



INCLUSIVE INNOVATOR

*Peter J. Walker profiles Yale's Rohini Pande,
whose work focuses on how better
institutions can make life fairer*

In 1990 the Indian government said it would set aside some government jobs for lower-caste citizens, leading to widespread student protests and violence, including self-immolations. In the relative peace of the classroom, Rohini Pande, a second-year undergraduate economics student at Delhi University, argued that people should get jobs based on merit, not through special treatment.

A new experience two years later transformed her position. After coming of age as a member of India's privileged elite, she found herself an outsider at the University of Oxford, though she was there as a prestigious Rhodes scholar.

"There was a distinct hierarchy between those from the United States and those from Asia and Africa," Pande says in a video interview. "Scholars from poorer countries came to Oxford for a high-quality education not available in their home country, while for many American scholars it was just a two-year break before they returned to elite US universities."

This imbalance compelled Pande to think more deeply about fairness, and she now saw the plight of India's lower castes from the perspective of disadvantage, she says.

"Like many born into privilege, it took me a long time to recognize what privilege meant," she says. This experience has reverberated through her career as she has sought to understand the role of institutions in people's lives.

Pande, 49 years old, is "one of the most influential development economists of her generation," according to the American Economic Association, and has made groundbreaking contributions to political economy, international development, gender economics, anti-corruption, and efforts to combat climate change.

"Running through her work is an insistence not simply to ask what will work to improve the lives of the poor, but why it works, and what this teaches us about how institutions should be structured and how we should view the world," says Charity Troyer Moore, Yale's director for South Asia economics research.

In 2019, Pande was named the Henry J. Heinz II Professor of Economics at Yale University and director of the Economic Growth Center. She spent the previous 13 years as a senior professor at the Harvard Kennedy School. There she co-founded Evidence for Policy Design, which works with developing economy governments to address policy problems. Pande won the 2018 Carolyn Shaw Bell Award for furthering the status of women in economics.

Political economy

"I have learned a lot from Rohini over the years," says former colleague and Harvard professor Dani Rodrik. "Her approach to development has always been infused with the sense that underdevelopment and disadvantage are rooted as much in politics as they are in economics."

For her doctoral thesis at the London School of Economics after Oxford, Pande focused on India's efforts to increase minority representation in politics by allowing only disadvantaged castes to contest elections in specified jurisdictions, a policy known as "political reservation." She found that at the state level the practice increased redistribution in favor of disadvantaged groups, indicating a direct link between political representation and policy influence.

Pande continued to explore this association by focusing on the importance of sound political institutions for development and for alleviating poverty. She recently made the case that successfully tackling poverty depends less on direct aid and more on creating effective democratic institutions so that vulnerable populations can push their representatives to implement redistributive policies.

"Functional democracy requires far more than just an institution that allows everyone to vote every few years," she says. "Critically, it requires citizens to be well-informed, and we need to protect democratic institutions from corruption."

Politics is also personal for Pande. Her mother is Mrinal Pande, one of India's leading journalists, who was recently accused of sedition for reporting on a major farmers' protest.

"A vigorous free press is necessary for an effective democracy," Rohini says. "Politicians can see it as an unwelcome distraction—but without it, they're flying blind, and the country will end up paying the price."

Challenging thinking

Effective financial institutions are also essential for development, and Pande's work has repeatedly tested conventional wisdom.

Her 2005 paper on rural banks with the London School of Economics' Robin Burgess challenged the prevalent view at the time that because rural banks backed by public funds were unprofitable, they were not a good way of supporting development. However, the researchers showed that rural banks were designed not necessarily to be profitable but to reach poor households and reduce poverty.

Based on that metric, specifically in India, rural banks achieved their primary goals.

“The paper made an extraordinarily important contribution to development economics by establishing a causal relationship between credit and poverty reduction,” IMF mission chief Petia Topalova tells F&D. Topalova was a visiting scholar at Harvard while Pande was there and collaborated with her on research.

In the related area of microfinance, Pande has challenged the view that repayments must be frequent to prevent defaults. Focusing on the primary purpose of these initiatives, over several years she identified the benefits of more flexible repayment periods. These include lower transaction costs, less financial stress for recipients, and greater business investment.

Together with Nobel laureate and frequent collaborator Esther Duflo, of the Massachusetts Institute of Technology (MIT), Pande took on firmly entrenched thinking about the role of dams in development. The researchers showed that dams actually increase poverty in the areas where they are built by causing disruption and displacement for which poorer people are not adequately compensated. Although poverty falls in areas downstream, such gains do not make up for worsening the situation in a dam’s vicinity.

These findings ruffled some feathers. A senior World Bank official complained to senior development faculty at Yale and MIT, much to the faculties’ amusement. The protest “came from the strong belief at the time—around 2005—that big infrastructure projects were good for growth and that distribution was of lesser importance,” Pande says.

“Rohini has an unparalleled sense of empathy,” Duflo says. “This leads her to understand things about the lives of people that had not even crossed my mind. Traveling with her the long journey from that initial intuition to a publishable piece of research has been one of the great rewards of our collaboration.”

Gender politics

Together with Duflo and Topalova, Pande has explored questions around political representation and gender.

A decade ago they studied how quotas for female local leaders affect people’s perceptions of their effectiveness. India amended its constitution in 1993 to reserve a third of local government seats for women. Between 1992 and 2005, the proportion of female local leaders rose from 5 to 40 percent.

The authors surveyed 7,000 households in 495 randomly selected villages in the largely rural and poor district of Birbhum in West Bengal. In each household, they interviewed one male adult, one female adult, and all 11- to 15-year-olds.

They found that the more people experienced female leadership, the more they perceived the leaders as acting effectively. They also discovered that having female leaders raised parents’ aspirations for their daughters as well as the girls’ ambitions. “The long-lasting effect of our work was that people’s beliefs may actually be changed by seeing women in leadership positions,” Pande says.

While the role model effect was clear, the study did not find evidence of changes in young women’s labor market opportunities. Because “close to 100 million Indian women say that they would accept a job if it was offered to them,” Pande says there’s evidence that they would rather be employed than do housework.

As a result, Pande is focusing on social norms that discourage women from employment. One way to circumvent such notions is to let women manage the money they earn, she says.

But more than just having a bank account, women also need financial education, according to Pande’s recent study with Simone Schaner, of the University of Southern California.

“Giving women basic bank skills training and signing them up for direct deposit, relative to just having their own account or no account at all, increases their participation in both the government workfare program and the private sector labor market,” Schaner says.

Pande emphasizes that peer networks “can create a recognition that a woman has someone else to learn from, to depend on—and to gauge that beliefs about women working might not be as negative in a community as an individual may think,” she wrote for India’s *ET Evoke*, a publication of India’s *Economic Times* newspaper.

Corruption to climate

Changing attitudes is also an important part of Pande’s work on corruption. Her widely cited review and analysis of corruption research with Benjamin Olken of MIT contested the view that poorer countries are more susceptible to corruption because they are willing to put up with it. Instead, they showed that “people are potentially as corrupt in rich and poor countries, but what varies

is institutions,” suggesting the need to improve transparency and strengthen control mechanisms.

Through her interest in corruption Pande became involved in climate issues, though somewhat by chance. Just over a decade ago she met a woman attending an executive education course at Harvard, Ameet Jainik, a lawyer from the Gujarat Pollution Control Board who is now a member of Parliament for Gujarat. They had a conversation about the difficulty of obtaining reliable emissions data.

This interested Pande, who investigated how to improve the quality of information by addressing conflicts of interest between emitters and regulators. “My interest in climate issues came very much from thinking about issues of corruption,” she says. She worked with Dufflo and the University of Chicago’s Michael Greenstone on aligning incentives to obtain reliable information on pollution.

One piece of advice was to move away from allowing emitters to choose their own auditors, which created conflicts of interest, and instead to assign auditors randomly and have them be paid a fixed rate. While this policy reduced corruption, their other work suggests that a potential cost is an inability to leverage the fact that some monitors may have valuable soft information—suggesting a delicate balancing act. Better information, however achieved, can be invaluable for regulating carbon emissions and tackling climate change. Pande and her colleagues are now examining the feasibility of reducing emissions via emissions trading schemes enabled by innovations in continuous monitoring.

Institutional changes like these could deliver a real blow to climate change. Pande and her colleagues estimated that perfect information on factory emissions, which could become possible through innovations in continuous monitoring, would increase total abatement by 30 percent.

Pande has engaged with policymakers on climate change and in 2019, through Harvard’s Evidence for Policy Design, helped to launch the world’s first particulate emissions trading system in Gujarat.

Mentoring others

Pande is a committed mentor. The letter in support of her Carolyn Shaw Bell Award and comments during the award ceremony were packed with appreciation and praise from students past and present.

“Everything about Rohini is unusual,” Natalia Rigol, a Harvard professor who used to be one

of her mentees, tells F&D. Pande treats others with a generosity “otherwise unheard of in this profession,” Rigol says. She points out that Pande insists on listing as authors every person involved in academic papers—no matter how junior.

In her efforts to ensure that women are involved, and comfortable, in the study of economics, Pande brings her expertise on institutions to bear. Her recommendations include tackling stereotypes, acknowledging diverse perspectives and views, standardizing how job candidates are assessed, and giving greater visibility to female role models. She stresses the importance of ensuring that there is at least one female speaker in each seminar series and has threatened to boycott conferences that lack sufficient gender balance. Economics students cited Pande as their inspiration when they successfully petitioned to remove a set of paintings of white male professors from the department’s main entrance. In her own case, Pande identifies Harvard’s Claudia Goldin and Yale’s Penny Goldberg as inspirations.

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The respect is mutual. Goldin says she has “always been impressed by Rohini’s generosity as a teacher, her dedication as a mentor, and her unstinting efforts at providing public goods of all kinds (including delicious food).” For her part, Goldberg cites Pande’s “cutting-edge research, her editorial commitments, and her leadership of Yale’s Economic Growth Center.”

A new initiative called Inclusion Economics provides a focal point for Pande’s work on poverty. Led by Pande and Charity Troyer Moore and headquartered at Yale, it uses data-driven approaches to work out ways for the poor to increase their influence and claim their fair share of growth.

“There’s a vicious circle of rising inequality and weakening institutions—particularly democratic institutions—which is going to be exacerbated by planetary limits on growth,” Pande says. “What kind of institutional reforms might help us reverse this vicious circle and create instead a virtuous circle of better institutions and lower inequality?” **FD**

PETER J. WALKER is on the staff of *Finance and Development*.