ECON 204
Development Economics

Program: International Class 2021

Term: Fall 2021

Contact hours: 54

Fudan Credits: 3

Course Description:
This course examines why some countries are rich while others are poor. We start from Hall and Jones (1999) and Caselli (2005) by introducing students the significant differences in productivity across countries that can explain the major part of differences in income. We then discuss why significant productivity difference exists across countries 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. Lastly, we end the class discussing the implication of economic development on economic inequality.

Prerequisites:
Undergraduate students

Course Goals:
The course delivers knowledge on transforming and improving the infrastructure of economies in low-income countries. The goal of developmental economics is not to apply traditional economics theories to these countries in broad strokes, but rather to focus on context-specific structural issues to address economic problems.

Required Texts:
Handout released in class

Assessment:

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<th>Evaluation</th>
<th>% of Final Grade</th>
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<td>1. Attendance and discussion</td>
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<td>2. Problem sets</td>
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<td>2. Group presentation</td>
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<td>3. Final exam</td>
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Attendance and discussion (10%):
In this course, any opinion or idea will be appreciated. Students are expected to actively participate in class discussion and share your perspective.

Two problem sets (20%):
Assignment 1: Following Caselli (2005), compute the marginal product of capital and marginal product of labor in a country over several years and compare these numbers with the prevailing average wage and capital market return in the respective country. Students should submit a report that contains the main findings and conclusion (<=2 pages).
Assignment 2: Examine the labor income share (or capital income share) for a country over time and analyze the driving forces and the implications on economic inequality in the country (data are available from the World Bank Development Indicators). Students should submit a report that contains the main findings and conclusion (<=2 pages).

One group presentation (20%): 2-3 students in each group
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.

Final exam (50%):
A closed-book final exam that contains 30 multiple-choice questions (drawn from the reading).

Course Schedule:

Week 1. Development Accounting

Week 2. Productivity Differences in Agriculture

Week 3. Resource Misallocation
Week 4. Productivity in China


(First problem set due date)

Week 5: State and Hierarchy


Week 6: Property Right


Week 7: Reforms in State-owned Enterprises (SOEs) in China

- A history of SOE reforms in China

Week 8: Contract Enforcement

- A history of SOE reforms in China

Week 9: Taxation and State Capacity

- A history of fiscal capacity building in China.

Week 10: Tax Evasion


Week 11: Corruption


**Week 12: The global decline of labor income share**


**Week 13: Inequality**


**Week 14: Group presentations**

* (Second problem set due date) 

**Week 15: Final exam**