

Discuss critically the concepts of

a) development,

b) poverty,

c) corruption.

d) Give arguments against and in support of the claim that high poverty and lack of development are caused by high corruption.

Guidelines:

- a) Development is not only economic growth. We expect that students have something to say about including several additional features into the development concept such as i) reduced poverty, ii) less vulnerability, iii) improved health and long levity, iv) more education for all, v) more freedom, etc. We expect arguments in favor of additional features and perhaps also a mention of how they should be measured, if possible.
- b) Poverty means to be deprived, that is is a state of life where individuals live below a certain threshold (the poverty line) of material well-being. To measure the extent of poverty we expect that students know the difference between an absolute and a relative poverty line, and that they know that one way of aggregating the extent of poverty is the head count measure. It is nice if students know a bit about how these measures can be criticized by emphasizing what kind of changes of the distribution among the poor that are captured and are not captured by the measure.
- c) Corruption is misuse of power that is against the law or against administrative rules. We expect that students understand that there are grey areas where it is unclear whether it is an exchange of illegitimate favors , or just decent exchange, whether it is payment for a obtaining a privilege or just payment for a more or less necessary service.
- d) High corruption can i) misallocate attract resources, slow down administrative procedures (sand in the machinery), undermine necessary trust in governments etc all of which must be bad for development, and ii) speed up procedures (oil in the machinery), imitate markets, etc. We expect that students have arguments in both directions, but that most of them will have a negative overall tone against corruption. They have simple models of oil versus sand in the machinery (that are included in the comprehensive lecture notes by Mehlum and Moene)