International economic development

PADM-GP 2203
Spring 2013
NYU Wagner Graduate School of Public Service
New York University

Jonathan Morduch
The Puck Building, Room 3028, (212) 998-7515
jonathan.morduch@nyu.edu

Office time: 5 - 6 p.m. Wednesday

Section 1: Wed. 12:30 – 2:10 pm, Global Center for Academic & Spiritual Life, room 369
Section 2: Wed. 6:45 - 8:25 pm, Silver 405

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

This course takes up issues of economic growth and social change in a comparative perspective. The course begins by reviewing the relationships between poverty, inequality, and economic growth. In that context, attention then turns to the role of markets, with a focus on local financial markets. In the second part of the semester, we turn to policy interventions to improve education, confront rapid population growth, reduce the burden of disease, and confront corruption.

We will use the following texts:


Plus additional readings.
Course Requirements

The course requirements are a mid-term examination, a final examination, and two problem sets. Grades will be calculated according to:

- Class Participation: 10%
- Problem sets: 10%
- Mid-Term Exam: 35%
- Final Examination: 45%

Schedule

1. 1/30: Introduction to development economics
2. 2/6: Foreign Aid
3. 2/13: Poverty, inequality, and economic growth
4. 2/20: Coping with risk
5. 2/27: Informal markets: Access to finance Problem set due
6. 3/6: Microfinance
7. 3/13: Saving and asset-building
   - 3/20: Spring break
8. 3/27: Mid-term exam (in class)
9. 4/3: Social Business, User Fees, and Organizations
10. 5/8: Corruption
11. 4/10: Gender and discrimination
12. 4/17: Population, the demographic transition, and norms
13. 4/24: Delivering Healthcare Problem set due
14. 5/1: Delivering Education
15. 5/8: Retrospective and review

5/15: Final exam (in class)
Readings

> Recommended reading

1. Introduction to development economics

Development Economics is a relatively young field, arising just after World War II, as many colonies were gaining independence from Europe. We begin by setting out early strategies and evidence on some of the current challenges and possibilities.


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


2. Foreign Aid

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.

William Easterly, “The Quest for Growth: How we wandered the tropics trying to figure out how to make poor countries rich,”


The class website has additional readings on aid, some critical of Easterly’s position, some supportive. Also see the Sachs-Easterly debate in The Washington Post.
3. Poverty, inequality, and economic growth

Before considering the relationship between economic growth and poverty, we need to be clearer about measurement issues. 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. *Portfolios of the Poor* yields quite different answers about what it means to be poor.

**Measuring poverty**

Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. *Portfolios of the Poor: How the World’s Poor Live on $2 a Day*. Chapter 1


**Poverty and growth**

Does economic growth comes at the expense of the poor? How does economic growth affect poverty and inequality? How can patterns of inequality affect levels of growth? The World Bank’s *World Development Report* highlights the translation of debate into action, but *The Economist* faults it for papering over Dollar’s and Kraay’s findings.


**Recommended**


> The class website also has short pieces on poverty measurement.

4. Coping with risk

Can informal insurance effectively patch the safety net? Can private insurance be viable in poorer communities? Some argue that the lack of good ways to save and insure are as critical as difficulties in borrowing.


5. Access to financial services
Lack of insurance is part of a broader lack of access to financial services. This section shows how informational problems limit the scope of credit markets and restrict the role that the price mechanism plays to ration demand. This provides a framework with which to reevaluate standard policy prescriptions.


Banerjee and Duflo, Poor Economics. Chapter 7.

Beatriz Armendáriz and Jonathan Morduch (2003), The Economics of Microfinance:
Chapter 1: “Rethinking banking”
Chapter 2: “Why intervene in credit markets?”


6. 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.

Beatriz Armendáriz and Jonathan Morduch (2010). *The Economics of Microfinance*:  
Chapter 4: “Group lending”  
Chapter 5: “Beyond group lending”  
Chapter 7: “Gender”  
Chapter 10: “Subsidy and sustainability”


> Freedom from Hunger: [www.freefromhunger.org](http://www.freefromhunger.org)  
> Pro Mujer: [www.promujer.org](http://www.promujer.org)  
> ACCION International: [www.accion.org](http://www.accion.org)  
> Consultative Group to Assist the Poorest: [www.cgap.org](http://www.cgap.org)

### 7. Saving and Asset Accumulation

Households use a great variety of strategies to cope with misfortune and build assets for the future. Some are very effective, while others are less so – and none are costless.


Beatriz Armendáriz and Jonathan Morduch (2010), *The Economics of Microfinance*:  
Chapter 6: “Saving and insurance”


Banerjee and Duflo, *Poor Economics.* Chapter 8.
8. **Mid-term exam (In class)**

9. **Social Business, User Fees, and Organizations**
   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.


10. **Corruption**
   Banerjee and Duflo, Poor Economics. Chapter 10.


11. **Gender and discrimination**

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

Banerjee and Duflo, *Poor Economics*. Chapter 5.


> The Population Council: [www.popcouncil.org/](http://www.popcouncil.org/)

13. Delivering Healthcare

[New readings to be added.]

Banerjee and Duflo, *Poor Economics*. Chapter 2 and 3.


14. Delivering Education

Banerjee and Duflo, *Poor Economics*. Chapter 4.


15. **Review and Retrospective**