

**ECON5460**  
**DEVELOPMENT ECONOMICS**  
**Second Term, 2018-2019**

<b>Time</b>	Monday 08:30AM - 11:15AM
<b>Room</b>	Wong Foo Yuan Building LT4
<b>Instructor</b>	BAI, Ying Department of Economics, ELB906 Tel: 39438004 Email: ybai@cuhk.edu.hk
<b>Office hour</b>	Monday, 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 needs to summarize economic differences (income, inequality, literacy, ...) between two (randomly assigned) countries/regions and explain the potential roots of the differences.
- [10%] Slides: each group needs to prepare slides and submit by 5:00 pm on April 7, 2019. Late submission will result in 1/2 reduction of the grade for this part.
- [20%] Presentation: presentation lasts for 8-12 minutes.
- [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 Monday, April 15, 2019. 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-March. Moreover, I will help review the main contents of this course in the class on April 1.
- 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
01/07	1 Introduction: Global patterns of economic growth and development
01/14	2 Growth theory I: Classical growth theories
01/21	3 Growth theory II: Complementarity
01/28	<b>Cancelled</b>
02/11	4 Inequality and social mobility
02/18	5 Population and Gender
02/25	6 Market I: Land market
03/04	7 Market II: Labor market
03/11	8 Market III: Credit market
03/18	9 Institution and comparative development
03/25	10 Culture I: the Effects of culture
04/01	11 Culture II: Culture formation
<b>04/08</b>	<b>Presentation</b> (8:30 AM -11:15 AM)
<b>04/08</b>	<b>Presentation</b> (6:30 PM – 09:15 PM) <i>Make-up class</i>
<b>04/15</b>	<b>In-class Final Exam</b>

## READING LISTS

### 1: Global patterns of economic growth and development (1/07)

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 Theories (1/14)

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 (1/21)

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 (2/11)

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.

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: Population and Gender (2/18)

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.

6: Market I: Land Market and Agricultural Productivity (2/25)

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

7: Market II: Labor Market and Poverty (3/04)

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

8: Market III: Credit Market and Economic Development (3/11)

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

9: Institution: The Security of Property Rights (3/18)

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

10: Culture I: The Effects of Culture (3/25)

\* 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 (4/01)

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.