

# Economics of Development: Day 3

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9/4/2019

## Today's Agenda

- ▶ Reading Responses
- ▶ Topic Proposals
- ▶ Reading Discussion
- ▶ History of Thought Activity
- ▶ Additions to Reading
- ▶ Subjective Well Being (if time allows)
- ▶ Revised Topic Proposal

Thoughts on the reading?

# What do we think now?

Growth vs. poverty? Trade vs. protectionism? Government?

# History of Thought Activity

## Some Extra History of Ideas

D.J. & S. focus on predominant Western ideas over time.

There were and are also other ideas:

- ▶ Marx, Lenin
- ▶ China (one perspective in Huang)
- ▶ Communist Countries (Soviet Union + many others)

Other interesting cases to read about:

- ▶ Botswana
- ▶ Costa Rica
- ▶ Asian Tigers (Hong Kong, Singapore, S. Korea, Taiwan)
- ▶ Bhutan

## Conflict Theory vs. Mistake Theory

**Conflict theory:** focus on conflicts between groups/individual with different interests as a driver of societal problems.

**Mistake theory:** problems driven by mistakes in design of policies, governments, etc. By correcting those mistakes we can solve problems

# Does per capita income drive happiness?

## Objective vs subjective well-being

Traditionally economics has focused on objective measures: income, consumption, life expectancy, child mortality.

Recently, increased interest in subjective well being: happiness in the moment and life satisfaction.

Which of those measures should we use to evaluate development programs?

## Subjective and objective well-being

Easterlin (1974): Happiness correlated with income between and within nations, but does not grow as average income grows.

Stevenson & Wolfers (2008): Using more/ better data, paradox disappears.

Kahneman & Deaton (2010): High income improves evaluation of life but not emotional well-being (over \$75k/household).

## GDP per capita and Happiness

## Experience, Memory, and the Focusing Illusion