

ECON 5700: Economic Development

Fall 2024

York University

Department of Economics

General Information

Instructor: Yanran Guo
Contact: VH 1118, yrguo@yorku.ca
Lectures: Tuesday 14:30-17:30 at VH 2000
Office Hours: Tuesday 17:30-18:30 at VH 1118

Land Acknowledgement

York University recognizes that many Indigenous Nations have longstanding relationships with the territories upon which York University campuses are located that precede the establishment of York University. York University acknowledges its presence on the traditional territory of many Indigenous Nations. The area known as Tkaronto has been care taken by the Anishinabek Nation, the Haudenosaunee Confederacy, and the Huron-Wendat. It is now home to many First Nation, Inuit, and Métis communities. We acknowledge the current treaty holders, the Mississaugas of the Credit First Nation. This territory is subject of the Dish with One Spoon Wampum Belt Covenant, an agreement to peaceably share and care for the Great Lakes region ([LA&PS Land Acknowledgement](#)).

Course Description

The goal of the course is to introduce the main issues of development economics from a macroeconomic perspective. What affects economic growth, inequality, and poverty? Why do some countries achieve high levels of economic development and others do not? What are the policies governments can implement to change the growth path of their countries? In this course, we focus on dynamic models and their empirical applications to analyze these critical questions. Throughout the course, students will acquire the necessary tools for conducting related research and become familiar with commonly used data sources.

Syllabus Changes

The instructor reserves the right to make changes to the syllabus including project due dates and presentation dates. These changes will be announced as early as possible.

Tentative Schedule

The following is a *tentative* schedule for the course.

Week of...	Activities	Homework
09/10	Lecture 1. Introduction	
09/17	Lecture 2. Neoclassical growth model	
09/24	Lecture 3. Empirics of the Solow model	
10/01	Presentation	
10/08	Lecture 4. Human capital	HW1 release
10/22	Presentation	HW1 due
10/29	Lecture 5. Misallocation	
11/05	Presentation	
11/12	Lecture 6. Institution and the role of government	
11/19	Presentation	HW2 release
11/26	Lecture 7. Foreign aid	HW2 due
12/03 (If extra time)	Presentation Lecture 8. Agricultural Productivity Gap	

Grading

The course grade is determined by the following components:

Homework	10% × 2
Presentation	40%
Final Project	40%

Grade Scale

Final grades will be assigned according to the following scale:

A+	90 – 100
A	80 – 89
B+	75 – 79
B	70 – 74
C+	65 – 69
C	60 – 64
D+	55 – 59
D	50 – 54
E	(marginally below 50)
F	(below 50)

Homework Assignments

There will be two problem sets throughout the semester. Each homework assignment is due at the beginning of the following week's class. Late submissions of homework will not be accepted unless accompanied by a valid reason with proof (e.g., a doctor's note).

Class Presentation

You will present one paper that is marked with a ** in the reading list. You should aim for a 30-minute presentation (40 mins at the most) that clearly lays out the main contribution of the paper. While you don't need to grasp every detail of the paper, aim to understand as much as possible and ensure you have a solid grasp of the overall concept. After your presentation, there will be a 5-minute Q&A session. Your presentation should address the following points:

- What this paper is about: an overview of the core contributions of the paper.
- What is the methodology adopted by this paper and what are the results?
- Why is the paper important (or why not)?
- What did you like or dislike about the paper? What additional questions could be explored?

Final Project

A research paper is required for this course to provide/improve the experience and training of research skills for students. This is a chance for students to apply the skills students will gain in the course to the investigation of academic/real world economic issues. Students need to write two referee reports as their final project. The final project should be 3 – 5 pages (single-spaced, Times New Roman, Size 12), excluding the bibliography, figures and tables. I will provide more guidance on this in class.

Academic Integrity

Academic integrity is a fundamental and important value of York University. To maintain a fair and honest learning environment, students in this course are responsible for understanding and upholding academic integrity in all of their academic activities. To better understand expectations, familiarize yourself with the [Senate Policy on Academic Conduct](#). To learn more about how to demonstrate academic integrity in your courses and to access related resources and support, visit the [Academic Integrity website](#).

Generative Artificial Intelligence (GenAI)

Students are not permitted to use generative artificial intelligence (AI) in this course. Submitting any work created (in whole or part) through the use of generative AI tools will be considered a violation of York University's [Senate Policy on Academic Conduct](#). Using AI apps such as ChatGPT, GPT-3, DALL-E, translation software among others to complete academic work **without your instructor's knowledge or permission**, is considered to be a breach of academic honesty. For more information, please review [AI Technology & Academic Integrity: Information for Students](#).

Reading List

1. Empirics of the Solow Model (Oct 1)

- **Angrist, Noam, Pinelopi Koujianou Goldberg, and Dean Jolliffe (2021). “Why Is Growth in Developing Countries So Hard to Measure?” In: *Journal of Economic Perspectives* 35.3, pp. 215–42. DOI: [10.1257/jep.35.3.215](https://doi.org/10.1257/jep.35.3.215). URL: <https://www.aeaweb.org/articles?id=10.1257/jep.35.3.215>.
- **Kremer, Michael, Jack Willis, and Yang You (2022). “Converging to convergence”. In: *NBER macroeconomics annual* 36.1, pp. 337–412.
- Barro, Robert and Xavier Sala-i-Martin (2004). *Economic growth second edition*.
- Barro, Robert J (1996). *Determinants of economic growth: A cross-country empirical study*.
- (May 1991). “Economic Growth in a Cross Section of Countries*”. In: *The Quarterly Journal of Economics* 106.2, pp. 407–443.
- Caselli, Francesco (2005). “Accounting for cross-country income differences”. In: *Handbook of economic growth* 1, pp. 679–741.
- Christensen, L.R., D. Cummings, and D.W. Jorgenson (1981). “Relative productivity levels, 1947-1973: An international comparison”. In: *European Economic Review* 16.1, pp. 61–94. ISSN: 0014-2921. DOI: [https://doi.org/10.1016/0014-2921\(81\)90049-0](https://doi.org/10.1016/0014-2921(81)90049-0). URL: <https://www.sciencedirect.com/science/article/pii/0014292181900490>.
- Denison, Edward F. (1967). *Why growth rates differ : postwar experience in nine western countries*. Brookings Institution.
- Hall, Robert E. and Charles I. Jones (1999). “Why do some countries produce so much more output per worker than others?” In: *Quarterly Journal of Economics* 114.1, pp. 83–116.
- King, Robert G. and Ross Levine (1994). “Capital fundamentalism, economic development, and economic growth”. In: *Carnegie-Rochester Conference Series on Public Policy* 40, pp. 259–292. ISSN: 0167-2231. DOI: [https://doi.org/10.1016/0167-2231\(94\)90011-6](https://doi.org/10.1016/0167-2231(94)90011-6). URL: <https://www.sciencedirect.com/science/article/pii/0167223194900116>.
- Klenow, Peter J and Andres Rodriguez-Clare (1997). “The neoclassical revival in growth economics: Has it gone too far?” In: *NBER macroeconomics annual* 12, pp. 73–103.
- Popov, Vladimir and Kwame Sundaram Jomo (2018). “Are developing countries catching up?” In: *Cambridge journal of economics* 42.1, pp. 33–46.
- Solow, Robert M. (1957). “Technical Change and the Aggregate Production Function”. In: *The Review of Economics and Statistics* 39.3, pp. 312–320. ISSN: 00346535, 15309142. URL: <http://www.jstor.org/stable/1926047> (visited on 08/06/2024).

2. Human Capital (Oct 22)

- **Balart, Pau, Matthijs Oosterveen, and Dinand Webbink (2018). “Test scores, noncognitive skills and economic growth”. In: *Economics of Education Review* 63, pp. 134–153.
- **Benhabib, Jess and Mark M Spiegel (1994). “The role of human capital in economic development evidence from aggregate cross-country data”. In: *Journal of Monetary economics* 34.2, pp. 143–173.

- **Hanushek, Eric A and Ludger Woessmann (2012). “Do better schools lead to more growth? Cognitive skills, economic outcomes, and causation”. In: *Journal of economic growth* 17, pp. 267–321.
- **Hendricks, Lutz and Todd Schoellman (2018). “Human capital and development accounting: New evidence from wage gains at migration”. In: *The Quarterly Journal of Economics* 133.2, pp. 665–700.
- Bils, Mark and Peter J Klenow (2000). “Does schooling cause growth?” In: *American economic review* 90.5, pp. 1160–1183.
- Gennaioli, Nicola et al. (2013). “Human capital and regional development”. In: *The Quarterly journal of economics* 128.1, pp. 105–164.
- Glaeser, Edward L et al. (2004). “Do institutions cause growth?” In: *Journal of economic Growth* 9, pp. 271–303.
- Hanushek, Eric A and Ludger Woessmann (2012). “Schooling, educational achievement, and the Latin American growth puzzle”. In: *Journal of Development Economics* 99.2, pp. 497–512.
- Islam, Nazrul (1995). “Growth empirics: a panel data approach”. In: *The quarterly journal of economics* 110.4, pp. 1127–1170.
- Kerr, Sari Pekkala et al. (2016). “Global Talent Flows”. In: *Journal of Economic Perspectives* 30.4, pp. 83–106. DOI: [10.1257/jep.30.4.83](https://doi.org/10.1257/jep.30.4.83). URL: <https://www.aeaweb.org/articles?id=10.1257/jep.30.4.83>.
- Krueger, Alan B and Mikael Lindahl (2001). “Education for growth: Why and for whom?” In: *Journal of economic literature* 39.4, pp. 1101–1136.

3. Misallocation (Nov 4)

- **Fossati, Roman, Heiko Rachinger, and Matheus Stivali (2021). “Extent and potential determinants of resource misallocation: A cross-sectional study for developing countries”. In: *The World Economy* 44.5, pp. 1338–1379.
- **Hsieh, Chang-Tai, Erik Hurst, et al. (2019). “The allocation of talent and us economic growth”. In: *Econometrica* 87.5, pp. 1439–1474.
- **Hsieh, Chang-Tai and Peter J Klenow (2014). “The life cycle of plants in India and Mexico”. In: *The Quarterly Journal of Economics* 129.3, pp. 1035–1084.
- **Restuccia, Diego and Richard Rogerson (2017). “The Causes and Costs of Misallocation”. In: *Journal of Economic Perspectives* 31.3, pp. 151–74. DOI: [10.1257/jep.31.3.151](https://doi.org/10.1257/jep.31.3.151).
- Aizer, Anna et al. (2020). *Discrimination and racial disparities in labor market outcomes: Evidence from WWII*. Tech. rep. National Bureau of Economic Research.
- Bartelsman, Eric, John Haltiwanger, and Stefano Scarpetta (2013). “Cross-country differences in productivity: The role of allocation and selection”. In: *American economic review* 103.1, pp. 305–334.
- Bau, Natalie and Adrien Matray (2023). “Misallocation and Capital Market Integration: Evidence From India”. In: *Econometrica* 91.1, pp. 67–106. DOI: <https://doi.org/10.3982/ECTA19039>. eprint: <https://onlinelibrary.wiley.com/doi/pdf/10.3982/ECTA19039>. URL: <https://onlinelibrary.wiley.com/doi/abs/10.3982/ECTA19039>.
- Gopinath, Gita et al. (2017). “Capital allocation and productivity in South Europe”. In: *The Quarterly Journal of Economics* 132.4, pp. 1915–1967.
- Hsieh, Chang-Tai and Peter J. Klenow (Nov. 2009). “Misallocation and Manufacturing TFP in China and India*”. In: *The Quarterly Journal of Economics* 124.4, pp. 1403–1448.

Restuccia, Diego and Richard Rogerson (2008). “Policy distortions and aggregate productivity with heterogeneous establishments”. In: *Review of Economic dynamics* 11.4, pp. 707–720.

4. Institutions and the Role of Government (Nov 19)

- **Acemoglu, Daron, Simon Johnson, and James A. Robinson (2002). “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*”. In: *The Quarterly Journal of Economics* 117.4, pp. 1231–1294. ISSN: 0033-5533. eprint: <https://academic.oup.com/qje/article-pdf/117/4/1231/5304329/117-4-1231.pdf>. URL: <https://doi.org/10.1162/003355302320935025>.
- **Aghion, Philippe, Alberto F Alesina, and Francesco Trebbi (2007). *Democracy, technology, and growth*.
- **Dell, Melissa (2010). “The Persistent Effects of Peru’s Mining Mita”. In: *Econometrica* 78.6, pp. 1863–1903. DOI: <https://doi.org/10.3982/ECTA8121>. eprint: <https://onlinelibrary.wiley.com/doi/pdf/10.3982/ECTA8121>. URL: <https://onlinelibrary.wiley.com/doi/abs/10.3982/ECTA8121>.
- **Rodrik, Dani, Arvind Subramanian, and Francesco Trebbi (2004). “Institutions rule: the primacy of institutions over geography and integration in economic development”. In: *Journal of economic growth* 9, pp. 131–165.
- Acemoglu, Daron, Simon Johnson, and James A. Robinson (2001). “The Colonial Origins of Comparative Development: An Empirical Investigation”. In: *American Economic Review* 91.5, pp. 1369–1401. DOI: [10.1257/aer.91.5.1369](https://doi.org/10.1257/aer.91.5.1369). URL: <https://www.aeaweb.org/articles?id=10.1257/aer.91.5.1369>.
- Chang, Ha-Joon (2011). “Institutions and economic development: theory, policy and history”. In: *Journal of institutional economics* 7.4, pp. 473–498. DOI: [10.1017/S1744137410000378](https://doi.org/10.1017/S1744137410000378).
- Engerman, Stanley L and Kenneth L Sokoloff (2002). *Factor endowments, inequality, and paths of development among new world economics*.
- Nunn, Nathan (2008). “The long-term effects of Africa’s slave trades”. In: *The Quarterly journal of economics* 123.1, pp. 139–176.
- Rothstein, Bo O and Jan AN Teorell (2008). “What is quality of government? A theory of impartial government institutions”. In: *Governance* 21.2, pp. 165–190.
- Svensson, Jakob (2005). “Eight Questions about Corruption”. In: *Journal of Economic Perspectives* 19.3, pp. 19–42. DOI: [10.1257/089533005774357860](https://doi.org/10.1257/089533005774357860). URL: <https://www.aeaweb.org/articles?id=10.1257/089533005774357860>.

5. Foreign Aid (Dec 3)

- **Alvi, Eskander and Aberra Senbeta (2012). “Does foreign aid reduce poverty?” In: *Journal of International Development* 24.8, pp. 955–976.
- **Dreher, Axel et al. (2021). “Aid, China, and growth: Evidence from a new global development finance dataset”. In: *American Economic Journal: Economic Policy* 13.2, pp. 135–174.
- **Galiani, Sebastian et al. (2017). “The effect of aid on growth: Evidence from a quasi-experiment”. In: *Journal of Economic Growth* 22, pp. 1–33.
- **Nunn, Nathan and Nancy Qian (2014). “US food aid and civil conflict”. In: *American economic review* 104.6, pp. 1630–1666.
- Alesina, Alberto and David Dollar (2000). “Who gives foreign aid to whom and why?” In: *Journal of economic growth* 5, pp. 33–63.

- Bräutigam, Deborah A and Stephen Knack (2004). “Foreign aid, institutions, and governance in sub-Saharan Africa”. In: *Economic development and cultural change* 52.2, pp. 255–285.
- Burnside, Craig and David Dollar (2000). “Aid, policies, and growth”. In: *American economic review* 90.4, pp. 847–868.
- (2004). “Aid, Policies, and Growth: Reply”. In: *American Economic Review* 94.3, pp. 781–784. DOI: [10.1257/0002828041464524](https://doi.org/10.1257/0002828041464524). URL: <https://www.aeaweb.org/articles?id=10.1257/0002828041464524>.
- Collier, Paul and David Dollar (2002). “Aid allocation and poverty reduction”. In: *European economic review* 46.8, pp. 1475–1500.
- Easterly, William (2003). “Can foreign aid buy growth?” In: *Journal of economic Perspectives* 17.3, pp. 23–48.
- (2007). “Was Development Assistance a Mistake?” In: *American Economic Review* 97.2, pp. 328–332. DOI: [10.1257/aer.97.2.328](https://doi.org/10.1257/aer.97.2.328). URL: <https://www.aeaweb.org/articles?id=10.1257/aer.97.2.328>.
- Easterly, William, Ross Levine, and David Roodman (2004). “Aid, policies, and growth: comment”. In: *American economic review* 94.3, pp. 774–780.
- Easterly, William and Tobias Pfutze (2008). “Where Does the Money Go? Best and Worst Practices in Foreign Aid”. In: *Journal of Economic Perspectives* 22.2, pp. 29–52. DOI: [10.1257/jep.22.2.29](https://doi.org/10.1257/jep.22.2.29). URL: <https://www.aeaweb.org/articles?id=10.1257/jep.22.2.29>.
- Hansen, Henrik and Finn Tarp (2001). “Aid and growth regressions”. In: *Journal of development Economics* 64.2, pp. 547–570.
- Page, Lucy and Rohini Pande (2018). “Ending Global Poverty: Why Money Isn’t Enough”. In: *Journal of Economic Perspectives* 32.4, pp. 173–200. DOI: [10.1257/jep.32.4.173](https://doi.org/10.1257/jep.32.4.173). URL: <https://www.aeaweb.org/articles?id=10.1257/jep.32.4.173>.
- Qian, Nancy (2015). “Making progress on foreign aid”. In: *Annu. Rev. Econ.* 7.1, pp. 277–308.
- Rajan, Raghuram G. and Arvind Subramanian (2008). “Aid and Growth: What Does the Cross-Country Evidence Really Show?” In: *The Review of Economics and Statistics* 90.4, pp. 643–665. ISSN: 0034-6535. DOI: [10.1162/rest.90.4.643](https://doi.org/10.1162/rest.90.4.643). eprint: <https://direct.mit.edu/rest/article-pdf/90/4/643/1615034/rest.90.4.643.pdf>. URL: <https://doi.org/10.1162/rest.90.4.643>.
- (2011). “Aid, Dutch disease, and manufacturing growth”. In: *Journal of Development Economics* 94.1, pp. 106–118. ISSN: 0304-3878. DOI: <https://doi.org/10.1016/j.jdeveco.2009.12.004>. URL: <https://www.sciencedirect.com/science/article/pii/S0304387809001278>.
- Werker, Eric, Faisal Z. Ahmed, and Charles Cohen (2009). “How Is Foreign Aid Spent? Evidence from a Natural Experiment”. In: *American Economic Journal: Macroeconomics* 1.2, pp. 225–44. DOI: [10.1257/mac.1.2.225](https://doi.org/10.1257/mac.1.2.225). URL: <https://www.aeaweb.org/articles?id=10.1257/mac.1.2.225>.