

2129 Development Economics

1st Half of 2nd Semester

Academic Year 2011/2012

Pre-experience Masters Programs

Instructor: **Pedro C. Vicente** _____

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Office Hours: Tuesdays, 11am-12pm _____

Short Biography: Pedro holds a Licenciatura in Economics from Catolica-Lisbon, an M.Sc. in Economics from the LSE, and M.A. and Ph.D. degrees in Economics from the University of Chicago. Pedro is a research associate of the Centre for the Study of African Economies of the University of Oxford, and is affiliated with BREAD. His research focuses on the political economy of development with a special interest in Africa. He designed and conducted field experiments in Mozambique, Nigeria, and Sao Tome and Principe. He is currently working on community-driven development in Angola and mobile banking in Mozambique. _____

Webpage: moodle

Lectures: Mondays (3.30-5pm, Room 219) and Wednesdays (3.30-5pm, Room 217)

Note: I cannot teach the lectures on March 12 and on March 14 (this is a set substitution lecture itself, compensating for February 29). Hence, these lectures are scheduled for Friday March 2, 2-5pm, room 217.

Teaching Assistant: **Rodrigo Batista** _____

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Office hours: Tuesdays, 2-3.30pm _____

COURSE AIMS

Describe the purpose of the course using broad, general terms.

This course will give students an overview of current research on the political economy of development. Both theory and empirics will be tackled, with a strong applied focus. In the process it will introduce the main evaluation methods used in impact measurement of development interventions. The course also aims to offer basic research skills, as it will give the student the perspective of a researcher in this field.

COURSE CONTENT

List the main topics covered in the course:

The focus of the course will be on topics in the political economy of developing countries. It begins by introducing the foundations of theoretical political economics (median voter theorem, Downsian competition). We will then cover some benchmark theories of lobbying, democratization, and institutions. The empirical part of the course will follow with state-of-the-art contributions on colonial origins, natural resource curse, corruption, civil conflict, ethnicity, and electoral politics. An interdisciplinary approach will be taken with quantitative papers from both economics and political science. There will be a strong emphasis on experimental settings (natural, field, and controlled designs).

LEARNING OBJECTIVES

On completion of this course a student should be able to:

A. Knowledge and Understanding:

- Solve theoretical models applied to development issues.
- Understand causality and interpret empirical results in the development context.
- Know the range of evaluation methods for development interventions.
- Be able to think creatively about development interventions and measurement of outcomes.

B. Subject-Specific Skills:

- Confidently discuss the literature in development economics, with a focus on political economy issues.

C. General Skills:

- Critically evaluate economic research.

TEACHING AND LEARNING METHODS

Describe the teaching and learning methods that enable students to achieve the above-mentioned Learning Objectives of the course:

There are two classes of 1 hour and 20 minutes per week, based partly on slides and blackboard notes. For each topic, a general overview of the theoretical and empirical issues will be given, and some examples taken from recent research will be studied in greater detail. The participation of students is strongly encouraged to foster discussion. Individual written work will encourage students to gain research skills.

ASSESSMENT

Individual written work cannot count for less than 50% of the final grade. The final written exam cannot count for more than 70% of the final grade. Please indicate if Final exam in your Course will be mandatory.

Presentation of a research paper (25% of the grade): To be done in groups of 2/3 (depending on class size) for the duration of approximately 25 minutes. Each group will prepare slides that will then be posted on the class website. The presentation should: (i) provide motivation to the research question and highlight the main results, (ii) produce a clear and organized presentation of theory and evidence (if applicable), (iii) be critical of the results, (iv) provide appropriate responses to questions from the class.

Writing a proposal for a research design (25% of the grade): To be done individually. Each student will prepare a 5-page (font size 12pp) research proposal. It should include: (i) research question, (ii) motivation relating to literature, including theory (if applicable), (iii) empirical method used (e.g. field experiment, lab experiment, natural experiment, regression discontinuity design, instrumental variables), (iv) details of measurement namely main outcome variables. Importance of research question, appropriate choice of method and feasibility of the project will be important criteria in assessing the research proposal.

Participation in class (10% of the grade): All students are required to read the papers in advance, and to comment on the presentations and topics during the class.

Final exam (40% of the grade, with minimum grade of 9 required to pass the course).

BIBLIOGRAPHY

I General readings

Academic

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;

Policy

Collier, Paul (2007), *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, Oxford University Press;

Collier, Paul (2009), *Wars, Guns, and Votes: Democracy in Dangerous Places*, HarperCollins Publishers;

Easterly, William (2006), *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, Penguin Press;

Sachs, Jeffrey D. (2005), *The End of Poverty: Economic Possibilities for Our Time*, Penguin Press;

II Methodological background

Angrist, Joshua (2008), *Treatment Effects*, The New Palgrave;

Duflo, Esther, Rachel Glennerster, and Michael Kremer (2006), *Using Randomization in Development Economics Research: A Toolkit*, NBER Technical Working Paper 333;

Udry, Christopher (2003), *Fieldwork, Economic Theory, and Research on Institutions in Developing Countries*, *American Economic Review Papers and Proceedings*, 93(2), pp. 107-111;

III Political economy of development

1. History

Acemoglu, Daron and James A. Robinson (2000), *Why Did the West Extend the Franchise? Growth, Inequality and Democracy in Historical Perspective*, *Quarterly Journal of Economics*, 115, pp. 1167-1199;

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;
Jones, Benjamin, and Benjamin Olken (2005), Do Leaders Matter? National Leadership and Growth since World War II, *Quarterly Journal of Economics* 120(3), pp. 835-864;

2. Democracy

Beaman, Lori, Raghavendra Chattopadhyay, Esther Duflo, Rohini Pande, and Petia Topalova (2009), Powerful Women: Does Exposure Reduce Prejudice?, *Quarterly Journal of Economics*, 124 (4): 1497–1540;
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;
Grossman, Gene M. and Elhanan Helpman (1996), Electoral Competition and Special Interest Politics, *Review of Economic Studies*, 63(2), pp. 265-286;
Pande, Rohini. (2003), Can Mandated Political Representation Increase Policy Influence for Disadvantaged Minorities? Theory and Evidence from India, *American Economic Review*, 93(4), 1132-1151;
Vicente, Pedro C. (2011), Is Vote Buying Effective? Evidence from a Field Experiment in West Africa, Working Paper;
Wantchekon, Leonard (2003), Clientelism and Voting Behavior: Evidence from a Field Experiment in Benin, *World Politics*, 55, pp. 399-422;

3. Corruption

Barron, Patrick, and Benjamin Olken (2008), The Simple Economics of Extortion: Evidence from Trucking in Aceh, *Journal of Political Economy*, 117 (3), pp. 417-252;
Becker, Gary S. and George J. Stigler (1974), Law Enforcement, Malfeasance, and Compensation of Enforcers, *Journal of Legal Studies*, 3(1), pp. 1-18;
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 (2001), Estimating the Value of Political Connections, *American Economic Review*, 91(4), pp. 1095-1102;
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;
Shleifer, Andrei and Robert W. Vishny (1993), Corruption, *Quarterly Journal of Economics*, 508(3), pp. 598-617;

4. Curses

Caselli, Francesco, and Tom Cunningham (2009), Leader Behavior and the Natural Resource Curse, *Oxford Economic Papers*, 61(4), pp. 628-650;
Caselli, Francesco, and Guy Michaels (2011), Do Oil Windfalls Improve Living Standards? Evidence from Brazil, working paper;
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;

Meyersson, Erik, Gerard Padró i Miquel, Nancy Qian (2008), The Rise of China and the Natural Resource Curse in Africa, working paper;

Posner, Daniel N. (2004), The Political Salience of Cultural Difference: Why Chewas and Tumbukas are Allies in Zambia and Adversaries in Malawi, *American Political Science Review*, 98(4), pp. 529-545;

Robinson, James A., Ragnar Torvik and Thierry Verdier (2006), Political Foundations of the Resource Curse, *Journal of Development Economics*, 79, pp. 447-468;

Sachs, Jeffrey D. and Andrew M. Warner (1995), Natural Resource Abundance and Economic Growth, NBER, Working Paper 5398

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;

5. Conflict

Bellows, John and Edward Miguel (2009), War and Local Collective Action in Sierra Leone, *Journal of Public Economics*, 93(11-12), pp. 1144-1157;

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

Collier, Paul, and Pedro C. Vicente (2011), Votes and Violence: Evidence from a Field Experiment in Nigeria, working paper;

Guidolin, M. and Eliana La Ferrara (2007), Diamonds Are Forever, Wars Are Not. Is Conflict Bad for Private Firms?, *American Economic Review*, 97(5), 1978-93;

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. 287–291;

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.

RESOURCES

A course webpage will be used to disseminate information about the course and the slides used in class.