



Economics

DISTINGUISHED SPEAKERS IN ECONOMICS

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MICHAEL KREMER

UNIVERSITY OF CHICAGO
2019 CO-RECIPIENT OF THE SVERIGES RIKSBANK
PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL

26 FEBRUARY 2021 (FRIDAY)
9 AM - 10:30 AM

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CONVERGING TO CONVERGENCE

Abstract: Neoclassical theory predicts convergence towards steady-state income, determined by policies, institutions, and culture. Empirical tests of convergence in the 1990s found that conditioning on institutions mattered: unconditionally, the norm was divergence, if anything. We revisit these tests with 20 years of additional data. While the literature on institutions emphasizes their historical origins and persistence, we find substantial changes. First, there has been a trend towards unconditional convergence since the 1960s, leading to convergence since the early 2000s. Second, policies and institutions have converged substantially, towards development-favored institutions - those associated, across countries, with higher levels of income. Third, the institutional changes are larger, on average, than those predicted by the cross-sectional income-institution slope; while the slope itself has remained stable. Fourth, the growth-institution slope - the coefficients of growth regressions - has decreased substantially, resulting in a shrinking in the gap between conditional and unconditional convergence. We discuss the implications of these new patterns for models of growth.

This paper is co-authored with Jack Willis (Columbia) and Yang You (Harvard).

ABOUT THE SPEAKER

Michael Kremer is the University Professor in the Kenneth C. Griffin Department of Economics at the University of Chicago. He is the 2019 co-recipient of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. Dr. Kremer received his PhD in Economics from Harvard University in 1992. He was a recipient of a MacArthur Fellowship in 1997. He was named a Young Global Leader by the World Economic Forum in 2004. Kremer's research involves field experiments in education, health, water, and agriculture in developing countries, as well as the economics of research and development and innovation, especially vaccines.

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