



The Exeter College Oxford Summer Programme at Exeter College in the University of Oxford

Development Economics

Course Outline

The course will give an overview of policy-related issues faced by developing countries from both theoretical and applied perspectives. Topics covered include economic development and economic growth; poverty and inequality; gender discrimination; governance and institutions; media and corruption; natural resources and development; and the effectiveness of foreign aid in helping developing countries. The aim of this course is to address the question: *Why are some countries much poorer than others and what can be done about it?* By the end of the course students will have learned (i) how to use economic concepts to analyse and understand key development challenges facing developing economies; and (ii) the difficulties in designing global and country-specific development policies. In addition, in recent years the discipline has incorporated insights from Behavioural Economics to help understand the psychological underpinnings of poverty. We will also discuss some interesting findings from this literature.

The course is designed to be multidisciplinary and non-mathematical. It is suitable for students of all disciplines who have a strong interest in developing countries and development-related issues. There are no prerequisites and technical material is kept to a minimum. No previous theoretical knowledge of microeconomics or macroeconomics is required, but would be an advantage.

Teaching Methods and Assessment

- 12 x 1.25hr Lectures (15hrs)
- 6 x 1.25hr Seminars (7.5hrs)
- 4 x 1.25hrs Tutorials (5hrs)

Final Assessment: An essay of no more than 3,000 words (40%), a final three-hour written examination (40%), oral presentation (10%) and participation in seminar discussion (10%).

General reading

Ray, D. (1998). *Development economics*, Princeton University Press.
Collier, P, 2007, *The Bottom Billion*, Oxford University Press.

Lectures

Lecture 1: Introduction to Development Economics

This lecture will give an overview of development economics, i.e. how economic theories could be used to understand development issues. It will also look at the relationship between economic growth and economic development, particularly whether economic growth can be used as a development goal.

Readings:

Ray, D. Chaps 1-4.

Dollar, D. and Kraay, A. (2000). "Growth is good for the poor", Development research department, World Bank, at:

<http://www.deu.edu.tr/userweb/muge.tunaer/dosyalar/Kraay.pdf>

Bertrand, M., S. Mullainathan, and E. Shafir. 2004. "A Behavioral-Economics

View of Poverty". *American Economic Review Papers and Proceedings*, 94(2): 419-23.

*Cardenas, J. C. and J. Carpenter. 2008. "Behavioral Development Economics: Lessons from Field and Labs in the Developing World." *Journal of Development Studies*, 44(3): 311-38

Lecture 2: Poverty and Development

This lecture will look at different ways to define and measure poverty within and across countries, the relationship between poverty and health which can lead the poor into 'poverty trap'. We will also discuss whether inequality in income distribution and gender is the main reason for the persistence of poverty.

Readings:

Ray, D. Chaps 6-8, 13: 489-504.

Dercon, S., 2003, "Poverty Traps and Development: The Equity-Efficiency Trade-Off Revisited", presented at EUDN/AFDC conference, Paris <http://www.economics.ox.ac.uk/members/stefan.dercon/poverty%20traps.pdf>

Deaton, A. (2001). "Counting the World's Poor: Problems and Possible Solutions", *World Bank Research Observer*, v. 16, issue 2, pp. 125-147.

Lecture 3: Equality and Development

There is now vast evidence, which suggests that people do care about others and that fairness motives affect people's behaviour. People may sometimes wish to "spend" their wealth to punish others who have harmed them, reward those who have helped, or make outcome fairer. This lecture will give an overview of theoretical and empirical research of 'social preferences' - the extent to which the utility of one person depends on the utility of other. Social preferences have a significant impact on behaviour in a number of economic settings including, but not limited to, charitable giving, unemployment, school achievement, and bargaining. We will look at both the positive and negative sides of social preferences and their applications in developing countries.

Readings:

- *Henrich, J., R. Boyd, S. Bowles, C. Camerer, E. Fehr, H. Gintis, and R. McElreath. 2001. "In Search of Homo Economicus: behavioral Experiments in 15 Small-Scale Societies." *American Economic Review*, 91(2), 73-78.
- Visser. M. and J. Burns. 2015. "Inequality, social sanctions and cooperation within South African fishing communities." *Journal of Economic Behavior and Organization*, 118: 95-109.
- Karlan, D., J. A. List, and E. Shafir. 2011. "Small matches and charitable giving: Evidence from a natural field experiment." *Journal of Public Economics*, 95: 344-350.

Lecture 4: Health and Development

This lecture will take a closer look at the relationship between population, nutrition, and development. We will also look at problems with the quality of health service provisions in developing countries.

Readings:

- Nugent, R. and Seligman, B. (2008). "How Demographic Change Affects Development".
- Das, J. and Hammer, J. (2007). "Money for nothing: The dire straits of medical practice in Delhi, India," *Journal of Development Economics*, Elsevier, vol. 83(1), pages 1-36, May.

Lecture 5: Education and Development

Education is arguably one of the most important policy tools in the fight against poverty and inequality as well as other development related issues. This lecture will explore the literature on the impact of education on development.

Readings:

Main readings

Harber, C. (2014). *Education and International Development: theory, practice and issues*. Oxford: Symposium Books.

Lauder, H. et al (Eds.) (2006) *Education, Globalization and Social Change*. Oxford: Oxford University Press.

Further readings

World Bank (2011). "Learning for All. Investing in People's Knowledge and Skills to Promote Development." World Bank Group Education Strategy 2020. Available at <http://documents.worldbank.org/curated/en/685531468337836407/Learning-for-all-investing-in-peoples-knowledge-and-skills-to-promote-development-World-Bank-Group-education-strategy-2020-executive-summary>

Cunha, F. and Heckman, J. (2009) "The Economics and Psychology of Inequality and Human Development" *Journal of European Economic Association*, 7(2-3): 320-364.
<https://academic.oup.com/jeea/article-lookup/doi/10.1162/JEEA.2009.7.2-3.320>
Tobin, J. (2005) "Quality in Early Childhood Education: An Anthropologist's Perspective." *Early Education and Development*, 16(4): 421-434.

Lecture 6: The Role of Institutions and Development

In the first part of this lecture, we will discuss the relationship between institutions economic development. The focus will be the question: What kinds of institutions are likely to promote/hinder economic development?

Readings:

Rodrik, D. (2004). "Getting Institutions Right", in Rodrik, D. *One Economics, Many Recipes* : http://www.cesifo-group.de/portal/page/portal/DocBase_Content/ZS/ZS-CESifo_DICE_Report/zs-dice-2004/zs-dice-2004-2/dicereport204-forum2.pdf
Acemoglu, D, Johnson, S and Robinson J, 2002, .Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution, *Quarterly Journal of Economics*, November.

Lecture 7: Governance, Corruption, and Development

Following on from lecture 6, we will take a deeper look at important institutional problems in developing countries, namely corruption and lack of good governance. We will also discuss the role of mass media as a check and balance on corrupted institutions.

Readings:

Besley, T. and Burgess, R. (2002), "The Political Economy of Government Responsiveness: Theory and Evidence", *Quarterly Journal of Economics*, 117(4), 1415-1451.
Brunetti, A. and Weder, B. (2003). "A free press is bad news for corruption", *Journal of Public Economics*, 87, 1801-1824.
Olken, B. and Pande, R. (2011). "Corruption in Developing Countries." NBER Working Paper. No. 17398.

Lecture 8: The Curse of Natural Resources

This lecture will look at the relationship between natural resource abundances and economic developments. One of the key debates in development economics is that natural resources act as a 'curse' rather than a 'blessing' for developing countries. In this lecture, we will explore why this is the case and whether there are cases where natural resources can facilitate fast development and growth.

Readings:

- Cabrales, A. and Hauk, E. (2007). "Democracy and the curse of natural resources", Economics Working Papers we075429, Universidad Carlos III, Departamento de Economía.
- Collier, P. and Hoeffler, A. (2007). "Testing the Neo-Con Agenda: Democracy in Resource Rich Societies", available at:
<http://users.ox.ac.uk/~econpco/research/politiceconomy.htm>

Lecture 9: Aid Effectiveness

This lecture will look the extent to which aid and transfers from the West helps developing countries fight poverty and foster development goals. We will also look at the objectives of aid from the donors' perspectives and interactions between different donors in management financial aid. The key question to be explored is: *Does aid get distributed to those who need it the most?*

Readings:

- Collier, P. and Dollar, D. (2001). "Can the world cut poverty in half? How policy reform and effective aid can meet international development goals", World Development, Vol. 29 (11), pp. 1787-1802.
- Collier, P. (2001). "Conditionality, dependence and coordination: Three current debates in aid policy", in C. L. Gilbert and D. Vines (eds.), The World Bank: Structure and Policies, Cambridge: Cambridge University Press.
- Moyo, D. 2010. *Dead Aid: Why aid is not working and how there is another way for Africa*. London: Penguin.

Lecture 10: Experimentation and Public Policies - PART 1

Overview

Over the past three decades, experimental methods have provided economists with an important source of scientific data. This lecture will discuss how lab and field experimental methods and randomised control trials (RCT) have revolutionised empirical research in economics and in particular, their role in the development of research in Behavioural Economics.

The first part of the lecture will focus on the implementations of randomised evaluations in development economics. How specific interventions are designed to answer a specific practical problem in a specific context. For example, how to get teachers to come to school more often, how to help farmers to save more, how to convince parents to get their children immunized, how to fight corruption most effectively.

Reading:

- *Banerjee, A. V. and E. Duflo. 2008. "The Experimental Approach to Development Economics." *NBER Working Paper No. 14467*.

*Duflo, E. 2006. "Field Experiments in Development Economics." *World Congress of the Econometric Society Manuscript*.

Duflo, E., R. Glennerster, and M. Kremer. 2010. "Using Randomization in Development Economic Research: A Toolkit." In *Handbook of Development Economics*, D. Rodrik and M. Rosenzweig (eds), Vol. 5: 3895-3962.

Lecture 11: Experimentation and Public Policies - PART 2

The second part will examine at potential practical issues that researchers may face in the field and what can be done to mitigate these problems.

Reading:

Khachatryan, K., A. Dreber, E. von Essen, and E. Ranchill. 2015. "Gender and preferences at a young age: Evidence from Armenia." *Journal of Economic Behavior and Organization*, 118: 318-332.

Kremer, M., J. Leino, E. Miguel, and A. P. Zwane. 2011. "Spring Cleaning: Rural Water Impacts, Valuation, and Property Rights Institutions." *The Quarterly Journal of Economics*, 126: 145-205.

Kremer, M. 2003. "Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons." *American Economic Review Papers and Proceedings*, 93(2): 102-106.

*Rodrik, D. 2008. "The New Development Economics: We Shall Experiment, but How Shall We Learn?" Harvard Kennedy School of Government Working Paper No. RWP08-055. Available at:

http://papers.ssrn.com/sol3/Papers.cfm?abstract_id=1296115

Lecture 12: Summary Lecture & The Role of International Organizations

In the final lecture, we will summarize all the topics we have learned and discuss the roles of International Organizations such as the World Bank and the United Nation in pushing the Development agendas forward, their success and failures as well as the lessons learned.

Reading:

The World Development Report, 2015. Mind, Societies, and Behavior.