



Violence, Rents and Investment: Explaining Growth Divergence in South Asia

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Ashmolean Museum



Why have growth rates have dramatically diverged between India and Pakistan since the 1990s, when their economic and political institutions have increasingly converged? This paper argues that differences in perceptions of instability among the Indian and Pakistani bourgeoisie, through the salience of political violence, has led to significant differences in economic growth since the 1990s. In Pakistan, kidnapping and terrorist

violence in major cities has led to the domination of rent-implicated investment as a form of managing risk, thus limiting growth. In India, by contrast, political violence remains socially distant to the perspectives of investors, leading to a balance between rent-implicated and more productive investment, and thus higher overall growth. The paper thus provides a new set of explanations for differences in growth among middle income countries by highlighting political instability and the salience of violence, the demand for rent-implicated investments and the limits of institutional explanations for growth outcomes.

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All are welcome

Convenors: Matthew McCartney, Mallica Kumbera Landrus and Rosalind O'Hanlon.
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