

## Topics in Development Economics

**Department: Fudan International Summer Session**

<b>Course Code</b>	ECON170007.01		
<b>Course Title</b>	Topics in Development Economics		
<b>Credit</b>	2	<b>Credit Hours</b>	36+3 tutorial hours (one credit hour is 45 minutes)
<b>Course Nature</b>	<input type="checkbox"/> Specific General Education Courses <input type="checkbox"/> Core Courses <input checked="" type="checkbox"/> General Education Elective Courses <input type="checkbox"/> Basic Courses in General Discipline <input type="checkbox"/> Professional Compulsory Courses <input type="checkbox"/> Professional Elective Courses <input type="checkbox"/> Others		
<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 discusses why some countries are rich but others are poor from the perspective of institutional economics. It follows Douglass North and asks why, under certain institutions, the private return of economic activities is lower than the social return. We address this question by studying recent development economics literature with a focus on property right, contract institutions, corruption, and taxation.</p> <p>In addition, it introduces a variety of methodological approaches to address a number of empirical questions, such as what is the value of political connection in Indonesia, does third-party reporting reduces pollution in India, and why some countries have more complicated government hierarchy whereas others do not.</p>		
<b>Course Requirements:</b>			
There are no formal course prerequisites. However, students can get more from the class if they are proficient in calculus, microeconomics, and econometrics.			
<b>Teaching Methods:</b>			
Regular lectures Interactive discussions Documentary watching			

**Instructor's Academic Background:**

The instructor received his bachelor in economics and mathematics from Wuhan University, master in economics in Hong Kong University of Science and Technology, and doctoral degree in economics from Yale University.

Email: [yu\\_liu@fudan.edu.cn](mailto:yu_liu@fudan.edu.cn)

**Course Schedule:****1: Economic Development and Frictions**

- Transaction costs
- Externalities
- Coordination failures
- Information frictions

**2: State Capacity and Institutions**

- Raul Sanchez de la Sierra. 2015. "On the Origins of States: Stationary Bandits and Taxation in Eastern Congo." SSRN Working Paper # 2358701, 2015.
- Mayshar, Joram, Omer Moav, Zvika Neeman, and Luigi Pascali. "Cereals, Appropriability and Hierachy." Centre for Economic Policy Research DP10742. 2015
- Hall, R. E. and Jones, C. I. 1999. "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" Quarterly Journal of Economics, Vol. 114, No. 1 (Feb., 1999), 83-116
- Acemoglu, D., and Johnson, S. 2005. "Unbundling Institutions." Journal of Political Economy, 113(5), October 2005: pp. 949-995.

**3. Documentary TBA****4: Property Right**

- Hornbeck, Richard. 2010. "Barbed Wire: Property Rights and Agricultural Development." Quarterly Journal of Economics, 125(2): 767-810.
- Wang, Shing-Yi. 2012. "Credit Constraints, Job Mobility and Entrepreneurship: Evidence from a Property Reform in China." Review of Economics and Statistics, 94 (2), 523 - 551.
- A brief history of the SOE reform in China.

**5: Contract Enforcement**

- Greif, Avner. 1993. "Contract Enforceability and Economic Institutions in Early

Trade: The Maghribi Traders' Coalition." *American Economic Review*, Vol. 83, No. 3 (Jun., 1993), pp. 525-548.

- Rauch, James E. and Vitor Trindade. 1999. "Ethnic Chinese Networks in International Trade." *Review of Economics and Statistics*, Vol. 84 (February 2002): 116-130.
- The soft-budget constraint problem
- The French revolution

## **6: Transportation**

- Malcolm Gladwell: *The Gift of Doubt*, Albert O. Hirschman and the power of failure.
- Documentary: *China Mega Project: Transportation*

## **7,8,9: Group Presentations**

## **10: Tax**

- Besley, Timothy, and Torsten Persson. 2014. "Why Do Developing Countries Tax So Little?" *The Journal of Economic Perspectives*, 28.4 (2014): 99-120.
- Liu, Yu. "Government Extraction and Firm Size: Local Officials' Responses to Fiscal Distress in China." *The Journal of Comparative Economics*.
- Dina Pomeranz, "No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax," *American Economic Review*. Vol. 105 No. 8 August 2015.
- Fisman, Raymond and Shang-Jin Wei. 2004. "Tax Rates and Tax Evasion: Evidence from 'Missing Imports' in China." *Journal of Political Economy*, 112(2):471-500.

## **11: Technology and State Capacity**

- Qian, Nancy, Jaya Wen, Yu Liu, and Haichao Fan. 2018. "The Dynamic Effects of Computerized VAT Invoices on Chinese Manufacturing Firms." NBER Working Paper No. 24414.
- Muralidharan, K., Niehaus, P., and Sukhtankar, S. 2016. "Building State Capacity: Evidence from Biometric Smartcards in India." *American Economic Review*, vol 106(10), pages 2895-2929.

## **12: Corruption**

- Banerjee, Abhijit, Dilip Mookerjee, Kaivan Munshi and Debraj Ray. 2001. "Inequality, Control Rights and Rent Seeking: Sugar Cooperatives in Maharashtra." *Journal of Political Economy*, Vol. 109, pp. 138-190
- Olken, Ben A. and Barron P. 2009. "The Simple Economics of Extortion: Evidence

from Trucking in Aceh." Journal of Political Economy, Vol. 117(3), pp. 417-452

- Fisman, Raymond. 2001. "Estimating the Value of Political Connections." American Economic Review, Vol. 91, No. 4 (Sep., 2001), pp. 1095-1102.
- Fisman R. and Edward M. "Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets." Journal of Political Economy, 115, 6: 1020-1048

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

I will raise an open question related to economic development and institutional designs and ask students to respond. It can be much easier to answer the question based on gut feeling or intuition; it is more difficult to think critically following economic reasoning. This is what the students will practice during my class discussions.

**Grading & Evaluation:**

Each student is evaluated based on three parts: class discussion, a group presentation, and an individual essay.

<b>Evaluation</b>	<b>% of Final Grade</b>
1. Class Discussion	20%
2. Group Presentation	30%
3. Individual Essay	50%

**Class Discussion (20%):**

In this course, any opinion or idea will be appreciated. Students are expected to actively participate in class discussion and share your perspective.

**Group Presentation (30%): 3-4 people**

Each group searches for an institution, governmental policy, or government project that is related to our course and presents it in class. It could be from any country in any period of time. You should discuss why it imposes or resolves frictions on economic transactions. Each group has 10 minutes to talk.

**Teaching Materials & References:**

**Casual reading:**

Free to Choose: A Personal Statement

Authors: Milton Friedman and Rose Friedman

Publisher: Mariner Books; LATER PRINTING. (1990)

Economic Gangsters: Corruption, Violence, and the Poverty of Nations

Authors: Ray Fisman and Edward Miguel

Publisher: Princeton University Press; Revised ed. (2010)

**More serious reading:**

Institutions, Institutional Change and Economic Performance

Author: Douglass North

Publisher: Cambridge University Press (1990)

Why Nations Fail: The Origins of Power, Prosperity, and Poverty

Authors: Daron Acemoglu and James A. Robinson

Publisher: Currency; Reprint (2013)