

Problem set 3. Essays on Institutions, Culture, and Growth

In this assignment your goal would be to write a relatively short essay on one of the two topics below. Essay guidelines and ‘rules of the game’ are described in detail on the next page.

Topic 1. Culture, Institutions, and their Interplay

Think about the role of culture, institutions, and their interplay in the process of long-run economic development. In your essay, describe the main mechanisms of how institutions, such as the rule of law and low entry barriers, can accelerate economic growth. Then, explain the main channels for how cultural norms and values, such as risk tolerance and trust, can promote development. Next, discuss, whether you think that certain cultural traits (not necessarily those outlined above) can affect institutional choices of a country; or whether institutional set-up is more likely to affect norms and values prevalent in a society.

Finally, consider the case of the US, historically formed (to a large extent) by immigrants from Europe. In your essay, state and substantiate your opinion about whether (a) institutions or (b) social and human capital that those immigrants have brought with themselves can better explain the overall economic success of the US today.

Topic 2. Democratic Governance and Economic Growth

Consider the relationship between democracy and economic development. What does the existing evidence suggest about the relationship between the extent of democracy and GDP per capita across countries? What can we say about whether there is a causal effect of democracy on growth and prosperity? Would you agree with the statement that democracy only emerges where people value and respect democratic processes? Why or why not?

Consider the case of China, a country that, according to most of the existing measures, is not a democracy. How would you explain the recent economic success of China through the lens of the models and theories we have studied? Do you think that Chinese growth will subside in the future if the government does not become more democratic: if it does not allow free media, competitive elections, etc.? Why or why not?

Essay length requirements: from the minimum of 2 to the maximum of 4 pages, 12pt font, single-spaced, standard margins (+ the Appendix with tables/figures/etc. if needed; Figures and Tables do not count towards the essay length). The essay must be typed (not handwritten).

Essay guidelines: Irrespective of a topic you choose, your essay should demonstrate your mastery of the lectures, readings, and other materials (video, online, etc.) from the class. Moreover, you can search for additional data/papers/materials from high-quality journals, books, or online sources not directly covered in the class, if that contributes to your argument. Excellent essay does the following: (i) demonstrates fluency and **understanding of the main ideas and concepts** covered in the course that are relevant to a topic addressed in the essay, (ii) **cites and uses relevant sources** (academic papers, books, high-quality online materials (such as ourworldindata.org; core-econ.org; vox.eu.org; growthecon.com; etc.), (iii) comes up, potentially, with novel/provocative ways of looking at old questions; (iv) manages to go beyond citing content directly from lectures/books, and explains concepts in its own words, and with own perspective.

In your essays, try to stick to an 'academic style' of writing: (1) use more formal language, (2) **avoid personal judgements, unsubstantiated claims**, etc., (3) **support your claims with data, formal arguments** based on covered economic models, etc.; (4) **cite sources**; a correct way to cite a paper is Author1 and Author2 (year), or, if more than 3 authors, Author1 et al. (year); (5) ensure that your essay has a **clear structure**: brief intro that summarizes your main argument(s) (with sub-arguments if needed); explanations of these arguments in more detail in the main part (involving the use of data, concepts, models, academic papers, books, etc., if needed); additional section on a broader picture if necessary; address additional questions from the prompt in a separate section, link your conclusions to the main part; brief conclusion. Keep in mind that this is an essay: there may not even exist a 100% correct answer, and many opinions and answers could be correct and/or interesting to a certain extent.

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