

## Topics in Development Economics

Winter School @ Fudan SOE 2022

<b>Course Code</b>	ECON2170007		
<b>Course Title</b>	Topics in Development Economics		
<b>Credit</b>	3	<b>Credit Hours</b>	48 credit hours
<b>Course Objectives</b>	The course aims to build up students' critical-thinking skill through reading the most recent empirical development economics literature and participating in class discussion.		
<b>Course Description</b>	<p>This course covers a comprehensive list of topics that are related to economic development. We begin with one of the key results from the development accounting literature: total factor productivity is the most important factor in explaining economic development. We then study a set of different institutions and examine their impacts on economic productivity. In particular, we will focus on state capacity, property right, contract institutions, corruption, state-owned enterprises, technology, and taxation. Lastly, we discuss the status quo of innovation, which is a key driver of TFP growth and the implication of economic development on economic inequality.</p> <p>In the meantime, the course will introduce students a variety of methodological approaches to address a number of empirical questions, such as what are the main driving force of aggregate productivity in China, are there resource misallocation in China, what is the value of political connection in Indonesia, and why some countries have more complicated government hierarchy whereas others do not. The course aims to build up students' critical-thinking skill through reading the most recent empirical development economics literature and participating in class discussion.</p>		
<b>Course Requirements:</b>			
Prerequisites: Microeconomics, statistics, and econometrics (or applied economics).			
<b>Teaching Methods:</b>			
Lecture, homework, group presentation, class discussion			
<b>Course Schedule: (48 credit hours in total)</b>			
1. Development facts and accounting			
<ul style="list-style-type: none"> <li>• Development facts and accounting</li> </ul>			

- Market efficiency: the miracle of free markets.
- Why markets may fail?
- Different approaches: Sachs versus Easterly
- Hall and Jones (1999) and Caselli (2005)

## 2 Agriculture productivity gap

- Gollin, Lagakos, Waugh (2014)
- Adamopoulos and Restuccia (2014)

## 3 Resource misallocation across and within countries

- Caselli and Feyrer (2007)
- Hsieh and Klenow (2009)
- Restuccia and Rogerson (2013)

## 4 Resource misallocation in China

- Adamopoulos et al (2017)
- Liu and Zhao (2021)

## 5 Contract enforcement and property rights

- Greif (1993)
- Rauch and Trindade (1999)
- Hornbeck (2010)
- Acemoglu and Johnson (2005)

## 6 China's Economic Reforms

- Reading: The Logic of Market (by Zhang Weiyang 张维迎)

## 7 Group presentation: Does industry policy work?

## 8 State Capacity and Taxation

- Muralidharan and Sukhtankar (2016)
- Mayshar, Moav, Neeman, and Pascali (2015)
- Besley and Persson (2014)
- Liu (2018)
- Fisman and Wei (2004)
- Dina Pomeranz (2015)

## 9. Government Debt and Infrastructure Financing

- TBA

#### 10 Corruption

- Shleifer and Vishny (1993)
- Treisman (2000)
- Fisman (2001)
- Olken and Barron (2009)

#### 11 Economic Inequality

- Karabarbounis and Neiman (2013)
- Song, Price, Guvenen, Bloom, and Wachter (2019)
- Piketty, Li, and Zucman (2019)
- Reading: Piketty (2013)

#### 12. Final exam

#### **The design of class discussion or exercise, practice, experience and so on:**

Class participation is highly recommended. Students are encouraged to share their thoughts or current works in class.

#### **Grading & Evaluation:**

Each student is evaluated based on three parts: class discussion, two problem sets, one group presentation, and a final exam.

<b>Evaluation</b>	<b>% of Final Grade</b>
1. Class discussion	10%
2. Problem sets	20%
3. Group presentation	20%
4. Final exam	50%

#### **1. Class Discussion (10%):**

Our TA will take attendance. Students are expected to actively participate in class discussion and share your perspective.

#### **2. Homework (20%):**

##### Homework 1: Replication and a 1-page report (10%)

Follow the steps in Caselli and Feyrer (2007) and compute the marginal product of capital for countries around the world. We replicate Figure V of the paper. Students should submit **a report** that contains the main findings and conclusion (**1 page**).

Homework 2: Documentary watching and a 1-page report (10%)

Documentary 1: 走进大凉山

Documentary 2: China's war on poverty

What should we do to make our poverty reduction sustainable?

**3. Group presentation (20%):**

Industry policy typically refers to the effort of the government (many times in a strategic way) to promote the development of certain industries. For example, "Made in China 2025" is a strategic move of the Chinese government to promote the high-tech industries in China.

Although you often hear about such government plan or support in many countries, not only in China, it is a highly debatable topic. While some believe that the government can set the right targets and follow steps to accelerate the growth of certain industries, others believe that the government is incapable to do so as it does not have the right information or knowledge -- what it often does ranges from only cherry picking the already winners to creating outright economic distortions.

From a layman's perspective, the economic growth during Bismarck's rule in Germany and the economic miracle of Singapore under Lee Kuan Yew's vision and governance often suggest that industry policy can be very effective. Indeed, poor countries may be able to design the right policies as they observe the development paths of the rich countries, and following the foot print of the rich countries may sound a sensible strategy. For a rich country, however, it is unclear what the right strategy and the right policy is as rich countries often rely on innovations for economic growth and such breakthroughs may not be perceivable by the government.

Well, it's up to our judgement whether industry policy works. In recent years, the United States is considering adopting industry policies to compete with China, which is unprecedented. That is the reason why I want you to think about this issue. I hope you can all find a good industry policy to discuss and offer a careful analysis. I look forward to your talk.

**4. Final exam (60%):**

7 true/false questions, 7 multiple-choice questions, and 3 essay questions based on the reading (based on 7 papers that I will announce).

**Teaching Materials & References:**

See in Course Schedule