



1108 Development Economics
2nd Semester 2011-2012
Nova School of Business and Economics
Universidade Nova de Lisboa

Instructor: Pedro C. Vicente
Contact: pedro.vicente@novasbe.pt, room 234.
Office Hours: Tuesdays, 11am-12pm.

Webpage: moodle
Lectures: Mondays and Tuesdays (9.30am-11am, Lecture Theatre A120)
Exceptions: March 12 and 13 lectures are to be rescheduled.

Teaching Assistant: Nuno Palma
Contact: nuno.palma@novasbe.pt, room 131.
Office Hours: Wednesdays, 11.30am-12.30pm.

Practical Classes: Mondays (11am-12.30am, room 143), Wednesdays (8-9.30am, 9.30-11am, room 144)

Synopsis: The focus of the course will be on the microeconomics of development, with strong policy and empirical components. We will begin with an introduction to poverty and its measurement. We will then discuss the literature on foreign aid effectiveness. After reviewing impact evaluation methods, including randomized designs, we will study specific interventions on education, health, and credit. We will then turn to the study of institutions, including historical roots, democracy, corruption, resource and ethnic curses, and conflict.

Assessment:

1. *Practical class presentation (paper) – 20%*
This is the group presentation of a designated research paper or specific source in the practical class. It will involve a powerpoint presentation (made for 30min), and broad discussion in class (for the remaining time), as everyone is expected to read the paper in advance and have questions to ask. The group will be responsible to answer the questions raised.

2. *Impact evaluation proposal – 20%.*

The impact evaluation proposal will take the form of a 5-page (font size 12 pp) written report (which can be done in groups), which should be sent to Nuno Palma by May 23, 2012. This impact evaluation proposal should contain: (i) a relevant research question related to any of the themes of the course, competently motivated (i.e., relating to other papers, policy debates, etc.); (ii) the description of a proposed intervention that is useful for answering the research question (the intervention may be real or imaginary; however, feasibility will be particularly valued, as it may turn reality with your help after the course!!); (iii) an evaluation design, including method (field, lab, natural experiment, etc.) and description of measurement (household survey, test scores, etc.)

3. *Oral participation in the lectures and practical classes – 10%.*

This includes number and quality of questions asked during the student presentations.

4. *Final exam – 50%.*

Main sources:

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

Banerjee, Abhijit V., and Esther Duflo (2011), *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs.

Acemoglu, Daron and James A. Robinson (2006), *Economic Origins of Dictatorship and Democracy*, Cambridge University Press.

Besley, Timothy (2006), *Principled Agents? The Political Economy of Good Government*, Oxford University Press.

Outline

1. Poverty

Ray, chapters 1 and 8.1-8.2 .

Banerjee and Duflo, chapters 1 and 2.

Practical class: organization

2. Aid?

Collier, Paul (2007), *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford University Press. [with special attention to chapter 7]

Easterly, William (2001), *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, MIT Press. [with special attention to chapter 6]

Sachs, Jeffrey D. (2005b), *The End of Poverty: Economic Possibilities for Our Time*, Penguin Press. [with special attention to chapters 13-14]

Practical class: debate Sachs vs. (Collier) vs. Easterly

3. Toolbox

Acemoglu Daron (2009), *Theory, General Equilibrium, Political Economy and Empirics in Development Economics*, *Journal of Economic Perspectives*, 24(2), pp. 17-32.

Angrist, Joshua (2008), *Treatment Effects*, The New Palgrave Dictionary of Economics.
Duflo, Esther, Rachel Glennerster, and Michael Kremer (2006), *Using Randomization in Development Economics Research: A Toolkit*, NBER Technical Working Paper 333.
Practical class: Duflo, Glennerster, and Kremer paper

4. Education

Banerjee and Duflo, chapter 4.

Barrera-Osorio, Felipe, Marianne Bertrand, Leigh L. Linden, and Francisco Perez-Calle (2007), *Improving the Design of Conditional Transfer Programs: Evidence from a Randomized Education Experiment in Colombia*, American Economic Journal: Applied Economics, forthcoming.

Duflo, Esther, Rema Hanna, and Stephen Ryan (2007), *Monitoring Works: Getting Teachers to Come to School*, American Economic Review, forthcoming

Practical class: Duflo, Hanna, and Ryan paper

5. Health

Banerjee and Duflo, chapter 3.

Duflo, Esther (2000), *Child Health and Household Resources: Evidence from the South African Old-Age Pension Program*, American Economic Review: Papers and Proceedings, 90(2), pp. 393-398.

Miguel, Edward, and Michael Kremer (2004), *Worms: Identifying Impacts on Education and Health in the Presence of Treatment Externalities*, Econometrica. 72(1), pp. 159-217;

Practical class: Miguel and Kremer paper

6. Finance

Banerjee and Duflo, chapters 6-8.

Ashraf, Nava, Dean Karlan, and Wesley Yin (2006), *Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines*, Quarterly Journal of Economics, 121(2), pp. 635-672.

Banerjee, Abhijit V., Esther Duflo, Rachel Glennerster, and Cynthia Kinnan (2009), *The Miracle of Microfinance? Evidence from a Randomized Evaluation*, Working Paper, MIT.

Karlan, Dean, and Jonathan Zinman (2009), *Observing Unobservables: Identifying Information Assymetries with a Consumer Credit Field Experiment*, Econometrica, 77(6), pp. 1993-2008.

Morduch, Jonathan (1999), *The Microfinance Promise*, Journal of Economic Literature, 37(4), pp. 1569-1614.

Practical class: Ashraf, Karlan, and Yin paper

7. History

Banerjee and Duflo, chapter 10.

Acemoglu and Robinson, chapter 4.

Acemoglu, Daron and Simon Johnson and James A. Robinson (2001), *The Colonial Origins of Comparative Development: An Empirical Investigation*, American Economic Review, 91, pp. 1369-1401.

- Albouy, David (2008). *The Colonial Origins of Comparative Development: An Investigation of the Settler Mortality Data*, NBER Working Paper 14130.
- Feyrer, James and Bruce Sacerdote (2009), *Colonialism and Modern Income -- Islands as Natural Experiments*, Review of Economics and Statistics, 91(2), pp. 245-262.
- North, Douglass C. (1991), *Institutions*, Journal of Economic Perspectives, 5(1), pp. 97-112.
- Sachs, Jeffrey (2003), *Institutions Matter but not for Everything*, Finance and Development, 38-41.
- Practical class: Acemoglu, Johnson, and Robinson paper*

8. Democracy

- Banerjee and Duflo, chapter 10.
- Acemoglu and Robinson, chapter 4.
- Besley, Timothy, and Robin Burgess (2002), *The Political Economy of Government Responsiveness: Theory and Evidence from India*, Quarterly Journal of Economics, 117(4), pp. 1415-1451.
- Bjorkman, Martina, and Jakob Svensson (2009), *Power to the People: Evidence from a Randomized Field Experiment on Community-Based Monitoring in Uganda*, Quarterly Journal of Economics, 124 (2), pp. 735-769.
- Wantchekon, Leonard (2003), *Clientelism and Voting Behavior: Evidence from a Field Experiment in Benin*, World Politics, 55, pp. 399-422.
- Practical class: Bjorkman and Svensson paper*

9. Corruption

- Banerjee and Duflo, chapter 10.
- Besley, chapter 2.
- Bertrand, Marianne, Simeon Djankov, Rema Hanna, and Sendhil Mullainathan (2006), *Obtaining a Driver's License in India: An Experimental Approach to Studying Corruption*, Quarterly Journal of Economics, 122(4), pp. 1639-1676.
- Fisman, Raymond and Edward Miguel (2006), *Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets*, Journal of Political Economy, 115(6), pp. 1020-1048.
- Olken, Benjamin (2006). *Monitoring Corruption: Evidence from a Field Experiment in Indonesia*, Journal of Political Economy, 115(2), pp. 200-249.
- Reinikka, Ritva, and Jakob Svensson (2004). *Local Capture: Evidence from a Central Government Transfer Program in Uganda*, Quarterly Journal of Economics, 119 (2), pp. 679-705.
- Practical class: Olken paper*

10. Curses

- Banerjee and Duflo, chapter 10.
- Easterly, William, and Ross Levine (1997), *Africa's Growth Tragedy: Policies and Ethnic Divisions*, Quarterly Journal of Economics, 112 (4), pp. 1203-1250.
- Habyarimana, James, Macartan Humphreys, Daniel N. Posner, and Jeremy M. Weinstein (2007), *Why Does Ethnic Diversity Undermine Public Goods Provision?*, American Political Science Review, 101(4), pp. 709-725.

Mehlum, Halvor, Karl Moene and Ragnar Torvik (2006), *Institutions and the Resource Curse*, The Economic Journal, 116(508), pp. 1-20.

Vicente, Pedro C. (2010), *Does Oil Corrupt? Theory and Evidence from a Natural Experiment in West Africa*, Journal of Development Economics, 92(1), pp. 28-38.

Practical class: Habyarimana, Humphreys, Posner, and Weinstein paper

11. Conflict

Banerjee and Duflo, chapter 10.

Collier, Paul and Anke Hoeffler (2004), *Greed and Grievance in Civil Wars*, Oxford Economic Papers, 56, pp. 663-595.

Fearon, James, Macartan Humphreys, Jeremy M. Weinstein (2009), *Can Development Aid Contribute to Social Cohesion After Civil War? Evidence from a Field Experiment in Post-Conflict Liberia*, American Economic Review, 99(2), pp. 287-91.

Jones, Benjamin F. and Benjamin A. Olken (2009), *Hit or Miss? The Effect of Assassinations on Institutions and War*, American Economic Journal: Macroeconomics, 1 (2), pp. 55-87.

Miguel, Edward, Shanker Satyanath, and Ernest Sergenti (2004), *Economic Shocks and Civil Conflict: An Instrumental Variables Approach*, Journal of Political Economy, 112(4), pp. 725-753.

Practical class: Miguel, Satyanath, and Sergenti paper

12. Presentations of proposed interventions