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IIEP's Monthly Newsletter: September 2015



The Value of Democracy: *Evidence from Road Building in Kenya*



In the News

On September 27, at the [United Nations](#) General Assembly's Sustainable Development Summit, Oliver T. Carr Jr. Professor Sabina Alkire joined international leaders to stress how a Global Multidimensional Poverty Index will help the UN achieve its goal to eliminate poverty in every form - not only income. [Heads of state from nations like Bhutan, Costa Rica, and Honduras shared how the MPI](#) (co-created by Alkire and Professor James Foster) serves as a crucial policy tool for identifying serious gaps in social services and infrastructure.

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group - is widely seen as "antithetical" to the ideals of democracy and strong, effective institutions. Particularly in African regions, the phenomenon poses significant barriers to the elimination of patronage systems and clientelism in developing states. In many cases, it can heighten tensions within the government and weaken institutions. In countries with deep (and arbitrarily created) ethnic divides and extraordinary diversity, ethnic identity has been supposed to play a large role for economic progress (or lack thereof) in communities. However, variable factors like data availability, long regime lengths, and government reluctance to acknowledge favoritism make the study of public goods discrimination difficult and unclear. In "[The Value of Democracy: Evidence from Road Building in Kenya](#)," affiliate Remi Jedwab and his co-authors examined Kenyan road spending across several decades to uncover the relationship between ethnic favoritism and democracy.

For Jedwab and his co-authors, Kenya provided a fascinating and applicable case study of ethnic favoritism due to the complex political situation post-independence. A country with intense segregation between districts, Kenya nonetheless reflects the story of many Sub-Saharan African nations considered to suffer from the same patrimonial and discriminatory pitfalls. After mapping the distribution of resources for this infrastructural development, the results were overwhelmingly clear: districts that shared the ethnicity of Kenya's leader in autocratic years had five times the length of roads built, which are crucial for economic development. This strong effect, however, largely disappeared in the presence of democracy - one of the study's most important findings.

[Check out our blog post for a full highlight of Jedwab's research and what it means for global development.](#)

Why Investing in Nature Makes Economic Sense

In the [International Monetary Fund's Finance & Development](#) magazine, Sabina Alkire discussed how her passion to understand and eliminate poverty drove her and Professor James Foster to co-create the multidimensional poverty index. "We who work in development service, there's some deep commitment to humanity and to justice—even if the faith is different and even if the doctrine is different," said Alkire.

In response to September's jobs report, Professor Tara Sinclair was happy to celebrate 5.1% unemployment and slow but steady wage and job growth but a disappointingly low labor participation rate [left her skeptic](#).

The September 24th edition of the Washington Post featured an [op-ed by Professor Nathan Jensen](#) on the secrecy of trade negotiations. This is the third in a series of op-eds by Jensen and his co-writer, Michael Colaresi of Michigan State University, based on polls of political scientists.

In an [op-ed in Foreign Policy](#), Professor Mark Kennedy, of [The Graduate School of Political Management](#) examines U.S.-China relations and emphasizes a need for the U.S. to respect China's emerging economic position while maintaining awareness and preparedness. Kennedy calls on political leaders to look beneath the surface, see past the indirection, and call America's attention to take

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Can conservation efforts, green infrastructure, and “impact investments” actually lead to significant returns and protect against financial instability as the impacts of climate change worsen? On September 14th, 2015, experts from The Nature Conservancy (TNC) and The George Washington University (GWU) met for a Sustainable Development Forum to discuss the economic benefits of investing in nature – and the new strategies being employed by those on the front lines of environmental initiatives and programs.

The discussion, featuring [TNC's President and CEO Mark Tercek](#), TNC's senior scientist [Rob McDonald](#), and IIEP affiliates [Marcus King](#) and [David Rain](#), was centered around Tercek's recent book, [Nature's Fortune](#), and ideas it raises. In the book, Tercek explored “impact investments,” a conservation strategy that focuses on the economic benefit that a private actor can gain from investing in important social and environmental causes. Globally, this can translate into concrete action to improve water security, food security, and infrastructure needs. While private transactions will be vital in protecting against the problems that come with a changing climate, governments also have significant financial incentives to invest in climate change adaptation and green solutions to infrastructure issues.

To read the full event overview discussing the ideas proposed at September's Sustainable Development Forum, [visit our blog!](#)

Faculty Travel Highlight: *Stephen Kaplan*

In a new paper titled ["Systematic and Idiosyncratic Sovereign Debt](#)

[Crisis](#)," Professor Graciela L. Kaminsky and Pablo Vega-Garcia explore sovereign defaults from the beginning of financial globalization in 1820 to the Great Depression, focusing on Latin America. Kaminsky and Vega-Garcia found that sovereign debt crisis have a systematic nature, and tend to radiate out from panics in the financial center. However these crises differ in that the collapse of liquidity and the growth slowdown are at the center of the crisis itself. This results in long default bouts and greater investors' losses. The paper is forthcoming in the [Journal of the European Economic Association](#) in December 2015.

Upcoming Events



The U.S.-China relationship is now second to none in importance for international economic relations and policy and accordingly is a major focus of IIEP. The centerpiece of this initiative is our annual Conference on China's Economic Development and U.S.-China Economic and Political Relations, which has become one of the premier events of its type. This year, key topics discussed will include China's financial

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Stephen Kaplan appears with faculty and students from the Center for Latin American Studies at Nankai University.

In Stephen Kaplan's recently published paper, "[Banking Unconditionally: The Political Economy of Chinese Finance in Latin America](#)," he seeks to examine to what extent outside investors can influence a nation's policy making. After China's funneling of almost USD \$300 billion to developing countries after the 2008 global recession, he became interested how this impacted debtor countries' room to maneuver. If a nation has strong economic influence in another region, does that translate into political influence? To find the answer, he analyzes Brazil and Venezuela, two of China's largest debtors, before and after Chinese investment.

Prof. Kaplan wrote this paper while conducting field research interviews in Beijing for his latest book, [Neoliberalism in Retreat?, The China Boom in Latin America](#). While in Beijing, Professor Kaplan also presented and participated in the Inter-American Dialogue's April 2015 [China-Latin American Working Group](#) at Peking University that brought together a select group of government officials and experts on China-Latin American relations from both China and the Western Hemisphere.

In addition to Peking University, Professor Kaplan also presented his latest research at various forums in Beijing, including [the Institute for Latin American Studies](#) and [the Institute of World Economics and Politics \(IWEP\)](#) at the Chinese Academy of Social Science (CASS). Professor Kaplan also traveled to Nankai University in the city of Tianjin, China to present his research. His talk there analyzed the differences between Chinese and traditional Western standards of sovereign risk management, and then centered on the policy implications of China's rapid

China relationship, and China's outward investments and their impacts.

The conference features leading scholars from the U.S., China, and other countries, who present research on a wide range of issues. The conference has become a leading forum for experts in the research and policy community to improve understanding of issues critical to China, the U.S., and the global economy. Please Save the Date and view the full event agenda and more about each speaker!

[Please RSVP](#) and [learn more](#) about the agenda, finalized speakers, and topics that will be discussed at our 8th Annual Conference on China's Economy.

Trade and Development Seminars are held most Tuesdays at GWU and feature a variety of different experts in trade and development who discuss their recent research on topics like foreign investment, urbanization, economics crises, monetary policy, and more. Some upcoming talks include:

Tuesday, October 20th
Claudio Ferraz, PUC-RIO
"Procuring Firm Growth"

Tuesday, October 27th
Craig McIntosh, UCSD
"Using Technology to Promote Political Participation in Emerging Democracies"

Tuesday, November 3rd
David Atkin, MIT
"Organizational Barriers to Technology Adoption"

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