

## ECO5460

### DEVELOPMENT ECONOMICS

Second Term, 2016-2017

<b>Time</b>	Thursday 3:30PM - 6:15PM
<b>Place</b>	Ho Tim Building B6
<b>Instructor</b>	BAI, Ying Department of Economics, ELB906 Tel: 39438004 Email: ybai@cuhk.edu.hk
<b>Office hour</b>	Friday, 9:30AM – 11:30AM

#### COURSE DESCRIPTION

This course covers current research topics and methods in Development Economics. The goal of this course is to understand the economic problems of developing countries by using economic theories and their applications. By the end of this course, students are expected to be able to outline the main theories and concepts in development economics; to summarize and evaluate empirical work in development economics; to make judgements about what policies the government should (or should not) pursue to foster economic development.

The course will cover both the macroeconomics and microeconomics approaches to development economics. We will first overview the theories of growth and discuss their potential in explaining income differences across countries, and then move to study the different facets of human development: institution, political selection, conflicts, and culture.

#### PREREQUISITES

(Intermediate-level) Coursework in microeconomics, macroeconomics, and econometrics

#### ASSIGNMENTS AND GRADING

##### 1: In-Class mid-term exam (40%)

- There will be a closed book midterm examination on Thursday, March 2, 2017. All the material covered up to the last class prior to the midterm will be considered part of the midterm.
- Be sure to arrive punctually for these exams. **NO** additional time will be given to students who arrive late.
- There will be **NO** make-up examination. The only exceptions are for serious medical emergencies. Upon a proper doctor's notice, a make-up exam (or essay) will be scheduled.

##### 2: Research proposal (50%)

- All students are required to write and present one research proposal: 8-10 pages (12 point font, double spaced with 1 inch margins); it should briefly survey an existing literature in Development Economics (3-4 pages), and then describe a planned research projects (5-6 pages). **Joint work** with your classmates is allowed (and recommended), but the number of authors cannot exceed three.
- Presentation (20%): 10-20 minutes
- A research proposal (30%) should be emailed to me by 2pm on May 7, 2017.

### 3: Class participation (10%)

Attendance will be taken, and contribute 10% to your final grade as participation score. Three attendance checks will be randomly conducted. If you are absent for all those 3 lectures, you will receive ZERO participation score. Active class participation enriches the course, which is highly encouraged.

### COURSE SCHEDULE

Date	Topic
01/12	1 Introduction: Global patterns of economic growth and development
01/19	2 Growth theory
01/26	3 Complementarity
02/09	4 Inequality
02/16	5 Poverty
02/23	6 Credit Market
03/02	<i>In-Class Mid-Exam</i>
03/09	7 Institution: Security of Property Rights
03/16	8 Political Selection
03/23	9 Conflicts
03/30	10 Culture I the Effects of Culture
04/06	Cancelled (Make-up class on 04/20)
04/13	11 Culture II Culture Formation
04/20	12 Presentation
04/20	13 Presentation (6:30 – 9:15 PM <i>Make-up class</i> )

### READING LISTS

1: Global patterns of economic growth and development (1/12)

Ashraf, Quamrul and Galor, Oded, 2013, “The ‘‘Out of Africa’ Hypothesis, Human Genetic Diversity, and Comparative Economic Development”, *American Economic Review* 103(1): 1-46

Galor, Oded, 2005. “From Stagnation to Growth: Unified Growth Theory”, *Handbook of Economic Growth* 1: 171-293.

2: Growth Theory (1/19)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapters 3 and 4)

Mankiw, N. Gregory, David Romer, and David N. Weil, 1992. “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics* 107(2): 407-437.

Pritchett, Lant, 1997. “Divergence, Big Time”, *Journal of Economic Perspectives* 11(3): 3-17.

### 3: Complementarity: Expectation and History (1/26)

- Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 5)
- Nunn, Nathan, 2008. "The Long Term Effects of Africa's Slave Trades", *Quarterly Journal of Economics* 123: 139–76.
- Nunn, Nathan, 2008. "Historical legacies: A model linking Africa's past to its current underdevelopment", *Journal of Development Economics* 83: 157– 175
- Redding, Stephen J., Daniel M. Sturm, and Nikolaus Wolf. 2011. "History and industry location: Evidence from German airports." *Review of Economics and Statistics* 93(3): 814-831.

### 4: Inequality and Social Mobility (2/9)

- Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 5)
- Alesina, Alberto and Dani Rodrik, 1994. "Distributive Politics and Economic Growth", *Quarterly Journal of Economics* 109(2): 465-490.
- Alesina, Alberto and Roberto Perotti, 1996. "Income Distribution, Political Instability, and Investment", *European Economic Review* 40(6): 1203-1228.
- \* Bai, Ying and Ruixue Jia. 2016. "Elite Recruitment and Political Stability: The Impact of the Abolition of China's Civil Service Exam", *Econometrica*, vol. 84 (2), 677–733.
- Barro, Robert, 2005. "Inequality and Growth in a Panel of Countries", *Journal of Economic Growth* 5: 5-32.
- Forbes, Kristin, 2000. "A Reassessment of the Relationship between Inequality and Growth", *American Economic Review* 90(4): 869-887.
- Lefgren, Lars, David Sims, and Matthew J. Lindquist, 2012. "Rich Dad, Smart Dad: Decomposing the Intergenerational Transmission of Income", *Journal of Political Economy* 120(2): 268-303.
- Persson, Torsten and Guido Tabellini, 1994. "Is Inequality Harmful for Growth?" *American Economic Review* 84(3):600-621.

### 5: Poverty and Undernutrition (2/16)

- Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 6)
- Banerjee, A., Duflo, E., Postel-Vinay, G., & Watts, T. (2010). Long-run health impacts of income shocks: wine and phylloxera in nineteenth-century France. *The Review of Economics and Statistics*, 92(4), 714-728.
- Cohen, J., and Dupas, P., 2010. Free Distribution or Cost-sharing? Evidence from A Randomized Malaria Prevention Experiment. *Quarterly Journal of Economics*, 125(1): 1-45.
- Field, Erica, Omar Robles, and Maximo Torero, 2009. "Iodine deficiency and schooling attainment in Tanzania." *American Economic Journal: Applied Economics*: 140-169.
- Jensen, R. T., and Miller, N. H., 2011. Do consumer price subsidies really improve nutrition?. *Review of Economics and Statistics*, 93(4), 1205-1223.

## 6: Credit Market (2/23)

- Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 14)
- Burgess, Robin, and Rohini Pande. 2005. "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review* 95(2): 780-795.
- Karlan D, Zinman J. 2009. "Observing unobservables: Identifying information asymmetries with a consumer credit field experiment", *Econometrica* 77(6): 1993-2008.

## 7: Institution: The Security of Property Rights (3/9)

- Acemoglu, Daron, Johnson, Simon and Robinson, James, 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation", *American Economic Review* 91(5): 1369-1401.
- Acemoglu, Daron, Johnson, Simon and Robinson, James, 2002. "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution", *Quarterly Journal of Economics* 107: 1231-1294.
- \*Bai, Ying and James Kung, 2014. The Shaping of an Institutional Choice: Weather Shocks, the Great Leap Famine, and Agricultural Decollectivization in China. *Exploration in Economic History*, vol. 54 (lead article): 1-26.
- \*Bai, Ying, James Kung and Yang Zhao, 2014. How Much Expropriation Hazard is Too Much? Land Reallocation and Fertilizer Usage in Rural China. *Land Economics*, vol. 90(3): 434-457.
- Field, Erica, 2007. Entitled to Work: Urban Property Rights and Labor Supply in Peru. *Quarterly Journal of Economics*, vol. 122(4): 1561-1602.
- Jacoby, Hanan, Guo Li and Scott Rozelle, 2002. Hazards of Expropriation: Tenure Insecurity and Investment in Rural China. *American Economic Review*, vol. 92(5): 1420-47
- Lin, Justin Yifu, 1990. Collectivization and China's Agricultural Crisis in 1959-61. *Journal of Political Economy*, vol. 98(6): 1228-52.
- Lin, Justin Yifu, 1992. Rural Reforms and Agricultural Growth in China. *American Economic Review*, Vol. 82(1): 34-51

## 8: Political Selection (3/17)

- \* Bai, Ying and Titi Zhou, 2015. "Mao's Last Revolution: A Loyalty-Competence Tradeoff", working paper.
- \* Bai, Ying, 2015 "Farewell to Confucianism: The Modernizing Effect of Dismantling China's Imperial Examination System", working paper.
- Jones, Benjamin F. and Olken, Benjamin A., 2005. "Do Leaders Matter? National Leadership and Growth Since World War II", *Quarterly Journal of Economics* 120 (3): 835-64.
- Jones, Benjamin F. and Olken, Benjamin A., 2009. "Hit or Miss? The Effect of Assassinations on Institutions and War", *American Economic Journal: Macroeconomics*: 1(2): 55-87.
- Li, Hongbin and Li-an Zhou, 2005. "Political Turnover and Economic Performance: The Incentive Role of Personnel Control in China", *Journal of public economics* 89(9): 1743-62.

## 9: Conflicts (3/23)

Acemoglu, Daron, Davide Cantoni, Simon Johnson, and James A. Robinson, 2011. "The Consequences of Radical Reform: The French Revolution", *American Economic Review* 101: 3286-3307.

Acemoglu, Daron, Tarek A. Hassan, and James A. Robinson, 2011. "Social Structure and Development: A Legacy of the Holocaust in Russia", *Quarterly Journal of Economics* 126(2): 895-946.

\*Bai, Ying and James Kung, 2011. "Climate Shocks and Sino-nomadic Conflict." *Review of Economics and Statistics* 93.3 (2011): 970-981.

Iyigun, Murat, 2008. "Luther and Suleyman." *Quarterly Journal of Economics* 123(4): 1465-1494.

Jia, Ruixue, 2014. "Weather Shocks, Sweet Potatoes and Peasant Revolts in Historical China", *Economic Journal* 124(575): 92-118.

Miguel, Edward, Shanker Satyanath, and Ernest Sergenti. (2004). "Economic Shocks and Civil Conflict: An Instrumental Variables Approach", *Journal of Political Economy*, 112(4): 725-753.

## 10: Culture I: the Effects of Culture (3/30)

\* Bai, Ying and James Kung, 2015. "Diffusing knowledge while spreading God's message: Protestantism and Economic Prosperity in China, 1840–1920", *Journal of European Economic Association* 13(4): 669–98.

Barro, Robert J., and Rachel M. McCleary, 2003. "Religion and Economic Growth across Countries", *American Sociological Review* 68(5): 760-81.

Becker, Sascha and Ludger Woessmann, 2009. "Was Weber Wrong? A Human Capital Theory of Protestant Economic History", *Quarterly Journal of Economics* 124 (2): 531-96.

Campante, Filipe, and David Yanagizawa-Drott, 2015. "Does Religion Affect Economic Growth and Happiness? Evidence from Ramadan." *Quarterly Journal of Economics* 130(2): 615-658.

Guiso, L., P. Sapienza, and L. Zingales, 2006. "Does Culture Affect Economic Outcomes?" *Journal of Economic Perspectives* 20: 23-48.

## 11: Culture II: Culture Formation (4/13)

Alesina, Alberto, Paola Giuliano, and Nathan Nunn. 2013. "On the Origins of Gender Roles: Women and the Plough", *Quarterly Journal of Economics* 128(2): 469-530.

\* Bai, Ying, James Kung and Chicheng Ma. Endogenous Neo-Confucianism: the Path of Historical Development in China

Guiso, Luigi., Paola Sapienza and Luigi Sapienza, 2015. "Long Term Persistence", working paper.

Nunn, Nathan, and Leonard Wantchekon, 2011. "The Slave Trade and the Origins of Mistrust in Africa", *American Economic Review* 101: 3221-52.

## 12-13: Research proposal presentation (Two classes)

Notes: \* Lecturer's own work.