

Introduction

Neri Salvadori

Interest in the study of economic growth has experienced remarkable ups and downs in the history of economics. It was central in classical political economy from Adam Smith to David Ricardo, and then in the critique of it by Karl Marx, but was moved to the periphery during the so-called 'marginal revolution'. John von Neumann's growth model and Roy Harrod's attempt to generalise Keynes's principle of effective demand to the long run re-ignited an interest in growth theory. Following the publication of papers by Robert Solow and Nicholas Kaldor in the mid 1950s, growth theory became one of the central topics of the economics profession until the early 1970s. After a decade of dormancy, since the mid 1980s, economic growth has once again become a central topic in economic theorizing. The recent 'new' growth theory (NGT) is also called 'endogenous growth theory', since the growth rate is determined accordingly from within the model and is not given as an exogenous variable.

Since Adam Smith, social and economic institutions have been considered as exerting a significant influence on the historical patterns of growth and distribution of nations. More recently, economists have also emphasized that the process of growth and distribution in turn shape the evolution of institutions. Growth and distribution are lenses through which we can investigate the complex interplay of the birth, life and decline of social and economic institutions. And institutional and social dynamics, in turn, are important elements in comprehending the interaction between growth and distribution. A conference held in Lucca in December of 2007 was a forum for presenting and discussing different approaches to the issues of the institutional and social dynamics of growth and distribution, with all their theoretical, empirical, historical and methodological implications. This book is the main product of the conference. Other papers will soon appear in a special issue of *Metroeconomica* (2010). The conference was hosted by a research group, and several of the papers elaborated by members of the group were delivered at the conference. The main products of the research group are companion books on *Geography, Structural Change and Economic Development: Theory and Empirics* (Salvadori, Commendatore,

and Tamberi, 2009) and on *Long-run Growth, Social Institutions and Living Standards* (Salvadori and Opocher, 2009). There is, of course, no overlap among the mentioned publications, which constitute the proceedings of the conference. The papers most directly related to the conference title have been inserted in this volume, which shares the same title as the conference itself. The result is that the book analyses recent developments in the interplay of economic growth and social and economic institutions.

The book opens with two chapters devote to the relationship between growth and institutions from an historical and theoretical point of view. The first, by Joel Mokyr, analyses the beginnings of economic growth in eighteenth century Britain and argues that formal institutions have been traditionally over-emphasized, and that the enforcement of property rights by the state was less crucial than other interpretations have suggested: the importance of institutions extended beyond politics and formal institutions; cultural beliefs need to be considered since they created an environment in which inventors and entrepreneurs got the opportunity to operate and cooperate freely; attention is also to be paid to those institutions that stimulated and encouraged technological progress and not just the growth that depends on well-functioning markets. The second chapter, by Samuel Bowles, concentrates on the coevolution of institutions and preferences, both from an historical and theoretical perspective; it proposes a model of the coevolution of cultures (modelled as the distribution of types of preferences in a population) and institutions (the distribution of types of contracts). The chapter specifies an underlying game which has as its possible outcomes a number of different ways that the participants might interact. The outcomes of this underlying game are institutions; the process of institutional change is then studied as a change from one to another of these outcomes.

The next five chapters deal with political institutions and the interplay of these institutions with growth and income distribution. Chapter 3 by Martin Baur reviews the literature concerning the connection between politics and income distribution and tests a number of propositions derived from it. Chapter 4 by Piero Ferri and Anna Maria Variato deals, like the previous one, with income distribution, but focuses on the interaction between cycles and growth. Chapter 5 by Davide Infante and Janna Smirnova deals with an undesired aspect of public activity, namely bureaucrats' rent-seeking activity, like bribery, red tape and corruption. The chapter argues that in the presence of a weak institutional environment the aim is not so much the elimination of opportunistic activities, but that of establishing an equilibrium between State inefficiencies and market distortions. Chapter 6 by Pasquale Commendatore, Carlo Panico and Antonio Pinto attempts a dynamic analysis of the role played by different kinds of government expenditure in alternative post-Keynesian theories. The aim of Chapter 7, by Nikos Benos and Stelios

Karagiannis, is to estimate the impact of human capital on regional economic growth in Greece, and analyse the implications for economic policy.

The next three chapters deal with demographic aspects and the role played by institutions like the family. Chapter 8 by David de la Croix argues that longevity is a key factor of growth; it provides four arguments using various data sets: Geneva and Venice longevity data before the Industrial Revolution, mortality data of English aristocrats, evidence on the rise in medical knowledge, and the height of Swedish soldiers data. Chapter 9 by Luciano Fanti, Mimmo Iannelli and Piero Manfredi explores the implications of age structure for macroeconomic growth models. It provides a general framework embedding the age structure of the population in descriptive growth models and uses it to investigate dynamic implications. This gives an insight on issues such as the optimum population growth rate and the overall structure of balanced growth equilibria. Chapter 10 by Valerio Filoso is an empirical study of multidimensional mating in the marriage market. It shows that the marriage market jointly determines assortative mating on schooling and on wages, that wage has predictive power in forecasting educational mating and that education also helps predict wage sorting.

Finally, three chapters deal with social aspects. Chapter 11 by Christian Henning and Volker Saggau offers an agent-based modelling approach to model the process of knowledge spillovers and knowledge accumulation; it derives a model that focuses on the role of global network structures as determinants of knowledge diffusion and its implied impact on knowledge accumulation in a network of firms. Chapter 12 by Edward Nell explores a tool which is able to capture the interactions between economic growth and change, on the one hand, and changes in social, environmental, political and population variables, on the other. Such a tool, the transformational growth matrix, is presented and the kinds of relationships between economic advances and social, political and demographic variables that it can capture are outlined. Chapter 13 by Corrado Di Guilmi, Mauro Gallegati and Simone Landini explores a model in which the interaction of heterogeneous agents in conditions of uncertainty gives rise to economic fluctuations.

Almost all the chapters of this book as well as all the papers included in the special issue of *Metroeconomica* have been peer-reviewed (the exceptions are the invited lectures to the conference). I would like to take this opportunity to thank all the referees who contributed to improving the published papers and advised me of their publishability. The following scholars helped me with this task: Lutz G. Arnold, (University of Regensburg, Germany), Nelson Barbosa (New School for Social Research, USA), Leonardo Becchetti (University of Rome Tor Vergata, Italy), Luciano Boggio (Catholic University of Sacro Cuore at Milan, Italy), Elise Brezis (Bar-Ilan University), Sebastian I. Buhai (University of Aarhus, Denmark),

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