Economics of International Development

Instructors

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Wednesday session: Wednesday 6:45-8:25pm
Location: 194 Mercer, Room 304 Loc: Washington Square

Tuesday session: Tuesday 5:30-6:30pm
Location: Online

Office hours time
Wilse-Samson: By appointment
Macready: By appointment

Course overview

How can the economies of the world become richer? Fairer? More open to opportunity?

We will investigate economic growth, poverty, inequality, and the sources of economic change. The course begins by reviewing the relationships between poverty, inequality, and economic growth. Attention then turns to the role of markets, with a focus on finance. Then we turn to interventions designed to improve education, address demographic change, reduce the burden of disease, and confront corruption.

Learning objectives

Students will be able to...

Synthesize complex concepts and evidence to understand the context and mechanisms of international development and poverty.
Understand how economic principles and tools can be used to craft better solutions for individuals and communities.

Assess the quality and reliability of evidence presented by proponents of interventions and policy, including statistical evidence.

Tuesday sessions are not recitations. They complement and add to what can be covered during Wednesday sessions. Tuesdays include new material, assignments and participatory discussions. We often explore more deeply into issues and concepts raised during a Wednesday session. Other times they are to build skills, including the comprehension of the data analysis and statistics essential to evaluating the evidence offered as part of our course and in life.

In short, in addition to building your knowledge and understanding of development concerns, we hope our course gives you tools to evaluate and construct better programs, policies and interventions, whether these are to address development or to address other issues and policy areas in which you will work.

**Books to purchase (also available through NYU library)**


The books to buy are available through the NYU Bookstore and many other bookstores.

**Course Requirements**

Course requirements are a mid-term examination, a final examination, and three problem sets. Also required is full participation in course activities. Grades will be calculated according to:

- Class Participation 20% (participating and contributing thoughtfully to discussions and assigned activities – See rubric below for expectations)
- Problem Sets 20% (2 problem sets + policy memo)
- Mid-Term Exam 25%
- Final Examination 35%

**Participation Rubric**

Participation will count for 20% of the grade for the semester.

Participation happens in various ways.

- Prepare before class so you’re ready to engage on Tuesdays and on Wednesdays. This includes completing assignments like “reflections,” developing your answers to “When preparing” questions posted to Brightspace, and other activities. In class, we may “cold call” you, and we expect you to be ready to discuss the topics.

- Engage during class on Tuesdays and Wednesdays. We expect:
- Active engagement
- Listening to others
- Responding constructively
- Taking responsibility to teach others, share what you’ve learned, and raise pertinent questions.

**Participation grades will reflect:**
Do you meaningfully prepare for class?
Are you present—physically and intellectually—in class?
Do you actively contribute to discussion?
Do your comments actively engage with the material and discussion by others?

**NYU Wagner Policies on Academic Honesty and Grading**

We follow the NYU Wagner School general policy guidelines on academic honesty and grading (including incomplete grades).

**Academic Integrity**
Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by Wagner’s Academic Code. All Wagner students have already read and signed the Wagner Academic Oath. Plagiarism of any form will not be tolerated and students in this class are expected to report violations to us. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with us. **We ask each student to become familiar with these policies.**

**The Moses Center for Student Accessibility (CSA)**
Academic accommodations are available for students with disabilities. Please visit the Moses Center for Students with Disabilities (CSD) website and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

**NYU’s Calendar Policy on Religious Holidays**
NYU’s Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify us in advance of religious holidays that might coincide with class assignments to schedule mutually acceptable alternatives.

**Important NYU Wagner policies**
Please see the NYU Wagner website for information on academic policies and procedures, including the academic code and grading:

1. Academic Policies and Procedures
2. Academic Code
3. **Grading**
4. **Incomplete Grades**

**Late Policy**

Extensions on assignments will be granted only in case of emergency or special circumstances. This policy is adopted out of respect to those who abide by deadlines despite equally demanding schedules. Assignments handed in late without authorized extensions will be penalized one-third of a grade per day.

**Overview of the semester**

1. Wed 9/7: **Introduction to development economics. Development and inequality**  
   Tue 9/13: Evaluating evidence and the RCT debate (deeper dive). Reading economics papers

2. Wed 9/14: **Poverty and economic growth**  
   Tue 9/20: Poverty as measured compared to poverty as lived (deeper dive)

3. Wed 9/21: **Foreign aid, capital & theories of growth**  
   Tue 9/27: Theories of economic growth (deeper dive)

4. Wed 9/28: **Responses to market failure: Informal markets and access to finance**  
   Tue 10/4: Help with questions on problem sets (skill building, attendance optional)

5. Wed 10/5: **Responses to market failure: Microfinance.**

   **Problem set 1 due Friday, 7 October, 7am.**

6. Wed 10/12: **Behavioral economics: Saving and asset accumulation**  
   Tue 10/18: How to read an economic paper part 2 (skill building) Fielding midterm prep questions

7. Wed 10/19: **Coping with risk: Micro-insurance**
Tue 10/25: Help with midterm preparation (skill building, attendance optional)

Wed 10/26: **Mid-term exam** (in class)

8. Wed 11/2: **Government failure and corruption**

Tue 11/8: Liberia case study: Are social enterprises the tool to fill in gaps in service delivery left by markets and government (deeper dive)


Tue 11/15: Tackling the Liberia case study from a stakeholder perspective (deeper dive)

10. Wed 11/16: **Delivering education.**

   **Liberia Memo due Friday, 18 November, 7am**

Tue 11/22: Population, context & generalizability (deeper dive)

11. Wed 11/30: **Gender and development**

Tue 12/6 Help with questions on problem set 2(skill building, attendance optional)

12. Wed 12/7: **Population, the demographic transition, and norms.**

   **Problem set 2 due Friday, 9 December, 7am**

Tue 12/13 Can we identify impact without an experiment?: The role of data triangulation and natural experiments in building evidence (deeper dive)

13. Wed 12/14 **Delivering Healthcare. Retrospective and review**

Tue 12/20 Help with final preparation (skill building, attendance optional). NYU Reading Day.

Wed 12/21 **Final exam (in class)**
Detailed syllabus for the semester

**NOTE:** This syllabus provides only an outline of course content. Our NYU Brightspace site holds additional material, instructions and assignments. Any adjustments to content, assignments and timing will be posted there instead of in the syllabus. Please use the Brightspace site for the specific assignments and expectations tied to each session and to the course more broadly.

The following designations identify which readings and materials are required and which are recommended:

> Recommended reading (Resources listed with > in front of the citation indicates a recommended reading. Those without a > indicate a required reading.)

► **Watch:** Required videos

(recommended)► **Watch:** Recommended videos

**PART I. Introduction to development and the big issues**
How did we come to define the “development problem” the way we do? What drives economic growth? Does foreign aid work? Can global poverty be eradicated?

1. **Introduction to development economics. Development and inequality.**

   The past few years have raised concerns with widening inequality – both within countries and globally. Inequalities matter in themselves, and they also tell us about how economies are evolving. We start with global inequalities and situate the course in that context. Development Economics is a relatively young field, arising just after World War II as many countries that had been colonized gained independence from Europe. Since the early 1970s, a focus has been on extreme poverty, but progress in reducing extreme poverty and widening inequalities are reshaping conversations.

Banerjee and Duflo, Poor Economics. Chapter 1, all.

► **Watch** Sabine Alkire. "What is the capability approach to development?"

(recommended)► **Listen** to Banerjee on poverty and poor people (3:06 minutes):

(recommended)► **Watch** Thomas Piketty’s TED Talk on increasing inequality

Silver, Marc (January 4, 2015) “If You Shouldn’t Call It The Third World, What Should You Call It?” Goats and Soda, National Public Radio. (After events in Washington DC on January 6, 2021, NPR’s Goats and Soda re-sent this 2015 blog, linking to it with this phrase: “it's an insulting way to classify countries.” We ask you for similar introspection regarding the designation
“developing countries.”}

> Silver, Marc (January 8, 2021) "Memo to People of Earth: 'Third World' Is an Offensive Term!" Goats & Soda, NPR (Updated conversation with the article above)


> Ideas of India: Where Did Development Economics Go Wrong?

> Career choices in Development (natarajan)

**Tuesday session.** Evaluating evidence and the RCT debate (deeper dive)

> Understanding Development and Poverty Alleviation, Scientific Background on the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2019 [link]

> UNICEF Impact Evaluation Series [link]

►Watch ColumbiaLearn [How to Activate Your Reading](https://www.columbialearn.com/) (10 minutes)

►Listen Esther Duflo. 2019, November 11. [NPR interview with Brian Lehrer](https://www.npr.org/). Please pay special attention to Esther Duflo’s explanation of RCTs role in evidence and achieving change – their experimental mindset – and how she defines poverty (program minutes 3:30-10:45).


(recommended)►Watch Esther Duflo: TED Talk “Social experiments to fight poverty.” (17 minutes) (Required content for next week but useful here too.)

### 2. Poverty and economic growth

To fully understand the relationship between economic growth and poverty, we need to be clearer about measurement. There is no “perfect” way to measure poverty and inequality, but there is consensus about key principles. The most appropriate method will often depend on the
questions that we are asking, and different measures lead to very different policy implications.


**Poverty and Economic Growth**
Does broad-based economic growth help or hurt the poorest citizens? Both happen, but cross-country data show that most of the time poor households gain from economic growth. The gains have been particularly dramatic in India and China. But economic growth is not a guarantee of gains for all.


**Poverty and well-being**
Portfolios of the Poor yields quite different answers about what it means to be poor. Haushofer summarizes new work on poverty and psychology.


**Measuring poverty**


> Ideas of India: Reforming Development Economics

**Tuesday session.** (deeper dive) Poverty as measured compared to poverty as lived. How we measure poverty affects where we focus development efforts. What is poverty? How is it measured? Why do the differences matter?

Amartya Sen. Poverty & Famines, pp 1-8
3. Foreign aid, capital & theories of growth

Why do some countries grow richer while others don’t? Historically, patterns of economic growth have been driven by much more than just levels of investments and human resources. Recent evidence shows the roles of legal systems, political institutions, trade and tax policy, and geography, among other forces. The question here is: what can governments do? Can foreign aid play a role?


>Watch Esther Duflo’s TED Talk on foreign aid and evaluation.
Tuesday session (deeper dive) Theories of economic growth underlie most development efforts since World War II. How did these theories shape past interventions and foreign aid strategies? Where do we stand today?


Banerjee & Duflo, Poor Economics, Chapter 1.

Economic growth models:


Income & nutrition thresholds tied to "poverty traps":
> Banerjee & Duflo Poor Economics, pp 22-40

PART II. Households and markets

We focus on financial markets first. It gives a chance to explore the sources of market failure. Rather than stopping with diagnosis, we look at proposed solutions and how to evaluate them. The focus gives us an introduction to the following economic tools, an understanding of which can help us to craft better interventions:

- Market failure (moral hazard, adverse selection)
- Behavioral economics (present bias, commitment, salience)
- Risk and risk aversion
- Household decision-making
- Informal and formal institutions
- Impact evaluation and the use of randomized controlled trials
- Incentives, especially as they are shaped by contracts and prices

To explain further, volatility, risk and uncertainty are integral to the experience of poverty. Lack of insurance to mitigate risk and uncertainty is part of a broader lack of access to financial services. This section shows how informational problems limit the scope of credit and insurance markets and restrict the role that the price mechanism plays to ration demand. This provides a framework with which to reevaluate standard policy prescriptions.

4. Responses to market failure: Informal finance and access to financial services
Formalized markets are based on impersonal legal contracts. Informal markets, in contrast, are usually based on personal relationships and (often unwritten) understandings.

As formal markets expand, informal markets rarely disappear. Sometimes they even expand. Why? Part of the answer is that informal markets deliver qualities (speed? trust? reliability?) that formal markets lack. Rather than rejecting informal institutions as "backward", we can learn from them and build on them.


Banerjee and Duflo, Poor Economics. Chapter 7.


Beatriz Armendáriz and Jonathan Morduch (2010), The Economics of Microfinance:
Chapter 1: “Rethinking banking”
Chapter 2: “Why intervene in credit markets?”

> Rutherford, Stuart (1998), The Poor and their Money. Delhi: Oxford University Press, Chapters 1 and 2. (also)


**Tuesday session.** (skill building) Help with questions on Problem set 1 (attendance optional)

**5. Responses to market failure: Microfinance**

The root of credit market failures is lack of collateral. But new institutions like Bangladesh’s Grameen Bank and Bolivia’s BancoSol have shown that it is possible to secure high rates of repayment while lending to poor households. The key is a series of new mechanisms, most famously “group-lending” with joint liability. Yunus describes the early experience with Grameen, and Morduch’s papers describe a range of other programs, as well as emerging opportunities and tensions in the movement.

Muhammad Yunus. [Interview with NBR], March 9, 2005. Wharton Business School

[Or ►Watch Muhammad Yunus documentary ]

[Or ►Watch Muhammad Yunus on the Daily Show (with Jon Stewart)...content starts at 2 minutes]

(recommended)►Watch Stuart Rutherford on microfinance and talking to clients (9 minutes):
Beatriz Armendáriz and Jonathan Morduch (2010), The Economics of Microfinance

Chapter 4: “Group lending”
Chapter 5: “Beyond group lending”
> Chapter 10: "Subsidy and sustainability


(recommended)► Watch Rohini Pande describe new ways of thinking about microcredit (10 minutes):


> Banerjee and Duflo, Poor Economics. Chapter 9.


6. Behavioral economics: Saving and asset-building

Households use a great variety of strategies to cope with misfortune and to build assets for the future. Some are very effective, while others are less so – and none are costless. We investigate what the data reveal on factors contributing to effectiveness, or the lack thereof.


► Watch Saving in groups and out – the animated videos! (3.5 minutes each)
Intro to savings groups. Why Savings Groups work. Other ways to save

Beatriz Armendáriz and Jonathan Morduch (2010), The Economics of Microfinance: Chapter 6: "Saving and insurance."


(recommended)► Watch Pascaline Dupas describe her research on saving
(recommended) **Watch** Dean Karlan describe *why commitments matter to saving*

(recommended) **Watch** Nava Ashraf describe the *challenge of holding on to your money* (14 minutes)

(recommended) **Watch** LSE’s Nava Ashraf describe *behavior change in saving* (9 minutes)

Banerjee and Duflo, Poor Economics. Chapter 8.


**Tuesday session.** (deeper dive). Proof of concept? Among whom? What are some limits to generalizability of RCT findings? How can we make use of what they do tell us? We explore these questions through evidence on microfinance interventions.


### 7. Coping with risk: Micro-insurance

*How do households and communities protect themselves in the face of risk? Can private insurance be commercially-viable in poorer communities? How does vulnerability constrain development?*


(recommended) **Listen** Adam Davidson interviews Daryl Collins and Jonathan Morduch about Portfolios of the Poor. [NPR Planet Money Podcast](https://www.npr.org/). (26 minutes)

Banerjee and Duflo, Poor Economics. Chapter 6.

**Watch** Moral Hazard and Adverse Selection – the animated videos! (3.5 minutes each)


(recommended)►Watch Shawn Cole describe the research on rainfall insurance


Tuesday session. (skill building) Help with midterm preparation (Attendance optional) Mid-term exam (In class)

PART III. Getting things done
With an understanding of financial markets, we push forward to explore the organizations that get things done, and challenges that can constrain action.

8. Government Failure and Corruption

Banerjee and Duflo, Poor Economics. Chapter 10.


(recommended)►Watch Ngozi Okonjo-Iweala’s TED Talk


Tuesday session. (deeper dive) Liberia case study. Are social enterprises the tool to fill in
gaps in service delivery left by markets and government. Are social enterprises a reliable choice in all settings, especially for essential services? We use delivery of education in Liberia as a case study of these questions. Pay attention to the details and constraints that are barriers to effective delivery of Liberia’s education needs.

Werner, George K. “Liberia has to work with international private school companies if we want to protect our children’s future.” Quartz Africa, 03 January, 2017.

Goldilocks Toolkit, example Acumen case study

► Watch George Werner, Liberian Minister of Education, explaining his support of Bridge International Academies (14 mins)


FrontPageAfrica. Liberia: Legislators Want LEAP Program Extended to All Public Schools at Education Officers Summit. 18 September 2018.

9. Social business: Band-Aid or solution?

Many argue that the solution for service delivery is to tap the private sector, or at least to incorporate ideas from the market into nonprofit activities. Microfinance is a leading edge for that push, but the microfinance story is more complicated than it might seem at first. Two healthcare studies are discussed, in which the evidence for charging user fees is weak.

► Watch Acumen Fund’s Jacqueline Novogratz talk: “A third way to think about aid” (TED Talk)


(recommended)► Watch Berkeley’s Ted Miguel on Worms (4 minutes)

(recommended)► Watch Deworm the World: A Call to Action (9 minutes)


(recommended)► Watch Dan Palotta argue that the way we think about charity is all wrong.
(TED Talk)

> Michael Faye and Paul Niehaus on GiveDirectly (econtalk)

> Martin, C., 2016, “The Reductive Seduction of Other People’s Problems”, Bright magazine

**Tuesday session.** (deeper dive) Liberia case study. Tackling the Bridge question from a stakeholder perspective.

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PART IV. Central topics

*We’ve been building an understanding of markets and organizations. Now we turn to some of the most important forces and debates within development: delivering education, gender, population, and delivering health and healthcare. To stay focused, we keep the attention on how to translate ideas into action, the use of evaluation methods, and new ideas that are both conceptually interesting and that work in practice.*

10. Delivering Education

*The readings focus on practical, concrete steps to improve the quantity and quality of schooling. Some of the papers are long and technical. Read them to understand the motivation and main results. We’ll discuss the methodology & results in class.*

Banerjee and Duflo, Poor Economics. Chapter 4.


(recommended)►Watch Animation on education and local politics in Indonesia (2:19 minutes)


* interesting, another state, Tamil Nadu, had a famous bicycle distribution program in 1993


Research on a remedial education intervention that was progressively applied in new settings:


Tuesday session. Population, context and generalizability: Heterogeneity of impacts... What’s really being measured?

Deworming interventions


Macartan Humphreys 08.2015 Post: What has been learned from the deworming replications

11.Gender and discrimination


> More on Duflo, from The Atlantic.


> Cassan, Guilhem and Lore Vandewalle. “Political reservations for women increase the policy influence of low castes in India.” VoxEu 09 December 2017. (This expands the Chattopadhyay and Duflo article, "Women as Policy Makers," to include women's caste in the assessments.)


(recommended) ▶Watch Economists on Zoom getting coffee (link, ep 9 Seema Jayachandran on Gender)

**Tuesday session.** (skill building) Help with questions on problem set 2 (attendance optional)

12. Population growth, the demographic transition, and social norms

Banerjee and Duflo, Poor Economics. Chapter 5.


▶Watch Hans Rosling’s TED Talk on Global Population (10 minutes)

(recommended) ▶Watch Eliana La Ferrara at TEDx discussing TV and social norms (16:31 minutes).

**Tuesday session.** (deeper dive) Identifying impact without an experiment: The role of data triangulation and natural experiments in building evidence.


► Watch Moving up a gear: Update. Muralidharan & Prakash discuss the mechanisms that lead to change and how apply their findings to other contexts (generalizable)


13. Delivering Healthcare
(recommended)► Watch Sendhil Mullainathan’s TED Talk on health and nudges Banerjee and Duflo, Poor Economics. Chapter 2 and 3.


> Margaret E Kruk, Anna D Gage, Naima T Joseph, Goodarz Danaei, Sebastián García-Saisó, Joshua A Salomon. 2018. "Mortality due to low-quality health systems in the universal health coverage era: a systematic analysis of amenable deaths in 137 countries," Lancet 2018; 392: 2203–12. (This is the research paper from which the Schrieber piece was drawn.)


**Tuesday session.** (skill building) Help with final preparation. (attendance optional)

**Final exam (In class)**