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CONTENTS

Editorial introduction

Andreas Irmen

ARTICLES

The journey of humanity: Roots of inequality in the wealth of nations

Oded Galor

The dynamics of theories of economic growth: An impact of Unified Growth Theory

Paweł Kawalec

Macroeconomic performance of the Israeli economy in the 21st millennium

Yochanan Shachmurove, Ben-Zion Zilberfarb

Almost “very strong” multilane turnpike effect in a non-stationary Gale economy with a temporary von Neumann equilibrium and price constraints

Emil Panek

Endogenous task-based technical change—factor scarcity and factor prices

Andreas Irmen

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CONTENTS

Editorial introduction

Andreas Irmen 3

ARTICLES

The journey of humanity: Roots of inequality in the wealth of nations

Oded Galor 7

The dynamics of theories of economic growth: An impact of Unified Growth Theory

Paweł Kawalec 19

Macroeconomic performance of the Israeli economy in the 21st millennium

Yochanan Shachmurove, Ben-Zion Zilberfarb 45

Almost “very strong” multilane turnpike effect in a non-stationary Gale economy with a temporary von Neumann equilibrium and price constraints

Emil Panek 66

Endogenous task-based technical change—factor scarcity and factor prices

Andreas Irmen 81

Editorial introduction

“Poverty has no causes, wealth has causes”—this statement, attributed to the development economist Peter Bauer (1915-2002),¹ may serve as the title of a book on the entire history of growth theory since Adam Smith’s *An inquiry into the nature and causes of the wealth of nations* (Smith, 1776). Indeed to understand why the standard of living differs across people, countries and time we need to understand the causes of wealth. This is the topic of the current *Economics and Business Review*. With this issue the *Review* honours the outstanding contribution of Professor Oded Galor, Herbert H. Goldberger Professor of Economics at Brown University, to the field of growth theory. At the same time it celebrates the degree of *doctor honoris causa* that the Poznań University of Economics and Business conferred on him in 2019.²

Oded Galor’s eminent research on the causes and the consequences of economic growth has substantially advanced our understanding of how and why economies accumulate wealth differently. His research has a tremendous impact on the scientific community. The breadth as well as the depth of his research agenda is impressive.³ Seminal contributions to the fields of *inequality and economic growth* (Galor & Zeira, 1993) and of *comparative development* (Ashraf & Galor, 2011) stand out. Research papers like Galor and Moav (2002) and Ashraf and Galor (2013) initiated a new literature on the *deep roots in comparative economic development*. In the profession and beyond, Oded Galor is probably best known as the founder of Unified Growth Theory (Galor, 2005, 2011). This fascinating theory depicts humanity’s process of economic development from the Malthusian Regime to the Modern Growth Regime in a single analytical framework that accounts for the specifics of each regime as well as for the endogenous transition between them.

The first paper of this issue is Oded Galor’s article *The journey of humanity: Roots of inequality in the wealth of nations*. Here the author provides a brief and concise world economic history from the vantage point of Unified Growth Theory. Covering the time span from the appearance of *Homo sapiens* some 300,000 years up to now his focus is on two striking mysteries of human history namely, i) the emergence of sustained economic growth in large parts of

¹ Cited from Pinker (2018, p. 79).

² The honorary doctorate was awarded to Professor Oded Galor by the Senate of the Poznań University of Economics and Business on 22 February 2019. The award ceremony took place in the Poznań University of Economics and Business on 15 October 2019.

³ See Irmen (2019) for a more comprehensive appraisal of Oded Galor’s major research achievements.

our planet over the past 250 years and ii) the concomitant surge in the inequality of living standards across countries and regions.

Oded Galor's exposition highlights that Unified Growth Theory views the transition from stagnation to growth as an inevitable outcome of the process of development. The Malthusian trap (Malthus, 1798) resulting from the feedback between technology and demography was left behind during the Industrial Revolution as technological progress eventually called for a better educated workforce. This required additional investments in the human capital of children and induced parents to have fewer offspring. The ensuing demographic transition led to a substantial reduction in fertility rates and population growth. Thus sustained growth of per capita income driven by factor accumulation and technological progress became a reality. Moreover, Unified Growth Theory suggests that differences in the timing of the take-off from stagnation to growth across countries and regions contributed significantly to the surge in the inequality of living standards observed over the past 200 years.

The remaining four articles of this issue are all related in some way to Oded Galor's research agenda.

In his paper *The dynamics of theories of economic growth: An impact of Unified Growth Theory*, Paweł Kawalec studies the role of Oded Galor's research in the economics profession. More precisely the author provides a bibliometric analysis of the intellectual relationship between Oded Galor's Unified Growth Theory (subroutine) and the mainstream growth theories (main routine) published over the past 25 years. The reported findings are derived from network analyses using data taken from Scopus and the Web of Knowledge.

Among the main findings is evidence suggesting that Unified Growth Theory developed largely independently from the mainstream. Moreover, Paweł Kawalec's analysis suggests that Unified Growth Theory had an impact on the cognitive dynamics of the mainstream. This is evidenced by how the concept of demographic transition as used in Unified Growth Theory altered the concepts of human capital, population growth and learning in the mainstream.

The article of Yochanan Shachmurove and Ben-Zion Zilberfarb, *Macroeconomic performance of the Israeli economy in the 21st millennium*, studies the economic performance of the Israeli economy during the first two decades of the 21st century. During this period the Israeli economy experienced significant economic growth. The authors argue that, unlike in other developed countries, the negative impact of the bursting of the dot-com bubble at the beginning of the millennium and the global financial crisis 2008/2009 on the Israeli economy was rather mild. Overall the impressive growth performance of the Israeli economy is attributed to successful policies that targeted inflation and affected the interaction between demographic change, education and technological change.

Emil Panek's paper contains a theoretical analysis of *Almost "very strong" multi-lane turnpike effect in a nonstationary Gale economy with a temporary*

von Neumann equilibrium and price constraints. This paper has its intellectual roots in the equilibrium model of John von Neumann (von Neumann, 1945) and the turnpike theorem of Roy Radner (Radner, 1961). In the present paper the author studies a dynamic input-output model of the von Neumann-Leontief-Gale type. The analysis focusses on the turnpike stability of optimal growth processes. The main result is a quasi “very strong” turnpike theorem with the property that in long periods temporary von Neumann equilibrium prices do not change rapidly in the final growth phase.

The contribution by Andreas Irmen, *Endogenous task-based technical change—factor scarcity and factor prices*, revisits the recent debate about the causes and the consequences of biased technical change. The focus is on the effect of technical change on factor prices that is key for our understanding of the relationship between inequality and economic growth.

The discussion is framed in a novel analytical framework that builds on Irmen (2017) and Irmen and Tabaković (2017). This framework features endogenous capital- and labour-augmenting technical change. The analysis relates the model to the taxonomy on weak and strong relative and absolute factor price biases recently introduced by Acemoglu (2007, 2010). Moreover, the analysis formalizes Hicks’s idea according to which relative factor prices determine the direction of technical change (Hicks, 1932).

Since the work of Adam Smith growth theory has been one, if not the most relevant subfield of Economics. Arguably this is due to the focus of growth theory, i. e., the standard of living on which people may build a meaningful life. The evolution of living standards around the world from the distant past to today is impressive and miraculous. Oded Galor’s research provides a consistent explanation of this evolution. It establishes a novel perspective on economic history and informs policy makers about important, hitherto hidden, causal chains.

A glance at the world income distribution of today reveals that neither the problem of poverty nor the problem of inequality has been solved. Among others these problems will remain major challenges for humanity and for Economics as a science. Oded Galor’s research shows how we reached the current state. The deep understanding that his research has generated will help us to address the economic problems that lie ahead of us.

Andreas Irmen

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