

International Development Policy Public Affairs 974, Spring 2012

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Course Overview

The primary policy question in international development is: “How effective are efforts to enhance well-being in developing countries?” This question is relevant at the aggregate level, as countries decide how much of their GDP to direct toward foreign aid, but also for individual projects, as organizations allocate scarce resources across projects. This course examines this question, and provides an overview of international development policy in the process.

We begin with a discussion of the history of global income disparities and development policy, with particular attention to the role played by international institutions and non-governmental organizations. In the process, we consider case studies of successful and unsuccessful aid projects. We then turn to the empirical literature on the effectiveness of various policies, such as: family planning programs, infrastructure development projects, human capital interventions, conditional cash transfers, property rights reforms, and the alleviation of credit constraints (i.e. micro-finance and micro-insurance). We will review concepts from the program evaluation literature, as necessary, to understand this literature. We will also pay special attention to corruption, intra-household bargaining, spillover effects, and incomplete markets, and how these concepts impact the optimal design of international development policy.

Class Meetings

Classes will be held Fridays from 10:00 to 11:55 a.m. in Grainger 2175. My office hours are Mondays from 9:15 to 11:15 a.m. in Social Science 7321 or by appointment.

Evaluation

Your overall grade for the course will be based on four components:

- Class Participation (15%): You are expected to attend class and participate in class discussion. Classes will have a lecture format, but these lectures will be far more interesting if everyone comes to class prepared to discuss the topic at hand.
- Final Exam (35%): There will be a “take-home” final examination at the end of the term. We will determine the exact timing on the first day of class.

- Book Review (20%): Write a short review (4-5 pages) of a popular press development policy book. The review is due on Friday, March 23. You may pick a book from the following list, or you may submit a book for approval:
 - Collier, Paul (2007). The Bottom Billion. Oxford University Press.
 - Easterly, William (2002). The Elusive Quest for Growth. MIT Press.
 - Easterly, William (2002). The White Man's Burden. Penguin Press.
 - Sachs, Jeffrey (2005). The End of Poverty. Penguin Press.
 - Sen, Amartya (1999). Development as Freedom. Alfred Knopf.
- Policy Memo (30%): Write a memo (8-10 pages) to a policymaker analyzing a key development policy issue. The proposal should address an important policy question, analyze existing research, present policy options, and conclude with a policy recommendation. A one-page proposal is due Friday, February 24. The memo itself is due Friday, April 27. To help you brainstorm, here are some sample topics:
 - What policies would help mitigate the impact of climate change on the poor?
 - What are effective policies for improving the status of women in developing countries?
 - Should basic foods be subsidized in developing countries to ensure adequate nutrition for the poor?

You are encouraged to form a study group with your classmates, but you must write up your book review and policy memo independently.

Course Webpage

Lecture notes, readings, and other course materials will be posted on Learn@UW: <https://learnuw.wisc.edu/>

Course Outline

This section provides a tentative roadmap of what topics we will be covering each week. Mandatory readings are marked with an asterisk and will be posted each week on the course webpage. Articles marked with a plus you should skim, but there is no need to get mired in the details. The other articles will be mentioned in lecture, so the citations are provided in the event that you would like to explore the topic in greater depth.

Background Reading: Policy Evaluation Methodology

Baker, Judy (2000). *Evaluating the Impact of Development Projects on Poverty: A Handbook for Practitioners*, Washington D.C.: LCSPR/PRMPO, The World Bank

Bamberger, Michael (2000). "The Evaluation of International Development Programs: A View from the Front." *American Journal of Evaluation*, 21:95-102.

Banerjee, Abhijit and Esther Duflo (2009). "The Experimental Approach to Development Economics." *Annual Review of Economics*, 1:151-178.

Deaton, Angus (2010). "Instruments, Randomization, and Learning about Development." *Journal of Economic Literature*, 48(2): 424-55.

Imbens, Guido (2010). "Better LATE Than Nothing: Some Comments on Deaton (2009) and Heckman and Urzua (2009)." *Journal of Economic Literature*, 48(2): 399-423.

Rodrik, Dani (2008). "The New Development Economics: We Shall Experiment, but Shall We Learn?" Working Paper.

Week 1 - Overview of the Problem

+Banerjee, Abhijit and Esther Duflo (2007). "The Economic Lives of the Poor." *Journal of Economic Perspectives*, 21(1): 141-168.

Basu, Kasushik (2001). "On the Goals of Development." In G. Meier and J. Stiglitz (eds.) *Frontiers of Development Economics*, First Edition, World Bank.

*Deaton, Angus (2006). *Measuring Poverty*. In Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee (eds.), *Understanding Poverty*. New York: Oxford University Press.

Fleurbaey, Marc (2009). "Beyond GDP: The Quest for a Measure of Social Welfare." *Journal of Economic Literature*, 47(4): 1029-75.

Parente, Stephen and Edward Prescott (1993). "Changes in the Wealth of Nations." *Federal Reserve Bank of Minneapolis Quarterly Review*, 17(2):3-16.

+Pritchett, Lant (1997). "Divergence, Big Time". *Journal of Economic Perspectives*, 11(3):3-17.

Ray, Debraj (1998). *Development Economics*. Princeton: Princeton University Press. (Chapters 2 and 8.)

*Rosling, Hans (2010). "200 countries, 200 years, 4 minutes". British Broadcasting Corporation. (Available at: <http://www.bbc.co.uk/programmes/p00cgkfk>.)

Week 2 - The Role of International Institutions and Non-Governmental Institutions; Foreign Aid Effectiveness; Possible Solutions

+Duflo, Esther and Michael Kremer (2005). Use of Randomization in the Evaluation of Development Effectiveness. In George Pitman, Osvaldo Feinstein, and Gregory Ingram (eds.), *Evaluating Development Effectiveness*. New Brunswick, New Jersey: Transaction Publishers. (Section 3.3 and 4.)

Easterly, William (2002). "The Cartel of Good Intentions: Bureaucracy versus Markets in Foreign Aid." Center for Global Development Working Paper 4.

Easterly, William (2003). "Can Foreign Aid Buy Growth?" *Journal of Economic Perspectives*, 17(3):23-48.

Easterly, William (2006). "The Big Push Dega Vu: A Review of Jeffrey Sachs's The End of Poverty:: Economic Possibilities for Our Time." *Journal of Economic Literature*, 44(1): 96-105.

+Easterly, William (2009). "Can the West Save Africa?" *Journal of Economic Literature*, 47(2):373-447.

Easterly, William and Tobias Pfutze (2008). "Where Does the Money Go? Best and Worst Practices in Foreign Aid." *Journal of Economic Perspectives*, 22(2): 29–52.

Fruettero, Anna and Varun Gauri (2005). "The Strategic Choices of NGOs: Location Decisions in Bangladesh." *Journal of Development Studies*, 41(5): 759 – 87.

+Raghuram, Rajan and Subramanian, Arvind (2005). "Aid and Growth: What Does the Cross-Country Evidence Really Show?" *Review of Economics and Statistics*, 90(4):643-665.

Rodrik, Dani (2006). "Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform." *Journal of Economic Literature*, 44(4):973-987.

*Sachs, Jeffrey (2005). *The End of Poverty: Economic Possibilities for our Time*. New York: Penguin Press. (Pages 56-73.)

Tokarick, Stephen (2008). "Dispelling Some Misconceptions about Agricultural Trade Liberalization." *Journal of Economic Perspectives*, 22(1): 199–216.

*Werker, Eric and Faisal Ahmed (2008). "What Do Nongovernmental Organizations Do?" *Journal of Economic Perspectives*, 22(2): 73–92.

Week 3 - Physical Capital & Infrastructure

Dinkelman, Taryn (2011). "The Effects of Rural Electrification on Employment: New Evidence from South Africa." *American Economic Review*, 101(7): 3078-3108.

Dufo, Esther and Rohini Pande (2007). "Dams." *Quarterly Journal of Economics*, 122(2):601-646.

*Devoto, Florencia, Esther Dufo, Pascaline Dupas, William Parienté, and Vincent Pons (2011). "Happiness on Tap: Piped Water Adoption in Urban Morocco." Working Paper.

*Easterly, William (2001). *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics*. Cambridge: MIT Press. (Chapters 2-3.)

Jensen, Robert (2007). "The Digital Divide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector." *Quarterly Journal of Economics*, 122(3):879-924.

Olken, Benjamin (2009). "Do TV and Radio Destroy Social Capital? Evidence from Indonesian Villages." *American Economic Journal: Applied Economics*, 1(4):1-33.

Week 4 - Human Capital (Education)

Banerjee, Abhijit and Esther Dufo (2006). "Addressing Absence." *Journal of Economic Perspectives*, 20(1): 117-132.

Chaudhury, Nazmul, Jeffrey Hammer, Michael Kremer, Karthik Muralidharan, and F. Halsey Rogers (2006). "Missing in Action: Teacher and Health Worker Absence in Developing Countries." *Journal of Economic Perspectives*, 20(1): 91-116.

Dufo, Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment." *American Economic Review*, 91(4):795-813.

Edmonds, Eric and Nina Pavcnik (2005). "Child Labor in the Global Economy." *Journal of Economic Perspectives*, 19(1): 199-220.

*Easterly, William (2001). *The Elusive Quest for Growth: Economists Adventures and Misadventures in the Tropics*. Cambridge: MIT Press. (Chapter 4.)

*Kremer, Michael and Alaka Holla (2009). "Improving Education in the Developing World: What Have We Learned from Randomized Evaluations." *Annual Review of Economics*, 1:513-542.

Malamud, Ofer and Cristian Pop-Eleches (2011). "Home Computer Use and the Development of Human Capital." *Quarterly Journal of Economics*, 126(2):987-1027.

*Rosenzweig, Mark (2010). "Microeconomic Approaches to Development: School, Learning, and Growth." *Journal of Economic Perspectives*, 24(3):81-96.

Week 5 - Human Capital (Health)

Baird, Sarah, Joan Hicks, Michael Kremer, and Edward Miguel (2011). "Worms at Work: Long-run Impacts of Child Health Gains". Working Paper.

Bleakley, Hoyt (2010). "Health, Human Capital, and Development." *Annual Review of Economics*, 2:283-310.

Cutler, David, Angus Deaton, and Adriana Lleras-Muney (2006). "The Determinants of Mortality." *Journal of Economic Perspectives*, 20(3):97-120.

Dupas, Pascaline (2011). "Health Behavior in Developing Countries." *Annual Review of Economics*, 3:425-449.

*Strauss, John and Duncan Thomas (1998). "Health, Nutrition, and Economic Development." *Journal of Economic Literature*, 36(2):766-817.

*Thomas, Duncan, Elizabeth Frankenberg, Jed Friedman, Jean-Pierre Habicht, Nathan R. Jones, Christopher McKelvey, Gretel H. Pelto, Bondan Sikoki, Teresa E. Seeman, James P. Smith, and Cecep Sumantri (2006). "Causal Effect of Health on Labor Market Outcomes: Experimental Evidence." California Center for Population Research Working Paper PWP-CCPR-2006-070.

Hans Rosling (2007), "No more boring data: TEDTalks". (Available at <http://www.youtube.com/watch?v=hVimVzgtD6w>.)

Week 6 - Family Planning

Joshi, Shareen (2011). "How Effective are Family-Planning Programs at Improving the Lives of Women? Some Perspectives from a Vast Literature." Working paper.

Joshi, Shareen and T. Paul Schultz (2007). "Family Planning as an Investment in Development: Evaluation of a Program's Consequences in Matlab, Bangladesh." Yale University Economic Growth Center Discussion Paper No. 951.

Li, Hongbin, Junsen Zhang, and Yi Zhu (2008). "The Quantity-Quality Trade-Off of Children in a Developing Country: Identification using Chinese Twins." *Demography*, 45(1):223-243.

Miller, Grant (2009). "Contraception as Development? New Evidence from Family Planning in Colombia." *Economic Journal*, 120(545):709-736.

Rosenzweig, Mark and Junsen Zhang (2009). "Do Population Control Policies Induce More Human Capital Investment? Twins, Birth Weight and China's "One-Child" Policy." *Review of Economic Studies*, 76(3):1149-1174.

*Schultz, T. Paul (2009). "How Does Family Planning Promote Development? : Evidence from a Social Experiment in Matlab, Bangladesh, 1977 – 1996." Working Paper.

Week 7 - Conditional Cash Transfers

*Barrera-Osorio, Felipe, Marianne Bertrand, Leigh Linden, and Francisco Perez-Calle. (2011). "Improving the Design of Conditional Transfer Programs: Evidence from a Randomized Education Experiment in Colombia." *American Economic Journal: Applied Economics*, 3(2): 167–95.

*Parker, Susan and Graciela Teruel (2005) "Randomization and Social Program Evaluation: The Case of Progresa," *ANNALS of the American Academy of Political and Social Science*, 599:1-22.

Week 8 - Credit Constraints (Micro-Finance)

*Armendáriz, Beatriz and Jonathan Morduch (2010). *The Economics of Microfinance*. Cambridge: MIT Press. (Chapter 9: Measuring Impacts.)

Banerjee, Abhijit, Esther Duflo, Rachel Glennerster, and Cynthia Kinnan (2010). "The Miracle of Microfinance: Evidence from a Randomized Evaluation." Working paper.

Burgess, Robin and Rohini Pande (2005). "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." *American Economic Review*, 95(3):780-795.

Crépon, Bruno, Florencia Devoto, Esther Duflo, and William Parienté (2011). "Impact of Microcredit in Rural Areas of Morocco: Evidence from a Randomized Evaluation." Working paper.

*Cull, Robert, Asli Demirgüç-Kunt and Jonathan Morduch (2009). "Microfinance Meets the Market." *Journal of Economic Perspectives*, 23(1):167-192.

Frankenberg, Elizabeth, James Smith, and Duncan Thomas (2003). "Economic Shocks, Wealth, and Welfare." *Journal of Human Resources*, 38(2):280-321.

McKenzie, David (2006). "The Consumer Response to the Mexican Peso Crisis." *Economic Development and Cultural Change*, 55(1):139-172.

Miguel, Edward (2005). "Poverty and Witch Killing." *Review of Economic Studies*, 72:1153-1172.

Townsend, Robert (2006). Credit, Intermediation, and Poverty Reduction. In Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee (eds.), *Understanding Poverty*. New York: Oxford University Press.

Week 9 - Credit Constraints (Micro-Insurance)

*Alderman, Harold and Christina Paxson (1992). "Do the Poor Insure?: A Synthesis of the Literature on Risk and Consumption in Developing Countries." World Bank Policy Research Working Paper 1008.

Gine, Xavier and Dean Karlan (2009). "Group versus Individual Liability: Long Term Evidence from Philippine Microcredit Lending Groups." Working paper.

Gine, Xavier and Dean Yang (2007). "Insurance, Credit, and Technology Adoption: Field experimental evidence from Malawi." *Journal of Development Economics*, 89(1):1-11.

Karlan, Dean and Jonathan Zinman (2010). "Expanding Credit Access: Using Randomized Supply Decisions to Estimate the Impacts." *Review of Financial Studies*, 23(1)433-464.

*Morduch, Jonathan (2006). Microinsurance: The Next Revolution? In Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee (eds.), *Understanding Poverty*. New York: Oxford University Press.

Week 10 - Property Rights

*Levine, Ross (2005). "Law, Endowments and Property Rights." *Journal of Economic Perspectives*, 19(3): 61–88.

Field, Erica (2007). "Entitled to Work: Urban Property Rights and Labor Supply in Peru." *Quarterly Journal of Economics*, 122(4):1561-1602.

Week 11 - Migration and Brain-Drain

*Clemens, Michael (2011). "Economics and Emigration: Trillion-Dollar Bills on the Sidewalk?" *Journal of Economic Perspectives*, 25(3): 83–106.

Freeman, Richard (2006). "People Flows in Globalization." *Journal of Economic Perspectives*, 20(2): 145–170.

*Gibson, John, and David McKenzie (2011). "Eight Questions about Brain Drain." *Journal of Economic Perspectives*, 25(3): 107–28.

Hansen, Gordon (2009). "The Economic Consequences of the International Migration of Labor." *Annual Review of Economics*, 1:179-207.

Yang, Dean (2011). "Migrant Remittances." *Journal of Economic Perspectives*, 25(3): 129–52.

Week 12: Topics on Women's Empowerment: Missing Women, Intra-Household Bargaining, and Increasing Political Engagement

Abbas, Jennie Dey (2006). Gender Asymmetries in Intrahousehold Resource Allocation in Sub-Saharan Africa: Some Policy Implications for Land and Labor Productivity. In Lawrence Haddad, John Hoddinott, and Harold Alderman (eds.), *Intrahousehold Resource Allocation in Developing Countries*. Baltimore: Johns Hopkins University Press.

Beanman, Lori, Raghavendra Chattopadhyay, Esther Duflo, Rohini Pande, and Petia Topalova (2009). "Powerful Women: Does Exposure Reduce Bias?" *Quarterly Journal of Economics*, 124(4):1497-1540.

Chattopadhyay, Raghavendra and Esther Duflo (2004). "Women as Policy Makers: Evidence from a Randomized Policy Experiment in India." *Econometrica* 72:5:1409-1443.

*Duflo, Esther (2011). "Women Empowerment and Economic Development." Working Paper.

Lin, Ming-Jen, and Ming-Ching Luoh (2008). "Can Hepatitis B Mothers Account for the Number of Missing Women? Evidence from Three Million Newborns in Taiwan." *American Economic Review*, 98(5): 2259–73.

Lundberg, S., R. Pollak, and T. Wales (1997). "Do Husbands and Wives Pool Their Resources? Evidence from the U.K. Child Benefit." *Journal of Human Resources* 32(3):463-480.

+Rangel, Marcos (2006). "Alimony Rights and Intrahousehold Allocation of Resources: Evidence from Brazil." *Economic Journal*, 116(7):627-658.

*Sen, Amartya (1992). "Missing Women: Social Inequality Outweighs Women's Survival Advantage in Asia and North America." *British Medical Journal*, 204(6827):587-588.

Sen, Amartya (2003). "Missing Women: Revisited." *British Medical Journal*, 327(7427):1297-1298.

+Thomas, Duncan (1990). "Intra-household resource allocation: an inferential approach." *Journal of Human Resources*, 25:635-664.

Week 13 - Conflict

Angrist, Joshua and Adriana Kugler (2008). "Rural Windfall or a New Resource Curse? Coca, Income, and Civil Conflict in Colombia." *Review of Economics and Statistics*, 90(2):191-215.

*Blattman, Christopher, and Edward Miguel (2010). "Civil War." *Journal of Economic Literature*, 48(1): 3-57.

Miguel, Edward and Gérard Roland (2011). "The long-run impact of bombing Vietnam." *Journal of Development Economics*, 96(1):1-15.

Miguel, Edward, Shanker Satyanath, and Ernest Sergenti (2004). "Economic Shocks and Civil Conflict: An Instrumental Variables Approach." *Journal of Political Economy*, 112(4):725-753.

Week 14 - Corruption

*Bertrand, Marianne, Simeon Djankov, Rema Hanna, and Sendhil Mullainathan (2008). "Corruption in the Driving Licensing Process in Delhi." *Economic and Political Weekly*, February 2 2008, 71-76.

Ferraz, Claudio and Frederico Finan (2011). "Electoral Accountability and Corruption: Evidence from the Audits of Local Governments." *American Economic Review*, 101(4): 1274-1311.

Ferraz, Claudio and Frederico Finan (2008). "Exposing Corrupt Politicians: The Effects of Brazil's Publicly Released Audits on Electoral Outcomes." *Quarterly Journal of Economics*, 123(2):703-745.

+Fisman, Raymond and Edward Miguel (2007). "Corruption, Norms and Legal Enforcement: Evidence from Diplomatic Parking Tickets." *Journal of Political Economy*, 115(6):1020-1048.

Olken, Benjamin (2006). "Corruption and the costs of redistribution: Micro evidence from Indonesia." *Journal of Public Economics*, 90(4-5):853-870.

Olken, Benjamin (2007). "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy*, 115(2):200-249.

Olken, Benjamin (2009). "Corruption perceptions vs. corruption reality." *Journal of Public Economics*, 93(7-8):950-964.

*Svensson, Jakob (2005). "Eight Questions about Corruption." *Journal of Economic Perspectives*, 19(3):19-42.

Week 15 - Cross-Country Evidence: Geography, Natural Resources, & Institutions

*Acemoglu, Daron, Simon Johnson, and James Robinson (2006). *Understanding Prosperity and Poverty: Geography, Institutions, and the Reversal of Fortune*. In Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee (eds.), *Understanding Poverty*. New York: Oxford University Press.

Besley, Timothy (2005). "Political Selection." *Journal of Economic Perspectives*, 19(3): 43–60.

Diamond, Jared (1999). *Guns, Germs, and Steel: The Fates of Human Societies*. New York: W.W. Norton & Company.

Jones, Benjamin and Benjamin Olken (2005). "Do Leaders Matter? National Leadership and Growth Since World War II." *Quarterly Journal of Economics*, 120(3):835-864.

*National Geographic (2005). *Guns Germs and Steel*. (Available at: [http://topdocumentaryfilms.com/guns-germs-and-steel/.](http://topdocumentaryfilms.com/guns-germs-and-steel/))

La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer (2008). "The Economic Consequences of Legal Origins." *Journal of Economic Literature*, 46:2:285-332.

Sachs, Jeffrey (2001). "Tropical Underdevelopment." NBER Working Paper No. 8119.

van der Ploeg, Frederick (2011). "Natural Resources: Curse or Blessing?" *Journal of Economic Literature*, 49(2):366-420.