

Prof. Dr. Axel Dreher
Platz der Goettinger Sieben 3
Room: Oec-2.202
Phone: 0551 39 10614
Email: axel.dreher@uni-goettingen.de
URL: <http://www.uni-goettingen.de/de/88544.html>
Office Hours: please arrange per e-mail

J.-Prof. Dr. Marcela Ibanez
Platz der Göttinger Sieben 3,
Room: Oec-1.205
Phone: 0551-3910677
Email: mibanez@uni-goettingen.de
URL: <http://www.uni-goettingen.de/en/120944.html>
Office Hours: please arrange per e-mail

Prof. Stephan Klasen, Ph.D.
Platz der Göttinger Sieben 3
Room: Oec-2.211
Phone: 0551-397303
Email: sklasen@uni-goettingen.de
URL: <http://www.economics.uni-goettingen.de/klasen.html>
Office Hours: Tuesday 2-3 pm

Teaching assistants:

Isis Gaddis (igaddis@uni-goettingen.de; Oec-2.146; Office hours: Please arrange per e-mail)
Jan Priebe (jpriebe@uni-goettingen.de; Oec-2.209; Office hours: Please arrange per e-mail)

Advanced Development Economics

Winter term 2010/11

The course will take place in VG 4.102 from October 11 to 15; 9:00 am to 5:30 pm.

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 and poverty, macro vicious cycles, the role of geography and institutions in development, aid and development, growth, inequality, and poverty linkages, field experiments, collective action, risk and uncertainty, risk sharing, the economics of natural resources, 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 student has to present two articles in the tutorial (see list below) and must pass an exam at the end of the course. The exam is on Friday, November 12, 10.15-11.45h (in ZHG005).

General readings

Ray, Debraj, 1998, *Development Economics*, Princeton: Princeton University Press.*
Basu, Kaushik, 1997, *Analytical Development Economics*, Cambridge: MIT Press.*
Bardhan, Pranab and Christopher 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. Field Experiments and Development (Ibanez)

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. Collective action (Ibanez)
9. Risk and Uncertainty (Ibanez)
10. Risk Sharing (Ibanez)
11. Natural Resources (Dreher)
12. Gender Bias (Klasen)

Schedule:

- Oct 11: 9:00-10:30: Topic 1
 11:00-12:30: Topic 2
 14:00-15:30: Topic 3
 16:00-17:30: Tutorial 1
- Oct 12: 9:00-10:30: Topic 4
 11:00-12:30: Topic 5
 14:00-15:30: Tutorial 2
 16:00-17:30: Tutorial 3
- Oct 13: 9:00-10:30: Topic 6
 11:00-12:30: Topic 7
 14:00-15:30: Topic 8
 16:00-17:30: Tutorial 4
- Oct 14: 9:00-10:30: Topic 9
 11:00-12:30: Topic 10
 14:00-15:30: Topic 11
 16:00-17:30: Tutorial 5
- Oct 15: 9:00-10:30: Topic 12
 11:00-12:30: Tutorial 6
 14:00-15:30: Tutorial 7

Literature

1. *Measuring Development (Klasen)*

Lecture:

- Sen, Amartya, 1988, The Concept of Development, *Handbook of Development Economics* 1: 9-26
- Ravallion, Martin and Shaohua 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, Jean-Yves, David Sahn, and Stephen D. Younger, 2006, Robust multidimensional poverty comparisons, *Economic Journal* 116: 943-968.
- Bossert, Walter, Conchita D'Ambrosio and Vito Peragine, 2007, Deprivation and Social Exclusion, *Economica* 74(296): 777-803.
- Calvo, Cesar and Stefan Dercon, 2005, Measuring individual vulnerability, Economic Series Working Papers No. 229, University of Oxford,.
- Ravallion, Martin, 2009, Weakly relative poverty. World Bank Policy Research Working Paper No. 4484.

Tutorial:

- Ravallion, Martin, Shaohua Chen and Prem Sangraula, 2008, Dollar a day revisited, World Bank Policy Research Working Paper Series No. 4620
- Reddy, Sanjay G. and Thomas W. Pogge, 2005, How not to count the Poor, available from: <http://www.socialanalysis.org>.
- Klasen, Stephan, 2000, Measuring Poverty and Deprivation in South Africa, *Review of Income and Wealth* 46, 1: 33-58.
- Dowrick, Steve and Muhammad Akmal, 2005, Contradictory Trends in Global Income Inequality: a Tale of Two Biases, *Review of Income and Wealth* 51: 201-231.
- Bossert, Walter, Conchita D'Ambrosio and Vito Peragine, 2008, Poverty and Time, ECINEQ Working Paper No. 87.
- Alkire, Sabina and Maria Emma Santos, 2010, Acute multidimensional poverty: A new index for developing countries, OHPI Working Paper No. 38.

2. *Field Experiments and Development (Ibanez)*

Lecture:

- Cardenas, Juan Camilo and Jeffrey Carpenter, 2008, Behavioural Development Economics: Lessons from field labs in the developing world, *Journal of Development Studies* 44, 3: 311-338.
- Cardenas, Juan Camilo and Jeffrey Carpenter, 2008, Three themes on field experiments and economic development, *Research in Experimental economics: Field experiments in economics* 10: 71-123.
- Ehmke, Mariah D. And Jason F. Shogren, 2008, Experimental methods for environmental and development economics, *Environmental and Development Economics* 14: 419-456
- Harrison, Glenn W., 2005, Field Experiments and Control, *Research in Experimental Economics: Field experiments in economics* 10: 17-50.
- Harrison, Glenn W. and John A. List, 2004, Field Experiments, *Journal of Economic Literature* 42, 4: 1009-1055.

Tutorial:

- Cardenas, Juan Camilo, Alberto Chong and Hugo Ñopo, 2008, To What Extent do Latin Americans Trust, Reciprocates, and Cooperate? Evidence from Experiments In Six Latin American Countries, *Economia*, *forthcoming*.
- Carter, Michael R. and Marco Castillo, 2002, The economic impacts of altruism, trust and reciprocity: An experimental approach to social capital, AAE Staff Papers, University of Wisconsin-Madison, mimeo.
- Carter, Michael R. and Marco Castillo, 2004, Morals, Markets and Mutual Insurance: Using Economic Experiments to Study Recovery from Hurricane Mitch in: Christopher B. Barrett (eds.), *The Social Economics of Poverty: On Identities Groups, Communities and Networks*, London: Routledge.
- Henrich, Joseph, Robert Boyd, Samuel Bowles, Colin Camerer, Ernst Fehr, Herbert Gintis and Richard McElreath, 2001, In search of homo economics: Behavioral experiments in 15 small-scale societies, *American Economic Review* 91, 2: 73-78.
- Karlan, Dean S., 2005, Using experimental economics to measure social capital and predict financial decisions, *The American Economic Review* 95, 5: 1688-1699.

3. Macro Vicious Cycles (Klasen)**Lecture:**

- Basu, Kaushik, 1997, Analytical Development Economics. The Less Developed Economy. Revisited, Chapter 2: The Vicious Circle of Poverty, pp. 17-42, Cambridge, London: The MIT Press
- Ray, Debraj, 1998, Development Economics, Chapter 5: History, Expectations, and Development, pp. 131-168, Princeton: Princeton University Press
- Murphy, Kevin M., Andrei Shleifer and Robert W. Vishny, 1989, Industrialisation and the Big Push, *Journal of Political Economy* 97, 5: 1003-26.

Tutorial:

- Banerjee, Abhijit and Andrew F. Newman, 1998, Information, the Dual Economy and Development, *Review of Economic Studies* 65, 4: 631-53.
- Kremer, Michael, 1993, The O-ring Theory of Development, *Quarterly Journal of Economics* 108, 3: 551-75.

4. Geography versus Institutions (Dreher)**Lecture:**

- Acemoglu, Daron, Simon Johnson and James Robinson, 2001, The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review* 91, 5: 1369-1401.
- Gallup, John Luke, Jeffrey D. Sachs and Andrew D. Mellinger, 1998, Geography and Economic Development, NBER Working Paper 6849, NBER Cambridge, MA.
- 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, Raphael, 2007, The Colonial Origins Of Comparative Development: Comment. A Solution to the Settler Mortality Debate, Swiss National Bank Working Papers 2007-9.

Olsson, Ola, 2005, Unbundling Ex-Colonies: A Comment on Acemoglu, Johnson, and Robinson, 2001, Working Papers in Economics, Department of Economics, Göteborg University.

Tutorial:

Acemoglu, Daron, Simon Johnson and James 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 William and Ross Levine, 2002, Tropics, Germs and Crops: How Endowments Influence Economic Development. NBER Working Paper 9106, NBER Cambridge, MA.

Hall, Robert E. and Charles I. Jones, 1999, Why do some countries produce so much more output than others? *Quarterly Journal of Economics* 114: 83-116.

Weil, David N., 2009, Economic Growth, Chapter 15: Geography, Climate, and Natural Resources, pp. 439-470, Boston: Pearson Education.

Grimm, Michael and Stephan Klasen, 2008, Geography versus Institutions at the Village Level, IZA Discussion Paper No. 3391.

5. + 6. *Aid and Development (Dreher)*

Lecture:

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

Clemens, 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, Carl-Johan, Henrik Hansen and Finn Tarp, 2004, On the Empirics of Foreign Aid and Growth, *Economic Journal* 114: F191-216.

Doucouliaagos, Chris and Martin Paldam, 2009, The Aid Effectiveness Literature - The Sad Result of 40 Years of Research, *Journal of Economic Surveys*, Vol. 23, 3

Easterly, William, Ross Levine and David Roodman, 2004, Aid, Policies, and Growth: Comment (and Reply), *American Economic Review* 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* 90(4): 643-665.

Dreher, Axel, Rainer Thiele and Peter Nunnenkamp, 2008, Does Aid for Education Educate Children? Evidence from Panel Data, *World Bank Economic Review* 22, 2: 291-314.

Tutorial:

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

Dreher, Axel, Peter Nunnenkamp and Rainer Thiele, 2010, Are 'New' Donors Different? Comparing the Allocation of Bilateral Aid between Non-DAC and DAC Donor Countries? Courant Research Centre: Poverty, Equity and Growth Discussion Paper 25.

Hansen, Henrik and Finn Tarp, 2001, Aid and Growth Regressions, *Journal of Development Economics* 64: 547-570.

- Kilby, Christopher and Axel Dreher, 2010, The Impact of Aid on Growth Revisited: Do Donor Motives Matter? *Economics Letters* 107: 338-340.
- Öhler, Hannes, Peter Nunnenkamp and Axel Dreher, 2010, Does Conditionality Work? A Test for an Innovative US Aid Scheme, Courant Research Centre: Poverty, Equity and Growth Discussion Paper 34.
- Nowak-Lehmann D., Felicitas, Inmaculada Martínez-Zarzoso, Dierk Herzer, Stephan Klasen and Axel Dreher, 2010, Foreign Aid and its Effect on Per-Capita Income (Growth) in Recipient Countries: Pitfalls and Findings from a Time Series Perspective, mimeo.
- 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: 905-930.

7. Growth, Inequality and Poverty Linkages (Klasen)

Lecture:

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

Tutorial:

- Klasen, Stephan and Mark Misselhorn, 2008, Determinants of the growth semi-elasticity of poverty reduction, Ibero-America Institute, Working Paper (forthcoming).
- Kraay, Aart, 2004, When is growth pro-poor? Evidence from a panel of countries, *Journal of Development Economics* 80(1): 198-227.
- Klasen, Stephan, 2008, Economic Growth and Poverty Reduction. Measurement issues in income and non-income dimensions, *World Development* 36(3): 420-45.

8. Collective Action (Ibanez)

Lecture:

- Ostrom, Elinor, 2006, The value-added of laboratory experiments for the study of institutions and common-pool resources, *Journal of Economic Behavior & Organization* 61 (2):149-163.

- Cardenas, Juan Camilo, John K. Stranlund and Cleve E. Willis, 2000, Local Environmental Control and Institutional Crowding-out, *World Development* 28 (10): 1719-1733.
- Cardenas, Juan Camilo, John K. Stranlund and Cleve E. Willis, 2002, Economic inequality and burden-sharing in the provision of local environmental quality, *Ecological Economics* 40: 379-395.

Tutorial:

- Habyarimana, James, Mascartan Humphreys, Daniel N. Posner and Jeremy Weinstein, Why does ethnic diversity undermine public goods provision? *American Political Science Review* 101(4): 709-725.
- Giné, Xavier and Dean S. Karlan, 2008, Peer monitoring and enforcement: Long term evidence from microcredit lending groups with and without group liability, Working paper, Yale University Department of Economics.
- Murphy, James J. and Juan Camilo Cardenas, 2004, An Experiment on Enforcement Strategies for Managing a Local Environmental Resource, *Journal of Economic Education* 35(1): 47-61.

9. Risk and uncertainty (Ibanez)

Lecture:

- Harrison, Glenn W., John A. List and Charles Towe, 2007, Naturally occurring preferences and exogenous laboratory experiments: A case study of risk aversion. *Econometrica* 75(2): 433-458.
- Harrison, Glenn W. and Elisabet E. Rutström, 2008, Risk aversion in the laboratory, *Research in Experimental Economics* 12: 41-196.
- Starmer, Chris, 2000, Developments in non-expected Utility theory: the hunt of a descriptive theory of choice under risk, *Journal of Economic Literature* 38: 332-382.
- Binswanger, Hans, 1980, Attitudes toward risk: Experimental measurement in rural India, *American Journal of Agricultural Economics* 62: 395-407.
- Holt, Charles and Susan Laury, 2002, Risk aversion and incentive effects, *American Economic Review* 92: 1644-1655.
- Wakker, Peter and Daniel Deneffe, 1996, Eliciting von Neumann-Morgenstern Utilities when Probabilities are un-known or distorted, *Management Science* 42 (8): 1131-1150.
- Abdellaoui Mohammed, 2000, Parameter free elicitation of utility and probability weighting functions, *Management Science* 46(11): 1497-1512.

Tutorial:

- Alpizar, Francisco, Fredrik Carlsson and Maria Naranjo, 2009, The effect of risk, ambiguity and coordination on farmers' adaptation to climate change. A framed field experiment, Working Papers in Economics 382, University of Gothenburg, Sweden.
- Barr, Abigail and Truman Packard, 2000, Revealed and concealed preferences in the Chilean pension system: an experimental investigation, Discussion Paper Series, Department of Economics, University of Oxford.
- Harrison, Glenn W., Steven J. Humphrey and Arjan Verschoor, 2008, Choice under uncertainty: evidence from Ethiopia, India and Uganda, Working paper, University of Central Florida.

10. Risk Sharing (Ibanez)

Lecture:

- Bhattamishra, Ruchira and Christopher B. Barrett, 2008, Community-based Risk Management Arrangements: An Overview and Implications for Social Fund Programs, SP Discussion Paper 830, World Bank.
- Barr, Alan J., 2003, Risk pooling, commitment and information: and experimental test of two fundamental assumptions, Working paper CSAE WPS/2003-05, Centre for the study of African economies, Oxford University.
- Charness, Gary and Garance Genicot, 2008, Informal Risk Sharing in an Infinite-horizon Experiment, Departmental Working Papers, UC Santa Barbara.
- Bone, John, John D. Hey and John Suckling, 2004, A simple risk-sharing experiment. *Journal of Risk and Uncertainty* 28(1): 23-38.
- Giné, Xavier, Pamela Jakiela, Dean S. Karlan and Jonathan Morduch, 2006, Microfinance games. World Bank Policy Research Working Paper No. 3959.
- Ligon, Ethan and Laura Schechter, 2009, The value of social networks in rural Paraguay, unpublished manuscript.
- Leider, Stephen, Markus M. Möbius, Tanya Rosenblat and Quoc-Anh Do, 2009, Direct altruism and enforced reciprocity in social networks, *Quarterly Journal of Economics* 124:1815–1851.

Tutorial:

- Attanasio, Orazio, Abigail Barr, Juan Camilo Cardenas, Garance Genicot and Costas Meghir, 2009, Risk Pooling, Risk Preferences and Social Networks, WPS/2009-20, Centre for the Study of African Economies.
- Barr, Abigail, Marleen Dekker and Marcel Fafchamps, 2010, Who shares risk with whom under different enforcement mechanism? *Working Paper*: <http://www.economics.ox.ac.uk/members/marcel.fafchamps/homepage/form.pdf>.
- Barr, Abigail and Garance Genicot, 2008, Risk sharing, commitment, and information: an experimental analysis. *Journal of the European Economic Association* 6(6): 1151-1185.
- Gangadharan, Lata and Pushkar Maitrab, 2010, An Experimental Analysis of Group Size, Endowment Uncertainty and Risk Sharing, *Working Paper*: http://users.monash.edu.au/~maitra/Risksharing_march26_2010.pdf.

11. Natural Resources (Dreher)

Lecture:

- Amin, Mohammad and Simeon Djankov, 2009, Natural Resources and Reforms, CEPR Discussion Paper 7229.
- Collier, Paul and Anke 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.
- Lujala, Päivi; Nils Petter Gleditsch and Elisabeth Gilmore, 2005, A Diamond Curse? Civil War and a Lootable Resource, *Journal of Conflict Resolution* 49(4): 538-562.
- Ross, Michael L., 2004, What Do We Know About Natural Resources and Civil War, *Journal of Peace Research* 41(3): 337-356.

- Sachs, Jeffrey D. and Andrew M. 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, Francesco, 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, Francisco R. and Jeffrey D. Sachs, 1999, Why Do Resource-Abundant Economies Grow More Slowly? *Journal of Economic Growth* 4: 277-303.

12. Gender Bias (Klasen)

Lecture:

- Klasen, Stephan and Claudia Wink, 2003, Missing Women: Revisiting the Debate, *Feminist Economics* 9: 263-300.
- Lagerlöf, Nils-Petter, 2003, Gender Equality and Long-Run Growth, *Journal of Economic Growth* 8: 403-426.
- Klasen, Stephan, 2002, Low Schooling for Girls, Slower Growth for All? *World Bank Economic Review* 16: 345-373.
- Oster, Emily, 2005, Hepatitis B and the Case of Missing Women, *Journal of Political Economy* 113(6): 1163-1216.
- Klasen, Stephan, 2008, Missing women: Some recent controversies on levels and trends in gender bias in mortality, In Basu, K. and R. Kanbur (eds.) *Arguments for a better world: Essays in honour of Amartya Sen*. Oxford: Oxford University Press: 280-299.
- Asfaw, Abay, Stephan Klasen and Francesca Lamanna, 2010, Gender gap in parents' financing strategy for hospitalization of their children: Evidence from India. *Health Economics* 19: 265-279.

Tutorial:

- Knowles, Stephen, Paula K. Lorgelly and Dorian P. Owen, 2002, Are Educational Gender Gaps a Brake on Economic Development? *Oxford Economic Papers* 54: 118-149.
- Klasen, Stephan and Francesca Lamanna, 2009, The Impact of Gender Inequality in Education and Employment on Economic Growth: New Evidence for a Panel of Countries. *Feminist Economics* 15(3): 91-132.
- Galor, Oded and David N. Weil, 1996, The Gender Gap, Fertility and Growth, *American Economic Review* 86(3): 374-387.
- Oster, Emily, 2008, Does increased access increase equality? Gender and child health investments in India, *Journal of Development Economics* 89 (2009) 62–76