While some countries have achieved unprecedented rates of economic growth in the past half century, other countries have experienced setbacks. For those that have seen rapid growth, economic changes have not always translated into proportional social changes — and sometimes rapid social changes have occurred in the absence of economic growth.

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. Attention then turns to the role of markets, with a focus on local financial markets. In the second part of the semester, attention turns to policy interventions to improve education, confront rapid population growth, reduce the burden of disease, and confront corruption.

**Required and Supplemental Texts**

In the syllabus required readings are indicated with a star (*). Further (unstarred) references listed in the syllabus are supplemental; these are either for further interest and/or are referred to in the lecture, but are not required reading. Finally the online course directory sometimes includes “extra” readings that are neither referred to in class nor mentioned on the syllabus; these are strictly for those who are interested in yet more reading on a given topic.

I frequently refer to the following books:


- Beatriz Armendáriz and Jonathan Morduch, *The Economics of Microfinance*, MIT Press, 2005. Several chapters will be used.


This book is required reading for the book assignment:


The Schaffner book and most articles listed in the syllabus below will be made available via our course web directory. All other books (Collins et al., Armendáriz and Morduch, Banerjee and Duflo, Easterly) are available from a variety of online sources, booksellers, and the library. I will not be ordering them at the NYU Bookstore.
Course Requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Percentage</th>
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<tr>
<td>Class Participation</td>
<td>5%</td>
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<tr>
<td>Group Case Presentation</td>
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<tr>
<td>Midterm exam</td>
<td>30%</td>
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<tr>
<td>Book review</td>
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Class Participation

Students are encouraged actively to engage with the course materials. To that end, every class will include opportunities for class discussion. Some of these will be discussions that arise spontaneously; others will be specific discussion questions that the group presenting or I will pose to the class during or in advance of the lecture. Students are an invaluable resource for each other and provide insights that go far beyond what this one professor can provide. Half of the participation grade is based on participation in the case discussions.

Group Case Presentation

Groups will be created randomly, randomly assigned a presentation date, and assigned a topic relevant to that moment in the course. The group should read the provided case materials and if appropriate can do additional research beyond the materials that I provide. Provide the class with at least 3 discussion questions at least 48 hours prior to your group’s presentation (i.e., 5 pm two days before the presentation). These questions should focus the discussion on the key issues from the case as you conceive them. The group’s responsibilities and the structure of the presentation are as follows:

- **Class presentation part 1.** In at most 10 minutes (hard constraint on time), present the key facts of the case and your analysis and interpretation.
- **Class presentation part 2.** In at most 7 minutes, lead the class through a discussion of your prepared questions. Here your primary role is to moderate the class discussion and only secondarily to outline your own views.
- **Class presentation part 3.** The class will have 7 minutes to pose questions to your group. Your goal is to respond succinctly and thoughtfully to the questions posed to you. Parts 2 and 3 may blend into each other. A hard maximum of 15 minutes will be allocated to both parts.
- **Class presentation part 4.** The group will have 5 minutes to conclude. In this, you should synthesize any conclusions you have from the case, along with key points that emerged in the discussion.

The audience’s responsibilities are as follows:

1. To read the provided material;
2. To prepare responses to the questions circulated by the group, and
3. To prepare your own questions for the class discussion.

Grading: 30 points total with 25 points for the presentation, 1 point for circulating questions to the class in advance, and 4 points from a peer-evaluation. Audience participation is graded as part of the class participation grade.

Book Review Assignment

The book assignment is based on William Easterly’s *The Tyranny of Experts*, an impassioned argument against technocratic, centralized, top-down foreign development assistance. The assignment is to write a review of the book. A book review consists of two components: summarizing the book’s key argument and themes and illustrating these with key ideas or episodes from the book; and critically assessing the book’s strengths and weaknesses, both in terms of internal logical consistency and with respect to outside material and ideas that might be relevant. Your review should be written in a formal expository style. While your own thinking and opinions invariably filter into the final product, use of the first person voice (“I think”, “In
my opinion”, “I feel”) should be sparing. Your views will be reflected in the balance between the for and against arguments you present. You have a maximum of 1200 words. Submission of a draft is optional but recommended (drafts are due on 25 November).

The assignment will be graded on three components: content (concisely and correctly summarizing arguments from the book), critical assessment (what you add to the analysis), and style (you gain points for good style, and lose points for spelling and grammatical errors). For those who do not submit a draft the breakdown is: content 40%, critical assessment 40%, and style 20%. For those who do submit a draft the breakdown is content 35%, critical assessment 35%, style 20%, and draft (10%). The draft will be graded as check-minus, check, check-plus.

**Late Policy**

Late submission of a graded component of the course will lead to a one-letter-step grade reduction per day. Any waivers due to emergencies must be discussed with Student Affairs, who will then communicate with all relevant faculty.

**Expectations**

**Reading e-mail:** I will communicate to you through your NYU e-mail. I’m assuming you read it at least once a day.

**Individual work and group work:** I encourage you to discuss the course materials and lectures with your colleagues. It’s the best way to learn this material. The case presentation is a group project. All other evaluations are individual efforts. Students are expected to observe Wagner’s Academic Code.

**Preparation before class:** come prepared for each class having read the assigned material carefully. Although we don’t usually work through readings point by point, you will find that lectures make much more sense if you’ve looked at the readings.

**Absenteeism, punctuality, and in-class conduct** will be reflected in the class participation grade. You are expected to attend all classes, and arrive on time. Please avoid systematic tardiness.

**Laptops and other technologies:** To make the classroom environment as engaging as possible for everyone, I ask that you use laptops or tablet computers exclusively for note taking; please refrain from checking e-mail, news, social media, and cell phones.
Schedule

2 September: Introduction, theories of development, global trends and challenges.
9 September: Foreign aid.

Due: Case study 1.


Due: Case study 2.

7 October: Microfinance: a new policy paradigm?
14 October: Saving and asset-building.
21 October: Child labor

Due: Case study 3.

28 October: Gender and the intra-household allocation of resources.

Due: Case study 4.

4 November: Population, growth, and fertility policies.

Due: Case study 5.

11 November: In-class midterm.

18 November: Education and corruption.

25 November: No class – Thanksgiving.

Due (by 5 pm): Book review draft (optional).

2 December: Institutions and growth.

Due: Case study 6.

9 December: Social enterprise.

Due: Case study 7.

14 December: Due (by 5 pm): Book review.
Readings

Required readings are starred (*). Other readings are supplemental, i.e., to be read subject to your time constraints and interests. Most required and supplemental articles, other than books, are available on our course web directory, organized by lecture:

http://users.nber.org/~rdehejia/!

Under each lecture, the required readings (if they are articles) will be found in the respective lecture directories. Non-starred readings will be in a sub-directory labeled “supplemental”. Some lecture directories also contain a sub-directory labeled “extra”: these are additional readings that you may find interesting, but that are not typically discussed in class.

1. Introduction to theories of development. Global trends and the scope of challenges.

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 debates and the current state of the world.

* Schaffner. Chapter 1 – Introduction. [See pp. 1-7 for data on the scope of challenges. The balance of the chapter describes the definition of development and provides an overview of the UN Millennium Development Goals.]


Branco Milanovic, “Global Inequality and Global Inequality Extraction Ratio: The Store of the Last Two Centuries.”

Millennium Development Goals. See www.developgoals.org

2. Economic Growth and 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.

*Banerjee and Duflo, Poor Economics, Chapter 1.

* Schaffner. Chapter 3 – Growth. The first part of the chapter (pp. 1-8) is the key focus. It discusses “what is growth,” “how do we measure growth,” and gives facts on growth (e.g. “the rule of 72”). The rest of the chapter describes sources of growth and production functions, providing useful background.
Schaffner, Chapter 4 – Theories of economic growth. The chapter gives a good introduction to the theory of economic growth. We will discuss (have discussed), in particular, the Harrod-Domar model (pp. 4-7). Skim the material up to p. 26 (no need to get bogged down in the technical details of the models). Read pp. 26-29 on poverty traps, which provides a transition into the next class.


William Easterly, “Searchers Vs. Planners in Foreign Aid”.

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

Emmanuel Ablo and Ritva Reinikka, “Do Budgets Really Matter?”

David Dollar and Art Kraay, “Growth is Good for the Poor”.


The course site has additional readings on aid, some critical of Easterly’s position, some supportive. Also see the Sachs-Easterly debate in The Washington Post.


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
Schaffner. Pages 1-18, Chapter 5 – Poverty, inequality and vulnerability. The first half (to page 18) gives another account of material covered by Morduch’s UN volume chapters.

**Poverty and growth**

Does economic growth come 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.

* Schaffner. Pages 22-30, Chapter 5 – Poverty, inequality and vulnerability. This reading nicely covers inequality, poverty, and growth.


4. **Coping with risk. Safety nets.**

Is there a role for the government in supporting these informal coping mechanisms? Can informal insurance effectively patch the safety net? Some argue that the lack of good ways to save and insure are as critical as difficulties in borrowing. These papers take up debates and describe constraints and opportunities.


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?”


The World Bank, Finance for All.


Field, Erica, and Maximo Torero, “Do Property Titles Increase Credit Access Among the Urban Poor? Evidence from a Nationwide Titling Program,” manuscript.

Robin Burgess and Rohini Pande, “Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment”.

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.

*Banerjee and Duflo, Poor Economics, Chapter 9.

* Beatriz Armendáriz and Jonathan Morduch (2003), The Economics of Microfinance:
  Chapter 4: “Group lending”
  Chapter 5: “Beyond group lending”
  Chapter 7: “Gender”
  Chapter 9: “Subsidy and sustainability”


Morduch, Jonathan, “Does Microfinance Really Help the Poor?”


Aportela, Fernando (1998) 'The effects of financial access on savings by low-income people.' Mime, MIT


Mahabub Hossain, “Credit for Alleviation of Rural Poverty”.


David Gibbons and Sukor Kasim, Banking on the Rural Poor.

Xavier Giné and Dean Karlan (2008), “Peer Monitoring and Enforcement”.


Freedom from Hunger: www.freefromhunger.org
Pro Mujer: www.promujer.org
ACCION International: www.accion.org
Consultative Group to Assist the Poorest: 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.

*Banerjee and Duflo, Poor Economics, Chapter 8.
* Beatriz Armendáriz and Jonathan Morduch (2003), The Economics of Microfinance: Chapter 6: “Saving and insurance”


Lasse Brune, Xavier Giné, Jessica Goldberg, and Dean Yang, “Commitment to Save: A Field Experiment in Rural Malawi”.


William Jack and Tavneet Suri, “Mobile Money: The Economics of M-Pesa”.


8. Child Labor
In the public discourse, child labor is usually viewed as an unambiguous negative, "a problem". How do economists think about this phenomenon? As we discuss, they view it first and foremost as the outgrowth of poverty, but also allow for the possibility that it is due to other real-world institutional, contextual, or cultural factors. Each of these causes has its own implications for how to deal with child labor.


Beegle, Kathleen, Rajeev Dehejia, and Roberta Gatti, “Why Should We Care About Child Labor? The Returns to Schooling vs. the Returns to Experience in Vietnam”.

Robert Jenson, “The Perceived Returns to Education and the Demand for Schooling”.


9. Gender and the intra-household allocation of resources
*Schaffner. Chapter 7 – Households. The chapter covers the debate between unitary and non-unitary theories, and it touches on occupational choice and gender. See in particular the discussion of how unitary theories address gender (pp. 22-27) and how non-unitary theories address gender (pp. 29-32).


Beatriz Armendáriz and Jonathan Morduch (2003), The Economics of Microfinance: Chapter 7: “Gender”.


Ming-Jen Lin, Jin-Tan Liu, and Nancy Qian, “More Missing Women, Fewer Girls Dying”.


10. Population growth and the demographic transition and Fertility

**Population growth and the demographic transition**

Population growth is one of the classic "problems" of development economics. But to what extent is it a problem? Does population growth detract from the per capita growth of the economy?

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

David Bloom and Jeffrey Williamson, “Demographic Transitions and Economic Miracles in Emerging Asia”.


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

**Fertility**

More children means more mouths to feed, less resources per child, and worse outcomes for each child. True or false? The answers aren't obvious, but we discuss this along policies that can be used to influence individuals' fertility decisions.


Cohen, Alma, Rajeev Dehejia, and Dmitri Romanov, "Financial Incentives and Fertility," manuscript.


11. Education and Corruption

**Education**

Macro theory views education as one of the fundamental drivers of economic growth. In this lecture we discuss the micro evidence: what is the problem with education in developing countries? How can it be fixed?

*Banerjee and Duflo, Poor Economics, Chapter 4.


Corruption

Corruption and underdevelopment are so tightly intertwined that it is difficult to know which is the cause and which the effect. A series of new interventions have recently tried to understand whether corruptions directly affects growth and whether there are policy interventions that can reduce corruption and hence improve the effectiveness of institutions and interventions in developing countries.

*Banerjee and Duflo, Poor Economics, Chapter 10.


Stephan Litschig and Yves Zamboni, "Judicial Presence and Rent Extraction," working paper.


12. Initial Conditions and Long-Run Growth: Back to the Past

As we have seen over the course of the semester there are deep problems and opportunities for development at the individual level. But throughout the discussion we have assumed that individual decisions are made within a given institutional (legal, cultural, social) framework. But where does this framework come from? Can institutions themselves be an impediment or opportunity for growth?


* Stanley L. Engerman and Kenneth L. Sokoloff, Factor Endowments, Inequality, and Paths of Development among New World Economies, Economia, Fall 2002


Nathan Nunn and Diego Puga (2009) "Ruggedness: The Blessing of Bad Geography in Africa"

Nathan Nunn and Nancy Qian (2009), "The Columbian Exchange: A History of Disease, Food, and Ideas"

13. Social Enterprise

The basic premise that the private pursuit of profit can bring about socially beneficial outcomes is central to economic thinking. But recently this idea has been given a twist. We have enough experience to suggest that market forces don't always lead to social good, perhaps because of distortions to the market or perhaps more simply because of human nature. Recently economics, entrepreneurs, and development practitioners have been exploring the idea of business that explicitly pursue the twin goals of making a profit and doing good.


World Economic Forum 2013. “From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors”