The Journey of Humanity: The Origins of Wealth and Inequality

By Oded Galor

Comments by Sergio L. Schmukler

LAC Office of the Chief Economic
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Introduction

- Fascinating book by leading economist and intellectual on growth
- Hard not to compare the book with other well-known best sellers
  - *Guns, Germs, and Steel*, Jarred Diamond, on why Eurasia conquered other regions, based on geography, agriculture, and technology
  - *Sapiens*, Yuval Noah Harari, on the rise and domination of humans, who can cooperate in large numbers, organized by beliefs
  - *The Elusive Quest for Growth*, Bill Easterly, on incentives
  - *Journey of Humanity*, on the main factors that have produced a large rise in both wealth and inequality since 1800, after 300,000 years
- Highly recommend *Journey of Humanity* to think about long-run economic history, where we stand as humans, and where we are going
- Very useful for people working on growth and development
- Leaves many questions open for debate
Main structure

- Two distinct parts
  1. Malthusian world, between 300,000 years ago to 1800s
    - Take off driven by wheels of change
    - Technological progress, population size, population composition
  2. GDP per capita differential across countries in post-Malthusian world
    - Deep rooted factors
      - Geography
      - Diversity caused by migration out of Africa
      - Cultural
      - Institutions
  - Unified growth theory
Comments

1. Past vs. future
2. Elements (partly) missing, at least not emphasized
3. Policy prescriptions
Past vs. future

- Mathematical thinking in the background
  - Main driving factors
  - Endogenous forces
  - Randomness in the development process
  - Forces dominate in the long run, event with non-linearities
- Very interesting explanation, account, and framework about history of humanity, plausible ex post analysis
- Much more difficult to forecast the future
- Optimistic projections, even under large uncertainty
Past vs. future

i. Human capital, fertility, and wealth
   • Human capital needs reduce population, perhaps productive years
   • Innovations in productivity would need to overcome these forces

ii. Evolution of humanity and catastrophes
   • Forces pushing toward development, but also tools for enormous destruction (wars, nuclear events, biochemical weapons)

iii. Climate change
   • Innovations and actions can buy us decades to find solutions
   • But higher income can induce more strains on the climate
   • In the process, irreversible changes might destroy biodiversity, populations, cultures, and territories
   • Projections are conjectures, wide uncertainty for particular populations
   • Even under optimistic scenario, could entail large costs along the way
Elements (partly) missing

i. Breath and depth of nuanced analysis might come at a cost: punch line
   • First part of book: no particular factor determinant for take off
   • Second part: no particular emphasis on one factor for disparity
   • To me, first part is more memorable

ii. Variance vs. level of wealth
   • Post-Malthusian world: wide dispersion in wealth
   • Almost inevitable given subsistence level before
   • Despite disparity emphasis, most countries much better than before

iii. Cross country vs. within country analysis
   • Skill-biased technological change can explain part of within effect
   • But same institutions, diversity, geography, and other factors
   • Thus, different forces might operate within and across countries
Elements (partly) missing

iv. Large takes off and reversals in GDP per capita in past 50-100 years
   • Deep rooted conditions that were somehow reverted or ignored
   • E.g., Argentina, China, Israel, Singapore, South Korea
   • Dynamic world

v. Closed economy type of analysis
   • Transfer of technology, knowledge, even institutions across borders
   • Migration
   • Diversity through international cooperation (e.g., Covid-19)
   • How much could these help overcome countries’ initial conditions?

vi. Savings and population growth
   • Saving for retirement during Neolithic revolution: more children
   • Given surplus, could instruments for retirement have led to less population and higher GDP per capita?
Policy prescriptions

- From general to specific recommendations
  - Washington consensus is not current manual for IFIs
  - Specific recommendations being implemented, country diagnoses
- Education to shape optimal diversity and prepare for the future
  - Well-rounded education is costly and hard for many to achieve
  - Investment might not be affordable for developing countries
  - More specialized education, more tools, more intermediate goals
  - In which level of education to invest the most given constraints?
- But policy making is hard, general recommendations difficult in practice
  - Picking winners ex ante in the presence of large uncertainty
  - Breaking vicious cycles that hamper growth (e.g., corruption)
  - Setting priorities and explaining tradeoffs given limited resources
  - Long-term returns to reforms, short-term political cycles, incentives
Thank you!