

HEIDELBERG UNIVERSITY

CHAIR OF INTERNATIONAL AND DEVELOPMENT POLITICS

PROF. DR. AXEL DREHER



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Heidelberg, October 7, 2023

Winter term 2023/24 “Development Economics I”

Prof. Dr. Axel Dreher

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Time of Lecture: Monday, 9:30 - 11:00, AWI Room 00.010
Thursday, 9.30 - 11.00, AWI Room 00.010

Lecture Period: October 16 - January 15. No lectures on November 16 & 23.

Time of Exercise: Monday, 11:15 - 12.45, AWI Room 00.028 (22.1.24: 02.036).

First Exercise: October 23

Assessment: 120-minute exam at the end of the term.
Successful completion of six problem sets.

Note: Teaching will be in English.

Content

This course provides an overview of development economics, with particular emphasis on empirical macro issues in economic development. The most important topics to be covered are the measurement, history and meaning of economic development, empirical growth research, migration, trade, and capital flows, development cooperation, and international organizations.

After successful completion, students will be able to understand why countries are at different stages of economic development and how such development can be measured using different metrics. They can explain how historical income differences between countries developed, and can apply theories of growth and trade to evaluate the constraints faced by developing countries. They can critically evaluate the role of population growth as well as migration, institutions, foreign aid, and international organizations in affecting development, and they will be able to employ statistical methods to evaluate determinants of economic development.

Structure

1. What is development? An introduction
2. Measures of development
3. History of underdevelopment: institutions, geography and policies
4. Growth and development
5. The role of the state in economic development
6. Globalization and development
7. Natural resources and development
8. Western foreign aid and development
9. Chinese foreign aid and development
10. International organizations and development

Literature

Background Reading

Todaro, Michael P., and Stephen C. Smith (2020). *Economic Development*, 13th Edition. Harlow: Person Education.

Perkins, Dwight H., Steven Radelet, David D. Lindauer, and Steven A. Block (2012). *Economics of Development*, 7th Edition. New York & London: W.W. Norton.

Mandatory readings

Chapter 1: Todaro and Stephen Smith (Chapters 1-2.2), Perkins et al. (2013, Chapters 1-2, up to p. 32)

Chapter 2: Todaro and Stephen Smith (Chapters 1-2.3, 5.2, 5.4, Appendix 2.1), Perkins et al. (Chapters 1-2, 6; from pp. 180-197)

Bruederle, A. and R. Hodler, 2018, Nighttime Lights as a Proxy for Human Development at the Local Level, *PloS one* 13, 9: e0202231.

Chapter 3:

Acemoglu, D., Johnson, S., Robinson, J., 2001, The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review*, 91, 5: 1369-1401.

Maloney, W. F. and F. Valencia Caicedo, 2016, The Persistence of (Subnational) Fortune, *Economic Journal* 126, 598: 2363-2401.

Nunn, N., 2008, The Long-term Effects of Africa's Slave Trades, *Quarterly Journal of Economics* 123, 1: 139-176.

Chapter 4:

Mankiw, G., Romer, D. and Weil, D., 1992, A Contribution to the Empirics of Economic Growth, *Quarterly Journal of Economics* 107, 2: 407-437.

Zhu, X., 2012, Understanding China's Growth: Past, Present, and Future, *Journal of Economic Perspectives* 26, 4: 103-124.

Chapter 5:

Asmus, G. and R. Franck, 2022, State Capacity, National Economic Policies, and Local Development: The Russian State in the Southern Urals.

Funke, M., M. Schularick and C. Trebesch, 2022, The Cost of Populism: Evidence from History. Working Paper.

Chapter 6: Perkins et al. (Chapter 18)

Lang, V. F. and M. M. Tavares, 2021, The Global Distribution of Gains from Globalization. Working Paper.

Chapter 7:

Berman, N., M. Couttenier, D. Rohner, and M. Thoenig, 2017, This Mine Is Mine! How Minerals Fuel Conflicts in Africa, *American Economic Review* 107, 6: 1564-1610.

Chapter 8:

Doucouliagos, H. and M. Paldam, 2009, The Aid Effectiveness Literature: The Sad Results of 40 Years of Research, *Journal of Economic Surveys* 23, 3: 433-461.

Chapter 9: Perkins et al. (Chapter 14)

Dreher, A., A. Fuchs, B.C. Parks, A. Strange, and M.J. Tierney, 2021a, Aid, China, and Growth: Evidence from a New Global Development Finance Dataset, *American Economic Journal: Economic Policy* 13, 2: 135-174.

Chapter 10:

Dreher, A., J.-E. Sturm and J.R. Vreeland, 2009, Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics* 88: 1-18.

Subramanian, A. and S.-J. Wei, 2007, The WTO Promotes Trade, Strongly but Unevenly, *Journal of international Economics* 72,1: 151-175.

Optional papers

Chapter 2:

Blumenstock, J., G. Cadamuro, and R. On, 2015, Predicting Poverty and Wealth from Mobile Phone Metadata, *Science* 350, 6264: 1073-1076.

Henderson, J. V., A. Storeygard, and D. N. Weil, 2012, Measuring economic growth from outer space, *American Economic Review* 102, 2: 994-1028.

Ravallion, M., 2012, Troubling Trade-offs in the Human Development Index, *Journal of Development Economics* 99, 201-209.

Chen, S. and M. Ravallion, 2013. More Relatively Poor People in a Less Absolutely Poor World, *Review of Income and Wealth* 59, 1: 1-28.

Jerven, M., Y. Kale, M.E. Duncan and M. Nyoni, 2015, GDP Revisions and Updating Statistical Systems in Sub-Saharan Africa: Reports from the Statistical Offices in Nigeria, Liberia and Zimbabwe, *Journal of Development Studies* 51, 2: 194-207.

Nordhaus, W.D., 1997, Traditional Productivity Estimates are Asleep at the (Technological) Switch, *Economic Journal* 107: 1548-1559.

Chapter 3:

Easterly, W. and R. Levine, 2003, Tropics, Germs, and Crops: How Endowments Influence Economic Development, *Journal of Monetary Economics* 50, 1: 3-39.

McArthur, J.W. and Sachs, J., 2001, Institutions and Geography: Comment on Acemoglu, Johnson and Robinson, NBER Working Paper 8114.

Maddison, A., 2001, The World Economy: A Millennial Perspective. OECD Development Centre Studies. Paris: OECD. Introduction and Summary (pp. 17-26).

Acemoglu, D., S. Johnson and J. A. Robinson, 2001, The Colonial Origins of Comparative Development: An Empirical Investigation, *American Economic Review* 91, 5: 1369-1401.

Olson, 2004, Unbundling Ex-Colonies: A Comment on Acemoglu, Johnson, and Robinson 2001, unpublished.

Albouy, D., 2012, The Colonial Origins of Comparative Development: An Empirical Investigation: Comment, *American Economic Review* 102, 6: 3059-76

Acemoglu, D., S. Johnson and J. A. Robinson, 2012, The Colonial Origins of Comparative Development: An Empirical Investigation: Reply, *American Economic Review* 102, 6: 3077-3110.

Auer, R., 2013, Geography, institutions, and the making of comparative development, *Journal of Economic Growth* 18: 179–215.

Chapter 4:

Gennaioli, N., La Porta, R., Lopez De Silanes, F. and Shleifer, A., 2014, Growth in Regions, *Journal of Economic Growth* 19, 3: 259-309

Sala-i-Martin, X., 1997, I Just Ran 2 Million Regressions, *American Economic Review Papers & Proceedings* 87, 2: 178-183.

Chapter 5:

Bardhan, P., 2016, State and development: The need for a reappraisal of the current literature, *Journal of Economic Literature* 54, 3: 862-92.

Bockstette, V., A. Chanda and L. Putterman, 2002, States and markets: The advantage of an early start, *Journal of Economic Growth* 7, 4: 347-369.

Pierskalla, J., A. Schultz and E. Wibbels, 2017, Order, distance, and local development over the long-run, *Quarterly Journal of Political Science* 12,4: 375-404.

Chapter 6:

Docquier, F. and H. Rapoport, 2012, Measures of High Skill Migration and the Effect of the Brain Drain on Development, *Journal of Economic Literature* 50, 3: 681-730.

Dreher, A., N. Gaston and P. Martens, 2008, *Measuring Globalisation – Gauging its Consequences*. New York: Springer

Harvey, D. I., N. M. Kellard, J. B. Madsen and M. E. Wohar, 2010, The Prebisch-Singer Hypothesis: Four Centuries of Evidence, *Review of Economics and Statistics* 92, 2: 367-377.

Quinn, D., M. Schindler and A. M. Toyoda, 2011, Measures of Financial Openness and the Effect of Openness on Economic Growth, *IMF Economic Review* 59, 3: 488-522.

Chapter 7:

Collier, P. and A. Hoeffler, 2004, Greed and Grievance in Civil War, *Oxford Economic Papers* 56, 4: 563-595.

Djankov, S. and M. Amin, 2009, Natural Resources and Reforms. Policy Research Working Paper Series 4882, The World Bank.

Fearon, J., 2005, Primary Commodity Exports and Civil War, *Journal of Conflict Resolution* 49, 4: 483-507.

Mehlum, H., Moene, K. O. & Torvik, R., 2006. Institutions of the Resource Curse, *Economic Journal* 508: 1-20.

Ross, M. L., 2004, How Do Natural Resources Influence Civil War? Evidence from Thirteen Cases, *International Organization* 58, 1: 35-67.

Sachs, J. D., and A. M. Warner, 2001, The Curse of Natural Resources, *European Economic Review* 45, 4-6: 827-838.

Chapter 8:

Bommer, C., A. Dreher and M. Perez-Alvarez, 2022, Home Bias in Humanitarian Aid: The Role of Regional Favoritism in the Allocation of International Disaster Relief, *Journal of Public Economics* 208: 104604.

Dreher, A., V.Z. Eichenauer, and K. Gehring, 2018, Geopolitics, Aid, and Growth: The Impact of UN Security Council Membership on the Effectiveness of Aid, *World Bank Economic Review* 32, 2: 268-286.

Dreher, A. and S. Langlotz, 2020, Aid and growth: New Evidence Using an Excludable Instrument, *Canadian Journal of Economics* 53, 3: 1162-1198.

Kuziemko, I. and E. 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.

Chapter 9:

Dreher, A. and A. Fuchs, 2015, Rogue Aid? An Empirical Analysis of China's Aid Allocation, *Canadian Journal of Economics* 48: 988-1023.

Dreher, A., A. Fuchs, R. Hodler, B.C. Parks, P.A. Raschky, and M.J. Tierney, 2019, African Leaders and the Geography of China's Foreign Assistance, *Journal of Development Economics* 140: 44–71.

Dreher, A., A. Fuchs, R. Hodler, B.C. Parks, P.A. Raschky, and M.J. Tierney, 2021b, Is Favoritism a Threat to Chinese Aid Effectiveness? A Subnational Analysis of Chinese Development Projects, *World Development* 139: 105291.

Dreher, A., A. Fuchs, B.C. Parks, A. Strange, and M.J. Tierney, 2022, *Banking on Beijing. The Aims and Impacts of China's Overseas Development Program*, Cambridge University Press.

Chapter 10:

Dreher, A., J.-E. Sturm and J.R. Vreeland, 2009, Global Horse Trading: IMF loans for votes in the United Nations Security Council, *European Economic Review* 53: 742-757.

Dreher, A., V. Lang, and K. Richert, 2019, The Political Economy of International Finance Corporation Lending, *Journal of Development Economics* 140: 242-254.

Dreher, A., J.-E. Sturm and J.R. Vreeland, 2015, Politics and IMF Conditionality, *Journal of Conflict Resolution* 59: 120-148.

Dreher, A., S. Klasen, J.R. Vreeland, and E. Werker, 2013, The Costs of Favoritism: Is Politically-driven Aid Less Effective? *Economic Development and Cultural Change* 62: 157-191.