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Nation – what makes it rich or poor?

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Rich and poor-nation... what makes this classification? Conjoining quantitative economic history with the institutional perusal, it is possible to bring about a fascinating picture and reasoning of why such inequality does exist among the nations? Taking a walk down to the 1800s, we observed that it is not only wealth that led to in-equality. If so, what is the authentic base for varying comparative developments of nations? Cultural, institutional, technological, and geographical also contributes strongly.

Culture of the nation shape national development

To link culture with economic aftermath. We can define culture as ethnic values and beliefs. They are being transmitted unchanged through generations via teaching and imitation of knowledge, morals, and other factors that influence behavior. Credence in the importance of individual effort, trust is something that pre-modulates the human mind eventually helps a nation prosper.

Certitude can affect economic decisions in several ways. Intercontinental trade is such an area. Statistics show that confederations realize how important trust is for international bilateral trade, such as trade-in goods, financial assets, and direct foreign investment. Nations that trust one another tend to exchange more goods and assets. Trusting others also shoots up

the probability of being self-employed by 1.3 percentage points. There are three bipolar attitudes of culture:

1. Autonomy versus individualism,
2. Egalitarianism versus hierarchy, and
3. Harmony versus mastery.

A survey carried out through 53 countries delineates that commonwealth tilted in favor of sovereignty, egalitarianism, and mastery. It exhibits a higher rule of law, less corruption, and more democratic accountability.

A good institution is necessary to build a rich-nation

Institutions are the rule setter of how to play a game. A state is nothing but an institution that sets the rule and regulations. Countries with better institutions can invest more in physical and human capital. Thereby lead to substantial income and GDP growth. One can take the example of north and south Korea to understand why institutions matter. One part of the country runs under centralized planning and collective ownership, whereas the other runs under private property and market economy.

The past colonization process determines our present economic conditions too. Ovilvie and Carus (2014) concluded in their research that public-order institutions are better than private institutions at enabling markets to function. We argue that these early institutions shape the present. Europeans used to settle in the colonies, which do have a predominant effect on institutions.

We exploit institutional differences to estimate the economic performance of a nation. However, our estimates of the out-turn of institutional accomplishment are not affected by outliers. Africa is poorer than the rest of the world not because of geographical or cultural ingredients but because of the poor institutional structure.

Technology defines the growth path for the nation

Talking about technology has a prime impetus to the development process. Economic development takes place where there is technological progress. Technological progress is associated with property rights, profit motive, thereby ensuring property rights, routinizing innovation, knowledge diffusion, and profit motives. Any nation that goes against these principles loses its international competitiveness. If we build up a model where current GDP is dependent on technological augmenting, we will find a significant positive correlation.

Geography and growth

John W. McArthur and Sachs (2001) discuss the ascendancy of geography and institutions in determining economic performance. General specifications show that the environmental and health characteristics of a nation affect economic performance. Many scientists have depicted a correlation between the growth and geographical location of the federation (its distance from the equator).

Certain facts such as why did Eurasians invaded America and not the other way around?. The answer lies in – Gems, Guns, and Steel. Too much exploitation of resources can cause a fortune reversal. It is commonly known in history as a Dutch disease.

Life expectancy and infant mortality levels are also exogenous variables that can affect the decision to colonize. People like Aborigines and Native Americans had always been hunter-gatherers until their assimilation into complex societies. Nearly all Eurasia, parts of America, and sub-Saharan Africa have arisen agriculture, breeding, metal art, and social organization. Achievement and success of agriculture are influenced almost exclusively by the natural environment where a population lives.

Is urbanization a proxy for development?

Historically urbanization has been referred to as industrialization and consequently economic development. The fundamental notion of development is represented as the gradual shift of

employment from agricultural to nonagricultural occupations. Diversification of agriculture, creation of off-farm employment opportunities, and dealing with issues of gender and ethnicity, among others, is facilitated by urbanization. The difference between town and city is not solely the size of the population. It's a bigger picture than we think, depending upon the social and political consciousness. Therefore, we can consider urbanization as a proxy for development.