

**ECON5460**  
**DEVELOPMENT ECONOMICS**  
**Second Term, 2020-2021**

<b>Time</b>	Monday 08:30AM - 11:15AM
<b>Instructor</b>	BAI, Ying Department of Economics, ELB906 Tel: 39438004 Email: ybai@cuhk.edu.hk
<b>Office hour</b>	Tuesday, 9:00AM – 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 midterm exam (50%)**

- There will be a closed book midterm examination on Monday, March 1st, 2021. All the material covered up to March 1st will be considered part of the exam. A problem set will be provided in the early February.
- Be sure to arrive (sign in the zoom meeting) 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 3 members. Each group needs to summarize economic differences (for instance, income, inequality, literacy, ...) between two (randomly assigned) countries/regions and explain the potential roots of the differences.

- [10%] Slides: each group needs to submit the slides via the course website by 5:00 pm on April 18, 2021. Late submission will result in 1/2 reduction of the grade for this part.
- [20%] Presentation: presentation lasts for 8-10 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.

### 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

Lecture	Topic
1	Introduction: Global patterns of economic growth and development
2	Growth theory I
3	Growth theory II
4	Inequality and social mobility
5	Poverty and labor market
6	Credit market and economic development
7	<b>In-class Midterm Exam</b>
8	Institution
9	Culture
10	Deep roots of comparative development
11	China vs. Europe: Political and economic bifurcation
12	<b>Presentation</b>
13	<b>Presentation</b>

## READING LISTS

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

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

Lecture 2: Growth Theory I (1/18)

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 (1/25)

Ray, Debraj (1998) *Development Economics*. Princeton NJ: Princeton University Press. (Chapter 5)

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 (2/01)

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.

Lecture 5: Labor Market and Poverty (2/08)

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

## Lecture 6: Credit Market and Economic Development (2/22)

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.

## Lecture 7: Institution (3/08)

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* 117: 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 (3/15)

\* 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 (3/22)

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 (3/29)

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.