

## Syllabus

### **Industrial Policies and Economic Development (Industriepolitik und wirtschaftliche Entwicklung)**

**M.WIWI-VWL.0025 | M.WIWI-VWL.0185**

**Summer Semester 2025**

(as of March 10, 2025)

**PRELIMINARY VERSION**

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## **1. General information**

### *1.1 Course content*

Place-based programs—government policy tools used to promote local economic development and reduce regional disparities—have gained significant prominence in developing countries in recent decades (e.g., Duranton and Venables, 2021). These policies aim to attract investments, create job opportunities, foster innovation, and improve the welfare of local residents. By focusing on the development and promotion of targeted industries, governments can stimulate economic growth, generate additional economic activity in the region, and improve the sector’s competitiveness.

Much of the research so far has focused on analyzing the effectiveness of these programs in developed countries, where the public resources target predominantly distressed regions (Busso et al., 2013; Kline and Moretti, 2014). However, insights gained from programs in lagging regions in developed countries may not be directly extrapolated to emerging economies since policies there generally target the most advantageous areas with better access to infrastructure.

This Master seminar intends to shed light onto selected major aspects of how industrial policies are used as a tool to promote local economic development. The seminar starts with reviewing the relevant economic literature of industrial policies in developed and developing countries. We then proceed to analyze the effects of industrial policies on firm performance and household well-being in developing

countries. We will adapt a micro to macro approach and discuss in detail the econometric specification, the underlying assumptions to estimate a local treatment effect, potential endogeneity concerns, and how to circumvent them. Next, we will focus on agglomeration economies stemming from industrial policies and will discuss how industrial policies may affect local consumer amenities. Finally, we will discuss alternative data sources that could be used to measure the effects of industrial policy on economic activity in developing countries, such as geocoded nighttime light or geocoded pollution data. The topics that this seminar touches upon include:

- Industrial policies
- Economic development
- Firm performance
- Household well-being
- Agglomeration economies
- LATE (Local Average Treatment Effect)
- Endogeneity issues
- Spillover effects

### *1.2 Course goals*

Students learn how to work through cutting-edge empirical research evaluating the impact of industrial policies on various outcomes in developing countries, synthesize, and critically review scholarly work, implement their own independent research, and present research in front of an academic audience.

### *1.3 Prerequisites*

There are no formal requirements but knowledge in the following areas is highly recommended: Econometrics at Master level.

### *1.4 Credit points*

6 ECTS-LP.

### *1.5 Registration*

The sign-up for this seminar is centralized. You can sign up until **April 2, 2025** via this form:

<https://survey.academiccloud.de/index.php/145565?lang=en>

Seminar slots will be allocated according to preferences and contested slots will be allocated in a lottery. In case of any questions about the process, please contact [counseling-devecon@uni-](mailto:counseling-devecon@uni-)

[goettingen.de](http://goettingen.de). You will be informed about the result in the week prior to the semester start. In case you have not obtained a slot, you may attend the introductory meeting. In case a student drops out, you can take the slot.

If you have been allocated a slot and want to take the seminar, you need to register for the examination via FlexNow until **Friday, May 2, 2025**. The attendance at the introductory meeting is compulsory for registration. The number of participants is restricted to 15.

## 2. Course overview

### 2.1 Description of the teaching and learning methods

Students must demonstrate an overview of a specific strand of the literature on industrial policies and economic development. By summarizing and critically assessing a recent research paper, students demonstrate their ability to apply state-of-the-art econometric methods and their ability to go beyond the results of previous research, which they critically reflect on in a term paper. Students are expected to develop one research question following the summary and a critical assessment of the previous research, to describe potential data sources they could use to answer this question, write an econometric specification, and interpret the expected results. The developed idea must be novel and could potentially be evolved into a Master thesis or an academic paper. The written assignment must not exceed 15 pages, with the emphasis given on the critical assessment of assigned paper and the presentation of a novel idea.

By presenting the term paper, students show their ability to concisely present complex theoretical and/or empirical concepts. Moreover, during oral discussions, students demonstrate their ability to defend, as well as critically reflect upon arguments from the empirical literature. **The course language is English.**

### 2.2 Meetings

#### *Introductory meeting:*

- Thursday, April 24, 2025, 16:15-19:30 s.t. (room: see eCampus/EXA)
- Friday, April 25, 2025, 13:15-16:30 s.t. (room: see eCampus/EXA)

#### *Mid-term meetings:*

- Thursday, May 22, 2025, 16:15-19:30 s.t. (room: see eCampus/EXA)
- Friday, May 23, 2025, 13:15-16:30 s.t. (room: see eCampus/EXA)

*Final meetings:*

- Thursday, June 26, 2025, 14:00-18:00 s.t. (room: see eCampus/EXA)
- Friday, June 27, 2025, 14:00-18:00 s.t. (room: see eCampus/EXA)

*Submission deadline for exposé (Wednesday, May 14, 2025, 23:55)*

Please upload on Stud.IP an electronic version of your exposé (in PDF format).

*Submission deadline for term paper (Monday, June 18, 2025, 23:55)*

Please upload on Stud.IP an electronic version of your term paper (in PDF format).

*Communication:*

Instead of emails, we will use the two communication fora on Stud.IP (one for content-related and one for organizational questions).

*2.3 Examination and grading of the module*

The grading consists of three components:

- Term paper [70%]
- Presentation of term paper and oral peer discussions of papers [25%]
- Participation in class [5%]

Furthermore, in order to pass the course, participants must

- be present and actively participate during all seminar sessions
- submit all written course requirements on time
- achieve a weighted average grade exceeding or equal to 4.0

*2.4 Course materials*

- The preliminary list of required readings is announced below.
- Supplementary course materials will be announced at the beginning of each meeting and/or published on Stud.IP.

### 3. Term paper requirements

#### *Term paper*

Term paper consists of two parts: 1) summary and a critical assessment of the assigned existing academic paper, and 2) presentation of a novel research idea. Students are expected to develop one research question, relate its contribution to the literature that we learned in the class, describe potential data sources they could use to answer this question, write an econometric specification, and interpret the expected results. The developed idea must be novel and could potentially be evolved into a Master thesis or an academic paper.

The length of the term paper must not exceed 15 pages. The cover sheet, reference list, figures, and tables (if any) are included in the page count. Please use the following formatting: Font size: 12 pt, line spacing: 1.5 times, alignment: justification, margin (right, left, top and bottom margin): 2.5 cm each. Please make sure that you are consistent in your referencing and bibliography.

Use a referencing style that is in line with basic conventions in the economics literature. Always quote within a work using the same method. The Chair recommends the in-text author-year citation style (see, for example, information sheet “Citation according to the Harvard system”). All sources that you have cited in the text must appear in the reference list. Everything that you have only read but not cited in the text must NOT appear in the reference list. Term papers need to be written in English. The work must be done independently by the student.

Every idea, statement or fact taken from other sources must be appropriately cited. Quotes need to be indicated as such. Plagiarism is sanctioned with the grade 5 (failed). The general rules of the Faculty of Business and Economics apply. A signed declaration must be attached to each scientific work: “I hereby declare that I wrote this term paper independently, without assistance from external parties, and without use of other resources than those indicated. All information taken from other publications or sources in text or in meaning are duly acknowledged in the text. I give my consent to have this thesis checked by plagiarism software.”

Additionally, please attach a **declaration** if you have used AI-based chatbots such as ChatGPT. Sample annex:

Declaration on the use of ChatGPT and comparable tools: In this paper, I have used ChatGPT or another AI tool as follows.:

not at all

during brainstorming

when creating the outline

to write individual passages, altogether to the extent of ...% of the entire text

for the development of source code

for optimizing or restructuring source code

for proofreading or optimizing

further, namely: ...

I hereby declare that I have stated all uses completely. Missing or incorrect information will be considered as an attempt to cheat.

**Preliminary reading list:**

➤ *Introduction:*

- Duranton, G. and Venables, A. J. (2021). Place-based policies: Principles and developing country applications. In Fischer, M. M. and Nijkamp, P., editors, *Handbook of Regional Science*, pages 1009–1030. Springer Berlin Heidelberg, Berlin, Heidelberg.
- Neumark, D., & Simpson, H. (2015). Place-based policies. In *Handbook of Regional and Urban Economics* (Vol. 5, pp. 1197-1287). Elsevier.
- Harrison, A., & Rodríguez-Clare, A. (2010). Trade, foreign investment, and industrial policy for developing countries. *Handbook of Development Economics*, 5, 4039-4214.
- Moretti, E. (2024). Place-based policies and geographical inequalities. *Oxford Open Economics*, 3(Supplement\_1), i625-i633.

➤ *Industrial policies in developed countries:*

- Criscuolo, C., Martin, R., Overman, H. G., & Van Reenen, J. (2019). Some causal effects of an industrial policy. *American Economic Review*, 109(1), 48-85.
- Busso, M., Gregory, J., & Kline, P. (2013). Assessing the incidence and efficiency of a prominent place-based policy. *American Economic Review*, 103(2), 897-947.
- Kline, P., & Moretti, E. (2014). Local economic development, agglomeration economies, and the big push: 100 years of evidence from the Tennessee Valley Authority. *The Quarterly Journal of Economics*, 129(1), 275-331.
- Ham, J. C., Swenson, C., İmrohoroğlu, A., & Song, H. (2011). Government programs can improve local labor markets: Evidence from state enterprise zones, federal empowerment zones and federal enterprise community. *Journal of Public Economics*, 95(7-8), 779-797.

➤ *Effects on firms:*

- Chaurey, R. (2017). Location-based tax incentives: Evidence from India. *Journal of Public Economics*, 156, 101-120.
- Görg, H., & Mulyukova, A. (2024). Place-based policies and firm performance: Evidence from Special Economic Zones in India. *European Economic Review*, 165, 104752.
- Lu, Y., Wang, J., & Zhu, L. (2019). Place-based policies, creation, and agglomeration economies: Evidence from China's economic zone program. *American Economic Journal: Economic Policy*, 11(3), 325-360.
- Wang, J. (2013). The economic impact of special economic zones: Evidence from Chinese municipalities. *Journal of Development Economics*, 101, 133-147.

➤ *Effects on households:*

- Lu, F., Sun, W., & Wu, J. (2023). Special economic zones and human capital investment: 30 years of evidence from China. *American Economic Journal: Economic Policy*, 15(3), 35-64.
- Picarelli, N. (2016). Who really benefits from export processing zones? Evidence from Nicaraguan municipalities. *Labour Economics*, 41, 318-332.
- Abagna, M., Hornok, C., & Mulyukova, A. (2024). Place-based policies and household wealth in Africa. *Available at SSRN 4734302*.
- Zhao, C., & Qu, X. (2024). Place-based policies, rural employment, and intra-household resources allocation: Evidence from China's economic zones. *Journal of Development Economics*, 167, 103210.

➤ *Agglomeration economies:*

- Blakeslee, D., Chaurey, R., Fishman, R., & Malik, S. (2022). Land rezoning and structural transformation in rural india: Evidence from the industrial areas program. *The World Bank Economic Review*, 36(2), 488-513.
- Shenoy, A. (2018). Regional development through place-based policies: Evidence from a spatial discontinuity. *Journal of Development Economics*, 130, 173-189.
- Hasan, R., Jiang, Y., & Rafols, R. M. (2021). Place-based preferential tax policy and industrial development: Evidence from India's program on industrially backward districts. *Journal of Development Economics*, 150, 102621.

➤ *Alternative data sources:*

- Bluhm, R., & Krause, M. (2022). Top lights: Bright cities and their contribution to economic development. *Journal of Development Economics*, 157, 102880.
- Hua, Y., Partridge, M., & Sun, W. (2023). Pollution effects of place-based policy: Evidence from China's development-zone program. *Journal of Regional Science*, 63(3), 703-727.
- Gibson, J., Olivia, S., Boe-Gibson, G., & Li, C. (2021). Which night lights data should we use in economics, and where?. *Journal of Development Economics*, 149, 102602.

**Note: Dates and contents subject to change!**