



Christian Berker

Institutions and Economic Growth

An Analysis Through the Glass of
Economic History

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Why are some countries richer than others? The book addresses the connection between institutions and economic growth. In modern economics, growth is explained through the accumulation of three factors: technological change, capital, and labour. Taking a closer look at the Solow residual reveals that it is composed of geography, trade, and especially institutions as well as other fundamental factors. Institutions are the formal and informal rules of a society. The argument according to which institutions largely determine the growth trajectory of a country can be

traced back to the German Historical School in the 19th century. In the 1970s, the works of Douglass North led to the establishment of the field of New Institutional Economics which is part and parcel of modern economics. Over the last two decades, this strand of literature has been particularly advanced by Daron Acemoglu and his numerous co-authors from both a theoretical and empirical point of view. Additionally, institutional economics has been increasingly applied to questions relating to economic history.

The book comprises an introduction, two theoretical chapters, and three research articles. Chapter 2 gives an overview of variables provided in the existing literature in order to explain long-run economic growth. The theme of chapter 3 is an in-depth illustration of the literature that is concerned with the nexus between formal and informal institutions and economic growth. At first glance, it may seem that the three research articles address questions that are largely detached. Actually, they can be considered as being generally related to one another since they are all concerned with the Acemoglu et al. framework in that they either expand it or apply it to selected historical cases. Chapter 5 engages in highlighting the importance of the geopolitical context using Prussia in the 17th and 18th century as a case study. Chapter 6 empirically investigates the connection between institutional change and Offenbach's growth in the 19th century.

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