Rick Szostak

The Causes of Economic Growth

Interdisciplinary Perspectives



Contents

Ac	knowl	edgmer	nts	xi	
Lis	t of T	ables		xiii	
1	Interdisciplinarity and Economic Growth 1.1 Applying Interdisciplinary Analysis to the Study of Growth				
	1.2	Author	ship	5	
	1.3	The Re	elationship Between Interdisciplinarity and Disciplines	7	
	1.4	A Start	ring Assumption	9	
	1.5	A Criti	cal Insight Regarding the Complexity of the Growth Process	9	
	1.6		tion (Is Growth Good?)		
	1.7		tegrative Process		
	1.8		Book		
	1.9	The Na	ature of the Guiding Question	21	
			ng Economic Growth		
	1.11	Defini	ng 'Causes'	26	
2	The	Key Pl	nenomena that Potentially Cause Growth	27	
	2.1				
	2.2				
	2.3	Classif	ying Human Science Phenomena	30	
	2.4	The So	ources of Economic Growth	36	
		2.4.1	The Nature of Economic Growth	36	
		2.4.2	Emergent Properties	43	
		2.4.3	Links to Other Phenomena	45	
	2.5	The Im	portance of Precise Definitions of Phenomena	51	
3	The	Most F	Relevant Theories and Methods	53	
	3.1	Theori	es	54	
		3.1.1	Classifying Theory Types	54	
		3.1.2	Theory Types and Economic Growth	57	
		3.1.3	Theories of Economic Growth	59	
	3.2	Metho	ds	82	
		3.2.1	Strengths and Weaknesses of the Dozen Scholarly Methods	83	
			Triangulation Across Methods, Maintaining Standards		
		3.2.3	The Rule Critique	88	
			Mathematical Models		
		3.2.5	Statistical Analysis	91	
		3.2.6	Case Studies	94	

vi

4	Rel	evant Disciplines and Disciplinary Perspectives	99
	4.1	Which Disciplines Should be Engaged?	
	4.2	The Nature of Disciplinary Perspective	
	4.3	Does Disciplinary Perspective Really Matter?	102
	4.4	Disciplinary Perspectives of Relevant Disciplines	103
		4.4.1 Economics	
		4.4.2 Economic History	111
		4.4.3 History	113
		4.4.4 Business History	114
		4.4.5 Cultural Studies	
		4.4.6 Development Studies	
		4.4.7 Political Science	116
		4.4.8 Sociology	122
		4.4.9 Geography	125
		4.4.10 Anthropology	
		4.4.11 Marxian Approaches	
		4.4.12 Science and Technology Studies	
		4.4.13 Psychology	
		4.4.14 Philosophy	
		4.4.15 The Other Humanities.	
	5.1 5.2	The Literature Survey Performed, with Advice for its Extension A Tangential Diatribe	
6		Causes of Economic Growth: Investment, Trade,	
	Tec	hnology, Geography	
	6.1	A First Lesson from Economic History	
	6.2	Investment	
		6.2.1 Encouraging Useful Investment	
		6.2.2 The Capital Goods Sector:	
		6.2.3 Foreign Investment	
		6.2.4 Foreign Aid	
		6.2.5 Microfinance	
		6.2.6 Psychology and Investment	
	6.3	Openness to Trade	
		6.3.1 The Empirical Literature	
		6.3.2 An Alternative to Comparative Advantage	
		6.3.3 Trade and Institutions	
		6.3.4 Trade and Resources	
		6.3.5 Costs and Benefits of Openness	
	6.4	Technology	
		6.4.1 Interdisciplinarity and Technology	162
		6.4.2 Technology as a Cause of Growth	

		6.4.3	The Course of Technological Innovation (Endogeneity)	163
		6.4.4	Clustering, General Purpose Technologies	167
		6.4.5	Research and Growth	169
		6.4.6	Product Versus Process Innovation	170
		6.4.7	Technology Transmission	
		6.4.8	Links to Technological Innovation	174
		6.4.9	Technology and Social Structure	
	6.5	Geogr	raphy	
		6.5.1	Climate and Location	
		6.5.2	Resources	
		6.5.3	Country Size	
		6.5.4	Regional Clusters	
		6.5.5	Environment	190
7	The	Cause	es of Economic Growth: Institutions	191
•			itions and Growth	
		7.1.1	Institutions and Investment	
		7.1.2	Institutions and Infrastructure	
	7.2		h Functions?	
		7.2.1	Ownership (Property Rights)	
		7.2.2	Exchange	
		7.2.3	Finance	
		7.2.4	Production	
	7.3	Which	h Institutions?	
		7.3.1	Property Rights	202
		7.3.2	Financial Institutions	
		7.3.3	Labor Markets and Work Effort	204
	7.4	Institu	utional Change	207
		7.4.1	Economics Approaches	207
		7.4.2	Economic History	209
		7.4.3	Sociological Institutionalism	
		7.4.4	An Insight from Anthropology	217
		7.4.5	Institutions and Psychology	
		7.4.6	Politics and Institutions	
		7.4.7	Business History	
		7.4.8	Integrating These Approaches	
		7.4.9	Democracy	229
8	The	Cause	es of Economic Growth: Cultural and Social Determinant	s 233
-	8.1		re	
		8.1.1	Culture and Institutions	
		8.1.2	The Nature of Culture	
		8.1.3	Cultural Change	
			Culture and Growth	

		8.1.5	Which Values?	243
		8.1.6	Culture as Economic Asset	249
			Cultural Capital	
			Cultural Influences on Politics	
	8.2		preneurship	250
	8.3		Capital	
		8.3.1	Effects of Social Capital	
		8.3.2	Sources of Social Capital	
		8.3.3	Limitations to Empirical Analysis	257
		8.3.4		258
	8.4	Comm	nunity Development	258
	8.5	Popula	ation	259
	8.6	Health	1	261
	8.7	Social	Structure	261
		8.7.1	Inequality	263
		8.7.2	Ethnic Divisions	264
		8.7.3	Gender	266
		8.7.4	Family Structure	266
9			guments Under-studied in the Literature	
	9.1		ral Interactions	
		9.1.1	Technology and Sectoral Interactions	
		9.1.2	Catching the Wave	
		9.1.3	Firms	
	9.2 Networks			
		9.2.1	Networks and Technological Innovation	
		9.2.2	Investment in Physical Capital	
		9.2.3	Investment in Human Capital	
		9.2.4	Institutional Change	
		9.2.5	Trade	
			Other Links	
		9.2.7	Advantages and Challenges of Network Analysis	. 282
10	Em	araant	Properties of the System of Causal Links	295
10			egate Growth Dynamics: Is There a Poverty Trap?	
	10.1		Convergence	
			2 Common Ground Between Optimists and Pessimists	
			3 The Poor are Different	
	10.3		peconomics and Growth	
	10.2		The Medium Term	
			2 Long Waves	
			B Implications of Growth Theory for Fluctuations	
			Implications of Macroeconomic Theory for Growth	
		10.2.4	impleations of macroconomic flicory for Grown	. 500

11	Integrating Diverse Views of the Role of Government	305	
	11.1 The Role of Government	305	
	11.1.1 The Washington Consensus	307	
	11.1.2 Property Rights		
	11.1.3 Public Ownership		
	11.1.4 Public Spending and Taxes, Federalism	311	
	11.1.5 Public Goods	312	
	11.1.6 Government Intent	320	
	11.2 The Developmental State	323	
	11.2.1 The Idea of the Developmental State	324	
	11.2.2 The Essence of the Developmental State		
	11.2.3 Sources of the Developmental State		
	11.2.4 Summing Up		
12	Reflections on the Results of Integration		
	12.1 Reflect on One's Own Biases		
	12.2 Reflect on Steps Omitted	334	
	12.3 Reflect on the Weaknesses of the Theories and Methods Used in		
	One's Comprehensive Vision	334	
13	Possible Tests of the Results of Integration	335	
	13.1 Empirical Tests		
	13.2 A Holistic Test in Application		
14	Concluding Remarks	339	
	14.1 Insights into Economic Growth		
	14.2 The Value of the Process for our Understanding of Growth		
Ref	ferences	353	
	Indan		