

Topics in Development Economics

Course Code:	
Course Title:	<i>Topics in Development Economics</i>
Credit:	2
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Course Description

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, taxation, and corruption.

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. The course aims to build up students' critical-thinking skill through reading the most recent empirical development economics literature and participating in class discussion.

Grading

There are no formal course prerequisites. Each student is evaluated based on three parts: class discussion, a group presentation, and an individual essay.

Evaluation	% of Final Grade
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%):

Each group searches for a phenomenon that is related to our course and presents it in class. It could be from any country in any period of time. For example, you can talk about a phenomenon in Shanghai, take a picture, and discuss why it may or may not encourage private investment. Each group has 15-20 minutes to talk.

Individual Essay (50%):

Each student can either i) extend his/her presentation further or ii) analyze a different phenomenon, and write a short essay discussing why the phenomenon exists in some countries while not in other countries. You need to relate this phenomenon to economic development. You are expected to show critical-thinking skill in your argument. The essay should be no less than four pages, font 12, double spaced.

Reading

1: Introduction

- 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.

2: State and Hierarchy

- 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 Pascoli. "Cereals, Appropriability and Hierarchy." Centre for Economic Policy Research DP10742. 2015

3: Rural Property Right

- Hornbeck, Richard. 2010. "Barbed Wire: Property Rights and Agricultural Development." *Quarterly Journal of Economics*, 125(2): 767-810.
- Goldstein, M., and Udry, C. 2008. "The Profits of Power: Land Rights and Agricultural Investment in Ghana." *Journal of Political Economy*, Vol. 116, No. 6, 981-1022.

4: Urban Property Right

- Field, Erica. 2007. "Entitled to Work: Urban Property Rights and Labor Supply in Peru." *Quarterly Journal of Economics*, 122 (4): 1561-1602.
- 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.

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.

6: Taxation in Developing Countries

- 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. "The Political Economy of Firm Taxation: Evidence from China." SSRN Working Paper # 2641460, 2015

7: Tax Evasion

- 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.

8: Building State Capacity

- Liu, Yu. "Improving State Capacity: The Impact of an Information Technology on the Value Added Tax Collection in China," Working Paper, 2016.
- Muralidharan, K., Niehaus, P., and Sukhtankar, S. 2014. "Building State Capacity: Evidence from Biometric Smartcards in India." NBER Working Papers No. 1999.

9: Rent-Seeking and Extortion

- 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

10: Political Connection and Culture of Corruption

- 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.

11: Fight Corruption

- Olken, Benjamin A., 2007. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy*, University of Chicago Press, vol. 115, 200-249.
- Duflo, E., Greenstone, M., and Ryan, N. 2013. "Truth-telling by Third-party Auditors and the Response of Polluting Firms: Experimental Evidence from India." *Quarterly Journal of Economics*, vol. 128(4), 1499-1545.