

Research Statement

Luiz Felipe Leite Estanislau do Amaral
(leitees2@illinois.edu)

My research focuses on economic growth and its relationships with culture and policy choices. I believe that growth is one of the most important topics in economics, since after its arrival during the industrial revolution it has changed the material perspectives for humankind, decreasing poverty and improving living conditions in general. I also strongly believe that it is a topic too complex to be dealt with using only theoretical or only empirical, reduced-form methods, specially because general equilibrium effects can dominate over the time span in which economic takes place. Therefore, I try as best as I can to match theoretical considerations and proper identification techniques. My job market paper, for instance, adapts both endogenous growth models and causal estimation results to gauge the effect of trust on economic growth. Another paper is primarily motivated by the empirical characterization of a theoretical result, namely, that the choice between incentives to innovate and social protection policies lead to an asymmetric equilibrium across countries, in which one country experiences “cutthroat” capitalism generating most of the innovation, whereas other countries can import the innovation of the first one and adopt greater levels of social protection.

Social Capital, R&D, and Economic Performance: Theory and Evidence on Different Growth Models

Social capital, in particular levels of interpersonal trust, is known to be associated with different levels of economic performance. More recently, evidence appeared that the increase in economic performance due to higher levels trust is a causal effect. However, the mechanism through which this occurs is still unclear. This paper gauges the effect of trust on economic performance through research and development. I build a baseline model of endogenous growth that allows in its particular cases for different relationships between interpersonal trust, human capital employed in the R&D sector, and economic growth. Then, I test these results by exploiting the exogenous variation in culture caused by differences in past literacy rates and institutions within European countries. Social capital is found to have a positive and sizable causal effect on innovation output (patent applications), but not on human capital in the R&D sector. Given the theories presented, this is interpreted as evidence in favor of lab-equipment models of endogenous growth.

Social Protection, Economic Growth, and Flows of Knowledge: Characterizing an Asymmetric Equilibrium

A recent theoretical result establishes that the equilibrium between policies regarding social protection and incentives to innovate lead to an asymmetric equilibrium. Starting from a tradeoff between social protection and incentives to innovation, the possibility of knowledge flows across countries implies that in an equilibrium one country will have the lowest level of social protection but the highest level of innovation, whereas all other countries, since they can import innovation, will have greater levels of social protection. This paper tries to empirically characterize this result. The first conclusion is that the model only adheres to data from developed countries. Poorer countries have too great levels of barriers to knowledge flows to benefit from innovation from the leading country. Therefore, I find that rich countries, aside from the leader, don't sacrifice economic performance

in order to adopt greater social protection policies, but poor countries do face a tradeoff between these objectives.