

Research statement

Abdulaziz B. Shifa

June 2021

A. Research agenda

I passionately endeavor to discover new insights about the process of economic development. In my research, I explore issues related to economic growth and development. My research agenda focuses on understanding the problems of economic development under various institutional contexts (e.g., the role of human capital in development) as well as the role and determinants of institutions in the process of economic development (e.g., the political economy of weak state capacity). I thus study development issues directly related to resource allocation as well as political economy issues that matter for development.

In my research, I believe that I have made contributions that are of fundamental significance for the research agenda in economic development. I have examined the role of human capital in economies that exhibited what could be considered “miraculous” economic growth during the past century. I examined the political economy of the urban-rural divide in autocratic states and its implication for economic development. My papers have made a substantial impact on the literature. For example, the theoretical and empirical contributions of my work on urban bias and economic development have expanded the frontier of economic research on the topic. Often, the literature assumes that urban bias arises because urban people have greater political power. In my paper published in the *Journal of Development Economics*, I developed the only theory (with empirical evidence) that shows that urban bias can arise even if urban people do not wield special political power.

I have also made an impactful contribution to the literature on how historical legacies shape contemporary institutional and economic outcomes. My papers on colonialism and development synthesized a newer theoretical thesis about the harmful impact of British rule. I also compiled rich quantitative and qualitative evidence to support the thesis. These papers, published in the *Economic Journal* and *Journal of Economic Behavior and Organization*, now provide a competing narrative to the dominant view in the economics literature that asserts the positive legacy of British rule.

To study these questions on economic development, I have combined my passion for research with my technical strength in various theoretical and empirical tools in economics. My research demonstrates both my interest in questions that are of major economic consequences and my ability to effectively use a diverse set of complex economic tools to answer those questions (such as quantitative macroeconomics models, game-theoretic political economy models, and econometric methods). I have also explored and drawn important insights from the literature in political science, history, and anthropology.

My research has been published in highly regarded academic journals in economics. In addition, my publications have so far received over 140 citations (according to Google Scholar). My papers have also gained significant traction in terms of impact on policy audiences. Some of my research has been featured in prominent research blogs such as the London School of Economics Blog and African Antifraud. I have been recruited to consult the African Development Bank on public finance (tax capacity). I have also consulted with the International Growth Center of LSE on how developing countries may utilize their revenues from natural resource windfalls.

My research papers have also garnered significant attention in social media. For example, my recent paper on European colonization has been tweeted by 84 Twitter users across six continents. My paper on taxation has been twitted by 85 twitter users from multiple countries.

Going forward, my passion for learning about economic growth is not going to wane; I deeply care about the issues in economic development. This is also demonstrated in my ongoing research projects. Building on my earlier work on urban bias, I am working on two related projects using China's context. I examine the extent of disparity between urban and rural areas with respect to investment by the state. I also examine how urban bias may influence rural land policy in China, which is a central policy question. My other project examines (both theoretically and empirically) how large-scale land reforms affect economic outcomes (such as agricultural growth and structural change). I also study the political foundations of such large-scale land reforms.

I look forward to striving for a scholarly growth in which I produce high-quality academic research that can also have a meaningful impact on policy discussions.

B. Abstracts of sample research papers (published and in progress)

1. Building Fiscal Capacity in Developing Countries: Evidence on the Role of Information Technology

[with Merima Ali, Abebe Shimeles and Firew Woldeyes]

National Tax Journal, accepted for publication.

Weak fiscal capacity for domestic resource mobilization is the hallmark of poor countries. Recently, many developing countries resorted to the application of information technology to consolidate tax mobilization; however, there is little systematic empirical evidence on the impact of such reforms. We attempt to narrow this gap by documenting evidence from Ethiopia where there has been a recent surge in the use of electronic sales register machines (ESRMs). Using a unique large-scale administrative data-set covering all business taxpayers, we find that the adoption of ESRMs was followed by significant increases in reported sales and tax payments. Moreover, we find a positive effect on employment and no effect on net entry, suggesting that increased tax payments by registered taxpayers occurred without erosion of the tax base.

2. European Colonization and the Corruption of Local Elites: The Case of Chiefs in Africa

[with Merima Ali, Odd-Helge Fjeldstad]

[Journal of Economic Behavior & Organization](#), Volume 179, 2020, p. 80–100.

The association between British colonial rule and lower levels of corruption is often emphasized in the legal origins literature (La Porta et al., 2008). However, given the historical context of Africa, we hypothesize that Britain’s system of colonial control suggests a legacy of higher corruption among local elites (chiefs). First, much of the colonial control of the local population occurred through chiefs instead of the central state. Hence, the formal legal systems introduced by the colonial powers, while mostly applicable to the central state, had limited relevance to governing much of the population. Moreover, British rule entrenched the power of chiefs and undermined their accountability to the local population. Data from nationally representative surveys on the attitudes of adult Africans from anglophone and francophone countries reveal empirical patterns consistent with this hypothesis. In anglophone countries, the level of corruption among chiefs is found to be significantly higher than in francophone countries. Chiefs in anglophone countries also command a significantly lower level of public trust. These results remain robust to including a diverse set of controls, as well as in a discontinuity analysis on observations near the borders between anglophone and francophone countries.

3. Trade in Human Capital: A Quantitative Theory of Economic Growth and the Import of Higher Education

[Macroeconomic Dynamics](#), accepted for publication.

For a developing economy transitioning into knowledge-intensive sectors, the lack of capacity for advanced education poses a natural challenge. I present a stylized quantitative model of trade in high-skilled human capital, in which colleges in a developing country can hire high quality teachers from a developed country. In the model, the use of foreign teachers is proposed as a possible mechanism to build domestic capacity for advanced education. Quantitative calibrations of the model show two main results. First, there are significant frictions in human capital trade, as measured by the wedge between the level of human capital observed in the data versus the level simulated under the assumption of no frictions. Removal of the wedge can narrow average income gap between the United States and other countries by about 14%. Second, relative to countries with the lowest and highest incomes, middle-income countries appear to gain the most from removal of the wedge.

4. Colonial Legacy, State-Building and the Salience of Ethnicity in Sub-Saharan Africa

[with Merima Ali, Odd-Helge Fjeldstad, Boqian Jiang]

[The Economic Journal](#), Volume 129, Issue 619, April 2019, p. 1048–1081.

African colonial history suggests that British colonial rule may have undermined state

centralisation due to legacies of colonial segregation across ethnic groups and stronger executive constraints. Using micro-data from sub-Saharan Africa, we find that anglophone (as opposed to francophone) citizens report a weaker sense of national identity (relative to their ethnic identity). The findings also hold among observations near anglophone–francophone borders, both across countries and within Cameroon. Evidence from taxation, security and the power of chiefs also suggests weaker state capacity in anglophone countries. These results highlight the legacy of colonial rule on state-building.

5. Should Developing Countries Constrain Resource-Income Spending? A Quantitative Analysis of Oil Income in Uganda

[with John Hassler, Per Krusell, Daniel Spiro]

[The Energy Journal](#), Volume 38, p. 103–131, 2017.

A large increase in government spending following resource discoveries often entails political risks, inefficient investments and increased volatility. Setting up a sovereign wealth fund with a clear spending constraint may decrease these risks. On the other hand, in a capital scarce developing economy with limited access to international borrowing, such a spending constraint may lower welfare by reducing domestic capital accumulation and hindering consumption increases for the currently poor. These two contradicting considerations pose a dilemma for policy makers in deciding whether to set up a sovereign wealth fund with a spending constraint. Using Uganda’s recent oil discovery as a case study, this paper presents a quantitative macroeconomic analysis and examines the potential loss of constraining spending through a sovereign wealth fund with a simple spending rule. We find that the loss is relatively low and unlikely to dominate the political risks associated with increased oil spending. Thus, such a spending constraint appears well warranted.

6. Does Agricultural Growth Cause Manufacturing Growth?

[Economica](#), Volume 82, p. 1107–1125, 2015.

The role of agricultural development for industrialization is central to several theories of economic development and policy. However, empirically assessing the impact of agricultural growth on manufacturing growth is challenging because of endogeneity concerns. To address the identification challenge, I use random weather variations to instrument agricultural growth. The instrumental variable estimations show that agricultural growth has a significant positive impact on manufacturing growth. I discuss the empirical implications for efficiency of the manufacturing sector and the role of agriculture in Africa’s industrialization.

7. The Dual Policy in the Dual Economy – The Political Economy of Urban Bias in Dictatorial Regimes

[Journal of Development Economics](#), Volume 105, p. 77–85, 2013.

In many developing countries, public resource allocation is often biased against the rural population. Since a vast majority of the poor live in rural areas, the bias is highlighted as one of the most important institutional factors contributing to poverty. This paper

develops a political economy model of urban bias in a dictatorial regime. A novel result of the model is that urban bias can emerge in predominantly agrarian economies even if there is no bias in political power toward urban residents. The empirical evidence from a recently compiled country-level panel dataset on agricultural taxes/subsidies is consistent with the prediction of the model.

8. Urban Bias in Capital Allocation: Evidence from China

[with Piyusha Mutreja, Wei Xiao]

While urban bias in resource allocation, wherein governments neglect their rural population in favor of urban residents, is often considered as a crucial concern in autocratic states, empirical evidence on existence of such a bias remains limited. In this paper, we use micro data on firms from urban and rural areas of China to measure the extent and patterns of urban bias in capital allocation. First, we find that urban firms appear to have cheaper access to capital. Second, this urban-rural gap is primarily driven by state-owned enterprises, suggesting that allocation choices by the state, as opposed to investment constraints faced by nonstate rural enterprises, represent the more relevant factor for the underinvestment of capital in rural areas. Exploiting the regional variation across Chinese prefectures, we also document how the urban-rural gap in capital allocation varies across important market and political factors, namely, the level of financial development, the geographic proximity of an urban area to the centers of power, and the level of state control over the local economy.

9. Urban Bias and the Political Economy of Rural Land Policy in China

[with Wei Xiao]

The property rights of rural land remain significantly restricted in China. Given its implications for broad swaths of the economy, rural land reform remains a central issue in the political economy of China. This paper presents a political economy model of rural land policy, taking some salient characteristics of China's context into account. We consider an urban-biased political regime that faces the conflicting motives of industrializing the economy and controlling rural-urban migration. The model shows that while a higher level of urbanization provides stronger incentives in favor of land reform, an increase in the productivity of the urban sector has a counteracting effect. These effects are mediated by the labor elasticity of urban output, the income share of labor in the rural sector and the political power of urban residents. The model sheds light on how the modernization of China's economy could affect the prospects for land reform.

10. Colonial Origins and the Persistence of Customary Land Tenure

In many communities, chiefs wield significant influence in land allocation. Scholars of African colonial history often emphasize the role of British colonial rule in entrenching the control of chiefs over land resources. Using micro data on a survey of adult citizens from anglophone and francophone countries in sub-Saharan Africa, we find a highly robust empirical pattern in support of this thesis. Chiefs are more likely to be in charge

of land allocation in anglophone countries, as compared to francophone countries. This result holds across various specifications, including discontinuity analysis focusing on observations near anglophone–francophone borders. The finding highlights the potentially persistent effect of colonial rule on contemporary land institutions.

11. Economic Growth and Trade in Human Capital

A salient empirical pattern in the East Asian “miracle” is a large increase in output and factor accumulation (both human and physical capital) despite only a modest increase in TFP. I present a model of growth and economic catch-up that provides a possible explanation. A novel element of the model is a global market for education that allows for human capital transfer from frontier to developing economies. This assumption is motivated by the fact that during the technological catch-up of countries like Korea and Taiwan, domestic universities often relied on graduates of Western universities to provide advanced training in science and engineering. Calibration of the model using plausible parameter values from the literature and the data suggests that the human capital transfer channel can substantially amplify the impact of a TFP increase.

12. The Impact of Land Reforms on Agricultural Output and Structural Change

[with Devashish, Mitra, Lan Anh Tong, Mehmet A. Ulubasoglu]

Given the dominant role of agriculture in developing countries, land is a crucial factor of production and source of wealth. The distribution of land ownership is, therefore, of central significance in the economics and politics of many developing countries. This paper examines how land reforms affect economic outcomes. We draw on a large panel of unique data on land reforms. The dataset on land reform covers all major land reforms across the world in the past century. We document a robust negative relationship between land redistribution and agricultural output. We show that both agricultural output per hectare and output per worker decrease significantly following the adoption of redistributive reforms. We also find that redistributive reforms appear to slow down structural transformation: following redistributive reforms, the level of capital investment in agriculture (as measured by the stock of tractors) decreases and the share of agricultural labor in the economy increases.