

International Development Policy
Public Affairs 974 (3 credits), Spring 2020
University of Wisconsin-Madison

Instructor: Christopher McKelvey
Office: Social Science 7321
E-mail: cmckelvey@wisc.edu

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 review concepts from the program evaluation literature, as necessary, to understand this literature. We 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 & Office Hours

Classes will be held Fridays from 9:55 to 11:50 a.m. in Education L155.

My office hours this semester are Wednesdays from 10:30 a.m. - 12:00 p.m. in Social Science 7321. However, my other class this semester is a large lecture, so office hours may be crowded. So I encourage you to send me an e-mail instead and we'll set up a time to meet – we can do this as often as is useful, and this way you'll avoid the rush.

Evaluation

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

- Class Participation (10%): 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.

- Class Reading Assessments (30%): To promote discussion, it is important for everyone to complete assigned readings before lecture. Also, as a policy practitioner, it is vital to be able to read articles and critically assess their quality. To encourage this kind of reading, everyone is required to submit one criticism and one question about each assigned reading. Beginning the second week of classes, these should be submitted on Canvas each Thursday by 8:00 PM.
- Book Review (30%): Write a short review (4-5 pages) of a popular press development policy book **which you have not previously read**. The review is due **Friday, April 3**. Your focus should be on critically evaluating the book, not just providing a summary of the book's argument. You may pick a book from the following list or feel free to submit another book for approval:
 - Acemoglu, Daron and James Robinson (2013). Why Nations Fail.
 - Easterly, William (2015). The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor.
 - Sachs, Jeffrey (2015). The Age of Sustainable Development.
 - Deaton, Angus (2015). The Great Escape: Health, Wealth, and the Origins of Inequality
- Final Exam (30%): There will be a "take-home" final examination at the end of the term. We will discuss the exact timing on the first day of class.

Credits

The credit standard for this course is met by an expectation of a total of 135 hours of student engagement with the courses learning activities, which include weekly lectures, reading assignments, and writing assignments, as described on this syllabus.

Learning Outcomes

- Students will demonstrate understanding of major current and past policy debates, research findings, and analytical methodologies in international development policy
- Students will demonstrate critical thinking skills. They will retrieve and examine the policy literature and evaluate evidence for and against hypotheses, identify knowledge gaps, strengths and weaknesses in existing literature, synthesize knowledge, and develop conclusions
- Students will read, comprehend, and effectively summarize policy research and policy-relevant academic research

- Students will communicate in clear written language: a real-world policy problem, relevant scholarly studies and practical applications, a policy-analytic method to investigate the problem, and client-oriented advice to mitigate the problem.
- Students will demonstrate the ability to maintain fidelity to objective social science-based research methods.

Course Webpage

Lecture notes, readings, and other course materials will be posted on Canvas: <https://canvas.wisc.edu/>

Course Outline

This section provides a roadmap of the topics we will be covering each week. Mandatory readings are marked with an asterisk and be posted each week on Canvas. Readings are subject to change, so please check with me before reading ahead.

Week 1 - Overview of the Problem

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

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.)

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

Qian, Nancy (2015). "Making Progress on Foreign Aid" *Annual Review of Economics*, 7:277-308.

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

*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.

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

*Devoto, Florencia, Esther Duflo, Pascaline Dupas, William Parienté, and Vincent Pons (2012). "Happiness on Tap: Piped Water Adoption in Urban Morocco." *American Economic Journal: Economic Policy*, 4(4): 68–99.

*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.

Jensen, Robert and Emily Oster (2009). "The Power of TV: Cable Television and Women's Status in India." *Quarterly Journal of Economics*, 124(3):1057-1094.

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)

*Duflo, 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.

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.

Week 5 - Human Capital (Health)

Baird, Sarah, Joan Hicks, Michael Kremer, and Edward Miguel (2016). "Worms at Work: Long-run Impacts of a Child Health Investment." *Quarterly Journal of Economics*, 131(4):1637–1680.

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.

Week 6 - Family Planning

*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.

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.

Sinha, Nistha (2005). "Fertility, Child Work, and Schooling Consequences of Family Planning Programs: Evidence from an Experiment in Rural Bangladesh." *Economic Development and Cultural Change*, 54(1):97-128.

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)

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

*Cull, Robert and Jonathan Morduch (2018). Microfinance and Economic Development. In Thorsten Beck and Ross Levine (eds.), *Handbook of Finance and Development*. Cheltenham, UK: Edward Elgar.

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

Gine, Xavier and Dean Karlan (2014). "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups" *Journal of Development Economics*, 107:65-83.

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

*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.

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

Ray, Debraj (1998). *Development Economics*. Princeton: Princeton University Press. (Chapter 10.)

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

*Duflo, Esther (2012). "Women Empowerment and Economic Development." *Journal of Economic Literature*, 50(4):1051-1079.

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.

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.

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.

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

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