

ECON5461
DEVELOPMENT ECONOMICS
Second Term, 2023-2024

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| Time | Monday 8:30AM - 11:15AM |
| Room | Chen Kou Bun Bldg LT3 |
| Instructor | BAI, Ying Department of Economics, ELB906 Tel: 39438004 Email: ybai@cuhk.edu.hk |
| Office hour | Tuesday, 9:30AM – 11:00AM |

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: In-Class final exam (50%)

- There will be a closed book examination on Monday, April 8, 2024. All the material covered up to April 8 will be considered part of the exam. A problem set will be provided in the early March.
- Be sure to arrive punctually for the exam. 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: Group presentation and peer evaluation (40%)

- Students need to form a group which includes four members. Each group needs to summarize economic differences and similarities in terms of economic development among three

countries: two (randomly assigned) countries/regions and the United States of America. Each group needs to explain the potential roots of the differences and similarities.

- [10%] Slides: each group needs to submit the slides via the course website by 11:59 am on March 24, 2024. Late submission will result in 1/2 reduction of the grade for this part.
- [25%] Presentation: presentation lasts for 8-10 minutes (depending on the total enrollments).
- [5%] 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.

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. Moreover, all students are required to attend the presentation session.

COURSE SCHEDULE

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| 1 | Introduction: Global patterns of economic development |
| 2 | Growth theory I |
| 3 | Growth theory II |
| 4 | Inequality and social mobility |
| 5 | Population and gender |
| 6 | Rural to urban: migration |
| 7 | Institution |
| 8 | Culture |
| 9 | Deep roots of comparative development |
| 10 | China vs. Europe: Political and economic bifurcation |
| 11 | Presentation (8:30AM - 11:15AM) |
| 12 | Presentation (18:30 PM – 21:15 PM) make-up class |
| 13 | In-class final exam |
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READING LISTS

Lecture 1: Global patterns of economic growth and development (1/08)

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

Lecture 2: Growth Theory I (1/15)

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.

Lecture 3: Growth Theory II (1/22)

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

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.

Lecture 4: Inequality and Social Mobility (1/29)

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.

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.

Lecture 5: Population and Gender (2/05)

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.

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

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.

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.

Lecture 6: Rural to Urban: Migration (2/19)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 10)

Lecture 7: Institution (2/26)

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.

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

Nunn, Nathan, 2008. "Historical legacies: A model linking Africa's past to its current underdevelopment", *Journal of Development Economics* 83: 157– 175

Lecture 8: Culture (3/04)

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.

Lecture 9: Deep Roots of comparative development (3/11)

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.

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.

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

Lecture 10: China vs. Europe: Political and Economic Bifurcation (3/18)

Bai, Ying and James Kung, 2011, "Climate Shocks and Sino-nomadic Conflict", *Review of Economics and Statistics* 93(3): 970-981.

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

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.

Bai, Ying, 2019, "Farewell to Confucianism: The Modernizing Effect of Dismantling China's Imperial Examination System", *Journal of Development Economics*, vol. 141: 102382.