

IWH Research Seminar in Economics

Montag, 29. Januar 2018, 14:15 – 15:45 Uhr, Konferenzsaal im Erdgeschoss



Patience, Accumulation and Comparative Development

Professor Dr. Uwe Sunde, Ludwig-Maximilians-Universität, München

This paper revisits the question about the role of culture for comparative development differences by considering heterogeneity in patience as a central factor. A simple OLG model in which patience drives the accumulation of physical capital, human capital, and productivity improvements illustrates that cultural differences might play an important role for development patterns. Using a globally representative data set on time preferences in 76 countries. The empirical analysis is based on a micro-founded general equilibrium model in which patience drives the accumulation of physical capital, human capital, and productivity improvements. The empirical implications of the model are investigated through reduced-form estimations that exploit variation in patience, factor accumulation and income across countries, subnational regions and individuals. The evidence documents that patience is systematically related to accumulation processes and income at all three levels of aggregation. For instance, in cross-country regressions, average patience is strongly correlated with per capita income, long- and medium-run growth rates, savings rates, education, as well as health and R&D expenditure. The magnitude of the relationship between patience and income monotonically increases in the level of aggregation as consequence of general equilibrium effects. This pattern is consistent with the predictions of a quantitative version of the model about the size of the elasticities of income, savings and education with respect to patience on different aggregation levels. Moreover, the model quantification suggests that culture likely plays an important, but so far largely neglected, role for explaining comparative development differences.

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