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Advanced Development Economics

Winter term 2008/09

Lecture: Tuesdays 14:15-15:45, Room: VG 2.101

Tutorial:

Purpose

This course provides an in-depth analysis of current research in selected critical issues in development economics at the graduate level. The course will cover the topics of measurement of development, poverty, and subjective well-being, macro vicious cycles, the role of geography and institutions in development, aid and development, growth, inequality, and poverty linkages, informal and fragmented labor markets, risk and insurance in agriculture, the economics of AIDS, and gender bias in developing countries. Some familiarity with development issues (e.g. *Entwicklungsökonomik I, II, or III*) as well as background in micro and macro theory and empirical economics is highly desirable. The course is open to Ph.D. students in economics, applied statistics, agricultural economics as well as M.A. students in international economics.

Exam

Each M.A. student has to present two articles in the tutorial (see list below) and to pass an exam at the end of the course. Ph.D. students are required to write a term paper (about 15 pages) and pass the exam at the end of the course.

General readings

Ray, D. (1998): *Development Economics*, Princeton: Princeton University Press.*

Basu K. (1997): *Analytical Development Economics*, Cambridge: MIT Press.*

Bardhan, P. and C. Udry (1999): *Development Microeconomics*, Oxford: Oxford University Press.*

(* = Books available in the SUB and/or WISO-BIB)

Contents in Brief

Introduction

1. Measuring Development and poverty (Klasen)
2. Subjective well-being and poverty (Grün)

Macro-economic Perspectives of Development

3. Macro Vicious Cycles (Klasen)
4. Geography versus Institutions (Dreher)
5. Aid and Development (Dreher)
6. Aid and Development (Dreher)
7. Growth Inequality and Poverty Linkages (Klasen)

Micro-economic Perspectives of Development

8. Informal and Fragmented Labour Markets (Grün)
9. Risk and Insurance in Agriculture (Grün)
10. Risk and Insurance in Agriculture (Grün)
11. Natural Resources (Dreher)
12. Gender Bias (Klasen)

Literature

1. *Measuring Development (Klasen)*

Lecture:

- Sen, A. (1988) The Concept of Development, Handbook of Development Economics Vol. 1.
- Ravallion and Chen (2008) The developing world is poorer than we thought but no less successful in fighting poverty, *World Bank Policy Research Working Paper Series* No. 4703.
- Duclos, J. D. Sahn, and S. Younger (2006) Robust multidimensional poverty comparisons, *Economic Journal* 116: 943-968.
- Walter Bossert & Conchita D'Ambrosio and Vito Peragine (2007) Deprivation and Social Exclusion, *Journal of Economic Literature*, N°D63.
- Calvo and Dercon (2005) Measuring individual vulnerability, University of Oxford, *Economic Series Working Papers*, N°229.

Tutorial:

- Ravallion, M., Chen and P. Sangraula (2008) Dollar a day revisited, *World Bank Policy Research Working Paper Series*, N°4620.
- Reddy and Pogge (2005) How not to count the Poor, <http://www.socialanalysis.org>.
- Klasen, S. (2000) Measuring Poverty and Deprivation in South Africa, *Review of Income and Wealth*, 46 (March):33-58.
- Dowrick, S. and M. Akmal (2005) *Contradictory Trends in Global Income Inequality: a Tale of Two Biases*, *Review of Income and Wealth* 51: 201-231 (2005).

Bossert, D'Ambrosio, and Peragine (2008): Poverty and Time, ECINEQ Working Paper N°87.

2. *Subjective Poverty and Well-Being (Grün)*

Lecture:

Gough, McGregor (2007): Wellbeing in Developing Countries, ch. 1, 10, 12.

Van Praag, Ferrer-i-Carbonell (2006): A multi-dimensional approach to subjective poverty, in Kakwani, Silber (eds): Quantitative approaches to multidimensional poverty measurement.

Frey, Stutzer (2002): What can economists learn from happiness research? *Journal of Economic Literature*, Vol. 40, 402-435.

Rojas (2007): Heterogeneity in the relationship between income and happiness: A conceptual-referent-theory explanation, *Journal of Economic Psychology*, Vol. 28(1), 1-14.

Tutorial:

Mariano (2008): Experienced Poverty and Income Poverty in Mexico: A Subjective Well-Being Approach, *World Development*, Vol. 36(6), 1078-1093.

Herrera, Razafindrakoto, Roubaud (2006): The determinants of subjective poverty: A comparative analysis between Madagascar and Peru, DIAL working paper 2006/01.

Krueger, Schkade (2008): The reliability of subjective well-being measures, *Journal of Public Economics*, Vol. 92 (8-9), 1833-1845.

3. *Macro Vicious Cycles (Klasen)*

Lecture:

Basu, ch. 2*

Ray ch. 5*

Murphy, Shleifer and Vishny (1989): "Industrialisation and the Big Push", *JPE* 97, 1003-26.

Tutorial:

Banerjee, Abhijit and Andrew Newman (1998): "Information, the Dual Economy and Development", *ReStud*, 65(4), 631-53.

Kremer, Michael (1993): "The O-ring Theory of Development", *QJE*, 108, 551-75

4. *Geography versus Institutions (Dreher)*

Lecture:

Acemoglu, D., S. Johnson and J. Robinson (2001), The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review*, 91, p. 1369-1401.

Comments on Acemoglu et al. (2001):

Albouy, David (2004), The Colonial Origins of Comparative Development: A Reexamination Based on Improved Settler Mortality Data, University of California, Berkeley.

Auer, Rafael (2007), The Colonial Origins Of Comparative Development: Comment. A Solution to the Settler Mortality Debate, Swiss National Bank.

Olsson, Ola (2005), *Unbundling Ex-Colonies: A Comment on Acemoglu, Johnson, and Robinson (2001)*, Göteborg University.

Gallup J.L., J.D. Sachs and A.D. Mellinger (1998), *Geography and Economic Development*. NBER Working Paper 6849, NBER Cambridge, MA.

Tutorial:

Acemoglu D., S. Johnson and J.A. Robinson (2002), *Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution*. *Quarterly Journal Economics*, 117 (4): 1231-1294.

Dreher, Axel, Pierre-Guillaume Méon and Friedrich Schneider (2007), *The devil is in the shadow. Do institutions affect income and productivity or only official income and official productivity?* KOF Working Paper 179, ETH Zurich.

Easterly W., R. Levine (2002), *Tropics, Germs and Crops: How Endowments Influence Economic Development*. NBER Working Paper 9106, NBER Cambridge, MA.

Hall, R. and C. Jones (1999) *Why do some countries produce so much more output than others?* *Quarterly Journal of Economics*, 114, 83-116 Weil D. (2005), *Economic Growth* (Chapter 15: Geography, Climate, and Natural Resources, pp. 431-461), Boston: Pearson Education.

Rodriguez F. and J.D. Sachs (1999), *Why Do Resource-Abundant Economies Grow More Slowly?* *Journal of Economic Growth*, 4: 277-303.

Grimm, M. and S. Klasen. 2008. *Geography versus Institutions at the Village Level*.

5. + 6. Aid and Development (Dreher)

Lecture:

Burnside and Dollar (2000), *Aid, Policies, and Growth*, *American Economic Review* 90: 847-868.

Michael Clemens, Steven Radelet and Rikhil Bhavnani (2004), *Counting chickens when they hatch: The short term effect of aid on growth*, Center for Global Development Working Paper Number 44.

Dalgaard, Hansen, Tarp: *On the Empirics of Foreign Aid and Growth*. *Economic Journal* 114: F191-216 (2004).

Chris Doucouliagos and Martin Paldam (2005), *The Aid Effectiveness Literature - The Sad Result of 40 Years of Research*, Aarhus University Economics Paper No. 2005-15.

Easterly, Levine, and Roodman: *Aid, Policies, and Growth: Comment (and Reply)*. *AER* 94:774-784

Raghuram G. Rajan and Arvind Subramanian, 2008, *Aid and Growth: What Does the Cross-Country Evidence Really Show?* *Review of Economics and Statistics*.

Dreher, Axel, Rainer Thiele and Peter Nunnenkamp, 2008, *Does Aid for Education Educate Children? Evidence from Panel Data*, *World Bank Economic Review*, forthcoming.

Tutorial:

Alesina, Alberto, and David Dollar 2000: *Who gives Foreign Aid to Whom and Why?* *Journal of Economic Growth* 5: 33-63

H. Hansen and F. Tarp: *Aid and Growth Regressions*, *Journal of Development Economics* 547-570.

Alberto Alesina and Beatrice Weder (2002), *Do Corrupt Governments Receive Less Foreign Aid?* *American Economic Review* 92(4), 1126-1137.

- Kuziemko, Ilyana and Eric Werker, 2006, How much is a Seat on the Security Council Worth? Foreign Aid and Bribery at the United Nations, *Journal of Political Economy* 114, 5: 905-930.
- Williamson, Claudia R. (2008), Foreign aid and human development: the impact of foreign aid to the health sector, *Southern Economic Journal* 75(1) 188-207.

7. Natural Resources (Dreher)

Lecture:

- Collier, P. and A. Hoeffler (2004), Greed and Grievance in civil war, Oxford Economic Papers.
- Fearon, James D. 2005, Primary Commodity Exports and Civil War, *Journal of Conflict Resolution* 49, 4: 483-507.
- Ross, 2004, What Do We Know About Natural Resources and Civil War, *Journal of Peace Research* 41, 3: 337-356.
- Sachs J. and A. Warner (2001), The Curse of Natural Resources, *European Economic Review*, 45, 827-38.
- Soysa, Indra de, 2002, Paradise Is a Bazaar? Greed, Creed, and Governance on Civil War, *Journal of Peace Research* 39, 4: 395-416.

Tutorial:

- Caselli, F. (2006), Power Struggles and natural resources, mimeo, London School of Economics.
- Gylfason, Thorvaldur (2001), Natural Resources, Education, and Economic Development, *European Economic Review* 45, 847-859.
- Rodriguez F. and J. Sachs (1999), Why do resource-abundant economies grow more slowly? *Journal of Economic Growth*, 4, 277-303
- Sala-i-Martin, Xavier and Arvind Subramanian (2004), Addressing the Natural Resource Curse: An Illustration from Nigeria, NBER Working Paper No. 9804.
- Torvik, R. (2001), Learning-by-Doing and the Dutch Disease, *European Economic Review* 45, 285-306.

8. Growth, Inequality and Poverty Linkages (Klasen)

Lecture:

- Bourguignon F. (2002) *The growth elasticity of poverty reduction: explaining heterogeneity across countries and time periods*, In T. Eicher and S. Turnovsky, *Growth and Inequality*, Boston: MIT Press.
- Galor O. and J. Zeira (1993) Income distribution and macroeconomics, *Review of Economic Studies*, 60: 35-52.
- Deininger K. and L. Squire (1998), New Ways of Looking at Old Issues: Inequality and Growth. *Journal of Development Economics*, 57 (2): 259-287.
- Forbes K. (2000), A Reassessment of the Relationship between Inequality and Growth. *American Economic Review*, 90: 869-887.
- Meier G.M. and J.E. Rauch (2005), *Leading Issues in Economic Development*. 8th edition (Chapter 8: Income Distribution, pp. 433-488), Oxford: Oxford University Press.*
- Ray D. (1998): *Development Economics* (Chapter 6: Economic Inequality, pp. 169-196 / Chapter 7: Inequality and Development, pp. 197-248), Princeton: Princeton University Press.*

Tutorial:

- Klasen, S. and M. Misselhorn (2008) Determinants of the growth semi-elasticity of poverty reduction, Ibero-America Institute Working Paper (forthcoming).
- Kraay A. (2004), When is growth pro-poor? Evidence from a panel of countries. Mimeo, World Bank, Washington D.C. *Journal of Development Economics*, 80(1): 198-227.
- Klasen, S. (2006) Economic Growth and Poverty Reduction, Measurement issues in

9. Informal and Fragmented Labor Markets (Grün)**Lecture:**

- Basu K. (1997): Analytical Development Economics (Chapter 9: The Rural-Urban Wage Gap, pp. 183-196; Chapter 10: Unemployment and Surplus Labor, pp. 197-222), Cambridge: MIT Press.*
- Meier G.M. and J.E. Rauch (2005), Leading Issues in Economic Development. 8th edition (Chapter 6: Urbanization and the Informal Sector, pp. 353-380), Oxford: Oxford University Press.*
- Fields (2007): Labor market policy in developing countries, World Bank Policy Research Working Paper 4362.

Tutorial:

- Pratab, Quintin (2005). Are labor markets segmented in developing countries? A semiparametric approach. *European Economic Review* 50:1817-1841.
- Funkhouser (1997). Mobility and labour market segmentation: The urban labor market in El Salvador, *Economic Development and Cultural Change* 46: 123-153.
- Banerjee B. (1984), Information flow, expectations and job search: rural-to-urban migration process in India. *Journal of Development Economics*, 15: 239-257.
- Günther, I. and A. Launov (2008) Competitive and segmented labor markets in developing countries, IZA Discussion Paper N°2349.

10. & 11. Risk and Insurance in Agriculture, Rural Development (Grün)**Lecture:**

- Moschini, Hennessy (2001). Uncertainty, risk aversion and risk management for agricultural producers, In: *Handbook of Agricultural Economics Vol 1A*. Bardhan, Udry (1999), ch. 8.*
- Bates (2005): *Markets and States in Tropical Africa: The political basis of agricultural policies*, University of California Press.
- World Bank (2008): *Agriculture for development, WDR 2008*.
- Anderson (2001): *Risk management in rural development, Rural Development Strategy Background Paper 7*, World Bank.

Tutorial:

- Coate, Ravallion (1993): Reciprocity without Commitment: Characterization and Performance of Informal Insurance Arrangements, *Journal of Development Economics Vol. 40 (1)*, 1-24.
- Rosenzweig, Binswanger (1993): Wealth, weather risk and the composition and profitability of agricultural investments, *Economic Journal*, Vol. 103, 56-78.

- Elbers, Gunning, Pan (2007): Insurance and rural welfare: What can panel data tell us? Tinbergen Institute Discussion Paper 011/2.
- Bryla, Syroka (2007): Developing index-based insurance for agriculture in developing countries, Sustainable Development Innovation Briefs, United Nations, March 2002 (2).

12. Gender Bias (Klasen)

Lecture:

- Klasen, S. and C. Wink (2003) Missing Women: Revisiting the Debate, *Feminist Economics* 9: 263-300.
- Lagerlöf, NP (2003) Gender Equality and Long-Run Growth, *Journal of Economic Growth*, 8, 2003, pp. 403-426.
- Klasen, S (2002) Low Schooling for Girls, slower Growth for All?, *World Bank Economic Review* 16: 345-373.
- Oster, E. (2005) Hepatitis B and the Case of Missing Women, *Journal of Political Economy* 113: N°6.
- Klasen, S. (2008) Missing women: Some recent controversies on levels and trends in gender bias in mortality, *Ibero-America Institute Working Paper* N°168.
- Asfaw, Klasen, Lamanna (2008) Intrahousehold health care financing strategy and the gender gap in India, Ibero-America Institute working Paper.

Tutorial:

- Knowles, Lorgelly, and Owen (2002) Are Educational Gender Gaps a Brake on Economic Development?, *Oxford Economic Papers* 54 118-149.
- Klasen and Lamanna (2008) The impact of gender inequality in education and employment on economic growth: updates and extensions, Ibero-America Institute Working Paper, forthcoming in *Feminist Economics*.
- Galor, O. and D. Weil (1996) The Gender Gap. Fertility and Growth. *AER* 86 (3): 374-387.
- Oster, E. (2008) Does increased access increase equality? Gender and child health investments in India, NBER Working Paper Series, N°12743.