

Presentation Project 1: Passing the Pritchett Test

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In a 2014 blog post, development economist Lant Pritchett (formerly at the World Bank, now at the Center for Global Development) proposed criteria for judging whether a proposed economic policy potentially might have large impacts on economic growth. Pritchett motivated his discussion as follows:

In 2006 I was in West Bengal with a World Bank team and was asking questions of a group of women about a “livelihoods” program that built and financed women’s self-help groups as a means of increasing women’s productivity and incomes. After asking them questions for an hour or so I asked them if they had any questions for me or the team—after all, they had been so gracious to answer our nosey questions we would be rude to not allow them to ask us anything they wanted to know. After an awkward silence, one woman said “You all are from countries that are much richer and doing much better than our country so your country’s women’s self-help groups must also be much better, tell us how women’s self-help groups work in your country.”

I’m American. Along on the team was a German woman, another man from New Zealand, and a woman from the UK. We all looked at each other blankly as none of us had any idea whether there even were at any time in our countries’ history such a thing as “women’s self-help groups” in our countries (much less government programs for promoting them). We also had no idea how to explain that, yes, all of our countries are now developed but no, all of our countries did this without a major role from women’s self-help groups at any time (or if there were a role we development experts were collectively ignorant of it), but yes, women’s self-help groups promote development.

Pritchett proposed that in order to justify what are often expensive and difficult randomized trials at scale (considered to be the “gold standard” for testing the impact of a policy “treatment” on economic growth or development) at the national level, the outcome variable targeted by the policy should pass the following “smell” test (concise summary courtesy of Paul Romer, until recently chief economist at the World Bank):

1. In a cross-sectional comparison of levels, do countries that are more developed (have higher incomes) have more X?
2. In a cross-sectional comparison of growth rates, do countries that have rapid growth in X also tend to experience a rapid increase in standards of living?
3. When we look at the few countries for which we have long historical records, do the ones that become much more developed also acquire much more X?
4. If we look for countries that switch from a regime of slow economic growth to a regime of rapid growth, do we see a parallel shift in the rate of growth of change in X?

Romer argues that urbanization meets this test. His blog post, at the link below, shows you how he went out about testing that urbanization met all four Pritchett test criteria.

In this project, I would like you to find another candidate variable (**excluding** urbanization, which Romer has already analyzed) that passes the Pritchett test, then present your results to the class. If you find that plausible variables do NOT pass the Pritchett test, that is also a useful finding, and should be presented as part of your briefing. You should plan on a 12 minute briefing, with a couple of additional minutes budgeted for questions from the audience. Results will be presented in class and posted on Canvas as Jupyter notebooks. We are interested in both your analysis of the Pritchett tests, and any possible policy implications related to your analysis.

Your analysis can use the World Bank's World Development Indicators, which you now know how to access, visualize, and analyze using Pandas, Matplotlib, Statsmodels, and other Python tools. Other web sites you may find useful as online international data sources include:

FRED, Federal Reserve Economic Data: <https://fred.stlouisfed.org/>

United Nations: <http://data.un.org/>

The Penn World Table, ver. 9.0: <https://www.rug.nl/ggdc/productivity/pwt/>

European Economic Commission, Eurostat: <http://ec.europa.eu/eurostat/data/database>

Organization for Economic Cooperation and Development, OECD: <http://stats.oecd.org/>

International Monetary Fund, IMF: <http://www.imf.org/en/Data>

U.S. Bureau of Labor Statistics, International Labor Comparisons Program: <https://www.bls.gov/fls/>

U.S. Bureau of Economic Analysis: <https://www.bea.gov/international/index.htm#omc>

U.S. Department of Energy: <https://www.eia.gov/>

U.S. Geological Survey: <https://minerals.usgs.gov/minerals/pubs/>

International Energy Agency (IEA): <https://www.iea.org/statistics/>

References:

<https://www.cgdev.org/blog/your-impact-evaluation-asking-questions-matter-four-part-smell-test>

<https://paulromer.net/urbanization-passes-the-pritchett-test/>