

ECON5460
DEVELOPMENT ECONOMICS
Second Term, 2017-2018

Time	Thursday 12:30PM - 3:15PM
Room	Chen Kou Bun Building 109
Instructor	BAI, Ying Department of Economics, ELB906 Tel: 39438004 Email: ybai@cuhk.edu.hk
Office hour	Thursday, 3:30PM – 5:00PM

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. 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: market, institution, and culture.

LEARNING OUTCOMES

By the end of this course, students are expected to be able to:

1. Outline the main theories and concepts in development economics;
2. Summarize and evaluate empirical work in development economics;
3. Make judgements about what policies the government should (or should not) pursue to foster economic development.

PREREQUISITES

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

GRADING POLICY

1: Group presentation and peer evaluation (40%)

- Students need to form a group which includes 3 members. Each group will be randomly assigned one paper for making presentation. The paper list can be found in the end of the syllabus.
- [10%] Slides: each group needs to prepare slides and email to me at least 24 hours before the presentation. Late submission will result in 1/2 reduction of the grade for this part.
- [20%] Presentation: presentation lasts for 15-20 minutes, which includes the motivation of the study, the main methodology, data, results and so on. Good comments on the study (or possible extension of the study) will receive a bonus.
- [10%] Anonymous Peer Evaluation: to avoid free-riding, students are required to evaluate the overall contribution made by their group members (not including themselves). The evaluation form will be available on course website. Students need to email me the filled form after the presentation (within one day). Those who do NOT submit their peer evaluation will NOT receive grade for this part.

2: In-Class final exam (50%)

- There will be a closed book final examination on Thursday, April 19, 2018. All the material covered up to the last class will be considered part of the exam. A problem set will be provided around the mid-term. Moreover, I will help review the main contents of this course in the class on April 12.
- 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.

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
01/11	1 Global patterns of economic development and growth theories
01/18	2 Complementarity
01/25	3 Inequality and social mobility
02/01	4 Land market
02/08	5 Labor market
02/22	6 Credit market
03/01	7 Population and gender
03/08	8 Institution and comparative development
03/15	9 The impact of culture
03/22	10 The formation of culture
03/29	11 Political and economic bifurcation between Europe and China
04/12	12 Political hierarchy and regional development
04/19	In-Class Final-Exam

REFERENCE

1: Global patterns of economic development and growth theories (1/11)

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

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapters 2, and 3).

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.

2: Complementarity: Expectation and History (1/18)

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

Acemoglu, Daron, Johnson, Simon and Robinson, James, 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation", *American Economic Review* 91(5): 1369-1401.

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.

3: Inequality and Social Mobility (1/25)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 6, and 7)

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.

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.

4: Land Market (2/01)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 11 and 12)

5: Labor Market (2/08)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 8, 11 and 13)

6: Credit Market (2/22)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 11 and 14)

7: Population and Gender (3/01)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 9)

Anderson, Siwan, and Debraj Ray. (2010) "Missing women: age and disease." *The Review of Economic Studies* 77(4): 1262-1300.

8: Institution: The Security of Property Rights (3/08)

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.

Lin, Justin Yifu, 1990. Collectivization and China's Agricultural Crisis in 1959-61. *Journal of Political Economy*, vol. 98(6): 1228-52.

9: Effects of Culture (3/15)

* Bai, Ying and James Kung, 2011. "Genetic Distance and Income Difference: Evidence from Changes in China's Cross-Strait Relations", *Economics Letters* 110(3): 255-258.

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

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.

Spolaore, Enrico, and Romain Wacziarg. 2009. The Diffusion of Development. *Quarterly Journal of Economics*, 124(2): 469-529.

10: Culture Formation (3/22)

* Bai, Ying, James Kung and Chicheng Ma. The Rise of Confucianism: the Path of Historical Development in China

11: Political Roots of Economic Bifurcation between Europe and China (3/29)

* Bai, Ying, 2017 "Farewell to Confucianism: The Modernizing Effect of Dismantling China's Imperial Examination System", working paper.

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

12: Political Hierarchy and Regional Development (04/12)

*Bai, Ying and Ruixue Jia. 2018. "Political Hierarchy and Regional Development: China, A.D. 1000 - 2000", working paper.

READING LIST FOR PRESENTATION

Credit market (2/22)

[1] Karlan D, and Zinman J. 2009. "Observing unobservables: Identifying information asymmetries with a consumer credit field experiment". *Econometrica* 77(6): 1993-2008.

[2] Burgess, Robin, and Rohini Pande. 2005. "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review* 95(2): 780-795.

Population and gender (3/01)

[3] Voigtländer, Nico, and Hans-Joachim Voth. 2013. "How the West "Invented" Fertility Restriction." *American Economic Review* 103(6): 2227-64.

[4] Oster, E. 2005. "Hepatitis B and the Case of the Missing Women." *Journal of Political Economy* 113(6): 1163-1216.

[5] Lin, Ming-Jen, and Ming-Ching Luoh. 2008. "Can Hepatitis B Mothers Account for the Number of Missing Women? Evidence from Three Million Newborns in Taiwan." *The American Economic Review* 98(5): 2259-2273.

[6] Qian, Nancy. 2008. "Missing Women and the Price of Tea in China: The Effect of Sex-specific Earnings on Sex Imbalance." *The Quarterly Journal of Economics* 123(3) 1251-1285.

Institution and comparative development (3/08)

[7] Putterman, Louis, and David N. Weil, 2010. "Post-1500 Population Flows and the Long Run Determinants of Economic Growth and Inequality", *Quarterly Journal of Economics* 125(4): 1627-82.

[8] 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.

[9] Lin, Justin Yifu, 1992. Rural Reforms and Agricultural Growth in China. *American Economic Review*, Vol. 82(1): 34-51.

[10] 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.

The impact of culture (3/15)

[11] Guiso, L., Sapienza, P., Zingales, L., 2009. "Cultural Biases in Economic Exchange", *Quarterly Journal of Economics* 124 (3): 1095–1131.

[12] 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.

[13] Cantoni, Davide. 2015. "The Economic Effects of the Protestant Reformation: Testing the Weber Hypothesis in the German Lands", *Journal of the European Economic Association*, 13(4): 561–598.

[14] 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.

Culture formation (3/22)

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

[16] 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.

[17] Lowes, S, Nunn, N, Robinson, JA, and Weigel, J., 2017. The Evolution of Culture and Institutions: Evidence from the Kuba Kingdom. *Econometrica* 85 (4) :1065-1091.

Political and economic bifurcation between Europe and China (3/29)

[18] Dincecco, Mark, and Massimiliano Gaetano Onorato, 2016, "Military Conflict and the Rise of Urban Europe", *Journal of Economic Growth* 21(3): 259-282.

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

[20] Bai, Ying and Ruixue Jia. 2016. "Elite Recruitment and Political Stability: The Impact of the Abolition of China's Civil Service Exam", *Econometrica* 84 (2), 677–733.

Political hierarchy and regional development (4/12)

- [21] Davis, Donald R. and David E. Weinstein. 2002. "Bones, Bombs, and Break Points: the Geography of Economic Activity." *The American Economic Review* 92(5): 1269-1289.
- [22] Redding, Stephen J., and Daniel M. Sturm. 2008. "The Costs of Remoteness: Evidence from German Division and Reunification." *The American Economic Review* 98(5): 1766-1797.
- [23] Ades, Alberto F., and Edward L. Glaeser 1995. "Trade and Circuses: Explaining Urban Giants," *Quarterly Journal of Economics* 110(1): 195-227.