

**ECON 314**  
**Fall 2023**  
**Economic Development 2**

**Course Description:**

Why are some countries rich and others poor? This question has captivated the minds of economists since Adam Smith. Recently, it has been argued that “institutions”, i.e., the rules of the game, matter more than other explanations such as geography or culture. In this course, we will explore with current data and rigorous empirical methodologies whether institutions truly matter, and how they can be changed. We will review systematically the set of inclusive economic and political institutions that has been identified in the literature as critical for the process of economic development.

In this course, we will also access and manipulate large datasets in an attempt 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 using and manipulating large datasets, an important skill nowadays considering the ever greater availability of data.

**Prerequisites:**

Students must have completed ECON313.

**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)

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**TA:** Tamara Pressman ([tamara.pressman@mcgill.ca](mailto:tamara.pressman@mcgill.ca)), office hour: Leacock 112D on Tuesdays, 11am-12pm.

## Lectures:

### **Lecture 1: The Theory of Institutions**

In this introductory lecture, I will present the theory of institutions. It is highly recommended to read the first three chapters of "Why Nations Fail", available online if you search hard enough, and the first two papers below:

Acemoglu, Daron, and James A Robinson. 2012. Why Nations Fail: The Origins of Power, Prosperity and Poverty (1<sup>st</sup>). 1<sup>st</sup> ed. New York: Crown, 529.

Acemoglu, Daron; Simon Johnson; James A. Robinson (2001), "[The Colonial Origins of Comparative Development: An Empirical Investigation](#)", *American Economic Review*, 91 (5): 1369- 1401.

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*, 117(4): 1231-1294.

Acemoglu, Daron ; 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.

### **Assignment 1: Measuring Institutions**

After this introduction on the theory of institutions, I will explain how to access large datasets to measure the inclusiveness of these institutions. I will teach you how to manipulate the data and perform simple commands. 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.

The papers below are not compulsory readings. They are the source of my lectures. You can consult them if you are interested in digging more into the details.

### **Lecture 2 Property Rights Institutions**

Besley, Ghatak (2010), "[Property Rights and Economic Development](#)", *Handbook of Development Economics* Volume 5, 2010, Pages 4525–4595

Goldstein and Udry (2008), "[The Profits of Power: Land Rights and Agricultural Investment in Ghana](#)", *Journal of Political Economy* 116.6 (2008): 981-1022.

Banerjee, Gertler and Ghatak (2002). "[Empowerment and Efficiency: Tenancy Reform in West Bengal](#)." Journal of Political Economy 110.2 (2002): 239-80. Web.

## **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 graphs to analyze the data. Again, no prerequisites are expected. More detailed explanations will be given during the lectures.

## **Lecture 3 Legal institutions**

Chemin (2009). "[The impact of the judiciary on entrepreneurship: Evaluation of Pakistan's "Access to Justice Programme"](#)", Journal of Public Economics, Volume 93, Issues 1–2, February 2009, Pages 114–125.

Glaeser, Shleifer (2002), "[Legal Origins](#)", The Quarterly Journal of Economics (2002) 117 (4): 1193-1229.

Djankov, La Porta, Lopez-de-Silanes and Shleifer (2003), "[Courts](#)", The Quarterly Journal of Economics (2003) 118 (2): 453-517.

Acemoglu and Johnson (2005), "[Unbundling Institutions](#)", Journal of Political Economy, Vol. 113, No. 5 (October 2005), pp. 949-995

Chemin (2020), "[Judicial Efficiency and Firm Productivity: Evidence from a World Database of Judicial Reforms](#)", Review of Economics and Statistics

Aberra, Chemin (2021), "[Does Legal Representation Increase Investment? Evidence from a Randomized Experiment in Kenya](#)", Forthcoming, Journal of Development Economics

## **Lecture 4 Provision of Public Services**

Olken (2007), "[Monitoring Corruption: Evidence from a Field Experiment in Indonesia](#)", Journal of Political Economy

Burgess, Jedwab, Miguel, Morjaria, Padró i Miquel (2015), "[The Value of Democracy: Evidence from Road Building in Kenya](#)", American Economic Review, Vol. 105, No. 6, June 2015 (pp. 1817-51).

Banerjee, Duflo, Glennerster (2008), "[Putting a Band-Aid on a Corpse: Incentives for Nurses in the Indian Public Health Care System](#)", Journal of the European Economic Association, Volume 6, Issue 2-3, 1 May 2008, Pages 487–500.

Chen, Glewwe, Kremer, Moulin (2001), "[Interim Report on a Teacher Attendance Incentive Program in Kenya](#)".

Duflo, Hanna, Ryan (2012), "[Incentives Work: Getting Teachers to Come to School](#)", American Economic Review, Vol. 102, No. 4, June 2012 (pp. 1241-78)

## Lecture 5 Access to Credit

De Soto (2000), [“The mystery of capital : why capitalism triumphs in the West and fails everywhere else”](#), Basic Books.

Banerjee, Duflo, Glennerster, Kinnan, 2015, [“The miracle of Microfinance? Evidence from a randomized evaluation”](#), American Economic Journal: Applied Economics 2015, 7(1): 22–53

Tarozzi, Desai, Johnson (2015), [“The Impacts of Microcredit: Evidence from Ethiopia”](#), American Economic Journal: Applied Economics 2015, 7(1): 54–89

Attanasio, Augsburg, De Haas, Fitzsimons, Harmgart (2015), [“The Impacts of Microfinance: Evidence from Joint-Liability Lending in Mongolia”](#), American Economic Journal: Applied Economics 2015, 7(1): 90–122

Crépon, Devoto, Duflo, Parienté (2015), [“Estimating the Impact of Microcredit on Those Who Take It Up: Evidence from a Randomized Experiment in Morocco”](#), American Economic Journal: Applied Economics 2015, 7(1): 123–150

Angelucci, Karlan, Zinman (2015), [“Microcredit Impacts: Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco”](#), American Economic Journal: Applied Economics 2015, 7(1): 151–182

Augsburg, De Haas, Harmgart, Meghir (2015), [“The Impacts of Microcredit: Evidence from Bosnia and Herzegovina”](#), American Economic Journal: Applied Economics 2015, 7(1): 183–203

## Lecture 6 Political institutions

Chemin (2021), [“Can judiciaries constrain executive power? Evidence from judicial reforms”](#), Journal of Public Economics, 2021, vol. 199, issue C

Sánchez de la Sierra (2021), [“Whither Formal Contracts?”](#), Econometrica, Vol. 89, Issue 5 p. 2341-2373

Persson, Tabellini (2005), [“The Economic Effects of Constitutions”](#), MIT Press.

Besley, Burgess (2002), [“The Political Economy of Government Responsiveness: Theory and Evidence from India”](#), The Quarterly Journal of Economics, Volume 117, Issue 4, November 2002, Pages 1415–1451

Acemoglu, Robinson (2005), [“Economic Origins of Dictatorship and Democracy”](#), Cambridge University Press.

Acemoglu, Robinson (2019), [“The Narrow Corridor: States, Societies, and the Fate of Liberty”](#), Penguin Press New York 2019

Aidt, Franck (2015), [“Democratization Under the Threat of Revolution: Evidence From the Great Reform Act of 1832”](#), Econometrica

Aidt and Jensen (2014), [“Workers of the world, unite! Franchise extensions and the threat of revolution in Europe, 1820–1938”](#), European Economic Review.

Aidt and Leon (2016), "[The Democratic Window of Opportunity: Evidence from Riots in Sub-Saharan Africa](#)", Journal of Conflict Resolution.

Acemoglu, Robinson (2019), "[The Narrow Corridor: States, Societies, and the Fate of Liberty](#)", Penguin Press New York 2019

Olken (2010), "[Direct Democracy and Local Public Goods: Evidence from a Field Experiment in Indonesia](#)", American Political Science Review Vol. 104, No. 2 May 2010

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

**Lecture 7: Foreign aid:**

Is there a role for foreign aid in this theory? Can foreign aid be used to reform institutions?

**Lecture 8: 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 9: 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

**Lecture 10: International trade:**

In light of this theory of institutions, is free trade good or bad? Or unimportant? Does this new understanding of institutions reverse the long-standing policy prescriptions of traditional economists on free trade?

Nunn. (2007). [“Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade”](#), The Quarterly Journal of Economics, 122(2), 569-600.

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%
- Mid term: 20% (October 18)
- Final exam: 40%

The exams will be on the material covered in the lectures. They can include questions on papers seen in class or not (extensive details will be provided on the papers if they are not covered in class). The exams can also include questions on code and output related to assignments 1 and 2.

**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.

## 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.

## 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](http://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](http://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](http://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.