

Organized by the Economic Growth Centre at Nanyang Technological University

Economic Growth and Development Workshop

15th August 2016

Keynote Speakers:

- Paula GIULIANO, UCLA
- Jong-Wha LEE, Korea University

Venue:

Conference Room at Level 5 (HSS 05-57)
HSS Building
School of Humanities & Social Sciences
Nanyang Technological University

Campus map is available at:

<http://www.hss.ntu.edu.sg/Programmes/econ/About/Pages/How-to-Find-Us.aspx>

Event Date and Time:

15th August 2016 (Monday)

9:30am to 4:30pm

Workshop Program

09:00 - 09:15 Arrival and Registration

09:15 - 09:30 Opening Remarks

09:30 - 10:30 Paula GIULIANO, UCLA

Keynote Address: Long-Term Orientation and Educational Performance

10:30 - 11:10 Christopher PAIK, NYU

Title: State and Development: A Historical Study of Europe

11:10 - 11:25 Tea break

11:25 - 12:05 Yaling JI, NTU

Title: God and Our Daily Bread: How Religiosity Shapes the Financial Landscape

12:05 - 12:45 Margaret TRIYANA, NTU

Title: The Effects of Early-Life Exposure to Pollution on Children's Human Capital Formation: The Case of Indonesia

12:45 - 13:30 Lunch

13:30 - 14:30 Jong-Wha LEE, Korea University

Keynote Address: Human Capital in the Long-Run

14:30 - 15:10 Sujata VISARIA, HKUST

Title: Financing Smallholder Agriculture: An Experiment with Agent-intermediated Microloans in India

15:10 - 15:25 Tea break

15:25 - 16:05 Jiahua CHE, Fudan University

Title: A Three-Party Game of Institutional Resilience versus Transition: A Model and Comparative History of China-Japan Revisited

16:05 - 16:45 Ying BAI, CUHK

Title: Farewell to Confucianism: The Modernizing Effect of Dismantling China's Imperial Examination System



Economic Growth Centre

Keynote Address: Long-Term Orientation and Educational Performance

By **Paola GIULIANO** (with David Figlio, Umut Ozek, and Paola Sapienza)

Abstract: The paper explores the effect of long term orientation, the cultural value that “stands for the fostering of virtues oriented toward future rewards” (Hofstede et al., 2010), on educational performance. We use matched birth records and longitudinal student records from the Florida Department of Education to study the effect of long term orientation on behavioral and educational measures of performance for a large sample of first and second generation migrants born between 1992 and 2002. We find that migrants coming from countries with high long term orientation perform better in standardized test scores of mathematics and readings, have a higher graduation rates, they are also less likely to have disciplinary problems and to be truant from school. We attempt to explore the mechanisms of cultural transmission by looking at the relevance of the size of the community from the same country of origin and the importance of children’s socioeconomic background. The differential investment of parental time on educational activities and school choice are also studied. Our results are confirmed when we use data from the Program for International Student Assessment, containing information on a large sample of first and second generations immigrants in 37 different destination countries.

State and Development: A Historical Study of Europe

By **Christopher PAIK** (with S.P. Harish)

Abstract: State presence and longevity have long been associated with growth and development, and yet analyzing their relationship remains challenging as both the length of state rule and geographical boundaries change over time. After addressing conceptual and practical concerns on its construction, we present a measure of the mean duration of state rule that is aimed at resolving some of these issues. We then present our findings on the relationship between our measure and local development, drawing from observations in Europe spanning from 0 AD to 2000 AD. We find that during this period, the mean duration of state rule and the local income level have a nonlinear, inverse U-shaped relationship, controlling for a set of historical, geographic and socio-economic factors. Regions that have historically experienced short or long duration of state rule on average lag behind in their local wealth today, while those that have experienced medium-duration state rule on average fare better.

God and Our Daily Bread: How Religiosity Shapes the Financial Landscape

By **Yaling JI**

Abstract: This paper exploits spatial variations in historical pathogen prevalence to estimate the causal impact of religiosity on financial inclusiveness, utilizing data from individuals’ religious preferences and financial behaviors, as well as those aggregated across contemporary societies. The results suggest that higher levels of religiosity are negatively associated with the inclusiveness of financial systems, across different individuals, U.S. states and countries. Taken together, these findings reveal an inherent link between two seemingly tenuous facets of society – religious attributes and the financial environment.

The Effects of Early-Life Exposure to Pollution on Children's Human Capital Formation: The Case of Indonesia

By **Margaret TRIYANA** (with Maria Rosales)

Abstract: This paper analyzes the effects of an early-life shock in Indonesia on children's human capital formation in the short term and longer term. We exploit the geographical variation of Indonesia's forest fires during the El Nino weather phenomenon in 1997, as well as cohort variation in exposure. Children affected by air pollution in utero and in their early years have worse health outcome relative to children not exposed to these shocks, but we find no significant effect on cognitive skills. The effects on children's health persist, and more importantly, we find no differential effects by socio-economic characteristics, suggesting that the adverse health effects of air pollution are indiscriminate.

Keynote Address: Human Capital in the Long-Run

By **Jongwha LEE**

Abstract: This study presents a new data set on long-run enrollment ratios, subdivided by education level and gender, for 111 countries from 1820 to 1945 (at five-year intervals). By utilizing these enrollment ratios, as well as available census data, we construct a data set of estimated educational attainment, disaggregated by gender and age group, and aggregate human capital stock that spans from 1870 to 2010. The data show that over the past two centuries, there has been remarkable growth in average educational attainment and human capital stock as well as a narrowing of the gap in average educational attainment between nations.

Financing Smallholder Agriculture: An Experiment with Agent-Intermediated Microloans in India

By **Sujata VISARIA** (with Pushkar Maitra, Sandip Mitra, Dilip Mookherjee, and Alberto Motta)

Abstract: Recent evaluations have found that traditional microloans have insignificant impacts on incomes and output. We examine if this is because when they use standard group lending schemes, microfinance institutions are unable to target productive borrowers. We conduct a randomized field experiment in West Bengal where the selection of borrowers for individual liability loans was delegated to local trader-lender agents incentivized by repayment-based commissions. We develop a theoretical model of differences in selection and production incentives between this variant (called TRAIL) and standard group loans (called GBL). Consistent with model predictions, we find that TRAIL borrowers had lower average default risk and achieved higher rates of return on their loans. TRAIL loans increased production of the leading cash crop and farm incomes by 27-37%, but GBL loans had insignificant effects. Differences in selection across observable borrower characteristics correlated with productivity accounts for at least 14% of this difference. Repayment rates were equally high in both schemes, while TRAIL had higher take-up rates and lower administrative costs.

A Three-Party Game of Institutional Resilience versus Transition: A Model and Comparative History of China-Japan Revisited

By **Jiahua CHE** (with Masahiko Aoki, and Masaki Nakabayashi)

Abstract: In the late 19th and the early 20th century, China and Japan witnessed landmark institutional transitions. In both cases, thousand-years-old institutional arrangements came to an end, together with the collapse of the ruling regimes that had by themselves lasted for centuries. Yet, the post-transition experience of the two countries diverged. Japan went through a sequence of mostly peaceful reforms that transformed the country into a major power in the modern world; whereas China was plunged into a prolonged series of conflicts instead, which apparently failed to lift the country off the mud of underdevelopment. Combining a model of three-party game and a comparative narrative of these two historical episodes, this article explores the endogenous nature of institutional resilience versus transition to shed light both on how the ruling regimes managed to survive for long in both countries as well as on the divergent transitional experiences of these two nations. Our analysis highlights the role of state capacity, ideological differences among key players, and the inherent institutional capacities in either country in addressing such differences. Furthermore, it relates these differences to the different political institutions eventually emerging from the two countries' respective transitions.

Farewell to Confucianism: The Modernizing Effect of Dismantling China's Imperial Examination System

By **Ying BAI**

Abstract: Imperial China employed a civil examination system to select scholar bureaucrats as ruling elites. This institution dissuaded high-performing individuals from pursuing some modernization activities, such as establishing modern firms or studying overseas. This study uses prefecture-level panel data from 1896–1910 to compare the effects of the chance of passing the civil examination on modernization before and after the abolition of the examination system. Its findings show that prefectures with higher quotas of successful candidates tended to establish more modern firms and send more students to Japan once the examination system was abolished. As higher quotas were assigned to prefectures that had an agricultural tax in the Ming Dynasty (1368–1643) of more than 150,000 stones, I adopt a regression discontinuity design to generate an instrument to resolve the potential endogeneity, and find that the results remain robust.