

ECON 313
Winter 2024
Economic Development 1

Times:

Monday and Wednesday 2:35pm-3:55pm, MAASS 112

Course Description:

Why are some countries rich and others poor? This question has captivated the minds of economists since Adam Smith. In this course, we will review the most likely explanations, be they geography, culture, or institutions. We will review the latest empirical evidence which tends to show that institutions dwarf all other explanations. We will attempt to understand the historical and political reasons for the formation of different institutions in different contexts. This understanding of the role of institutions will help us understand the success or failure of other development policies implemented in the past.

In this course, we will also access data to measure the inclusiveness of institutions; as well as evaluate the impact of institutional reforms. There are no statistical prerequisites for this course; detailed explanations will be given throughout the course on how to achieve this. The goal is that, by the end of the course, you are comfortable accessing and working with simple data, an important skill nowadays considering the ever-greater availability of data.

Prerequisites:

Students must have completed ECON 208 and (ECON 209 OR one development course).

You must have completed these courses, you should not be taking them at the same time as this course. What counts as “one development course” is wide: any other course concerned with development will qualify.

These prerequisites are meant to protect you, not to hurt you. For a full experience of econ313 and good grades, it is recommended to abide by them.

There will not be a strong mathematical content to the course. However, “prior knowledge of high school algebra, as well as of other parts of high school mathematics, is a pre-requisite for all courses in economics” (from the department of Economics).

Course Instructor: Professor Matthieu Chemin

My research is on development economics and will be presented throughout the course (<https://www.matthieuchemin.com/>). In my research, I use field experiments and other

techniques to analyze the effect of various development programs on poverty and economic development. To collect data from the field and implement randomized experiments, I operate a research office in Kenya called ELIMU (EvaLUation Impact Unit <https://elimu.lab.mcgill.ca/>), elimu also means education in Swahili).

Leacock Building, Room 419 (LEA 419)

Office hour: Wednesday 4-5pm

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Textbooks:

There is no mandatory textbook. Optional textbooks are:

- Roland, G., Development Economics
- Todaro, M. and S. Smith. Economic Development, Twelfth Edition

Several copies of both textbooks are at the reserve desk in Redpath library. The Roland Textbook is available as an e-book on the McGill library website.

Reading List:

To access these papers, you have to use a campus computer since McGill paid the subscription to have access to these journals. You can access these articles on your home computer with the appropriate VPN (please contact McGill IT services for more details).

It is suggested to read the textbook chapters before coming to class. The articles or books marked with an * are also suggested readings before class. The other articles not marked with * are other sources I use in the lectures, and recommended if you want to dig more in the topic.

Lectures:

Lecture 1: Poverty

In this lecture, we will explore the extent of the gap in development between developed and developing countries. We will also see whether this gap is growing or not.

- Roland, chapters 1 and 2
- Todaro, chapters 1 and 2
- *Sen (1999), "Development as Freedom", e-book at the McGill library: Introduction, chapters 1 and 2
- Deaton (2005), "MEASURING POVERTY IN A GROWING WORLD (OR MEASURING GROWTH IN A POOR WORLD)", The Review of Economics and Statistics VOL. LXXXVII

Lecture 2: Fundamental Causes of Long-Run Economic Growth

In this lecture, we will review the three main theories explaining long-run growth: geography, culture and institutions.

- Roland: chapters 7 and 4
- Todaro: section 2.7
- Diamond. 1999. ["Guns, germs, and steel : the fates of human societies"](#).
- Acemoglu, Daron, and James A Robinson. 2012. Why Nations Fail: The Origins of Power, Prosperity and Poverty. (available online if you search hard enough)
- Cantoni. 2014. ["THE ECONOMIC EFFECTS OF THE PROTESTANT REFORMATION: TESTING THE WEBER HYPOTHESIS IN THE GERMAN LANDS"](#), Journal of the European Economic Association

Lecture 3: Empirical Evidence

In lecture 3, we will review the empirical evidence attempting to answer which of the three theories is more important at explaining long-run growth.

- *Acemoglu, Daron; Simon Johnson; James A. Robinson (2001), ["The Colonial Origins of Comparative Development: An Empirical Investigation"](#), American Economic Review
- *Acemoglu, Daron; Simon Johnson; James A. Robinson (2001), ["Reversal of Fortunes: Geography and Institutions in the Making of the Modern World Income Distribution"](#), Quarterly Journal of Economics.

Lecture 4: A Theory of Institutions

- *First three chapters of Acemoglu, Daron, and James A Robinson. 2012. Why Nations Fail: The Origins of Power, Prosperity and Poverty. (available online if you search hard enough)
- Anderson, Siwan, Patrick Francois, and Ashok Kotwal. 2015. ["Clientelism in Indian Villages."](#) American Economic Review, 105 (6): 1780-1816.
- *Daron Acemoglu & Simon Johnson & James Robinson, 2005. ["The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth,"](#) American

- Economic Review, American Economic Association, vol. 95(3), pages 546-579, June.
- Acemoglu, Cantoni, Johnson, Robinson (2011), "[The Consequences of Radical Reform: The French Revolution](#)", American Economic Review 101 (December 2011): 3286–3307.
 - Albouy (2012), "[The Colonial Origins of Comparative Development: An Empirical Investigation: Comment](#)", American Economic Review 2012, 102(6): 3059–3076

Assignment 1: Measuring Institutions

After this explanation of the theory of institutions, I will explain how to access data to measure the inclusiveness of these institutions. I will teach you how to produce a simple table based on this data. There are no prerequisites for this task, I will explain in detail how to do so. In the assignment, you will pick a country, measure institutions, and compare the results to predictions from the theory. Detailed explanations will be given during the lectures.

Lecture 5: Institutions theory and other development theories

In Lecture 5, we will use this new understating of the role of institutions to review the success or failure of other development theories in explaining growth.

Roland: chapter 4, 5

Todaro: chapter 3

Assignment 2: Evaluating the Impact of Institutional Reforms

After Assignment 1, the goal here will be to pick a country (it can be the same as in Assignment 1) and evaluate the impact of an institutional reform, i.e., a large shock to one of the institutions seen in this course. We will use the same data and measures than in Assignment 1. I will teach you how to identify these institutional reforms and how to produce a simple graph to analyze the impact of the reform. Again, there are no prerequisites for this assignment. More detailed explanations will be given during the lectures.

- Sachs, Jeffrey, 2005, "[The end of poverty : economic possibilities for our time](#)"
- Clemens and Demombynes (2010), "[When Does Rigorous Impact Evaluation Make a Difference? The Case of the Millennium Villages](#)"

Time permitting, we will explore how other topics relate to the theory of institutions:

Lecture 6: Institutions and the Environment:

What is the place of the environment in the theory of institutions? Inclusive institutions that brought about prosperity also brought about environmental destruction. Is the focus on inclusive institutions thus misplaced?

Hunt Allcott and Todd Rogers. (2014). [“The Short-Run and Long-Run Effects of Behavioral Interventions: Experimental Evidence from Energy Conservation”](#), American Economic Review 2014, 104(10): 3003–3037

Lecture 7: Inequality:

Inequality is at the center of the theory of institutions since it determines the institutional choices made in society. How to measure inequality? Is it decreasing or increasing? What are the consequences?

Piketty (2013). “Capital in the Twenty-First Century”, eBook 2018 Cambridge, MA : Harvard University Press. Ebook available through the McGill library.

Piketty. (2003), “Les Hauts Revenus en France au XXe siècle: Inégalités et redistributions (1901-1998)”, Grasset.

Autor, Dorn, Hanson. (2013). [“The China Syndrome: Local Labor Market Effects of Import Competition in the United States”](#), American Economic Review, 103(6): 2121-68.

Autor, Dorn, Hanson, Majlesi. (2020). [“Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure”](#), American Economic Review, 110(10), 3139-83.

Autor, Levy, Murmane. (2003). [“The Skill Content of Recent Technological Change: An Empirical Exploration”](#), The Quarterly Journal of Economics, 118(4), 1279-1333.

Acemoglu, Autor. (2011). [“Skills, Tasks and Technologies: Implications for Employment and Earnings”](#), Handbook of Labor Economics Volume 4, Part B, 2011, Pages 1043-1171

Due to time constraints, it is possible that some topics will not be covered, or some topics added. The instructor maintains discretion regarding changes in this outline. Any changes will be discussed in class and/or announced on MyCourses.

Attendance:

- Continuous attendance is mandatory, any points raised in the lectures can end up in the examinations. In addition, you may miss important administrative information discussed during class.
- Any scheduling conflicts should be resolved before the course drop-date, as no exceptions will be made for lost grades due to absences caused by such conflicts.
- If you miss a lecture, it is your responsibility to arrange with a classmate to borrow his/her notes.

Evaluation Methods:

- Assignment 1: 20%
- Assignment 2: 20%
- Quizzes: 20%
- Final exam: 40%

Quizzes:

There will be 5 quizzes on Jan 31, Feb 14, Feb 28, March 20, April 11. These dates are subject to change depending on the pace of the lectures.

Each quiz will take 10 minutes. Quizzes will consist of short answer questions related to the material covered during the lectures. They can be on all the material covered in the lectures, but they will of course focus more on the part not yet covered in previous quizzes.

During the quizzes, students may not consult any documents, newspapers, or the Internet. Calculators are allowed, but no smart phone with a connection to the internet. Any student not complying with these regulations will be assigned a grade of zero.

If you miss a quiz for medical reasons, you must provide a valid and relevant medical note, and your grade will then be adjusted accordingly (i.e., the weight will be shifted on the other quizzes).

If you have a question about the grading of your quiz, you must first consult with the TA who graded your quiz.

Final exam:

The final exam will be on the material covered in the lectures. It can also include questions on papers seen in class or not (extensive details will be provided on the papers if they are not covered in class).

MyCourses:

This course utilizes MyCourses for course management and posting of relevant materials. Students are thus expected to have access to a computer and to the Internet. There are a number of campus computer labs for students who might not have a computer and/or access to the Internet at home.

Academic Policies:

- **Academic Integrity:** McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr for more information).
En français: L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site www.mcgill.ca/students/srr).
- **A Note about the final exam:** According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the Calendar, section 4.7.2.1, General University Information and Regulations at www.mcgill.ca.
- In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded.
- If you have a disability please contact the Office for Students with Disabilities
- Additional policies governing academic issues which affect students can be found in the McGill Charter of Students' Rights (online at <http://ww2.mcgill.ca/students-handbook/chapter1.html>)

My E-mail Policy:

Please check the syllabus, lectures, ask your teammates and colleagues, before you e-mail, to see if your question or concern is answered there.

I will try to reply to your e-mail within 48 hours. However, given the large number of students in my classes, this will not always be possible. Also, please keep the e-mails short and simple:

- Short e-mails to which I can answer 'yes' or 'no' will be answered more quickly.
- Long e-mails that require long answers may or may not be answered, and are likely to take longer to answer. If your query is that involved, please stop by during office hours.

My Office Hours:

There will be days where I will not be in because of travel to conferences and seminars. My office hours and sometimes lectures will be cancelled and rescheduled in these cases. I will try to announce these in advance.

Extraordinary Circumstances Statement:

In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

Copyright of lectures Statement:

All slides, video recordings, lecture notes, etc. remain the instructor's intellectual property. As such, you may use these only for purposes of your own learning (and research, with proper referencing/citation). You are not permitted to disseminate or share these materials; doing so may violate the instructor's intellectual property rights and could be cause for disciplinary action.