

The Economics of Non-Governmental Organizations (NGOs)

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Office hours:
Tue-Fri: 10-noon
or by appointment

NGOs have played an increasingly important role in the provision of relief and development programs in developing countries. They have become key partners for the donor community and, as a result, an increasing fraction of foreign aid has been channeled through international and local NGOs.

This seminar will survey recent theoretical and empirical economic literature on NGOs. Since you started at Williams, you have seen a fair amount of economics. The goal of the seminar is for you to write an original piece of work on a question of your choice (related to NGOs though!). As seminar participants, we will all benefit from your work by holding presentation sessions a couple of weeks before the end of the semester. This will allow you to get your peers' feedback before submitting your final draft.

To achieve this goal, your work in this seminar will have four components:

Write 3-4 page critical reviews of published or likely-to-be-published papers assigned on the reading list (a list of eligible papers to choose from will be posted in the next few days).

(20%)

You have to write four reviews and you will be randomly assigned to 4 weeks. If you would like to switch with a classmate, make an arrangement with him/her and let me know as soon as possible. A printed version of your review will be due at the beginning of class before the paper is discussed. I cannot accept late papers, since we would have already discussed them.

Write an original 15 page research paper (double-spaced, font 12) on NGOs. **(50%)**

Choose a question you find exciting (and convince us that it is!). The main rule is to base your analysis on economics. You are free (and strongly encouraged!) to read economics papers that have nothing to do with NGOs, and somehow find a way to tell us that they can teach us something about NGOs. Your papers should also be well documented by examples from the real world of NGOs.

Present a first draft of your paper in front of your peers (and getting their feedback before you turn in your final draft! That's why we will do these presentations early) **(20%)**

You will have to give me a copy of your first draft the day before your presentation

Be an active participant throughout the semester and discussing your peers' research paper: **(10%)**

I expect you to challenge your peers during a 5 minute question and answer session following their talk.

1. The role of NGOs in promoting economic development (sessions 2, 3)

Besley, Timothy, and Gathak, Maitreesh, Public goods and economic development, in Understanding Poverty, (ed.s) A. Banerjee, R. Benabou, and D. Mookherjee, editors, Oxford University Press: 2006.

Galef, Julia, and Gauri, Varun, NGOs in Bangladesh: resources, activities and governance, World Development Vol. 33, No. 12, pp. 2045–2065, 2005

Hopkins, R. and Scott, C.D., The economics of nongovernmental organizations, The Development Economics Discussion Paper Series, discussion paper No. 15, May 1999.

Smith, Stephen, Organizational Comparative Advantages of NGOs in Eradicating Extreme Poverty and Hunger: Strategy for Escape from Poverty Traps, in NGOs and the Millennium Development Goals, (eds) J. Brinkerhoff, S. Smith and H. Teegen, editors, Palgrave Macmillan: 2007.

2. Why is there such a thing as charity? (and hence NGOs?) (sessions 4, 5)

Andreoni, J., Philanthropy, in Handbook of Giving, Reciprocity and Altruism, L.-A. Gerard-Varet, Serge-Christophe Kolm and Jean Mercier Ythier, Editors, Elsevier/North-Holland, 2006. (Excerpt: pages 11-26, 54-59)

Rose-Ackerman, S., Altruism, Nonprofits and Economic Theory, Journal of Economic Literature, Vol. 34, No. 2 (Jun., 1996), pp. 701-728.

Bilodeau, Marc, and Slivinski, Al., Rival Charities, Journal of Public Economics, Vol 66 (3), 1 December 1997, Pages 449-467.

3. NGOs and their donors (sessions 6, 7)

Aldashev, Gani and Verdier, Thierry, "NGO Competition and the Markets for Development Donations" (June 14, 2007). CEPR Discussion Paper No. 6350 Available at SSRN: <http://ssrn.com/abstract=996569>

Epstein, Gil S. and Gang, Ira N., "Contests, NGOs and Decentralizing Aid" (August 2005). IZA Discussion Paper No. 1711 Available at SSRN: <http://ssrn.com/abstract=783725>

Andreoni, James, and Payne, Abigail, Do government grants to private charities crowd out giving or fundraising?, The American Economic Review, Vol. 93, No. 3 (Jun., 2003), pp. 792-812

Fafchamps, Marcel, and Owens, Trudy, Is International Funding Crowding Out Charitable Contributions in African NGOs, Global Poverty Research Group working paper No. 55, 2007.

4. Who works for NGOs and why? And why are you likely to get paid less in an NGO than on Wall Street? (sessions 8, 9)

Francois, Patrick, Making a difference, RAND Journal of Economics, 2007 (forthcoming)
Vlassopoulos, Michael, Volunteer Hiring, Organizational Form and the Provision of Mission-Oriented Goods, Discussion Paper Series, University of Southampton, 2007.
Seabright, Paul, and Rowat, Intermediation by aid agencies, Journal of Development Economics, Vol 79(2), April 2006, Pages 469-491.
Besley, Timothy, and Gathak, Maitreesh, Competition and Incentives with Motivated Agents, The American Economic Review, Volume 95, Number 3, June 2005, pp. 616-636(21)

5. Do NGOs care about the poor? (sessions 10, 11)

Nancy, Gilles and Yontcheva, Boriana, "Does NGO Aid Go to the Poor?: Empirical Evidence from Europe" (February 2006). IMF Working Paper No. 06/39 Available at SSRN: <http://ssrn.com/abstract=892930>
Dreher, Axel, Mölders, Florian and Nunnenkamp, Peter, "Are NGOs the Better Donors? A Case Study of Aid Allocation for Sweden" (November 2007). Available at SSRN: <http://ssrn.com/abstract=1031672>
Fruttero, and Gauri, Varun, The strategic choices of NGOs: location decisions in rural Bangladesh, The Journal of Development Studies, Vol 41(5), 759-787, 2005.
Steinberg, Richard, and Weisbrod, Burton, Nonprofits with distributional objectives: price discrimination and corner solutions, Journal of Public Economics 89 (2005): 2205-2230.

6. NGOs as public service contractors: public private partnerships (sessions 12, 13)

Robinson, Mark, Privatizing the voluntary sector: NGOs as public service contractors, in NGOs, States and Donors: Too Close for Comfort?, (eds) Hulme, David, and Edward, Michael, editors, St Martin's Press and Save the Children, 1997.
Rushton, Michael J., "Government Contracting with Faith-Based Providers: An Economic Perspective" (October 2005). Andrew Young School of Policy Studies Research Paper No. 06-23 Available at SSRN: <http://ssrn.com/abstract=894965>
Besley, Timothy, and Gathak, Maitreesh, Government versus private ownership of public goods, The Quarterly Journal of Economics, Vol. 116, No. 4 (Nov., 2001), pp. 1343-1372.
Francois, Patrick, and Vlassopoulos, Michael, Prosocial motivation and the delivery of social services, forthcoming in CESifo Economic Studies.
Bhat, Ramesh, Mavalankar, Dileep, Maheshwari Sunil, and Saha, Somen, Provision of Reproductive Health Services to Urban Poor through Public-Private Partnerships: The Case of Andhra Pradesh Urban Health Care Project, Indian Institute of Management Ahmedabad, working paper No. 2007-01-07, 2007.

7. The governance of NGOs (sessions 14, 15)

Glaeser, Ed, and Schleifer, Andrei, Not for profit entrepreneurs, *Journal of Public Economics*, July 2001, Pages 99-115.

Barr, Abigail, Fafchamps, Marcel, and Owens, Trudy, The resources and governance of NGOs in Uganda, *World Development*, 33(4): 657-79, April 2005

De Andres-Alonso, Pablo, Natalia, Martin-Cruz, and Romero-Merino, M. Elena, The Governance of Nonprofit Organizations: Empirical Evidence from Nongovernmental Development Organizations in Spain, *Nonprofit and Voluntary Sector Quarterly*, Vol. 35, No. 4, 588-604 (2006)

8. NGOs in microfinance (session 16)

Roy Chowdhury, Prabal, Roy, Jaideep, Public Private Partnerships in microfinance: Should NGO involvement be restricted? University Library of Munich, working paper No. 4469, 2007.

Dichter, Thomas W., Appeasing the gods of sustainability: the future of international NGOs in microfinance, , in *NGOs, States and Donors: Too Close for Comfort?*, (eds) Hulme, David, and Edward, Michael, editors, St Martin's Press and Save the Children, 1997.

9. The commercialization of NGOs (session 17, 18)

A paper by Weisbrod (see book)

Bennett, John, Iossa, Elisabetta, and Legrenzi, Gabriella, Commercial Activity as Insurance: the Investment Behaviour of Non-Profit Firms, Centre for Economic Research, Keele University, working paper No. 2006/14, 2006.

Young, Dennis, "Mission-Market Tension in Managing Nonprofit Organizations" (June 2005). Andrew Young School of Policy Studies Research Paper Series No. 06-26 Available at SSRN: <http://ssrn.com/abstract=895120>

Stiles, Kendall, (2002), "International support for NGOs in Bangladesh: Some Unintended Consequences", *World Development*, 30: 835-846.

10. Corporate social responsibility (session 18, 19)

Besley, Timothy, and Gathak, Maitreesh, Retailing public goods: the economics of CSR, *Journal of Public Economics*, 2007, vol. 91, issue 9, pages 1645-1663.

Fisman, Ray, Heal, Geoffrey and Nair, Vinay B., A model of corporate philanthropy, mimeo. Chakrabarty, Sayan, and Grote, Ulrike, Impact of Social Labeling on Child Labor in the Indian Carpet Industry, working paper, University of Hannover, 2007.

The Trade-Off Between Child Labor and Schooling: Influence of Social Labeling NGOs in Nepal

Young, Dennis, A unified theory of social enterprise, working paper, Georgia State University, 2007.

11. The NGOs of terrorist organizations (session 20)

Berman, Eli, and Laitin, David, Religion, Terrorism and Public Goods: Testing the Club Model, University of California San Diego, mimeo.
Ly, Pierre E., The charitable activities of terrorist organizations, Public Choice, Volume 131, Numbers 1-2, April 2007 , pp. 177-195(19).

12. Research presentations: (sessions 21, 22, 23, 24)

A hard copy of your paper will be due one week after **YOUR** presentation. I strongly recommend that you have a first draft ready before your presentation. Writing it will help you be prepared for a good talk.