

***Economic growth theory: There have historically been several periods of "globalization" measured in terms of labor and capital flows. These periods are believed to have contributed to economic development - at least for some countries - defined in terms of a country's GDP growth. Kenneth Rogoff, former chief of the IMF, argues in this 2020 essay (Links to an external site.) that current trends towards deglobalization will hurt growth everywhere. Similarly, Douglas Irwin worries about "Slobalization" in this 2020 essay (Links to an external site.). Contrast these views with Bob Allen, in his clip 4 of 4, who believes there are four lessons of history: i. WA consensus policies free trade and open capital markets never been followed by large successful countries; ii. Following comparative advantage has led to underdevelopment and not progress; iii. Building up domestic technology capabilities and savings has been more successful than relying on foreign investment; and iv. To catch up to the West countries must grow very fast for two generations – that requires planning, investment, technology and education.***

Globalization is a process leading to the interconnectedness and interdependence of cultures, economies, and populations due to trade flows, technological innovation, investment, people, etc. (Peterson Institute, 2018). The first instance of globalized forces was observed in England during the industrial revolution. This propelled infrastructure innovation and economic cooperation due to the investment in capital-intensive technologies that produced high returns to labor (high capital to labor ratios). To standardize the perceived benefits of globalization, a standard development model was proposed by adopting the following policies – 1) unified national markets with no internal tariffs and investment into infrastructure development, 2) a banking system to stabilize the currency, 3) external tariffs (against British competitors), and 4) mass education (Bob Allen, Clip 2 & 4). The effects of globalization allow countries to specialize by making production more efficient using the least number of resources (comparative advantage), ultimately lowering the prices of goods and services. As more countries become integrated into the world economy, consumer preferences, demand, and competition drive innovations with new manufacturing opportunities.

Despite the rise in global incomes and the decline in inequalities between rich and poor countries, inequalities within countries continue to increase. Even though the gains of developing countries have risen, they still have much catching up to do with rich developed countries whose economies have grown further. This has led to a shift towards 'Slobalization' or 'Deglobalization.' Price inflation in the movement of goods, fluctuating energy prices, growth of nationalism, etc., encourage regional integration with developing economies such as China, becoming more self-reliant. However, these regions are labor-intensive due to high population numbers on the opposite end of the spectrum. The decline in global trade flows can also reverse growth associated with the inability to diversify economies. Kenneth Rogoff also points out that developed countries such as the US also suffer economic risks related to the dollar's role in the center of the system and factors that have supported governments and corporations to borrow vastly from other countries, consequently impacting trade relations. Although globalization may very well be the driver of deglobalization, it becomes necessary to consider the holistic view of these forces between developing and developed countries to understand the determinants of economic success. Hence, I will be contrasting the perspectives of globalization and deglobalization across the four lessons of history proposed by Bob Allen:

***WA consensus policies free trade and open market capitals have never been followed by large successful countries.***

On a positive note, adopting the standard development model led to the decline in inequality between the developed and developing world through economic integration and reduced trade barriers by

restoring North-South trade patterns. For example, cotton was exported from India to Britain to manufacture cotton cloth in Britain. However, the realization of international specialization in developed countries led to the expansion of scale economies and agglomeration, driving rising incomes in rich developed countries relative to the rest of the world (Collier & Dollar, 2002). On the other hand, trade barriers and poor economic policies confined developing countries to dependence on primary commodities. For example, India could not build successful development policies due to imperial power. Although per capita income growth was on the rise, it was slower than richer economies with no changes to the dimensions of poverty, ultimately leading to more nationalist economic policies.

***Following comparative advantage has led to underdevelopment and not progress***

The integration of global economies led to comparative advantage improving market efficiency and trade agreements benefitting countries in the agreement. Developing economies such as China and India harnessed a comparative advantage in labor-intensive commodities, whereas developed economies in Britain had a comparative advantage as low-cost manufacturers. This led to trade between India and Britain as the supplier of cotton and production of cotton cloth, respectively. However, Bob Allen points out that this trade, through comparative advantage, destroyed cotton manufacturing across Asia because Britain's factories concentrated a considerable proportion of the world's consumption. Technological innovation in manufacturing drove down the prices of English cloth alongside Indian cloth as they are close substitutes for consumer preferences. Mechanization makes English cloth cheaper than Indian cloth, whereby it no longer pays to ship Indian fabric from India, and trade reverses. As the price of raw cotton rises in India, the economy shifts into agriculture (reversing growth) rather than the manufacturing sector leading to Indian producers going out of business. This leads to underdevelopment and not progress for poor developing regions that cannot adopt technologies of their competitors in developed countries, which is ultimately not profitable due to low capital to labor ratios, consequently resulting in low returns to labor.

***Building up domestic technology capabilities and savings has been more successful than relying on foreign investment***

The positive feedback loop associated with the industrial revolution and globalization equalized incomes, increased demand, and expanded new skills. For example, support for globalization allowed the spread of economic benefits as new international mutual funds helped channel equity flows to developing countries, bringing capital and advanced technology and access that benefitted some regions over others (Collier & Dollar, 2002). Before the industrial revolution, China and India had the largest manufacturing sectors globally. The onset of the industrial revolution led to increases in the British share of manufactured goods and high wage returns due to cheap energy and low cost of capital when shares of China and India subsequently collapsed. Hence, just as globalization and globalisation occurs in cyclical phases, industrialization in Britain due to aggressive mercantilism and empire formation led to increased productivity. At the same time, de-industrialization in other regions exacerbated divergences since capital-intensive technologies cannot be adopted due to low wage returns. Today, a shift in investment into domestic technology (in Asian countries) to cut employment costs has allowed these regions to become low-cost producers of manufactured goods. Foreign investment can be unstable and severely influenced by powerful elites and institutions (*as seen by Acemoglu and Robinson*). Risks, uncertainties, and instabilities associated with capital flow from developed to developing regions have led to regional shifts and domestic investments. Bob Allen reiterates this point through the example of Chinese kilns, which utilized labor to conserve energy relative to British kilns, which were built cheaply and wasted energy due to the availability of cheap energy and capital. In this example, the Chinese innovation accounts for their circumstances without relying on foreign investment. Hence, the more

technology advances in response to economic incentives rather than random scientific discoveries, the more feasible it is to direct technical progress that benefits the people.

***To catch up to the West, countries must grow very fast for two generations – that requires planning, investment, technology, and education.***

At some level, the effects of globalization have improved the convergence of economies. Still, the decline in inequality gaps is relatively slow as the incomes of developed countries continue to expand. Bob Allen states that poor countries start with an income of 25% of wealthier economies; thereby, they need to grow faster to close this gap. Hence, globalization itself may have led to the economic marginalization of some regions over others. For developing countries to match the pace of western economies, Allen states that this requires planning, investment, technology, and education. Rising inequalities within countries need economic policies in these spaces that happen simultaneously rather than sequentially to build capacity and coordinate investment activities before the purchasing power of demand. For example, the USSR was successful for about 40-50 years because of adopted policies in planning, investment, and education; however, a new system of the industrial organization ultimately led to inefficiency and reduced economic growth due to locked-up resources.

On the other hand, new globalizers today, such as China, have taken part of the soviet system that worked and removed parts that did not by introducing innovations in the market and profit-cost ratios. This point also stresses the role of institutions and critical junctures through history, leading to differences in responses towards economic progress and development, such as imperial power in India leading to the failure of the standard development models. The success or failure of these policies can also be exacerbated when private wealth is held outside the domestic region (such as in Africa). At the same time, other economies continue to diversify their exports relative to these regions, which can revert to primary commodity exports that are risky. Hence global economic integration that accounts for inequality is not only based on economic policies but also the importance of domestic distributional policies.

***Measurement: We have looked at measures of growth, poverty, and inequality. What are some common implications of how these indicators are constructed (e.g., alone or within an index, a count vs a ratio, etc.) and the data used to inform them? What specific questions will you ask of analysts who present you with indicators of: 1. progress of a country over time using these indicators; and 2. Comparative progress across countries using these indicators? Be specific by referencing the measures presented and discussed in class.***

The economic progress of a country is often associated with rising incomes per capita and subsequently increasing consumption, savings, investment, etc. However, the concept of development accounts for more than just economic indicators, whereby skewed income distributions do not lead to progress. Furthermore, not all countries demonstrate unified characteristics of economic growth simultaneously and weighed equally, which can span across various socio-economic indicators. For this response, I will discuss the implications of measurements across indicators of growth, poverty, and inequality concerning economic development.

### **Growth**

Economic growth is usually measured as an indicator of Gross National Product (GDP) which is the sum of the value of all final output of goods and services produced by a country each year. It measures economic activity by residence and is valued for its relative ease of interpretation (Biscaye et al., 2015). Other indicators derived from GDP calculations include Gross National Product (GNP) that measures economic activity by ownership (nation or citizenship); Nominal GDP as the total value of all goods and services produced in a given period (quarterly or annually) not accounting for inflation; or Real GDP which is the nominal GDP adjusted for inflation.

However, monetary measures such as GDP as a measure of a country's progress ignore changes in natural, social, and human components that complement well-being. For example, activities associated with social welfare, such as education, are calculated as consumption in GDP rather than investments in future economic growth (Biscaye et al., 2015). Environmental externalities are unaccounted for in GDP measures regarding natural capital, consequently encouraging resource consumption faster than their renewability. Although some nonmarket transactions (such as defense, health, humanitarian spending) are included in GDP, many nonmarket productions of goods and services or informal economy of a country are not included. Medina & Schneider, 2019 specifically discuss the under-reporting of GDP due to the exclusion of legal, economic activities associated with the 'shadow economy,' which can ultimately lead to overestimations and inflations of monetary stimulus while underestimating unemployment impacting developing economies in the long run. This further reiterates the concern of under-reporting and reliability of GDP (intentionally or otherwise), whereby differences in national and administrative data can exacerbate evidence-based economic policies because flawed data sources exacerbate the scale and scope of measures (Jerven & Johnston, 2015). Lastly, GDP measures are critiqued because they do not account for intra country income distributions (Biscaye et al., 2015). The growing disparity between the rich and poor is concealed when the wealthy population accounts for the country's increase in GDP, consequently distorting the relative and absolute well-being status.

In addition to the consequences of measurements occurring within a country, GDP as a measure of growth between countries creates additional problems. This arises because the US dollar in the US or Europe does not purchase the same value of goods and services as it would in regions such as Africa or Asia. To overcome this challenge, purchasing power parity (PPP) dollars are introduced for cross-country comparisons of GDP. Despite these metrics, the selection of local market prices, even as measured by the International Comparison Program, can only observe prices for traded goods, does not fully reflect

the differential cost of living (social marginal costs and benefits) and lead to differences reflected in non-competitive market structures where prices are fixed (Week 3, Slide, 32). Country comparisons are skewed by the narrow focus on material resources rendering it an inappropriate development measure.

To expand measures of well-being associated with economic growth, alternative measures to the GDP include indexes combining GDP with non-GDP environmental and social indexes have been proposed – the Human Development Index (HDI) that rates countries according to their overall performance in life expectancy, education, and per capita GDP (using PPP dollars). This has led to other human development indices, including the gender inequality index (GII), multidimensional poverty index (MPI), etc. However, trade-offs include challenges associated with the final aggregation of the data, which is left to interpretation by the user. Cross country comparisons only account for the comparison between indicator numbers leaving the measure oblique in interpretation as it does not specify if a country's progress is due to an increase in a positive indicator or a reduction in a negative index indicator. Due to the continuous rejection of GDP, HDI is commonly used due to ease of interpretation whereby people do not have to pay attention to more than a single number.

Analysts measuring a country's progress over time or making cross-country comparisons should pay close attention to the following factors in measuring economic growth (Biscaye et al., 2015). First, the number and type of indicator used can lead to different interpretations by users and data robustness. Second, normalization eases comparisons by aggregating components into a single index; however, it can lead to complications for comparisons over time when benchmarks vary from year to year. Third, aggregation has the power to conceal information relevant to a country's growth across multiple social, environmental, and economic indicators relative to its ease for cross-country comparisons. Fourth, changes in data collection methodology, definitions, and weight associated with indicators and components can impact time series comparability across countries and aggravate the complexity of calculations. Lastly, objective and subjective measures influenced by social and political barriers lead to countries' explicit and implicit value judgments to maintain the status quo, whereby new standards can reveal problems of current economic policies.

### **Poverty**

The world bank defines poverty as a “pronounced deprivation in well-being” open to narrow and broad interpretations of well-being (Haughton & Khandker, 2009). The narrow definition of poverty is measured in monetary terms relative to income or consumption at the household level. In contrast, broad purposes of well-being include physical and mental health, social connections, agency and participation, values, competence, etc. (Wellbeing & Poverty Pathways, 2013). The standard poverty measures include using indicators such as income and expenditure to establish poverty lines based on the cost of basic needs, food intake, and other subjective evaluations.

The implication of poverty measures within countries first arises from the indicator used. For example, rich countries use income to measure poverty while poor countries use consumption due to the irregularity of income in these regions. This leads to consequences in establishing poverty lines at national and international scales across the relative and absolute status of poverty. Poor countries measure poverty in absolute terms, paying attention to basic human needs (Haughton & Khandker, 2009). On the other hand, rich countries prefer relative measures of poverty to account for the broader quality of life issues (Haughton & Khandker, 2009). Other challenges include the factor of time; Individuals can be chronically or transiently poor, seasonal, or non-seasonal, affecting data collection and reliability. Although there are different types of poverty measurements, it is generally measured using an indicator of welfare (expenditure or income), establishing a minimum standard of the indicator

relative to the target population, and aggregating information from the distribution of this welfare indicator to the poverty line. Some common measurements discussed in class included the poverty gap index, which measures the extent to which individuals fall below the poverty line (poverty gaps) as a proportion of the poverty line. However, this measure does not give any weight to the poorest among the poor. Other measurements include the squared poverty gap index, which averages the squares of the poverty gaps relative to the poverty line. In this method, extreme poverty may be given greater weight than less poverty by allowing for weights placed on the welfare level of the poorest members of the population. Challenges in the calculation result from the 'exit problem' whereby the population compositions in the denominator (comprised of only poor people or non-poor people) determine if a person crosses the poverty line threshold or not.

In addition to measuring poverty within a country, cross-country comparisons of poverty lines create challenges. The implications of global poverty measures and consequently cross-country comparisons arise from the choice of poverty lines (absolute and relative); differences in exchange rates to convert local prices into a common international currency; differences in income distribution; and differences in mean incomes of countries. These considerations ultimately restrict the definition of poverty to monetary terms. Amartya Sen (1987) describes poverty as a "capability deprivation" by looking at well-being arising through people's ability to function in society. Hence, poverty occurs when people lack capabilities across income, education, health, security, value, self-worth, rights, etc. From this perspective, poverty is a multidimensional phenomenon that accounts for economic factors, socio-cultural differences, and other qualitative components, leading to alternative measures such as the multidimensional poverty index (MPI). The MPI spans ten indicators across health, education, and standard of living. However, like the challenges associated with the HDI, the MPI needs to account for trade-offs such as concealing overlapping deprivations, the intensity of deprivations, aggregations of indicators, and time as a factor in measures (Alkire et al., 2013).

Apart from the consequences of poverty measures resulting from the measurement and weight given to indicators discussed above, other challenges include the data source and types of sampling employed. For example, household-level data may show differing interpretations relative to individual members. The unequal distribution of resources or benefits within a household means that women's poverty levels differ from the household average. Indicators can also have different weights to individuals in urban and rural contexts across social, environmental, and economic factors. Disaggregated data is not regularly produced in all countries, leading to implications depending on the target group.

### ***Inequality***

The third development measure is the distribution of income or well-being across facets such as health, education, nutrition, etc. The types of measurements employed to illustrate inequality can vary within countries, between countries, within target groups, and between groups, consequently impacting social, economic, political, and environmental policy decisions (McKay, 2002).

The most common measure of inequality between countries is the Gini coefficient ranging from perfect equality at 0 to perfect inequality at 1. It is derived from the Lorenz curve, which first sorts the population in the order of poorest to richest with the proportion of the population on the horizontal axis and the cumulative proportion of expenditure (or income) on the vertical axis. Any point on this graph represents the proportion of the population earning that proportion of income. Despite the ease of interpretation of the Gini coefficient and its benefits (*mean expenditure (or income) independence, population size independence, symmetry, and Piguou-Dalton transfer sensitivity (the transfer of income from rich to poor reduces the measured inequality)*) (Haughton & Khandker, 2009; Week 5, slide 26));

challenges of the measure arise when sources of inequality cannot be identified calculations alongside greater sensitivity to the distribution of middle-income groups relative to the extremes. An alternative measure that uses pieces of the Lorenz curve is the Palma ratio, in which the top 10% of the population's share of gross national product is divided by the poorest 40% (Week 5, slide 29). This measure is relatively easier to interpret and more sensitive to changes in the extremes.

Other measures of global inequality in or across countries include – 1) the uses mean incomes from household surveys of all countries in the world without population weight which counts every country the same; 2) the use of mean income that accounts for the population weight; 3) or individual-based whereby each individual and their income enters the calculation (Milanovic, 2012, p. 2-4). The challenge of the type of measure employed in this situation arises from collecting data at household or individual levels. Other inequality measures in or across countries include looking at education and health, which use a similar method to the Gini coefficient; however, these measures remain underdeveloped relative to standard income measures (Peterson, 2014).

In addition to the consequences that arise from the types of measures employed, analysts should account for other issues associated with data interpretation. For example, transformations on distributions can compress the middle class of the distribution while enhancing the distributions at the tail; this conceals the shift in the geography of the poor in recent times by focusing on poor people in poor countries and does not account for poor people in middle-income countries. Other challenges point to the source of the indicator itself. For example, many income inequality measures use incomes before accounting for the impact of taxes and transfer payments, which aid in reducing inequality. Time as a factor also impacts the variability of inequality and resources available. Although abrupt short-term changes are evident, there are no generalizable trends in the long run concerning the Gini coefficient. Issues prevailing from the use of income have led to consumption as an aspect of inequality. However, some limitations of available data include its failure to account for intrahousehold inequalities, static nature, and estimates based on short periods that can exaggerate extremes of inequality. This is reiterated by the example discussed on household and intrahousehold bargaining power in households in Mali and Tanzania which showed differences in responses to decision making across spouses, contextual factors, and areas of opportunity. Different inequality indices with different relative weights can ultimately lead to misleading conclusions. For cross-country comparisons to be valid and informative, analysts must use similar data presented across common values for monetary comparisons. Analysts should consider the horizontal, vertical, and spatial distributions of inequality, which further complicate measures when they occur within and across different societal groups in countries.

### Why Nations Fail?

**Has the Acemoglu and Robinson book "Why Nations Fail" changed your thinking on the following questions (and why or why not):**

- a. How do institutions form? Do you think institutional variation today is a systematic outcome of historical processes, or a result of particular events happening in particular places at critical junctures?**
- b. To what extent do you believe institutions relative to tropical disease and ag science (or something else) affect differences in national prosperity?**
- c. Do certain natural resources (e.g. oil, diamonds) lead to more corruption and violence than others (e.g. timber, iron).**

Acemoglu and Robinson in "Why Nations Fail?" argue that the disparities between nations arise from the foundation of institutions in place. Institutions are not only based on political foundations but also determine the path of economic development. To justify their argument for the political and economic foundations of institutions, the authors refute past theories based on the geography, culture, and ignorance hypotheses

#### ***Institutional Variation***

Institutions come into being from the innate human need to deal with the complexities of societies by reducing uncertainties and imposing structure within the environment. The interactions between people in their environment across social, political, economic, and cultural factors build institutional frameworks often shaped by society's dominant beliefs. These beliefs ultimately shape people's perspectives and experiences, usually through powerful actors that shape policies in society. Upon reading the book, I observed the evolution of institutions to mirror the theme of "nature vs. nurture," in which nature can be thought to be the historical processes, external factors, conditions (anthropogenic or biological), and critical junctures (or bottleneck events). On the other hand, nurture manifests itself within institutions through influential individuals and the political views and benefits inferred from their positioning within the structure of society. Hence, it is the combination of nature and nurture whereby individuals influence policy decisions by making sense of their reality, evaluating performance, and adapting institutions to optimize economic outcomes.

The two types of institutions discussed in this book are inclusive and extractive. Institutional variation is a dynamic process that occurs through virtuous and vicious cycles that allow inclusive and extractive institutions to dominate, consequently leading to sustainable and unsustainable economic development, respectively. Hence, the authors argue that differences in institutions, politically and economically, influence modern global inequality. However, to understand the persistence of inequality, one needs to recognize how institutions form in the first place through factors inducing change.

According to the authors, institutional variation results during crises and instability called "critical junctures." Under a critical juncture approach, different countries respond to crises in different ways, and these responses influence institutional transformation or the lack of in some cases. The reaction to sudden shocks is further influenced by how the institution itself came into being (before the shock). Divergent from the author's perspectives, I comprehend that historical processes and events occurring at given critical junctures are inextricably linked to one another in determining institutional variation and its transformation. The authors reiterate this by providing an example between England and Spain.



The lack of power and wealth of monarchies in England led to distributive power among merchants and landowners relative to the absolute power dynamic in Spain. Hence, historical contingency determined the foundations of institutions. The new political landscape of England enabled the rapid entry of industrialists, which fueled the industrial revolution. Even though these differences were minor, its interaction with a critical juncture led to economic growth or the lack of it in the long run. Hence, the prevalence of minor differences through historical processes can have monumental impacts on a society's reaction to external shocks.

As I read this book, I found parallels of institutional influences across conservation policies. Marine protected areas (MPAs) are an important conservation tool to protect and restore biodiversity while improving human welfare through economic opportunity and poverty alleviation. Despite its common notion to aid in the sustainable development of societies, only MPAs maximize zones that do not permit the removal of resources maximize ecological success at the expense of societal well-being. Extractive pursuits of the ocean have led to the neo-liberalization of conservation illuminated by the "triple win" discourse that supports environmental protection, economic growth, and equitable societal benefits. While these narratives relieve tensions of ecological conservation, the primary pursuit of neo-liberal and extractive economic dimensions has led to maximizing profits, commodifying nature and culture, and recentralizing power through the elite capture of benefits. MPA governance enabled by colonial and capitalist motives (historical processes) can lead to new forms of modern power that re-regulate local livelihoods towards market-based alternatives (critical junctures). Hence, if urbanization acts as a critical juncture, the establishment of MPAs is determined by minor differences that arise through historical processes and current institutions, ultimately implicating community disposition, social history, human rights, etc.

Hence, the emergence of frameworks today that promote free markets, trade, competition, property rights, etc., can be traced back to historical processes and critical junctures. This reiterates the importance of history in determining institutional divergences across societies and its implications for the development of nations.

### ***Geography, Culture, and Institutions***

The authors' argument stresses the interconnection between political institutions and the economic institutions they create to determine the sustainability of economic growth. From this perspective, rich countries have prospered due to inclusive political and economic institutions, whereas poor countries operate by extractive ones. Although the book provides numerous examples to reiterate this point, I thought of regions that do not fall within this binary spectrum, such as the Arab Gulf States. Although absolute monarchies, alongside their accessibility and wealth from resources such as oil, make them politically extractive, market policies have thought to embody some aspects of inclusive institutions in efforts to ensure stability and security, consequently weakening the notion of unsustainable economic growth of extractive political institutions especially when even Arab Gulf states are embarking on economy diversification to move away from dependence on oil.

The geographic hypothesis states that the great divide between rich and poor countries emerges from differences in location. Positionality ultimately determines resource accessibility and, consequently, one's development. Nevertheless, the authors dismiss this hypothesis through examples of geographically prosperous regions that succumbed to their extractive counterparts. However, looking at the instance of Arab Gulf states again, it should be noted that the geographical positioning of the region alongside similar political, economic, and cultural interests has made the area and its resources (oil and petroleum reserves) a powerful entity regionally and internationally. Despite extractive foundations,

economic growth may be perceived as sustainable due to the wealth defined by its geography and shared culture. It is equally important to consider how institutions or leaders invest in local economic factors such as education, technology adoption, health, etc., similar in characteristics of inclusive economic processes showcasing the importance of both institutional frameworks relative to external factors such as geography.

According to the geographic hypothesis, tropical diseases hinder productivity. However, the authors argue that disease results from poverty and governments unable or unwilling to improve the health sector. Concerning agriculture output, soil quality determines productivity under the hypothesis. However, the authors believe this to be a consequence of institutions' ownership, land structure or the incentives created for the agricultural sector. Regarding diseases and economic productivity, consider the example workforce in regions of sub-Saharan Africa that are pressurized to conduct productivity at a faster rate due to reduced life expectancy because of diseases. However, the interconnection between geography and institutions also spans across contextual factors. For agricultural science, geography can determine sedentary economic activities and social structures. Institutions explain investment into incentives and scientific research and application to agriculture, which ultimately include geographic attributes in deciding policies.

While the authors emphasize the institutional frameworks and their outcomes to address the systemic barriers of society embedded through history in class, gender, race, etc., and embedded belief systems, it is equally important to consider environmental factors that are more adaptable and interchangeable when discussing economic growth.

### ***Institutions and Resources***

Conflict over resources has been evident throughout history to establish long-term political and economic stability and independence. The most prevalent example is resources such as oil, often linked to war, corruption, debt, and consequently economic stagnation. The competition for resources between countries to extract cheap labor and resources continued into World War II. Asian countries sought to expand their territories when Japan attacked China. The US responded with embargoes on exporting raw materials such as oil, iron, rubber, etc., needed for industrial growth. Furthermore, despite countries asserting their independence, economic institutions created by colonialism made them dependent on former colonizers through foreign aid. This led to political institutions exhibiting extractive characteristics to exploit cheap labor and resources.

Concerning the cause of conflicts, it is evident that highly valued resources produce greater revenue, leading to the 'resource curse.' According to this theory, the dependence on resources discourages economic diversification alongside impacts across political, economic, and social aspects of institutions. For example, in countries with weak institutions or authoritarian rule, revenue is concentrated within elites exacerbating inequalities and hindering economic growth. To understand why some resources such as oil and diamonds cause more conflict than iron or timber, I also considered the renewability versus non-renewability of resources. Non-renewable resources such as oil, diamonds, and minerals, alongside scarcity, geographic positionality, uncertainty, and risk in production, increase their value while simultaneously increasing violence relative to renewable resources such as timber which seem more accessible and versatile. The value of resources can also be dependent on abundance and use, which impact wealth through production and export. Although state control can lead to weak inclusive institutions due to elite leadership power, this depends on contextual factors contingent on historical processes, critical junctures, geography, culture, etc.

Other factors to consider are time for resources such as diamonds which can be capital or labor-intensive. Conflicts over minerals can arise over land rights, value, revenue, etc. Diamonds have also been the source of contention since they are easy to steal, move to markets, and are challenging to trace. In addition to political and economic conflict, these resources can also stir social conflicts leading to labor rights and human rights violations. Hence, the mismanagement of resources (and labor associated with it) can degrade institutional frameworks' economic performance and lead to risks and uncertainties. In addition, natural resources are not too often associated with conflict as they may be commonly found in all regions and untraceable. Scarcity and the lack of substitutes for resources such as oil and minerals make them strategically important, by which increased demand overrides the legality of trade, exploitation, governments, etc. In contrast, resources such as iron do not seem to cause much conflict due to ease of substitution and versatility. Although some resources such as timber have not been the source of conflict, the onset of environmental and anthropogenic pressures such as the climate crisis, urbanization, migration, etc., can put pressure on renewable resources once considered readily accessible and abundant.

In addition to the attributes of resources, non-resource characteristics such as societal well-being, geography, demography, institution, and its actors, and more broadly, what constitutes development in a particular region can influence interactions between resources and institutions and vice versa. Despite pathways for conflict, I also think that resources can influence how institutions operate. For example, look at the Arab Gulf States (Gulf Cooperation Council) who have formed a social-political identity (*khaleeji identity*) because of oil wealth to emphasize their geopolitical positioning in the global market yet culturally determined in the region inter-generationally. "Good governance" and, consequently, economic structures may prevent a country from lapsing into violent internal conflict. Today, resource-rich countries like the United Arab Emirates, Kuwait, and Qatar use their resource wealth revenues to generate numerous downstream economic activities and additional incomes. These countries have also undertaken large-scale foreign investments, promoting economic development and fostering intergenerational equity. The critical point is that the "natural resource curse" can often be avoided with the right knowledge, institutions, and policies.

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