CONTENTS

FUNDERS .................................................. 2

DIRECTOR’S FOREWORD .................................. 3

CSAE RESEARCH ......................................... 4
RESEARCH HIGHLIGHTS ................................ 5
RESEARCH COMPLETED IN 2013 ....................... 19

CSAE STUDENTS ......................................... 25
DOCTORAL STUDENTS .................................. 26
COMPLETED DOCTORAL DEGREES ................... 32

CSAE PEOPLE ............................................ 38
POLICY COMMITTEE .................................... 39
CSAE RESEARCH TEAM ................................. 40
CSAE SUPPORT TEAM .................................. 41
CSAE RESEARCH ASSOCIATES ....................... 41
VISITORS .................................................. 43
FUNDERS

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DFID, the Department for International Development, is the part of the UK Government that manages Britain’s aid to poor countries. Their work is focused on achieving the Millennium Development Goals - the United Nations targets for fighting poverty that must be met by 2015. They work with charities, international organisations and the governments of poor countries to find lasting solutions to the global problem of poverty.

The ESRC funds research and training in social and economic issues. It is an independent organisation, established by Royal Charter, and receives most of its funding through the Department for Business, Innovation and Skills.

The EU FP7 programme funds the research consortium ‘NOPOOR’, an international collaboration which aims to increase knowledge on the nature and extent of poverty in developing countries.

Bill and Melinda Gates Foundation

Bill and Melinda Gates’ belief that every life has equal value is at the core of their work at the foundation. They follow 15 guiding principles, which help define their approach to their philanthropic work, and employ an outstanding leadership team to direct their strategies and grant making.

The IGC promotes sustainable growth in developing countries by providing demand-led policy advice based on frontier research. The IGC is directed and organised from hubs at the LSE and the University of Oxford and comprises country offices across the developing world. The IGC was initiated and funded by UK aid from DFID.

RUSH Foundation was founded to help breathe new thinking into HIV policy and on-the-ground interventions in sub-Saharan Africa. RUSH aims to stimulate policy debate which leads to tangible improvements in government and donor HIV priorities.

The World Bank is a vital source of financial and technical assistance to developing countries around the world.
THE PURPOSE OF THE CSAE IS TO GENERATE RESEARCH, INFORM POLICY, AND PROVIDE PUBLIC GOODS FOR THE GLOBAL RESEARCH COMMUNITY WORKING ON AFRICAN ECONOMIES.

With this in mind, we are launching two large new research programmes. One is on the macroeconomic implications of HIV and is joint with the London School of Hygiene and Tropical Medicine, and Imperial College. The other is on African urbanisation and is joint with OxCARRE. In each case we are keen to work with African researchers and institutions.

CSAE has a long record of taking research into policy: for example, since 2011 Professor Dercon, who has been associated with CSAE since its foundation, has been Chief Economist at DFID. But 2013 was nevertheless remarkable. Britain hosted the G8 and I was asked by Prime Minister David Cameron to guide the development agenda for the meeting. The Enniskillen meeting of G8 leaders, which I attended, led to a series of serious commitments on governance quite different to previous G8s. They included transparency in natural resource revenues; breaking open the shell companies that have been the vehicles for hiding corrupt money; tackling corporate avoidance of tax liabilities in Africa; and encouraging private finance for African infrastructure. This agenda reflected a decade of research. We also continued our annual Round Table for African Central Bank Governors which in 2013 attracted delegates from 18 central banks. The discussions included an address by George Soros and an exposition on the Office for Budget Responsibility by OBR member Steve Nickell.

CSAE contributes to the public goods for development through the Journal of African Economies; our Annual Conference; our Visiting Fellows programme run jointly with the African Economic Research Consortium; and our book series on individual country economies. In 2013 for the first time the number of research papers submitted for presentation at the Conference exceeded the 1,000 mark. Attended by many young African economists, the CSAE conference has become an important convening event.

Research centres, like any other organisation, require management. For our first two decades, the management team was the trio of Francis Teal, Marcel Fafchamps and myself. Since 2012 we have been going through a process of gradual renewal. Francis retired, Marcel became Co-Director alongside me, and James Fenske and Simon Quinn became Deputy Directors. Now, after many years of service, including editing the Journal of African Economies, Marcel is leaving for a position at Stanford. He has made a tremendous contribution to the CSAE and, thankfully, will remain embedded in our research programmes.

Since my Chair as Director of CSAE was ad hominem, it was necessary to endow a new Statutory Chair to ensure continuity of the Directorship. With the support of George Soros and Leonard Blavatnik this has now been achieved and a new Director will be recruited during the course of 2014. I will remain active in CSAE but I have no ambitions to be president-for-life, and by 2015 the CSAE management team will have been completely renewed. My Directorship has coincided with the period during which Africa changed from ‘the hopeless continent’ to ‘the rising continent’. The new team will be researching this new phase of catch-up. I look forward to watching their successes.

PAUL COLLIER
IT WOULD NOT BE AN EXAGGERATION TO suggest that most economists and development policymakers consider formal property rights to be not only a necessary condition for well-functioning markets, but also a crucial tool for informal landowners to escape poverty. Perhaps the most salient, recent advocacy has come from the Peruvian economist Hernando de Soto, who has long argued that the poor are more likely to invest in property and utilise it as a means of collateral for accessing loans when property rights have been formalised (De Soto, 2001).

Of course we can imagine many other benefits to titling, ranging from protecting poor people from unwarranted expropriation, to allowing them to take advantage of rising land prices. As a result much of recent economic research has focused on measuring the individual impacts of formal property rights interventions (ranging from basic registration to full scale land titling) on receiving households. Yet, even though many empirical studies suggest that land tenure formalisation has a number of positive benefits, we still know precious little about why landowners might choose to abandon what are often fairly robust informal regimes, as well as how best to design titling programmes to maximise coverage.

One country which has been struggling with this problem is Tanzania, which in the early 2000s began issuing two new forms of land titles to households in informal urban slums, settlements which had previous gone unrecognised by the government. One of these titles, a short-term lease known as a ‘residential licence’, was purchased by approximately 40% of informal landowners over an eight year period, yet ultimately failed to come even close to full coverage.

However, one intriguing result of the residential licence rollout is that take-up appeared to be geographically clustered: small pockets of landowners appeared to be applying for these titles at the same time. Observationally, this is consistent with many models of peer effects, where the decision of one person or household increases or decreases the chance that another does the same. Peer effects often operate in environments where the benefits of taking a decision are linked: I might, for instance, be more willing to invest in my house if I believe that investment is worth more if my neighbours have done the same. Another common explanation for observed peer effects is information: if my friends or neighbours decide to flood-proof their homes, this might be a signal that it would be beneficial to do the same.

However, while it is clear that informal landowners living close to one another are making similar decisions to purchase formal titles from the government, it is not yet clear that they are influencing each other. Close neighbours might make the same decisions solely because they have similar educational backgrounds and beliefs about the
efficacy of titling, or may live on land of a similar quality for which the returns to titling are quite high. To tease apart decisions which influence each other from decisions caused by environmental or personal similarity, we must first find something which "shocks" those decisions which is uncorrelated with shared environment or characteristics.

In recent research, I do this by relying on a novel experiment conducted in the slums of Dar es Salaam several years ago in which researchers from CSAE and the World Bank aimed to study the impacts of titling by randomly varying the cost of access to land titles (a detailed description of the project and its initial results are available in Ali et al, 2013). In an informal settlement in Dar es Salaam known as Mburahati Barafu, blocks of land parcels were randomly selected to receive both a large subsidy towards the cost of a long-term formal land title (known as a certificate of right of occupancy or CRO) as well as assistance from a local NGO in filling out the complex paperwork. With approximately 60% of those selected to receive the treatment opting to buy a CRO, the experiment successfully randomly generated geographic variation in households being titled. As a result, we can investigate whether households which had more neighbours...
randomly encouraged to buy land titles were more or less likely to do the same.

The results were striking: landowners reacted strongly to the decision of their neighbours. The chances that a household decided to purchase a land title increased by approximately 3% for each of their twenty-closest neighbours who did the same. Thus, encouraging one household to buy a title has significant knock-on effects on others nearby.

However, if one is to design better property rights policy, they would also need to know more about why these peer effects exist in the first place: are they being driven by linked benefits or by the spread of information? With regards to land titling, we might expect the benefits to be more closely linked when households live close to each other. For example, an owner might feel that a land title better protects their land from government expropriation if their neighbours have also taken up a land title. By contrast, if peer effects are being generated by flows of information about the benefits of titling, then spatial proximity should matter less, as the decisions of neighbours or friends who are further away should still affect. In this study I find that peer effects are substantially stronger for more proximate neighbours and are negligible for neighbours who are distant but have other social connections which might transmit information. This suggests that landowners are buying land titles because they believe the added benefit to a title is greater when their neighbours do the same, and that these benefits are primarily spatial.

Randomised controlled trials (RCTs) frequently come under fire for their lack of external validity, or generalizability. The same concerns might hold here as well: while landowners in Mburahati Barafu appear to be influenced by their neighbours’ decisions to buy a land title, would this result hold elsewhere in the city? Luckily, the exact same experiment was run in an adjacent slum, also showing strong, positive peer effects. Also, taking advantage of a geographic database covering nearly every informal parcel of land in Dar es Salaam, I use popular (non-experimental) empirical methods to show that there is also evidence that peer effects explain a significant portion of the take-up of residential licences across the city.

While much of previous work on formalising land tenure focuses primarily on the private, individual benefits to titling, this work suggests that landowners act as if these benefits are interconnected. For policymakers attempting to design optimal formal land tenure regimes, this is an important distinction. Efforts to entice poor landowners into a formal system will ultimately be more successful when these efforts are somewhat concentrated, as convincing some owners to obtain a title has a knock-on impact on their proximate neighbours. This suggests that governments must be proactive if they want to successfully propagate new systems, as larger-scale interventions are best poised to take advantage of these peer effects.

REFERENCES

STATE CAPACITY MATTERS FOR GROWTH. IN forthcoming work, I test Robert Bates’ explanation of pre-colonial African states. He argues that trade across ecological boundaries promoted states. I find that African societies in ecologically diverse environments had more centralized states. This is robust to reverse causation, omitted heterogeneity, and alternative interpretations of the link between diversity and states. The result survives including non-African societies. I test mechanisms connecting trade to states, and find that trade supported class stratification between rulers and ruled. I underscore the importance of ethnic institutions and inform our knowledge of the effects of trade on institutions.

States that can collect taxes, protect property, and sustain markets matter for development.

States that can collect taxes, protect property, and sustain markets matter for development. It is not only modern states that matter; state antiquity predicts growth and stability in the present. Understanding state capacity, then, improves our knowledge of the causes of growth. The origins of state capacity have, however, received comparatively little attention in the literature. Explaining why strong states existed in the past in some regions but not others adds to our knowledge of state capacity in the present and helps explain present-day income differences.

In this paper, I test a ‘Ricardian’ theory of states in sub-Saharan Africa originally presented by Robert Bates. Building on the work of earlier historians, he argues that long-distance trade gave rise to states in Africa:

The contribution of the state is to provide order and peace and thereby to render production and exchange possible for members of society.

The origins of the state, then, lie in the welfare gains that can be reaped through the promotion of markets.

He suggests that gains from trade are greatest where products from one ecological zone can be traded for products from another. It is near ecological boundaries, then, that we should expect to see states.

I use ethnographic and geographic data to test
this hypothesis. I merge data on state centralization for 440 ethnic groups in pre-colonial sub-Saharan Africa with a map of African ecological zones. I use ethniclevel ecological diversity to proxy for the gains from trade. I show that ecological diversity is strongly related to the presence of pre-colonial states. For example, within the societies classified as ‘Equatorial Bantu’, the Luba score .69 on the diversity index and 3 out of 4 on the centralization index. The Kela and Ndionko, by contrast, have no diversity and no centralization. On the ‘Guinea Coast’, the Yoruba score 3 on centralization and .58 on diversity, while the Yako score zero on both.

I show that this result is robust. I use spatial variation in rainfall as an instrumental variable, in order to control for possible reverse causation. The result survives additional controls, checks for unobserved heterogeneity, alternative estimation strategies, removing influential observations, and alternative measures of trade and states.

I show that the ‘Ricardian’ view better explains the relationship between states and diverse ecology than six alternative interpretations. These are: first, larger territories are more diverse and require more levels of administration; second, societies that independently develop states conquer trading regions; third, dense population in diverse regions explains statehood; fourth, defence of ‘islands’ of land quality accounts for states; fifth, the diversity of available economic activities creates states, and; sixth, competition between ethnic groups in more diverse areas leads to state formation. I rule out these alternative explanations by controlling for these mechanisms directly, by re-estimating the results using artificial countries of a uniform shape and size as the unit of observation, and by presenting narrative evidence from the most influential observations in the data.

Unlike Bates, I am agnostic about whether it is long-distance or local trade that matters most to state formation, and about whether trade gives rise to states by increasing the returns to investment in public goods, by cheapening the cost of extending authority over space, or by making rulers more effective in public goods provision. The public goods provided by states can lower the costs of both inter-state and intra-state trade. I present a simple model of the mechanisms by which trade may lead to state centralization. I find that class stratification is the channel best supported by the data, though trade is associated with a wide range of state functions.

REFERENCES

THE INTERNATIONAL COMMUNITY USES A
number of interventions to make and build peace. How effective are these interventions? What
works and what does not? Although some
interventions are frequently advocated we
know very little about their
success.

WHY SHOULD THIRD
PARTIES INTERVENE?
As we receive the shocking
images of war the
discussion begins on how
to stop the killing, maiming,
torture, (child) abductions,
displacements and sexual
violence. Economic studies
suggest that wars do not
only depress their own
country’s growth but also
that of their neighbours.
The increased military
expenditure diverts funds for
development purposes and
has an impact on
neighbouring countries by
setting off a regional arms race (Collier and
Hoeffler, 2007). The cost of the average civil
war in a low income country has been estimated
to be about $120bn (Dunne, 2013). This is a
conservative estimate because it does not include
the global cost of conflict. For example, in order
to finance wars some rebels turn to the production
and/or trafficking of illegal drugs. Another worry
is that armed conflicts generate ungovernable
spaces which potential terrorist organisations
can use.

Given that wars cause enormous human suffering, as well as regional and global costs, there are
humanitarian as well as self-interested reasons of
why international actors want to intervene. The
effect of interventions is difficult to evaluate as
to number of reasons. The stated policy goals
(preventing or ending
a conflict) may not
accurately reflect the
intervener’s motivation.
The intervener may also
be interested in other
impacts such as policy
or regime change.
The assessment of the
impact of interventions
invariably involves
some judgement and
studies of international
mediation and
economic sanctions
suggest a relatively low
success rate. It may also
be difficult to attribute
success to a particular
intervention because
often there are several
ongoing international interventions pursuing the
same objective in the same place.

Although we are witnessing some ongoing wars,
the world is now much less violent than ever
before (Pinker, 2012). While wars are now very
unlikely in some regions, there are others that
are still plagued by large scale violent conflict.
These trouble spots are easy to identify: they
are poor countries, have suffered growth
collapses and have a history of civil war
(Collier and Hoeffler, 2004). This knowledge
should provide a good guide on where to use
third party interventions. The question of how
to intervene is more problematic. Interventions
should ideally address the twin challenge of
security and development, ending conflicts and
preventing new ones by building stronger states,
enabling people to lead secure lives free
from poverty.
EVIDENCE
Since the end of the Cold War an increasing number of third party interventions have taken place and the evidence on the effectiveness of interventions is accumulating. Hoeffler (2013) suggests that aid, peace keeping operations and arms trade restrictions help to secure the peace.

DEVELOPMENT AID
Although there is no evidence that aid helps to prevent wars, there is evidence that it stabilizes post-war situations and thus decreases the risk of recurrent conflict by boosting growth and income. However, these results do not hold in violent post-war situations. Aid in violent post-war situations has no growth enhancing effect.

UN PEACE KEEPING OPERATIONS (UNPKOS)
UNPKOs are effective in maintaining peace. Increasing UNPKO expenditure by 60 per cent halves the risk of civil war globally.

RESTRICTIONS ON ARMS TRANSFERS
Arms embargoes successfully limit the flow of weapons and are more effective in conjunction with UNPKOs. This suggests that a tighter regulation of international arms transfers could reduce violent conflict. On April 2, 2013, the UN General Assembly voted in favour of an international Arms Trade Treaty. This prohibits the export of conventional weapons that would be used for acts of genocide, crimes against humanity, war crimes, or terrorism. This new treaty is cause for optimism that the supply of arms to countries in conflict will be reduced.

SECURITY SERVICES
Worldwide there are concerns about the legitimacy, image and professionalism of private security providers (this includes ‘mercenaries’). Signatory companies to the International Code of Conduct (ICOC) for Private Security Providers affirm their responsibility to respect the human rights of, and fulfil humanitarian responsibilities towards all those affected by their business activities. However, currently the code is not legally binding and there is no independent oversight. Making commitments legally binding, providing independent oversight, and encouraging third parties and governments to hire ICOC signatories would improve the accountability of private security services in peacebuilding and statebuilding efforts.

OUTLOOK
During the past 50 years civil wars have been the most common form of large scale violent conflict. There is of course nothing ‘civil’ about these conflicts, they impose huge human and economic costs, not only on the local populations...
but they have regional and global spillover effects. Large n-studies provide evidence that UNPKOs keep the peace and that aid increases growth in the post-war period (Hoeffler, 2013). Improving the growth performance of post-conflict countries is important, because economic growth reduces the likelihood of renewed conflict. Concentrating efforts to stabilize post-war situations appears to be an effective use of international resources because cross-country studies suggest that recurrent conflict is the predominant form of armed conflict in the world today (Walter, 2011). However, during the past couple of years, civil wars have broken out in countries that have no recent history of civil war (e.g. Libya and Syria). It is too early to say if these are just outliers or whether we are seeing the emergence of a new trend.

There is comparatively little work on interventions during conflict. Many interventions seem to prolong war; it appears to be very difficult to stop a war once it has started. However, it is worth singling out arms embargoes as they appear to be effective in restricting arms transfers to conflict zones, helping to bring conflicts to an end. This should fill us with optimism that the new UN Arms Trade Treaty might have a similar effect.

If we knew how to prevent small scale conflicts from escalating into war, a lot of human suffering and economic costs could be avoided. However, there is hardly any work on the effectiveness of interventions before a conflict and it is too early to provide a quantitative assessment of early warning and response efforts such as the African Union’s Continental Early Warning System.

The discussion indicates that some interventions are more effective if they are combined with other interventions. However, we know very little about optimal policy design. Fragile countries require a combination of economic and security assistance. Studies either concentrate on the development or the security aspects, but pay insufficient attention to the relationship between development and security. This is an important area of future research.

REFERENCES

IN THIS PROJECT WE CONDUCT LAB-IN-THE-FIELD experiments with low-income farmers from traditional risk-sharing groups called iddir in Ethiopia to investigate if the demand for index insurance can be increased if the insurance is offered to these groups instead of to individual farmers. One of the propositions we test is whether farmers take up more index-insurance if they are able to share basis risk with other farmers in their iddir. In the second stage of this project we investigate if a lack of coordination on effort expended to reduce the consequences of idiosyncratic agricultural shocks will reduce the extent to which farmers are willing to informally share basis risk. Our preliminary findings show that farmers who are able to fully share basis risk in their iddir are indeed significantly more likely to take up index-insurance than farmers who are not able to share because they can smooth the potential downside risk of index insurance with others.

BACKGROUND
The lack of formal insurance markets in many developing countries does not mean that low-income farmers are uninsured. This is evidenced by a large literature that investigates informal risk-sharing among low-income households. However, many studies find that households’ ability to fully insure against risk is limited, especially in the case of aggregate shocks such as natural disasters or drought, which may affect households negatively at the same time (Townsend, 1994). If households do not have access to sufficient levels of insurance, shocks will have serious consequences for households’ current consumption and future welfare, especially for low-income farmers dependent on rainfall, as is the case in many developing countries in the world. To prevent negative consequences of shocks, many exposed, low-income farmers choose low-risk, low-return production methods (Rosenzweig andBinswanger, 1993). In a recent survey conducted in 2009 in Ethiopia, 44% of farmers reported serious losses in wealth and consumption due to drought in the previous four years (Dercon, Hill, Clarke, Outes-Leon, Tafesse, 2013). Insurance against aggregate shocks such as rainfall has serious potential to reduce the impact of shocks on farmers’ development out of poverty.

Despite the potential of formal agricultural insurance it has proven difficult to create sustainable markets for crop or livestock insurance. Asymmetric information problems, such as moral hazard, adverse selection and costly state-verification have prevented the development of traditional indemnity agriculture insurance. Recently an alternative has been offered to low-income farmers: index-insurance. This type of insurance provides payouts based on independently verifiable indices (such as rainfall measurements), and can overcome some of the asymmetric information problems and high transaction costs inherent to indemnity insurance. However, the demand for these products by low-income farmers is low. Hill and Robles (2011) report less than 20% take-up of agriculture index-insurance offered to farmers in Ethiopia. Cole et al. (2013) report 5-10% uptake of index insurance in Andra Pradesh and Gujarat in India. Even if insurance premiums are significantly below actuarially fair rates due to subsidisation, more
than 50% of households do not take up index-insurance in India.

One potential explanation for the low demand for index-insurance is the basis risk inherent in these products. Basis risk is the difference between losses experienced by farmers and those insured by the index-insurance product. It is caused by the imperfect correlation between the index (e.g. rainfall measure) and the farmers’ yield. In reality this implies that even if farmers purchase insurance and experience a loss, they still may not receive a payout. This downside risk of index-insurance is especially problematic for farmers who are already vulnerable.

A potential solution to increase demand for index-insurance is to offer it to groups. One characteristic of groups that is especially relevant to index-insurance is the ability of members of these groups to informally share idiosyncratic basis risk. For example, if a group of farmers has taken up index insurance and the index is not triggered because there is no aggregate drought, none of the farmers will receive a payout. For some farmers this may be problematic because they do experience crop losses but receive no compensation from the index insurance, despite having paid a premium. Through the pre-existing informal risk-sharing groups these losses may still be smoothed by sharing them with farmers from the iddir that have no losses. In this way the downside basis risk is shared with others in the group. Mobarak and Rosenzweig (2013) provide a theoretical model and indirect evidence for this mechanism by showing that risk-sharing becomes a more important determinant of index-insurance demand when individuals face higher levels of basis risk. Similarly, Dercon et al. (2013) develop a theoretical model in which they show that group risk-sharing and index-insurance are complements, i.e. a marginal increase in one increases the marginal utility of the other.

However, these models make assumptions about the informal risk-sharing arrangement such as the disclosure of full information between the partners; similar probabilities of idiosyncratic losses; and coordination of the extent of risk-sharing and effort expended. In practice, it is unlikely that these assumptions will hold. For example, Attanasio et al. (2012) find that individuals’ willingness to share risk informally is significantly influenced by the extent to which they have information about the risk preferences of others in the potential risk-sharing arrangement. Mueller (2012) finds that the extent of risk-sharing is influenced by an individual’s own and his or her partner’s effort, the relative rates of return of both partners, idiosyncratic exogenous income shocks and partners’ opportunities to exert effort. For farmers which are part of informal risk-sharing groups this may be especially important because idiosyncratic basis risk may actually be endogenous, depending, for example, on farmers’ ability to expend effort or access certain production technologies.

To test the proposition that informal risk-sharing and index-insurance are complements we first test if this proposition holds if farmers coordinate effort and have the same probabilities of idiosyncratic losses. In the second stage we test if the added complexity of a lack of coordinated effort on risk management choice to reduce the consequences of idiosyncratic shocks changes the general result. Our prediction is that farmers will be less likely to share idiosyncratic basis risk with others who expend less effort which would challenge the result that both insurances are complements.

In the first stage we conducted lab-in-the-field experiments with 400 low-income farmers from 10 different iddirs in Ethiopia who are offered index-insurance against drought. Before deciding
whether they would take up index-insurance, farmers were anonymously paired into two-person informal risk-sharing groups with another member from their iddir. Farmers were informed that both would experience a joint binary aggregate shock. This aggregate shock determined index-insurance payouts and the probability of losses for both farmers at the same time. In the second step each farmer experienced his or her idiosyncratic crop loss. While individuals in the treatment group were able to fully share risk after losses and pay-outs were made, those in the control group were unable to share risk. In our analysis we then assess how risk-sharing affects the decision to insure. Our preliminary findings show that farmers who engage in full informal risk-sharing (versus no risk-sharing) are indeed significantly more likely to take up index-insurance because they can smooth the potential downside risk of index insurance with others.

In the second stage of this ongoing project we investigate the complementarity of index insurance and informal risk-sharing by preventing farmers from being able to coordinate on effort and risk-sharing. A simple effort task that affects the extent of farmers’ crop losses is conducted before farmers make a decision to transfer money to the other farmer. We then investigate how effort influences the extent of risk-sharing between farmers.

CONCLUSION
Aggregate shocks can have serious consequences for low-income farmers’ current consumption and future welfare. Index-insurance has the potential to provide protection against aggregate shocks but basis risk, which is inherent to these products, causes demand for index-insurance to be low. One potential solution to increase demand, which has been suggested theoretically, is to offer index-insurance to groups because of their ability to share idiosyncratic basis risk. However, before policy redirects attention to the targeting of index-insurance to groups, it is important to understand under which conditions, empirically, this informal sharing of basis risk will actually occur. In this study we conclude that, indeed informal risk-sharing and index-insurance are complements if there are no coordination problems with respect to levels of risk-sharing and effort expended. We further investigate if added complexity caused by a lack of coordination of effort within the informal risk-sharing arrangement leaves these empirical results unchanged.

REFERENCES

MIGRATION CAN HAVE LARGE POSITIVE impacts on a person’s economic wellbeing. But moving is also a costly decision, and usually requires careful planning. Depending on when and where it is happening, migration can also be associated with profound changes in a society. For example, in a country where most people traditionally live in rural areas, we might expect that customs and relationships would change if young people move away from their families to urban areas. Because the cost of altering traditions and leaving familiar environments can be high, researchers usually assume that most people relocate only when some driving force or motivating factor encourages them to do so. Understanding which factors drive migration can be important for making appropriate policies and organizing services for both the people who move and those who stay home.

To study these and other questions, from 2011 to 2013 the CSAE organized several waves of a nationwide survey of senior high school students and recent graduates in Ghana. The survey gathered information about the respondents’ living situation, educational background, interests, and plans for the future. This information has allowed us to begin analysing recent migration patterns among current and former high school students in Ghana.

In developing economies like Ghana’s, a high percentage of people work in rural, agricultural jobs. In the last round of the Ghana Living Standards Survey reported in 2006, about 59% of the Ghanaian population lived in rural areas and about 35% of household income came from agriculture (the largest single category). An increasing number of people in Ghana are going to school however, and staying at school for more years than was previously the case. For many of these more educated people, agriculture is not their primary employment objective. As economies become more diverse and productive, a common trend is for people to move from rural to urban areas, and replace agricultural work with other types. Particularly for educated people, urban areas can offer higher expected wages and opportunities to pursue more intense education than what is available outside of more densely populated centres.

Ghana is transitioning rapidly, which makes it a particularly interesting place to study a global phenomenon. A recent study by data scientists at Facebook for example, found that Ghana’s capital Accra is one of the largest coordinated migration centres in the world (Aude Hofleitner, 2013). These trends are important factors for economic development, and an understanding of the characteristics of migration trends is important for tailoring effective policies.
In the data we gathered, we identify a great deal of migration, often of people moving from more rural regions to more densely populated ones. For example, in Figure 1 we can see that people born in the largely rural Northern region move to Greater Accra much more often than they do to other more rural areas like Upper East or Brong Ahafo.

People from more densely populated Greater Accra often stay closer to home, as is shown in Figure 2. For those that did move, they mostly moved to other more densely populated and adjoining regions, such as the Central region, home of the city of Cape Coast and several nationally competitive universities.

About 29% of the respondents in our survey were enrolled in some form of tertiary education when we last interviewed them. About 37% of the respondents were living in a region other than the one in which they were born, and 28% were living in a region other than the one in which they were born or in which they went to high school. For those who were not enrolled in an educational institution when we interviewed them last, about 31% were living in a region other than the one in which they were born, and 21% were living in a region in which they were neither born nor in which they went to high school.

As part of the survey, we administered a test to measure each respondent’s reasoning ability. In our analysis of the results, we use a logistic regression model to identify characteristics that are correlated with a respondent’s decision to migrate. We find that among current students, those who did better on the test have moved more often to another region. This relationship does not hold for respondents who are no longer in school. For that group, the respondents who stayed home did similarly well on the test in comparison to those who migrated.

Interestingly, we also find in our preliminary analysis that the majority of migrants in our

**FIGURE 1:** Ghana’s current residence of respondents born in the Northern Region for the most recent interview.

**FIGURE 2:** Ghana’s current residence of respondents born in the Greater Accra Region for the most recent interview.
sample come from urban areas and move to other urban areas. Although the home region of many high school graduate migrants is more remote or rural than the region they move to, people who move often come from the parts of their home region that are more densely populated. Graduates who were born in more rural areas are less likely to move to another region after finishing senior high school.

**Higher income potential is the single most reliable factor explaining the choice of migration destination.**

With the data we collected, we can also investigate the characteristics influencing the choice of destination for migrants (in contrast to the factors predicting whether a given person migrates at all). Formulated in this way, we would expect both the aspects of the individual as well as the characteristics of the destinations to be important. Using an alternative-specific conditional logit model, our preliminary results indicate that most people who migrate move to regions where their expected income is higher. This result conforms to our expectations given the findings of other studies such as Fafchamps & Shilpi (2012) and De Vreyer, Gubert, Roubaud (2007), which also identify potential income as a central motivating factor in migration decisions. Higher income potential is the single most reliable factor explaining the choice of migration destination we have identified in our analyses so far.

In this framework we can also compare the characteristics of people who move to one region to the people that move to another. For example, in comparison to graduates who move to Greater Accra, the people who move to more predominantly rural regions were commonly born in rural areas. Migrants who relocate to Central region on average do slightly better on the cognitive tests we conducted than people moving to Accra. People that move to the Upper West Region and Northern Regions are also on average older than people moving to Greater Accra, and the mothers of people moving to those regions are less educated on average.

Several interesting questions arise from this analysis. The lack of rural-born respondents who migrate might indicate that the general trend reported in other studies of rural to urban migration is happening more notably among people who do not have a high school education. High school graduates who migrate were indeed often born in regions that are more predominantly rural, but within these rural regions they were more often born in the more urban centres of their region, in comparison to other people from their region who did not migrate.

Our tentative confirmation that wage differentials are a strong predictor of migration patterns among high school graduates contributes to the larger discussion surrounding the desirability and characteristics of migration in developing economies. These findings could indicate that Ghanaians move to the destinations where they expect to earn higher wages, which is a good proxy for the desirability of their skills in the labour market. In this ongoing research we hope to estimate more precisely the determinants of migration, to estimate the robustness of the expected income explanation for migration, and to describe the characteristics or migration trends for high school graduates in Ghana.

**REFERENCES**

RESEARCH WORK COMPLETED IN 2013

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DAN BROWN

My research lies in two broad areas. First: the effects of international migration on sending countries, specifically looking for evidence of a brain gain incentive channel and exploring the consequences of return migration. Second: behavioural economics, specifically looking at social preferences, and the behavioural consequences of scarcity.

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STEFANO CARIA

THE FORMATION OF SOCIAL AND ECONOMIC NETWORKS IN THE PROCESS OF ECONOMIC DEVELOPMENT

My doctoral work studies the formation of social networks in domains where social connections have economic value. The two leading applications that I have focused on are job-contact networks in urban areas, and learning networks among farmers exposed to new technologies. Such research is carried out by using artefactual field experiments and dyadic data from fieldwork projects in Ethiopia, India and Ghana. Furthermore, two new projects study Indian farmers’ contribution to local public goods which are accessed via a social network, and the accuracy of the first-order expectations of real world employers and employees in Accra’s labour market.

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RACHEL CASSIDY

SAVING AND BORROWING BEHAVIOUR IN DEVELOPING COUNTRIES: THE ROLE OF COMMUNITY-BASED MICROFINANCE INSTITUTIONS

My research focuses on savings and borrowing behaviour in the context of Village Savings and Loan Associations (VSLAs) in rural Malawi. VSLAs involve villagers grouping together to make savings deposits and then distributing loans amongst themselves out of these funds; thereby providing a secure way for members to save, earn interest on savings, and gain access to loans in villages where formal credit (even from microfinance lenders) might be non-existent or very expensive. Having collected unique individualised savings and loans data from 150 VSLAs (with over 3,000 members), as well as in-depth surveys about group histories and practices, I hope to contribute to a deeper understanding of the workings of such groups and the savings, credit and insurance needs of these communities. Moreover, VSLAs are also closely related to other kinds of microfinance institutions, including ROSCAs, credit cooperatives, and joint-liability lending: thus understanding of behaviour in VSLAs should also shed light on other types of microfinance and potential directions for the design of future microfinance products.

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CORNELIUS CHRISTIAN

ECONOMICS OF VIOLENCE

I examine what caused lynchings in the US South and civil unrest in French West Africa. I also study the legacy of past violence up until today, and how it affects modern outcomes.

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ELWYN DAVIES

FIRM SURVIVAL AND ENTREPRENEURSHIP IN GHANA

My research focuses on two questions: why do some firms succeed while others fail and how do people use information and reputation when trading with each other? For the first question I conducted a survey on 1200 manufacturing firms in Ghana, where we went back to firms that were interviewed a decade ago as part of the industrial census and former CSAE surveys. The aim is to see what the determinants of survival are and how firms change over time. For the second question I have been running laboratory experiments using a home-brewed mobile lab with students and entrepreneurs in Ghana. The goal of these experiments are to assess the effects of reputational mechanisms on trusting behaviour in labour and other trade relationships.

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SIMON FRANKLIN

ESSAYS ON LABOUR MARKETS FRICTIONS IN DEVELOPING COUNTRIES

My thesis looks at labour markets and labour supply in developing countries, with a focus on how physical conditions, particularly in cities, impact individual decisions about work. My most recent paper looks at how job seekers in Addis Ababa, Ethiopia, are constrained in their ability to find work due to where they live, and how they must trade off the costs of searching for work against financial constraints and the need to find short run sources of income. Using a randomized control trial and a dataset collected in the field during 2013, I find that a transport subsidy programme increases job search intensity and the probability of finding jobs among those receiving it. Another paper looks at the impacts of housing conditions in the informal settlements of South Africa.

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ANTHONY HARRIS

ESSAYS ON THE POLITICAL ECONOMY OF LARGE-SCALE LAND DEALS

My research focuses on the causes and consequences of large-scale industrial and agricultural land investment in developing countries. Part of my thesis models the strategic interaction between investors and host governments as they negotiate land deals. The other part evaluates the impact of land transfers using data from Ethiopia on households who have had their land expropriated to provide land for a factory.

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LA-BHUS FAH JIRASAVETAKUL

ESSAYS IN LABOUR ECONOMICS: THAILAND’S LABOUR MARKET ADJUSTMENT AND THE INDUSTRIALISATION PROCESS

My thesis investigates alternative reasons for the fast per capita income growth observed in Thailand during the industrialisation period (the late twentieth century) using labour market and household-level datasets. Two of the three chapters study the impacts of educational reform in Thailand on human capital, income and structural change during this period. The final chapter examines the effects of human capital and structural change on income inequality.

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JAN JOZWIK

ESSAYS ON TECHNOLOGY ADOPTION IN DEVELOPING COUNTRIES

The main objective of my doctoral thesis is to study the factors limiting the adoption of yield-improving agricultural technologies in sub-Saharan Africa. Using field and lab experimental data from cocoa farmers in Ghana I investigate whether providing yield-improving inputs on credit or under an insurance scheme can lead to higher and sustained adoption of technology.

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MICHAEL KOELLE

LABOUR MARKET DYNAMICS IN DEVELOPING COUNTRIES

I am interested in labour markets in developing countries, especially how labour market participants choose different forms of employment. In one paper, I study whether owners of microenterprises in urban Colombia base business decisions in part on alternative opportunities of employment that they have. Those who can expect higher incomes as a wage employee tend to be more reluctant to hire workers for their firm, even if they stay self-employed. In current research, I try to understand unemployment in Ghana in a framework of inter-temporal employment choices.

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JONATHAN LAIN

ESSAYS ON SELF-EMPLOYMENT IN AFRICA

My research focuses on self-employment in Africa. I am currently using High-Frequency Labour data to examine how individuals allocate their time between market and other work, exploiting natural short-run variation in the availability of electricity and water. My broad aim is to understand the welfare implications of large informal sectors of the labour market, which persist in the developing world.

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CHRISTOPH LAKNER

THE DETERMINANTS OF INCOMES AND INEQUALITY: EVIDENCE FROM POOR AND RICH COUNTRIES

My thesis investigates the relationship between firm size and wages, controlling for time-invariant unobservables and sample selectivity in matched firm-worker data from Ghana. In addition, I am interested in studying the development of inequality in Germany, the US, and the rest of the world over recent decades.

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MUHAMMAD MEKI

ESSAYS IN DEVELOPMENT ECONOMICS

I am interested in financial markets for the poor and in firms in developing countries, including the relationship between behavioural factors and financial decision making, both at firm level (capital structure and investment decisions) and household level financial portfolios and risk management instruments.

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VIVIANA PEREGO

THE IMPACT OF TRADE LIBERALIZATION ON THE WELL-BEING OF RURAL-AREA WORKERS: MICRO-LEVEL EVIDENCE FROM DR-CAFTA IMPLEMENTATION IN CENTRAL AMERICAN COUNTRIES

My research is a combination of Development Economics and International Trade topics. It will analyse whether the implementation of the DR-CAFTA (Dominican Republic – Central America Free Trade Agreement) affects the well-being of rural-area workers in Central America and the Caribbean. The analysis will focus on a broad range of dimensions, which will encompass, in addition to income and consumption measures, also health and nutrition outcomes, housing quality, available facilities. Particular emphasis will be devoted to the transmission to children of the trade shock experienced by their parents, by investigating patterns of child mortality, anthropometric measures, school enrolment and educational achievements. Further investigation might check for the presence of an effect on intra-household allocation of resources and decisional power between spouses.

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ANISHA SHARMA

ESSAYS ON THE ALLOCATION OF CAPITAL IN DEVELOPING COUNTRIES

My thesis will explore the allocation of capital across different sectors in a large developing country, Indonesia. The first paper examines labour market transitions across formal and informal sectors over a period of 10 years. The second paper considers reductions in human capital investment as a response to an income shock by exploiting regional variation in degree of severity of the 1998 East Asian financial crisis.

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ABHIEJET SINGH

ESSAYS ON HUMAN CAPITAL FORMATION IN DEVELOPING COUNTRIES

My current research focuses on human capital formation in childhood in developing countries. The most recent work uses child-level panel data to investigate at what ages learning scores diverge across countries, and the sources of this divergence. A separate paper assesses the relative effectiveness of private and government schools in India, and the sources of the difference in their productivity. Finally, in a third paper, jointly authored with Albert Park and Stefan Dercon, I evaluated the Midday Meals Scheme in India and documented, using a quasi-experimental research design, that the school feeding programme acted as a safety net for children who had suffered from drought in early childhood, and led to complete catch-up growth.

PUBLICATIONS
- Singh A. and S. Dercon (2013) From nutrition to aspirations and self-efficacy: Gender bias over time among children in four countries, World Development, Vol. 45 pp. 31-50

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GERHARD TOEWS

LOCAL IMPACTS OF NATURAL RESOURCE BOOMS AND BUSTS

My research is on local economic impacts of resource booms and busts, economic diversification of resource rich economies and the role of primary energy sources in economic growth.

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KATE VYBORNY

CHALLENGES FOR PUBLIC SERVICE DELIVERY: EVIDENCE FROM PAKISTAN

Kate studies challenges for the delivery of public services, in particular the influence of politicians and local patrons on targeting of assistance programmes for the poor in rural Pakistan.

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SÉBASTIEN E. J. WALKER

ESSAYS IN DEVELOPMENT MACROECONOMICS

Sébastien Walker is writing a doctoral thesis concerned with the macroeconomics of low-income countries, and notably countries of the East African Community (EAC), under the supervision of Professor Christopher S. Adam. The first of three chapters is concerned with the bank-lending channel (BLC) of monetary policy transmission in EAC countries; it draws evidence from a panel data set to support the hypothesis that a BLC operates in the five EAC countries taken as a group. The second chapter develops a Dynamic Stochastic General Equilibrium (DSGE) model in which farmers face an external finance premium (EFP) when borrowing to purchase fertilizer. This EFP, combined with shocks from volatile rainfall, results in a financial accelerator, whereby financial frictions magnify weather-induced economic downturns by increasing the cost of external funds. The third chapter aims to assess the consequences for monetary policy of the rapid development of mobile money in Kenya, Tanzania, and Uganda.

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BET CAEYERS

SOCIAL NETWORKS, COMMUNITY-BASED DEVELOPMENT AND EMPIRICAL METHODOLOGIES

My DPhil thesis consists of two parts. Part I (Chapters 2 and 3) critically assesses a set of methodological tools that are widely used in the empirical literature. In Part II of my thesis (Chapters 4 and 5) I then apply these methodologies in my empirical analysis of the role of social networks in community-based development.

Using a randomised experiment, the first chapter — in collaboration with Neil Chalmers and Joachim De Weerdt — compares pen-and-paper interviewing (PAPI) with computer-assisted personal interviewing (CAPI). We find that PAPI data contain a large number of errors, which can be avoided in CAPI. Error counts are not randomly distributed across the sample, but are correlated with household characteristics, potentially introducing sample bias if dubious observations need to be dropped. We demonstrate a tendency for the spread of total measured consumption to be higher on paper compared to CAPI, translating into significantly higher measured inequality. Investigating further the nature of PAPI’s measurement error for consumption, we fail to reject the hypothesis that it is classical: it attenuates the coefficient on consumption when used as explanatory variable and we find no evidence of bias when consumption is used as dependent variable. Finally, CAPI and PAPI are compared in terms of interview length, costs and respondents’ perceptions.

In the next chapter, I formalise an unproven source of ordinary least squares estimation bias in standard linear-in-means peer effects models. I derive a formula for the magnitude of the bias and discuss its underlying parameters. I show when the bias is aggravated in models adding cluster fixed effects and how it affects inference and interpretation of estimation results. Further, I reveal that two-stage least squares (2SLS) estimation strategies eliminate the bias and provide illustrative simulations. The results may explain some counter-intuitive findings in the social interaction literature, such as the observation of OLS estimates of endogenous peer effects that are larger than their 2SLS counterparts. In Chapter 3, I then use these findings regarding the linear-in-means model to estimate endogenous peer effects on the awareness of a community-based development programme of vulnerable groups in rural Tanzania. I denote the geographically nearest neighbours set as the relevant peer group in this context and employ a popular 2SLS estimation strategy on a unique spatial household dataset, collected using CAPI, to identify significant average and heterogeneous endogenous peer effects.

The final chapter, co-authored with Stefan Dercon, investigates community-based processes for food aid allocation and the role of political and social networks, using the case of Ethiopia in the aftermath of a serious drought. We find that although targeting is clearly imperfect, free food aid is responsive to need, as well as targeted to households with less access to support from relatives or friends. We also find a strong correlation with political connections: households with close associates in official positions have more than 12% higher probability of obtaining free food than households that are not well connected. This effect is large as it is equivalent to the impact of an increase in the initial living standard by 150% on getting food aid. The correlation with political connections is specifically strong in the immediate aftermath of a drought. Payment for food-for-work is also about a third higher for those with political connections. We conclude that, although these programmes appear to be responsive to need, in future it is crucial to look more closely at the local political economy of these programmes.
This thesis presents theoretical work on armed group activity during civil conflicts, and empirical work on post-conflict recovery.

In Chapter One, I develop a general equilibrium model of violence to explain observed variation in coercive practices in conflict zones. Armed groups own land in the resource sector and allocate military resources between conflict and coercion, which assigns de facto ownership over land and labour respectively. I find that coercion is higher if labour is scarce relative to land; if production is labour-intensive; or if one group is dominant relative to others. Furthermore, the impact of the price of commodities depends on the distribution of military strength: coercion increases with price if one group is dominant, but this effect is potentially reversed if military power is highly decentralised. These results are consistent with historical accounts of different coercive regimes in the rubber plantations in Amazonia compared with the Congo Free State in the 19th century, and also with the variation in coercion during the Sierra Leonean civil war. Results of the model have implications for both trade and military policy. Trade policy aimed at reducing domestic commodity prices could actually lead to an increase in coercion. Similarly, a cease-fire agreement between armed groups can be interpreted as a form of collusion, as military resources are redirected from conflict to coercion.

In Chapter Two, I conduct a randomized controlled trial of a community-based reconciliation intervention in post-conflict Sierra Leone. The programme provides a forum for villagers to air war-time grievances, and also forges institutions designed to improve conflict resolution and build social capital. I find that respondents who received the intervention are more forgiving and are more charitable in their views of ex-combatants. Furthermore, these respondents are more active in village organisations, and conflicts are more satisfactorily resolved. However, there is no impact on trust, social networks, conflict incidence, or economic activity. Most strikingly, psychological health deteriorated: respondents reported higher levels of depression, post-traumatic stress disorder and anxiety. This study has direct implications for the design of transitional justice programmes, as well as programmes that aim to promote institutional change.

In Chapter Three, I experimentally vary white foreigner presence across 60 behavioural games conducted in Sierra Leone. I find that the mere presence of a white foreigner increases player contributions in dictator games by 19 percent. Exploiting household and village survey data, I find that the treatment effect is smaller among players from powerful customary authority households — suggesting that perceived power differentials between player and experimenter based on identity, mediate the effect. Players from villages with greater exposure to development aid also gave less, and disproportionately believed that the games were conducted to test them for aid suitability. This is consistent with players giving less in order to signal need, and suggests that expectations regarding development assistance also shape behavioural responses to foreigner presence. These findings hold direct implications for how to measure altruism, target aid, and evaluate aid effectiveness in the developing world.

In Chapter Four, I use a model of repeated bargaining with one-sided asymmetric information to investigate the difficulties of reaching and sustaining power sharing agreement. I find, contrary to previous studies, that asymmetric information can explain the persistence of conflict. Furthermore, asymmetric information can lead to a breakdown of a power sharing agreement after it has been reached, provided each group maintains its own separate army during peace.
Apart from the introduction and conclusion, this thesis comprises five chapters organized into two parts. The first part studies promotion incentives in the public sector, and focuses on the case of teachers in rural China. All teachers in China compete with their colleagues for rank promotions. I aim to answer two questions: first, whether the promotion system for teachers in China elicits effort from teachers, and second, how the design features of the promotion system affect effort incentives. Chapter 2 introduces the topic and the data that will be used in Part I.

Chapter 3 presents and tests a theoretical model of promotions as an incentive device. The model treats all teachers as identical in terms of their ability, and as such, focuses on average levels of teacher effort. It predicts that effort is exerted in response to potential promotions. In addition, the model also predicts that average effort incentives are higher in promotion contests in which the wage gap is higher, the promotion rate is closer to one half, the number of teachers competing for a promotion is higher (for promotion rates between 1/3 and 2/3), and the average age of teachers in the contest is lower, or the proportion of female teachers is lower. The model is used to derive an estimating equation by which to test predictions on average levels of teacher effort. An equation is estimated for the probability of promotion as a function of teacher effort, which is proxied by the teachers’ annual performance evaluation scores. There is simultaneity present as effort increases the probability of promotion, but it is also the promise of promotion that motivates effort. As a result, effort is instrumented using wage changes, which are both informative (higher wage gaps are associated with higher effort) and valid (wages only affect promotions through effort). The second stage of the regression demonstrates that effort is indeed exerted by teachers in order to win promotions. The first stage confirms the predictions of the model with regards to wage gaps, the promotion rate, and the size and composition of the pool of competitors.

Chapter 4 extends the model of Chapter 3 in two ways: teachers are now treated as heterogeneous in ability, and a multi-period model of teacher effort over time is also added. This chapter focuses on individual levels of teacher effort, and on how the parameters of the promotion system interact with teacher characteristics to affect teacher effort. The predictions include that teachers in the extremes of the skill distribution will have lower incentives, and as the contest size increases these teachers will have effort incentives that are lower still, that teachers who are five or more years from promotion eligibility will have zero effort, as will teachers in the highest rank, that teacher effort will increase in the five years leading up to promotion eligibility, and that teacher effort will decrease after a teacher is eligible for promotion but has been passed over several times. An effort equation is estimated that captures all of these components, and the predictions are largely affirmed by the data. Tests are conducted in order to alleviate concerns about selection, as well as measurement error in the performance evaluation scores. Chapter 5 concludes Part I.

The second part of this thesis looks at teacher labour markets, social distance, and learning outcomes in Punjab, Pakistan. Chapter 6 explores the link between the distribution of teachers in the labour market, caste differences between teachers and students, and child learning outcomes. Using rich longitudinal data from Pakistan that allows me to convincingly identify the causal effects of caste on learning outcomes, I show how the distribution of teachers across public schools induces particular matches of high and low caste teachers and students, and that these matches are highly predictive of test score outcomes. Specifically, low caste male children perform significantly better when taught by high caste teachers than when they are taught by low caste teachers. Several possible channels are explored, including discrimination in the classroom, role model effects, teacher quality, patronage, peer effects, and returns to education. Although the channel cannot be proven, the data points to high
caste teachers being able to raise the already high returns to education for low caste children because they are able to assist these children in getting educational benefits and employment later on using their patronage networks. Low caste children therefore work harder to impress high caste teachers, and this results in higher learning outcomes.

MARTINA KIRCHBERGER

ESSAYS IN DEVELOPMENT ECONOMICS

My thesis comprises three stand-alone chapters. The first chapter explores the effect of natural disasters on labour markets. While it is clear that natural disasters have serious welfare consequences for affected populations, less is known with respect to how local labour markets in developing countries adjust to such large shocks, in particular the general equilibrium effects of the increase in the demand for construction as well as the in-flow of resources in the aftermath of natural disasters. Combining data from the Indonesia Family Life Survey; the Desinventar database; the US Geological Survey; and district level employment indicators, I explore how a large earthquake in Indonesia affected local labour markets, in particular the evolution of wages and employment across sectors. I find that wage growth in the agriculture sector is significantly higher in earthquake affected areas. I propose two mechanisms for this result: a higher growth rate of the price of rice in agricultural communities which switch from being net sellers to net buyers of rice, and a downward shift in the supply of workers in the agricultural sector. I show evidence for both mechanisms.

The second chapter investigates the intra-household allocation of leisure and consumption among siblings. Children are often treated as passive members in the household and their preferences over consumption and leisure are rarely modelled. This chapter considers children as agents with their own preferences over leisure and consumption and builds a theoretical and empirical model for children’s time and consumption allocations in a household. I test the predictions of the model with data from Ethiopia, India, Peru and Vietnam which contain detailed information on time use and allocations of assignable goods for sibling pairs. I find that, conditioning on observable variables, the residuals of these simultaneous decisions are significantly negatively correlated. This suggests that differences in siblings’ relative time and consumption allocations are driven by their relative preferences over leisure and consumption rather than differences in parents’ relative altruism. Families seem to function as market economies in which children trade off leisure and consumption, select their optimal bundle, and are rewarded by their parents accordingly.

The third chapter (co-authored with Paul Collier and Måns Söderbom) examines differences in unit costs of transport infrastructure. A growing literature shows that there are significant benefits of transport infrastructure for development. However, research on the cost side lags behind so that little is known about differences in the cost of infrastructure countries face. To our knowledge, this is the first study that examines drivers of unit costs of construction of transport infrastructure with a large dataset of 3,322 unit costs of road work activities in low and middle income countries. We find that: (i) there is a large dispersion in unit costs for comparable road work activities; (ii) after accounting for environmental drivers of costs such as terrain ruggedness and proximity to markets, residual unit costs are significantly higher in fragile countries; (iii) there is evidence that costs are higher in countries with higher levels of corruption; (iv) these effects are robust to controlling for a country’s public investment capacity and business environment; (v) higher unit costs are significantly negatively correlated with infrastructure provision.
JULIEN LABONNE

EMPIRICAL ESSAYS IN POLITICAL ECONOMY

My thesis is about how elected politicians stay in power and about some of the economic and social consequences of this process — fundamental political economy questions. The research takes advantage of the decentralized political structure in the Philippines to test models of voter and politician behaviour. In doing so, it contributes to the literature on clientelism and retrospective voting.

In Chapter One, I assess the impacts of targeted government transfers on a local incumbent’s electoral performance. I use the randomized roll-out of a Conditional Cash Transfer (CCT) programme in the Philippines where a number of municipalities are tightly controlled by political dynasties. In a competitive political environment, incumbent vote share is 26 percentage points higher in municipalities where the programme was implemented in all villages, than in municipalities where the programme was implemented in half of them. The programme had no impact in municipalities with low levels of political competition. Furthermore, there is evidence consistent with the argument that incumbent compensated households in control villages by redistributing their own budget in those areas.

In Chapter Two, I test for the presence of political business cycles in Philippine municipalities over the period 2003-2009, a context where according to the literature such cycles are likely to be observed. I find robust evidence for the presence of political business. This effect is only present when I use quarterly data and vanishes when I aggregate the data at the yearly-level. The difference is not merely driven by a decline in statistical power due to aggregation: point estimates for the overall effects are 7 times larger when I use quarterly data than when I use yearly data. This discrepancy can be explained by a drop in employment post-election that dilutes the yearly effects. Specifically, using data from 26 nationally representative quarterly labour force surveys, I construct a balanced panel of more than 1,100 municipalities and show that the share of the working-age population that is employed increases by 0.87 percentage points in the two quarters before elections. In the two post-election quarters, it is 0.48 percentage points lower than what it would have been without the elections. Results are robust to the inclusion of a number of control variables, time trends and to two-way clustering of the residuals along both time and geographic dimensions.

In Chapter Three, written with Marcel Fafchamps, we estimate the impacts of being connected to local politicians, either currently in office or in opposition, on occupational choice. We use a large administrative dataset collected between 2008 and 2010 on all individuals in 700 Philippine municipalities along with information on all candidates in the 2007 and 2010 municipal elections. We rely on local naming conventions to assess blood and marriage links between households. Using individuals connected to successful candidates in the 2010 elections that did not run in 2007 as a control group, we find that connections to current office-holders increase the likelihood of being employed in better paying occupations. Individuals connected to candidates that were close to being elected in 2007 are less likely to be employed in better paying occupations.
INTERPERSONAL INFLUENCE AND NETWORK EFFECTS ON VOTING BEHAVIOUR:
EXPERIMENTAL EVIDENCE FROM MOZAMBIQUE

During the 2009 Mozambican elections a randomized controlled trial implemented a voter education campaign. My thesis analyses the peer effects triggered by that campaign. The first essay looks at peer effects within the household. The second essay (co-authored with Marcel Fafchamps and Pedro Vicente) focuses on peer effects at the village level. The campaign targeted heads of household or their spouse (i.e. the primary target). In the first essay (Chapter 2) I test the effect of the campaign on other household members. I interpret this effect as evidence of interpersonal influence exerted by the primary target over other household members. The main finding of this analysis is that the transmission of voter education campaigns’ effects tends to occur through sharing of opinions and social pressure, instead of information sharing. In this essay I also explore the determinants of interpersonal influence within the household. I test whether the effect of the campaign on other household members (i.e. secondary targets) varies with age, gender and education. I find a stronger effect on younger secondary targets, consistent with the idea that they are more susceptible to social pressure.

The second essay (Chapter 3) examines whether the campaign’s effect is transmitted within the village through social networks (kinship and chatting) and geographical proximity. We test whether the impact of the campaign on targeted and untargeted individuals depends on proximity to other targeted individuals in the village. Our main finding is that the campaign increases voter participation on average, but much less so among individuals who are socially or geographically closer to other targeted individuals. This result is interpreted as evidence of free-riding on voting as a civic duty.
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