Research Proposal

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My broad research goal is to understand the role of the government in economic development. This question is perhaps as old as the economics discipline itself and has been answered numerous times by economists. But there is never a definite answer to it. I want to explore this question further not for the goal of reaching a conclusive answer. Instead, I believe that studying it would significantly enhance my understanding of the process of economic development, and would also give me the opportunity to examine available development theories and possibly propose my own theory.

It is certain that the government plays a role in economic development. Researchers (Hall and Jones, 1999) have shown that variations in income per capita across nations can hardly be explained by capital accumulation, which is suggested by classical growth theory; instead, differences in economic outcomes are largely associated with so-called social infrastructure, such as institutions and government policies. Failure of establishing efficient government generally results in failure of development (for example, the sluggish development in Africa is the consequence of government failure).

But which is the best government policy to achieve development is subject to controversy. Varies attempts have been made. However, none of them is satisfactory. For example, the big push model, which views development as a technical issue and as something that can be achieved with a huge amount of international aid (as proposed by the UN Millennium Project), has been criticized because of the little effect of international aid on development (Easterly, 2006). The laissez-faire policy of development, as advocated by classical economists, however, also seems to be wishful thinking (Ha-Joon, 2012).

Some studies show the impact of institutions on economic development and conclude that democracy and the rule of law facilitate development, whereas autocracy and dictatorship do not (for example, Acemoglu, Johnson, and Robinson, 2000). But some economists also argue that a powerful government and strategic interventions are better strategies to achieve development (Lin, 2010). Empirically, countries that are under significant government intervention generally lag behind in development, such as communist regimes, including Cuba, Laos and North Korea. By contrast, market-oriented economies, such as Latin American countries, perform well in early development stages; however, they later suffer from the middle-income trap.

My research agenda would first include an extensive literature review of economic history and available development theories. Then, I would possibly narrow down my research topic to a specific one. I have not determined the specific research question yet, but it should be one that can answer key questions related to development strategies and has implications for the general question of the role of government in development.

As to the methodology I would use to approach the question, I would not confine it to either empirical or theoretical methods. Empirical approaches, as used by econmetricians , fail to reveal the underlying mechanism in how governments and institutions affect economic outcomes. Theoretical approaches, as used by most mainstream economists, also suffer from methodology issues and sometimes produce irrelevant results. I believe that mathematical and statistical methods in researching social questions suffer from certain difficulties and limitations that need to be complemented by the ontological or historical method (Lawson, 2017). In short, the proper methodology to use is a research question itself, and I hope to figure it out as I work along the way.

My tentative approach to the research question would be consistent with that used by institutional economists. I prefer an institutional approach for the following reasons: First, it has a historical perspective, which overcomes the limitation and irrelevance of mathematical approaches. Second, it explains the underlying mechanism of how institutions affect economic outcomes, and it does not consider institutions as merely a variable as what econometrics does. Third, it emphasises the evolving process of institutions and reveals laws of development, avoiding the attribution of economic outcomes to uncontrollable conditions, such as geography or historical coincidence.

My Chinese background provides a good change of case study for my research question. China has undergone dramatic economic reforms in the past three decades from a planned economy to a market-oriented one. It is an excellent historical laboratory where the role of the government in economic development can be scrutinized: on the one hand, the reduction of government planning unleashed the power of the market; on the other hand, this was not a spontaneous market process but one that was largely navigated by the Chinese government. The combination of institutional theories with the case study of China's reform history would potentially provide a theoretical explanation of the institutional changes during the reform and possibly shed light on the country's possible future development path.

References

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