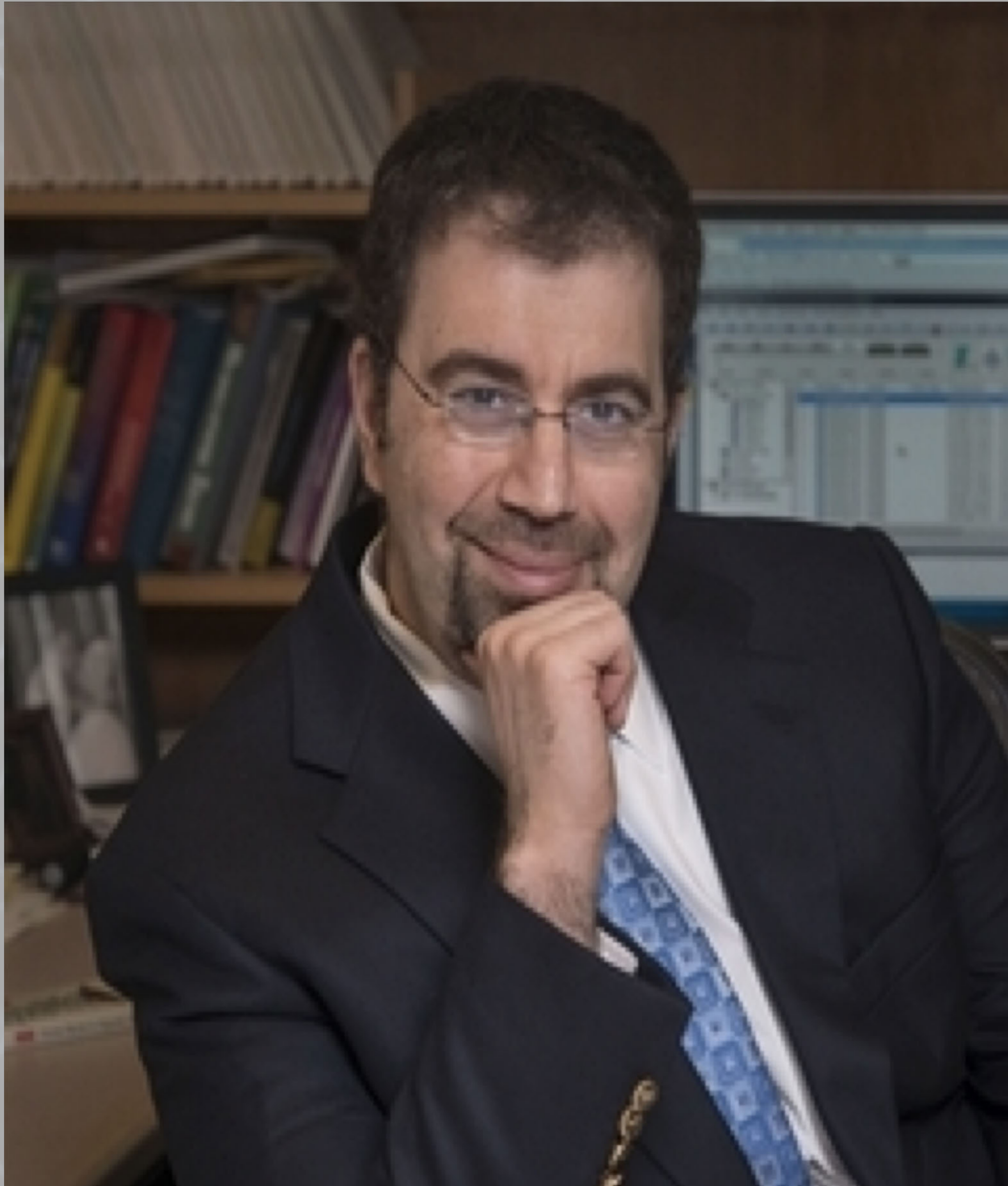


# Introduction of Prof. Daron Acemoglu



## Daron Acemoglu

Elizabeth and James Killian Professor of Economics, M.I.T.

### EDUCATION

London School of Economics Ph.D. Nov., 1992

London School of Economics MSc. June, 1990

University of York B.A. June, 1989

### TITLE OF DOCTORAL THESIS

Essays in Microfoundations of Macroeconomics:  
Contracts and Economic Performance

### RESEARCH INTEREST

Political Economy, Economic Development,  
Economic Growth, Network Economics



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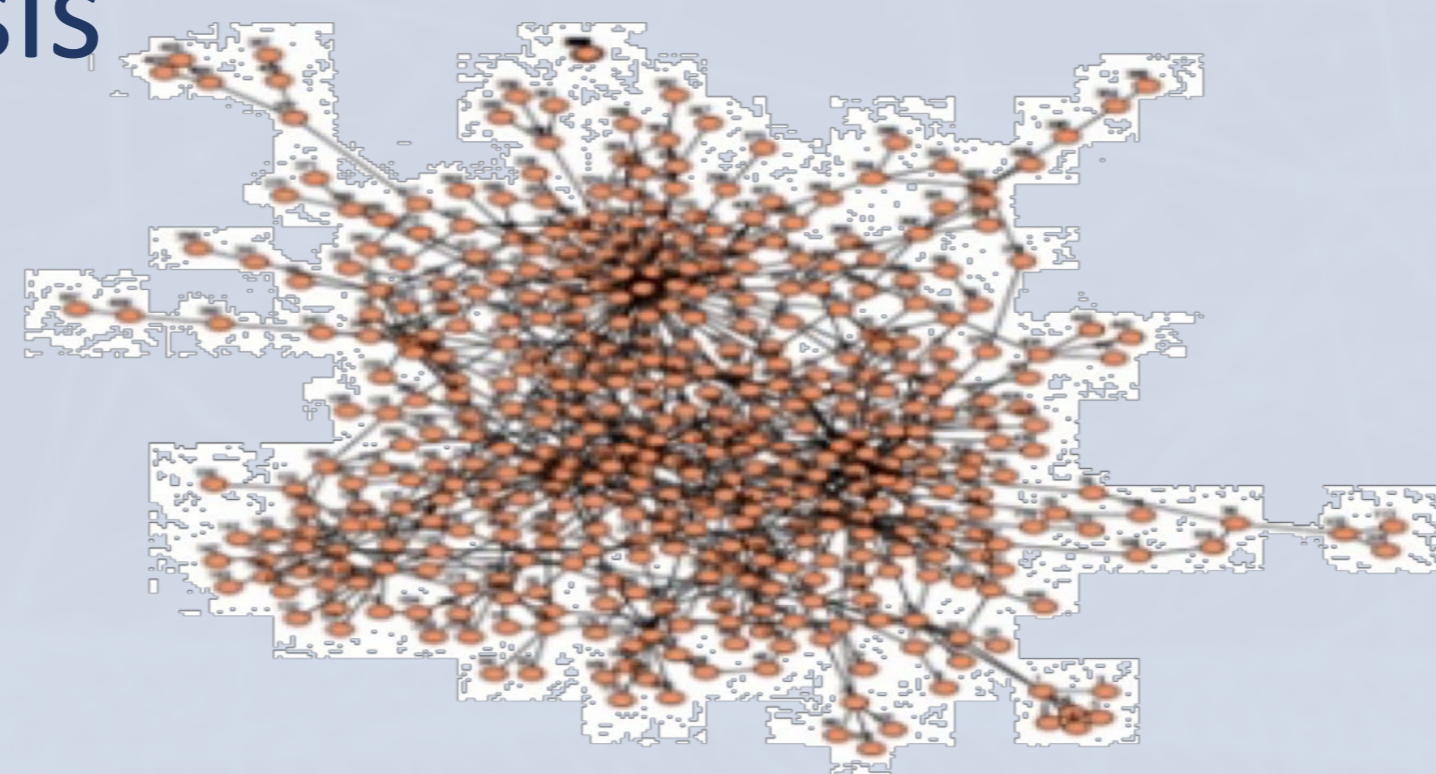
## Theory 1 – Network Theory

Acemoglu argued that idiosyncratic shocks in the micro-level could have a tremendous impact on the macroeconomy through networks. He proposed 2 possible networks:

### 1. Input-output Network

Demand/supply shocks spread through network

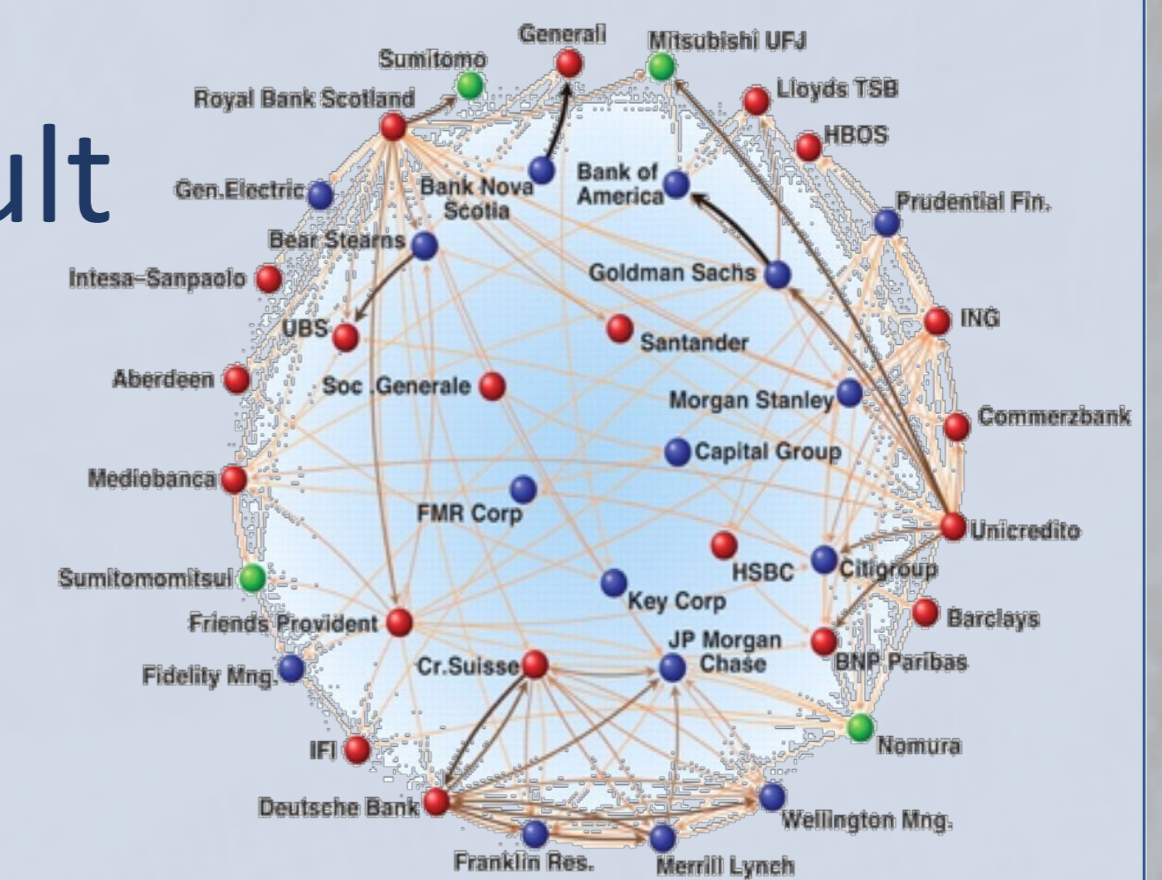
→ large-scaled macro crisis



### 2. Financial Debt Network

One bank defaults

→ Other banks default



## Theory 2 – The Value of Connections in Turbulent Times

Acemoglu explained that market participants could have expected politically-connected firms to potentially perform better than non-connected firms mainly by the following two reasons:

### 1.Connection in a crisis hypothesis

When immediate action is necessary, social connections are likely to become more important as sources of both ideas and human capital, in terms of official meetings and informal occasions.

### 2.Cultural Capital

Market participants believed that Geithner's policy preferences had been formed in part by the interests of the executives with which he was connected.

## Theory 3 – Political Economic Analysis: Why Nations Fail

Acemoglu analysed different nations development history and concluded that developed countries are wealthy because of 'inclusive economic institutions'.

### Case Study in South and North Korea – Different in institutions



In South Korea, private property and markets were encouraged and thus investment and economic growth were encouraged. In North Korea, privated property and markets were banned, and a centrally planned economy instigated. This simply led to stagnation.