

## Interdisciplinary Programmes

Academic year 2020-2021

### Economics of Natural Resources, Conflict and Development

**MINT177 - Fall - 6 ECTS**

### Course Description

This course focuses on the links between politics and economic development. It will discuss how institutional factors shape poverty and economic growth, and how economic factors influence institutions and political instability, with a particular focus on the role of natural resources. We will study, among others : the legacy of historical institutions on economic performance ; the role of political leaders and the determinants of democratization ; the causes and consequences of civil wars ; the impacts of international aid. The goal of the course is to introduce key theoretical concepts and develop the policy analysis skills needed to understand and assess key arguments advanced in the broad field of political economy of development. Because both research and policy making is increasingly using micro-data, the course will be oriented toward recent empirical evidence and empirical methods. These methods will be introduced and critically discussed throughout the course, through the study of cutting-edge research papers.

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#### > PROFESSOR

[Nicolas Berman](#)

[Office hours](#)

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#### > ASSISTANT

[Office hours](#)

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### Note

This course will be partly taught online, partly on-site.

## Syllabus

### Textbooks / Pre-requisite

The course does not follow any existing textbook and is open to students with a little background in economics and econometrics. However, as it is strongly applied-oriented, and based on the reading and presentation of empirical papers, some understanding of statistical methods is much appreciated.

## Grading

The grading will be based on (a) a paper + in-class discussion (40%, in small groups – depending on the number of students enrolled) (b) a final, closed-book exam (60%, individual). Students' presentations will take place at the end of each topic.

## TENTATIVE OUTLINE

**Note:** *this syllabus is subject to changes; in particular, the list of readings will be updated before the start of the course*

**Readings:** *the main readings for each lecture are marked with a (\*). Papers that can be chosen for the presentation are marked with a (P).*

### General readings

*These readings are not required, but theories developed in these books will be mentioned in class.*

- D. Acemoglu and J. Robinson (2006), *Economic origins of dictatorship and democracy*, Cambridge University Press.
- P. Collier (2008), *The Bottom Billion*
- J. Diamond (1997), *Guns, germs and Steel*, W. W. Norton & Company Eds.
- J. Herbst (2000), *States and power in Africa: comparative lessons in authority and control*, Princeton University Press.
- D. North, *Institutions (1990), Institutional Change, and Economic Performance*, Cambridge University Press.
- A. Sen (1999), *Development as Freedom*, Anchor eds.

### Topic 0

#### **Introduction and statistical tools**

*I will introduce the topics covered in the course, discuss some recent figures and provide a broad overview of the empirical methods used in the field of political economy of development.*

### Topic 1

#### **Natural Resources, History and Persistence**

*Does history matter for development? If so, how and why? In this lecture, we will discuss a strand of the economic literature that argues that historical events have persistent effects on economic development. A focus will be given to the role of institutions, and how natural resources shape institutional development. We will discuss the African case specifically, in particular the contemporaneous legacies of colonial and precolonial institutions.*

#### Readings

- (\*) S. Michalopoulos and E. Papaioannou (2020), "Historical legacies and African Development", *Journal of Economic Literature*
- N. Nunn (2009): "The Importance of History for Economic Development," *Annual Review of Economics*, 1(1): 65-92.

- (P) S. Michalopoulos and E. Papaioannou (2016) "The Long-Run Effects of the Scramble for Africa." *American Economic Review*
- (P) N. Nunn and Wantchekon (2011): "The Slave Trade and the Origins of Mistrust in Africa", *American Economic Review*
- (P) M. Dell (2010), "The persistent effect of Peru's mining *Mita*", *Econometrica*
- (P) D. Cogneau and A. Moradi (2014): "Borders That Divide: Education and Religion in Ghana and Togo Since Colonial Times," *The Journal of Economic History*
- D. Acemoglu, S. Johnson, J.A. Robinson (2001): "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*
- M. Alsan (2015) "The effect of the TseTse fly on African Development", *American economic review*
- D. Comin, W. Easterly and E. Gong (2010): "Was the Wealth of Nations Determined in 1000 BC?" *American Economic Journal: Macroeconomics*
- S. Michalopoulos, and E. Papaionnou (2013): "Pre-colonial Ethnic Institutions and Contemporary African Development," *Econometrica*,
- N. Nunn, "The Long-Term Effects of Africa's Slave Trade", *Quarterly Journal of Economics*

## **Topic 2**

### **Institutional change and dictatorships**

*Why are some countries democratic, not others? What drives institutional change? In these lectures we will study the drivers of democratization. We will discuss the Acemoglu-Robinson argument that democratization is for the elite in power a way to commit to future redistributive policies in presence of a revolution threat. In the second part of the lecture, we will look at the role of leaders for economic performance.*

#### Readings

- (\*) D. Acemoglu, S. Johnson and J. Robinson (2005) "Institutions as a fundamental cause of growth", *Handbook of Economic Growth*
- (\*) D. Acemoglu and J. Robinson (2006), Chapter 2, *Economic Origins of Dictatorship and Democracy*, Cambridge Univ. Press.
- D. Acemoglu, S. Johnson, J. A. Robinson (2005): "The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth," *American Economic Review*
- (P) O. Garcia Ponce and L. Wantchekon (2017): "Critical junctures: independence movements and democracy in Africa"
- (P) M. Belloc, F. Drago and R. Galbiati (2016), "Earthquakes, religion and transition to self-government in Italian cities", *Quarterly Journal of Economics*
- (P) R. Sanchez de la Sierra (2018), "On the origin of the state: stationary bandit and taxation in Eastern Congo", *Journal of Political Economy*
- T. Aidt and R. Franck (2015), "Democratization under the threat of revolution: evidence from the Great Reform Act of 1832", *Econometrica*
- B. Jones and B. Olken (2005), "Do leaders matter? National leadership and growth since world war II", *Quarterly Journal of Economics*

## **Topic 3**

### **Causes of conflicts**

*Since world war II, a third of the world's countries have been affected by civil conflicts. Wars are seen by economists as reflecting bargaining failures. But what cause bargaining to fail? Are wars always*

rational? In these lectures, we will discuss the determinants of wars, with a particular focus on civil conflicts and on their economic determinants.

#### Readings

- (\*) M. Jackson and M. Morelli (2009) "The reasons for wars: an updated survey", *Handbook on the Political Economy of War*
- C. Blattman and E. Miguel (2010), "Civil war", *Journal of Economic Literature*
- (P) D. Yanagizawa-Drott (2014), "Propaganda and conflict: evidence from the Rwandan genocide", *Quarterly Journal of Economics*
- (P) O. Dube and J. Vargas (2013), "Commodity price shocks and conflicts: evidence from Colombia", *Review of Economic Studies*
- (P) S. Jha (2013), "Trade, Institutions and Religious Tolerance: Evidence from South Asia", *American Political Science Review*
- M. Manacorda and A. Tesei (2019), "Liberation Technology: Mobile Phones and Political Mobilization in Africa", *Econometrica*
- N. Berman, M. Couttenier, D. Rohner, M. Thoenig (2017), "This mine is mine! How minerals fuel conflicts in Africa", *American Economic Review*
- P. Martin, T. Mayer, M. Thoenig (2008), "Make trade not war?", *Review of Economic Studies*
- E. Miguel, S. Satanyah and E. Sergenti (2003) "Economic Shocks and civil conflicts: an instrumental variable approach", *Journal of Political Economy*

#### Topic 4

##### **Policy responses and consequences of war**

Conflict potentially have multiple impacts, on economic activity, but also on trust, health, investment and many other dimensions of our economies. Here we will discuss these consequences, and what can be done to limit the negative consequences of war.

#### Readings

- (\*) C. Blattman and E. Miguel (2010), "Civil war", *Journal of Economic Literature*
- A. Abadie and J. Gardeazabal (2003), "The Economic Costs of Conflict: A Case Study of the Basque Country", *American Economic Review*
- (P) J. Cilliers, O. Dube and B. Siddiqi (2016), "Reconciling after civil conflict increases social capital but decreases individual well-being", *Science*
- (P) C. Blattman and J. Annan (2010), "The consequences of child soldiering", *Review of Economics and Statistics*
- E. Miguel and G. Roland (2011), "The long-run impact of bombing Vietnam", *Journal of Development Economics*
- (P) M. Dell and P. Querubin (2017), "Nation building through foreign intervention" *Quarterly Journal of Economics*
- (P) M. Guidolin and E. La Ferrara (2007) "Diamonds are forever, wars are not: is conflict bad for private firms?", *American Economic Review*
- M. Bauer, C. Blattman, J. Chytlova, J. Henrich, E. Miguel, T. Mitts (2016), "Can war foster cooperation?", *Journal of Economic Perspectives*

## **Topic 5**

### **Political economy of natural resources**

Countries “blessed” with high endowments of natural resources are often characterized by poor economic performance – the so called “natural resource curse”. Why do natural resources seem so detrimental? Research has shown that the answer to this question seems to be on the political rather than the economic side.

#### Readings

- (\*) F. van der Ploeg (2011), “Natural resources: curse or blessing?”, *Journal of Economic Literature*
- M. Ross (2015), “What have we learned about the resource curse?”, *Annual Review of Political Science*
- A. Venables (2016), “Using natural resources for development: why has it proven so difficult?”, *Journal of Economic Perspectives*
- (P) C. Knutsen, A. Kotsadam; E. Olsen and T. Wig, “Mining and local corruption in Africa”, *American Journal of Political Science*
- (P) P. Vincente (2010) “Does Oil Corrupt? Evidence from a Natural Experiment in West Africa”, *Journal of Development Economics*
- (P) M. Carreri and O. Dube (2016), “Do Natural Resources Influence Who Comes to Power, and How?”, *Journal of Politics*
- (P) J. Monteiro and C. Ferraz (2014) “Learning to Punish: resources windfalls and political accountability in Brazil”, unpublished
- Caselli and Michaels (2013) “Do Oil Windfalls Improve Living Standards? Evidence from Brazil”, *American Economic Journal: Applied*
- K. Tsui (2010) “More oil, less democracy: evidence from worldwide crude oil discoveries”, *Economic Journal*

## **Topic 6**

### **Corruption**

*How do we measure corruption? What are the impacts of corruption? How can we fight it?*

#### Readings

- (\*) B. Olken and R. Pande (2012) “Corruption in Developing Countries”, *Annual Review of Economics*.
- A. Banerjee, R. Hanna and S. Mullainathan. Corruption. 2009. Mimeo, MIT.
- Barron and Olken (2009), “The Simple Economics of Extortion: Evidence from Trucking in Aceh”, *Journal of Political Economy*
- (P) M. Bertrand, S. Djankov, R. Hanna and S. Mullainathan (2007): “Obtaining a Driving License in India: An Experimental Approach to Studying Corruption,” *Quarterly Journal of Economics*
- Fisman (2001), “Estimating the value of political connections”, *American Economic Review*
- Fisman and Wei (2004), “Tax Rates and Tax Evasion: Evidence from “Missing Imports” in China
- (P) Hsieh and Moretti (2006) “Did Iraq Cheat the United Nations? Underpricing, Bribes, and the Oil-for-Food Program”, *Quarterly Journal of Economics*
- (P) Khwaja and Mian (2005): “Do Lenders Favor Politically Connected Firms? Rent Provision in an Emerging Financial Market”, *Quarterly Journal of Economics*
- (P) B. Olken (2007): “Monitoring Corruption: Evidence from a Field Experiment in Indonesia,” *Journal of Political Economy*

- Mauro (1995), "Corruption and Growth", Quarterly Journal of Economics
- Reinikka and Svensson (20014) "Local Capture: evidence from a Central Government transfer program in Uganda", Quarterly Journal of Economics

## **Topic 7**

### **Development aid**

*We will study the politics of foreign aid and discuss the various impacts of aid.*

#### Readings

- (\*) N. Qian (2015): "Making Progress on Foreign Aid," *Annual Review of Economics*, Annual Reviews
- W. Easterly and T. Pfutze. 2008. "Where does the Money Go? Best and Worst Practices in Foreign Aid." *Journal of Economic Perspective*
- Galiani, Sebastian and Stephan Knack and Lixin Colin Xu and Ben Zou (2017): "The Effect of Aid on Growth: Evidence from a Quasi-Experiment," *Journal of Economic Growth*,
- J. Fearon, M. Humphreys and J. Weistein (2014) "Democratic Institutions and Collective Action Capacity: Results from a Field Experiment in Post-Conflict Liberia". *American Political Science Review*
- Gugerty MK, Kremer M. (2008) "Outside funding and the dynamics of participation in community associations" *American Journal of Political Science*
- Dreher, Axel, Peter Nunnenkamp and Rainer Thiele (2008): "Does US Aid Buy UN General Assembly Votes? A Disaggregated Analysis," *Public Choice*

## **Week 14**

### **Final Exam**

#### **Tentative schedule**

*As the faculty in charge of the course is not based in Geneva, the course will alternate between onsite and online teaching. To minimize travel and maximize interactions, onsite sessions will last longer (2h45, except for the introductory session).*

Sept 18 (onsite)	Introduction and statistical tools	10:15 – 12:00 Room S5
Sept 25 (online)	Topic 1	10:15 – 12:00
October 2 (onsite, 2h45)	Topics 1 and 2	9:15 – 12:00 Room S5
October 9 (online)	Topic 2	10:15 – 12:00
October 16 (onsite, 2h45)	Presentations x 2 + Topic 3	9:15 – 12:00 Room S5
October 23	No class	
October 30 (online)	Topic 3	10:15 – 12:00
November 6 (onsite, 2h45)	Presentation + Topic 4	9:15 – 12:00 Room S5
November 13 (online)	Topic 4	10:15 – 12:00
November 20 (onsite, 2h45)	Topic 5 + Presentations x 2	9:15 – 12:00 Room S5
November 27 (online)	Topic 6	10:15 – 12:00
December 4 (onsite, 2h45)	Topic 7 + Presentation	9:15 – 12:00 Room S5
December 11	No class	
December 18	Final exam	