

Fundamental Causes of Economic Growth

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Conclusion of the Reading

- The Fundamental Causes of Growth all play their parts in Economic Growth
 1. *Luck* - An economy with given parameter values can experience different behaviors
 2. *Geography* - Not all areas of the world are created equally
 3. *Culture* - Beliefs, values, and preferences that influence individual economic behavior
 4. *Institutions* - Rules, regulations, laws and policies that affect economic incentives.
- Institutions play most important role in economic development
- However we must analyse each Hypothesis to understand Economic Growth



Conclusion - Example

- These hypotheses provide a different point of view on why an economy is succeeding or failing.
- Even though one of the fundamentals may be in favor of a country another one may not be
- Argentina is one of the better examples of today
- As a past economic powerhouse, Argentina now struggles with inflation and economic growth
- Their institutions have failed them historically
- Although having an advantageous geographical location.

