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Dejan Kovac, Nikol Scrbec, Boris Podobnik

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Does it Payoff to Research Economics - A Tale of Citation, Knowledge and Economic Growth in Transition Countries

Dejan Kovac^{1,2}, Nikol Scrbec⁴ and Boris Podobnik^{2,3,4,5}

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Abstract

There are many economic theories that promote human capital as a key driver of a country's economic growth, but it is challenging to test this theory empirically on a country level and causally interpret the coefficients due to several identification problems. We tried to answer this particular question by using a quasi-natural experiment that happened quarter century ago - the fall of communist block in Eastern Europe. We use a shock to a particular scientific field - economics, to test whether the future investment into that particular field resulted in increased welfare and economic growth. The economics paradigm that was governing all of the communist block ceased to exist. Human capital depreciated over night and all communist countries had to transit from planned economy to a market economy. In the following years countries had to adapt to market economy through additional investment in human capital and research. We find that countries which lack both of the two forth mentioned components had 25 years later a relatively lower economic growth and wealth. Unlike economics, other fields such as physics and medicine didn't go through the same process so we use them as a placebo effect for our study. We find that the relative ratio of citations between economics and physics in post-communist countries is increasing only 15 years after the "paradigm" shock which gives a suggestive evidence that timing of investment into particular scientific field matters the most.

JEL classification: B51, C33, E02, J24, N34.

Keywords: citation; knowledge, economics, economic growth, human capital

¹ Woodrow Wilson School of Public and International Affairs, Princeton University, Princeton, NJ 08544, USA

² Adriatic Economic Association, 10 000 Zagreb, Croatia, EU

³ Luxembourg School of Business, Luxembourg, Grand-Duchy of Luxembourg

⁴ Zagreb School of Economics and Management, 10 000 Zagreb, Croatia

⁵ Faculty of Civil Engineering, University of Rijeka, 51000 Rijeka, Croatia, EU

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