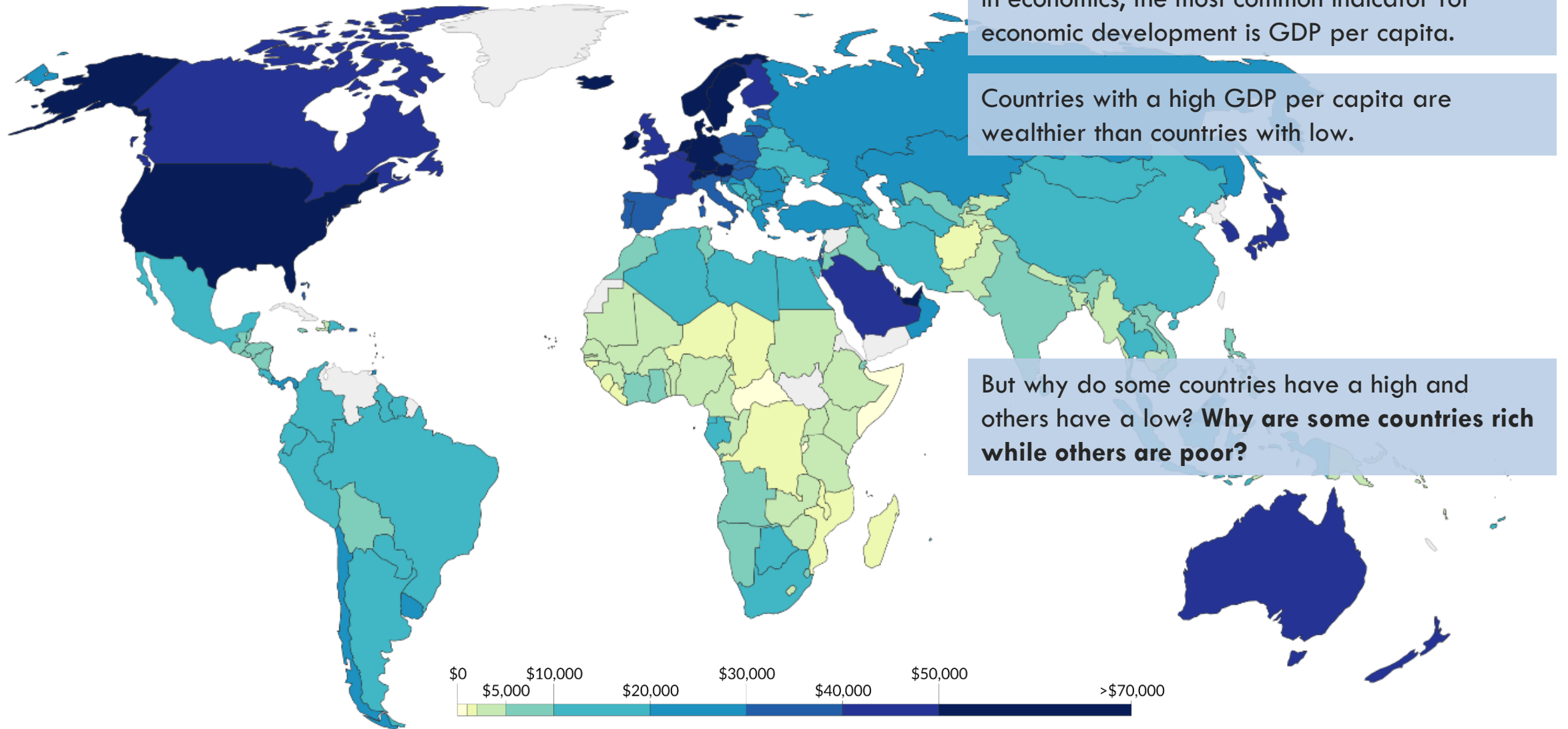
Mortality rate of children under the age of 5

2017 data



GDP per capita

in US\$, 2020

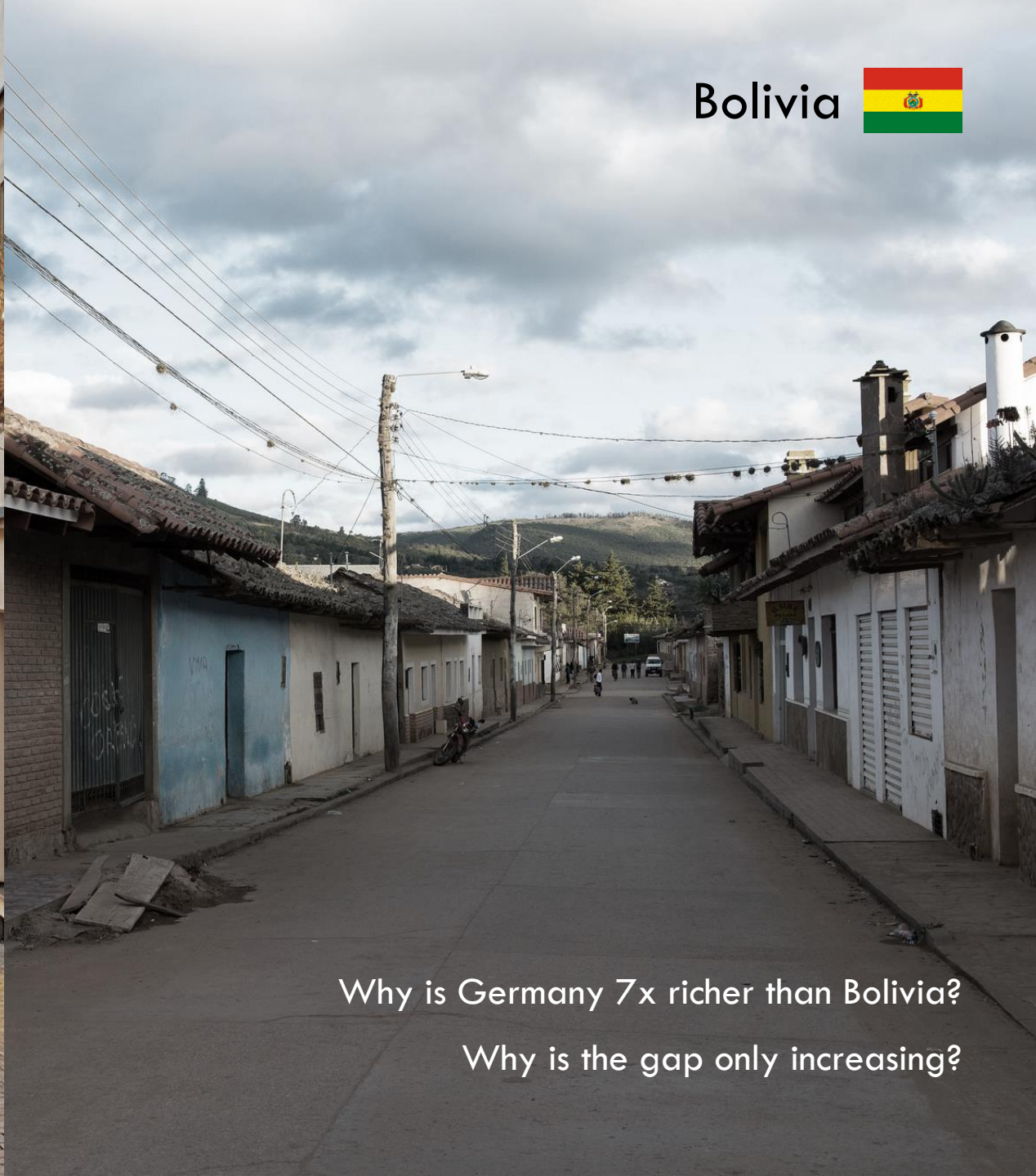




Germany



Bolivia



Why is Germany 7x richer than Bolivia?

Why is the gap only increasing?


Proximate and ultimate causes


Most answers to the question “what makes a rich country rich?” offer only what development economists call ‘proximate causes’, or the immediate factor that lead to a specific outcome.

A What makes a rich country rich?



Rich countries are often wealthy due to factors such as high economic productivity, investment in innovation and research, quality education and skilled workforce, developed infrastructure, political stability and good governance, active participation in global trade, access to natural resources, well-functioning financial systems, and social factors like healthcare and low corruption levels.

 Regenerate response

Send a message 

The problem with this answer is that it does not tell us where productivity, innovation, research, education, or infrastructure comes from.


Proximate and ultimate causes


Similarly, when asking “what poor countries should do to become richer”, one often discusses proximate causes.

A What can poorer countries do to become richer?



Poorer countries can become richer through strategies such as investing in education and skills development, diversifying their economies, developing infrastructure, improving access to finance and investment, engaging in trade and market integration, promoting technology and innovation, enhancing governance and institutions, investing in health and social development, seeking international aid and cooperation and promoting political. However, these strategies should be tailored to each country's specific context, and addressing challenges like inequality and corruption is important for sustainable growth.

 Regenerate response

Send a message 

These are all correct actions yet the ‘deeper’ question is why poor countries don’t take these actions? Why they remain poor?


Proximate and ultimate causes


Only when we ask questions such as “how rich countries became rich in the first place” we start to get deeper answers; or what development economists call ‘ultimate causes’.

A How rich countries became rich in the first place?



Rich countries became wealthy through a combination of factors including colonialism, early industrial development, trade dominance, strong institutions, investment in human capital, infrastructure development, and political stability. These factors contributed to their economic growth, productivity, and wealth accumulation over time.

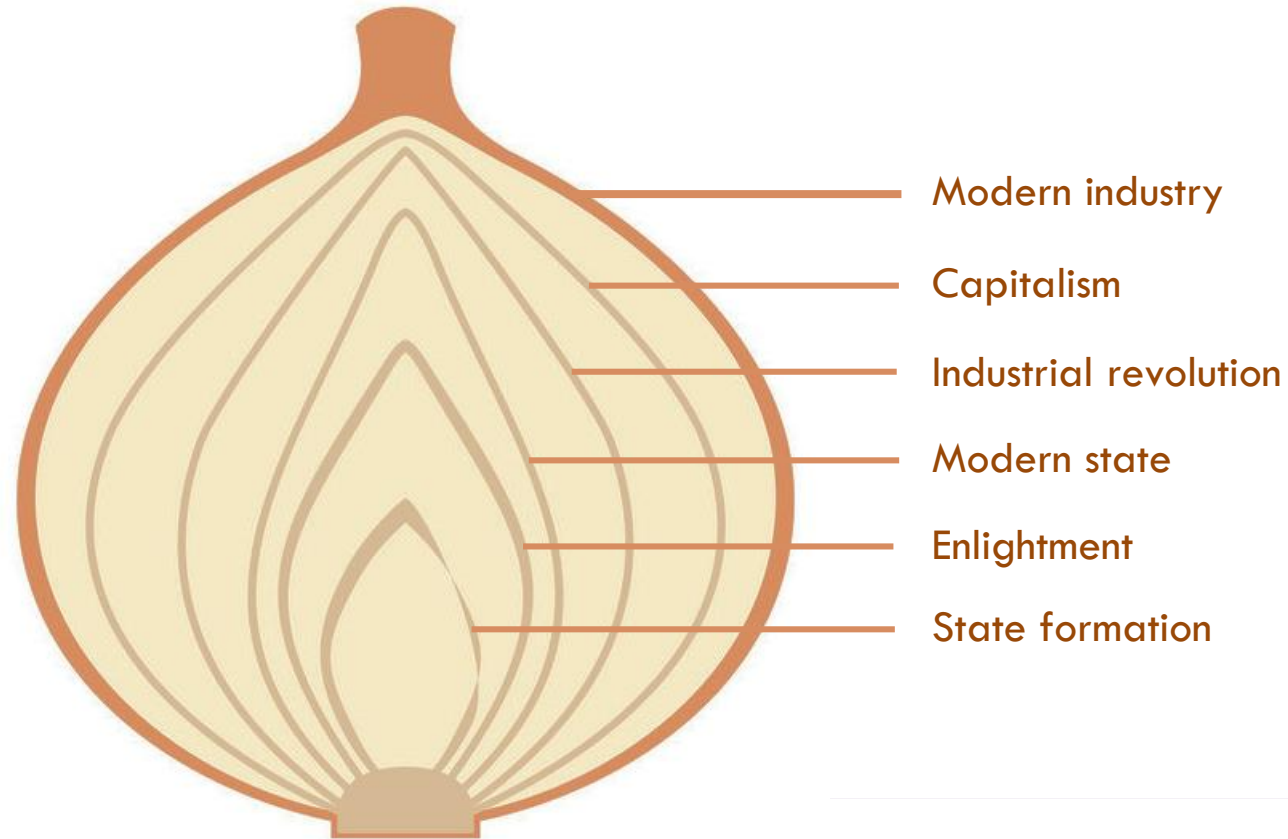
 Regenerate response

Send a message 

Now we start to see some ultimate causes like colonialism, the industrial development and strong institutions.

Economic history onion

To both Diamond (1997) and Fukuyama (2012), understanding economic development is much like peeling an onion. One has to 'peel' the outer layers to understand the ultimate factors.



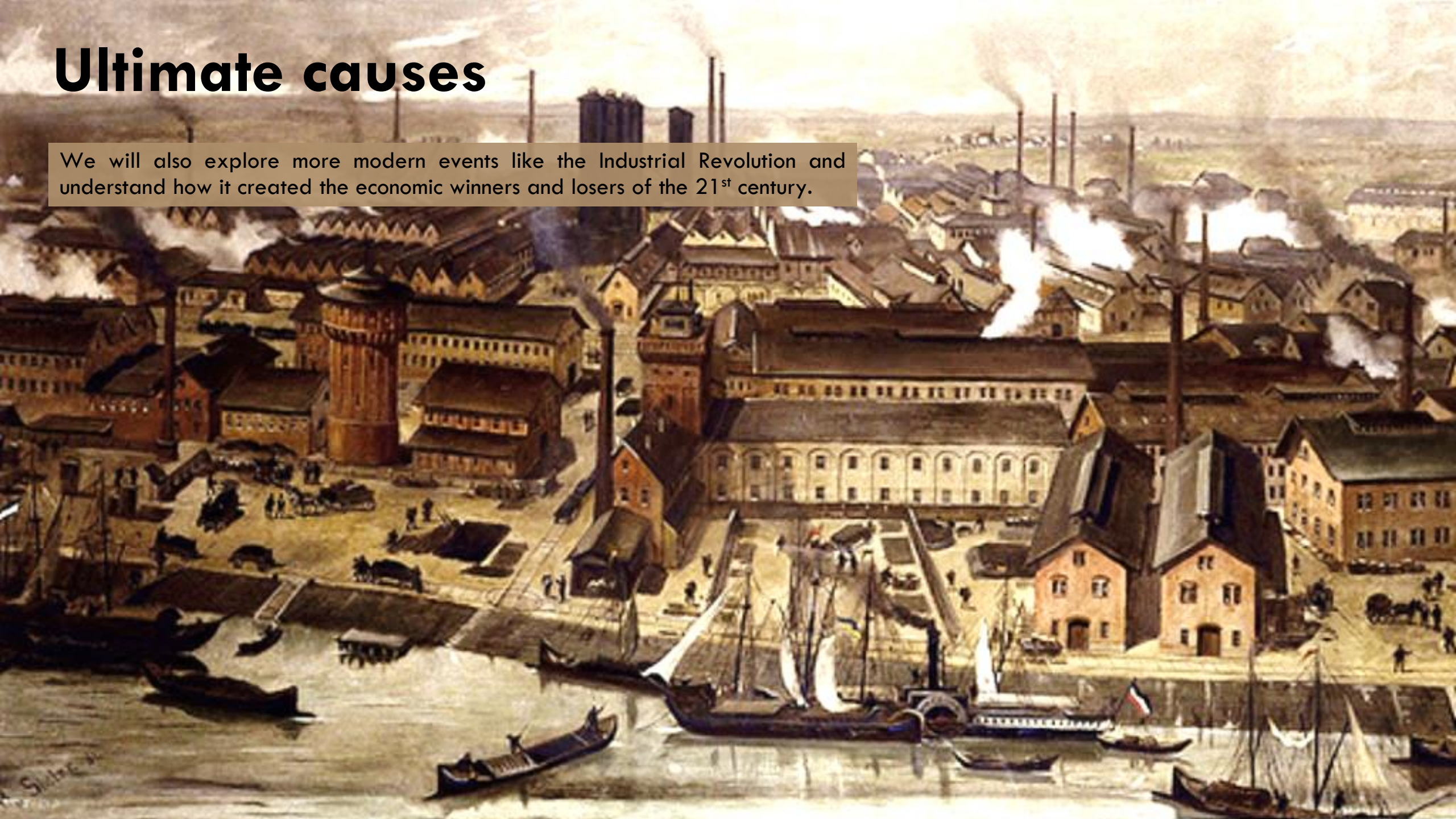
Ultimate causes

To find ultimate causes, we will come back to fundamental questions such as why, when Europeans arrived in the Americas, the native societies were so primitive? What is the impact of that in the development of these regions?



Ultimate causes

We will also explore more modern events like the Industrial Revolution and understand how it created the economic winners and losers of the 21st century.



Ultimate causes



We will also ask ourselves questions such as why the USA modernized and emerged as an economic powerhouse while Mexico remained poor, despite being neighbours.

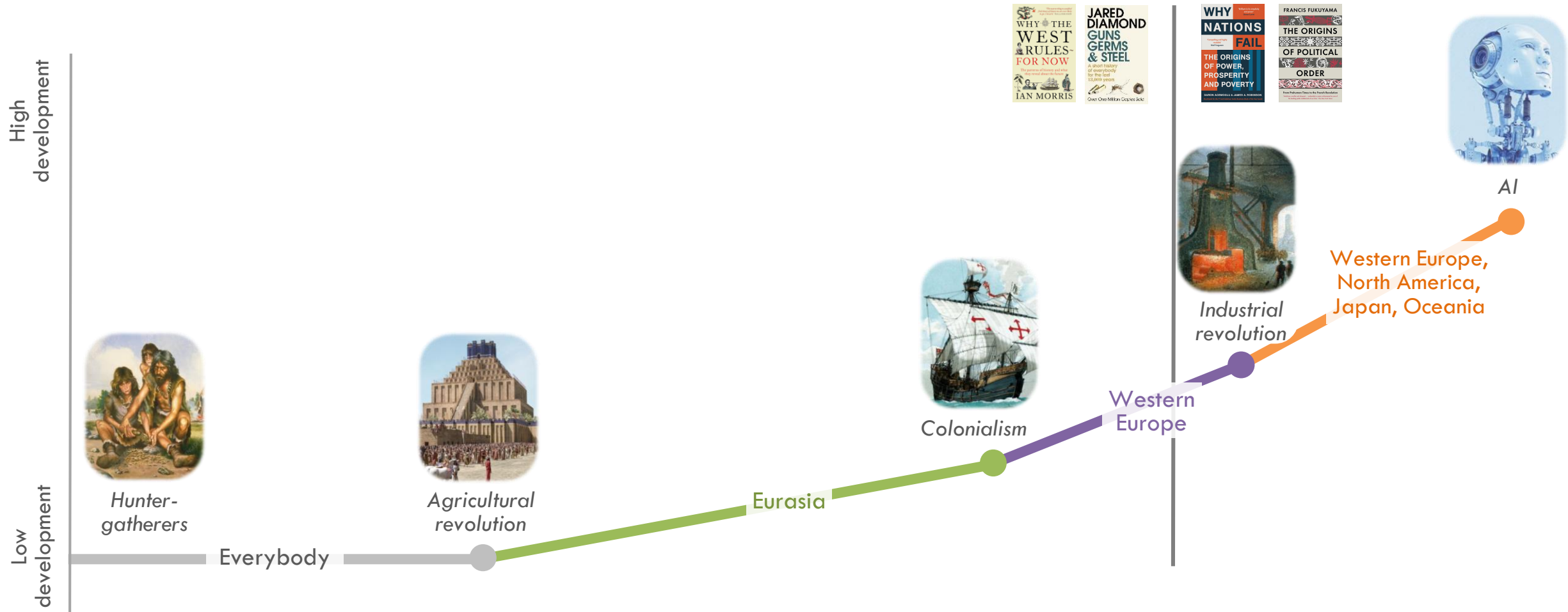
Current issues


An aerial photograph showing a stark contrast between two environments. On the left, a well-maintained golf course with vibrant green grass and scattered trees is visible. On the right, a densely packed informal settlement or slum is shown, with numerous small, colorful buildings and makeshift structures. The settlement's buildings are tightly packed together, with roofs in various colors like blue, red, and white. A dirt road winds through the settlement. The overall scene highlights the disparity in living conditions and land use.

Finally, we will be able to explore more current issues: why aid is not helping poor countries, why inequality is just increasing, how to escape poverty, the rise of China, and other matters.

Economic development throughout history

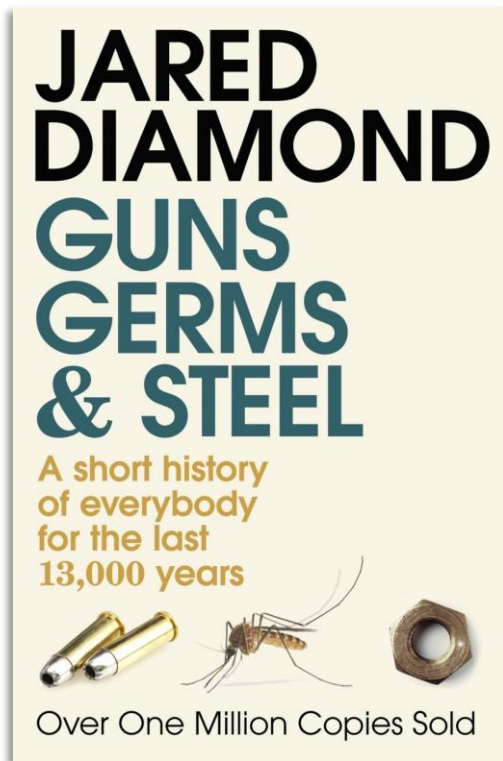
Different theories will take us on a journey throughout economic history, with the purpose of understanding *why are rich countries rich and poor countries are poor.*





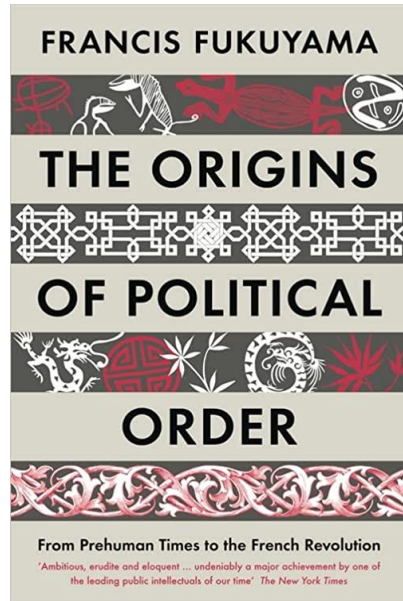
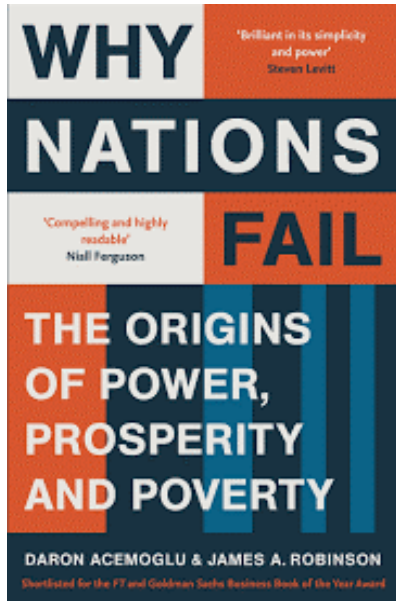
**2. How will
we study it?**

Two complementary theories



The **geographic theory** (Diamond, 1997) goes back to the Agricultural Revolution and suggests that the availability of resources and the geographical characteristics of the continents are key to explaining the fortune or misfortune of nations.

Two complementary theories



The **institutional theory** (Acemoglu and Robinson, 2012; Fukuyama, 2014) argues that inclusive institutions, in contrast to extractive ones, underlie economic success and prosperity.

This argument is especially useful to explain the economic differences between nations after the discovery of the Americas and the period that succeeded the Industrial Revolution.



3. Assessment

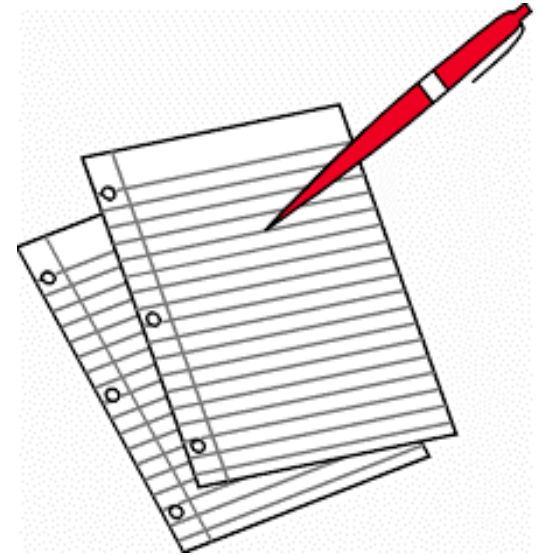
Assessment

Your grade will comprise three elements:

1. Essay and discussion (25% of your grade)

A. Write a 1,800-word essay contrasting the two hypotheses explored during lectures.

B. Followed by a one-on-one discussion of your main arguments with the lecturer.



Assessment

2. Group work (25% of your grade)

You will be offered a list of discussion topics. In groups, you have to discuss the topic in front of the class and answer specific questions.



Assessment

3. 'Open book' exam (50% of your grade)

Written open book exam about the contents we saw in the module.



Questions?



Please, write to perusso@fh-muenster.de