

International Economic Development

P11.2203, Autumn 2015

Wagner Graduate School of Public Service, New York University
Wednesday 4:55-6:35, Meyer Hall (4 Washington Place), Room 261

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Office hours: **Wednesday 3.00 pm –4.30 pm, by appointment: <http://goo.gl/Kh8kQ4>**

While some countries have achieved unprecedented rates of economic growth in the past half century, other countries have experienced set-backs. 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:

Julie Schaffner. (Work in Progress.) *Development Economics: Theory, Empirical Research and Policy Analysis* (free via our course web directory).

Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. 2009. *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Princeton University Press. Several chapters will be used.

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

Abhijit Banerjee and Esther Duflo, *Poor Economics*, PublicAffairs, 2011.

This book is required reading for the book assignment:

William Easterly, *The Tyranny of Experts*, Basic Books, 2014.

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

Class Participation	5%
Group Case Presentation	30%
Midterm exam	30%
Book review	35%

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.
16 September: Defining poverty and inequality. Relationships between poverty, inequality, and economic growth.
Due: Case study 1.
- 23 September:** Insurance: Coping with risk. Safety nets. .
30 October: Informal markets: Access to finance.
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/!@\\$devo](http://users.nber.org/~rdehejia/!@$devo)

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.]

Besley, Timothy and Robin Burgess, 2003. “Halving Global Poverty.” *Journal of Economic Perspectives* 17 (3), Summer: 3-22.

Angus Deaton, “Health, Inequality, and Economic Development,” *Journal of Economic Literature*, Volume 41, 2003.

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

Millennium Development Goals. See www.developmentgoals.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, 2003. “Can Foreign Aid Buy Growth?” *Journal of Economic Perspectives* 17 (3), Summer: 23–4.

* William Eastelry, “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”.

William Eastelry, Ross Levine, and David Roodman, “New Data, New Doubts: A Comment on Burnside and Dollar’s ‘Aid, Policies, and Growth’”.

Eric Werker, Faisal Ahmed, and Charles Cohen, “How is Foreign Aid Spent,” *American Economic Journal: Macroeconomics*, Volume 1, Number 2.

Aart Kraay and David Mackenzie, “Do Poverty Traps Exist? Assessing the Evidence,” *Journal of Economic Perspectives*, Volume 28, Number 3, pp. 127-148.

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*.

3. Defining poverty and inequality. Relationships between 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

* Jonathan Morduch, “Concepts of Poverty,” chapter 2 of *United Nations Handbook of Poverty Statistics*. New York: United Nations, 2009.

Jonathan Morduch, “Poverty Measures,” chapter 3 of *United Nations Handbook of Poverty Statistics*. New York: United Nations, 2009.

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.

“Quantity and Quality,” *The Economist* (Economics Focus), 2000.

David Dollar and Aart Kraay, “Growth is good for the poor,” The World Bank, working paper. [http://econ.worldbank.org/files/1696_wps2587.pdf]

Howard White and Edward Anderson (1992). “Growth versus Distribution: Does the pattern of growth matter?” Institute of Development Studies, University of Sussex, Working paper.

Angus Deaton, “Is World Poverty Falling?” *Finance and Development* 39 (2), June 2002. For a related interview with Deaton see <http://www.imf.org/external/pubs/ft/survey/2002/070802.pdf>.

“Voices of the Poor” – The World Bank. [www.worldbank.org/poverty/voices/index.htm]

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.

*Banerjee and Duflo, *Poor Economics*, Chapter 6.

* Schaffner. Chapter 2 – Well-being. Pages 16-23: “Responding to Predictable and Unpredictable Fluctuations in Income and Needs”

* Schaffner. Chapter 5 – Poverty, inequality and vulnerability. Pages 18-22 covers vulnerability.

Jonathan Morduch (1998), “Between the State and the Market: Can Informal Insurance Patch the Safety Net?” *World Bank Research Observer* 14(2), August, 187- 202.

Jonathan Morduch, “Microinsurance: The Next Revolution?” in *Understanding Poverty*, edited by Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee. Oxford University Press, 2006.

Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Chapter 3.

Michael Baur, Julia Chytilova, and Jonathan Morduch, “Behaviorial Foundations of Microcredit: Experimental Survey Evidence from Rural India”.

Santosh Anogal, Shawn Cole, Shayak Sarkar, “Understanding the Advice of Commission-Motivated Agents”.

Shawn Cole, Xavier Giné, et al., “Barriers to Household Risk Management: Evidence from India”.

Matthew Jowett, “Voluntary Health Insurance in Vietnam”.

World Bank resources on safety nets: <http://www.worldbank.org/poverty/safety/>

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?”

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

Rutherford, Stuart (1998), *The Poor and their Money*. Delhi: Oxford University Press, chapters 1 and 2.

The World Bank, *Finance for All*.

Alberto Chaia, Aparna Dalal, et al., “Half the World in Unbanked”.

Don Johnston and Jonathan Morduch, “The Unbanked: Evidence from Indonesia,” *The World Bank Economic Review*, Volume 22, Number 3.

Priya Basu and Pradeep Srivasta, “Scaling Up Microfinance for India’s Rural Poor,” World Bank Policy Research Paper No. 3646.

Priya Basu, *Improving Access to Finance for India’s Rural Poor*. Washington, DC: The World Bank.

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"

Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*. Chapter 6.

Mohammad Yunus (1995), *The Grameen Bank: Experiences and Reflections*. Dhaka: Grameen Bank.

Richard Rosenberg, CGAP, "Microcredit Interest Rates," *Occasional Paper* Number 1, August 1996.

Jonathan Morduch (2000), "The Microfinance Schism," *World Development*, April.

Robert Cull, Asli Demirgüç-Kunt, and Jonathan Morduch. 2009. "Microfinance Meets the Market." *Journal of Economic Perspectives* 23(1), Winter: 167-192.

Rajeev Dehejia, Jonathan Morduch, Heather Montgomery, "Do Interest Rates Matter? Credit Demand in the Dhaka Slums,"

Dean Karlan and Jonathan Zinman, "Credit Elasticities in Less-Developed Economies," manuscript. <http://tinyurl.com/ygrllr3>

Morduch, Jonathan (1999), "The Microfinance Promise," *Journal of Economic Literature*, Vol. 37 (4), pp. 1569-1614.

Dean Karlan and Jonathan Zinman, "Expanding Credit Access: Using Randomized Supply Decisions To Estimate the Impacts," <http://tinyurl.com/yf8p8rx>

Abhijit Banerjee, Esther Duflo, Rachel Glennerster, Cynthia Kinnan, , "The Miracle of Microfinance: Evidence from Randomized Evaluation".

Pitt, Mark, and S. Khandker (1998), "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh," *Journal of Political Economy*, Volume 106, No. 5, pps. 958-96.

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

Marianne Bertrand, Dean Karlan, Sendhil Mullainathan, et al., “What’s Psychology Worth? A Field Experiment in the Consumer Credit Market,” Working Paper, 2005.

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

Joseph Stiglitz (1990), “Peer Monitoring and Credit Markets,” *The World Bank Economic Review*, Volume 4, No. 3.

Aminur Rahman, “Micro-credit Initiatives for Equitable and Sustainable Development: Who Pays?” *World Development*, Volume 27, Number 1.

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

David Hulme (1991), “The Malawi Mundi Fund: Daughter of Grameen,” *Journal of International Development*, Volume 3, No. 4.

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

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

David McKenzie and Christopher Woodruff, “Do Entry Costs Provide an Empirical Basis for Poverty Traps? Evidence from Mexican Microenterprises,” manuscript.

Suresh De Mel, David McKenzie, and Christopher Woodruff, “Returns to Capital in Microenterprises: Evidence from a Field Experiment,” *Quarterly Journal of Economics*, Volume 123, Number 4, pp. 1329-1372.

Rafael La Porta and Andrei Shleifer, “Informality and Development,” *Journal of Economic Perspectives*, Volume 28, Number 3, pp. 109-126.

Chang-Tai Hsieh and Benjamin Olken, “The Missing ‘Missing Middle’,” *Journal of Economic Perspectives*, Volume 28, Number 3, pp. 89-108.

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”

Daryl Collins, Jonathan Morduch, Stuart Rutherford, Orlanda Ruthven. *Portfolios of the Poor: How the World’s Poor Live on \$2 a Day*. Chapter 4.

Dale Adams (1978), “Mobilizing Household Savings through Rural Financial Markets,” *Economic Development and Cultural Change*, Volume 26, Number 3.

Nava Ashraf, Dean Karlan, and Wesley Yin (2006), “Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines,” *Quarterly Journal of Economics*, Volume

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

Esther Duflo, Michael Kremer, and Jonathan Robinson (2009), “Nudging Farmers to Use Fertilizer: Theory and Experimental Evidence from Kenya.”

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

Dean Karlan, 2008. “The Impacts of Savings.” Financial Access Initiative Framing Note. January. http://financialaccess.org/sites/default/files/karlan_savings.pdf

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.

* Eric Emonds and Nina Pavcnik, "Child Labor in the Global Economy", *Journal of Economic Perspectives*, 18(1), Winter 2005, pp. 199-220.

* Kathleen Beegle, Rajeev Dehejia, Roberta Gatti, “Child Labor and Agricultural Shocks,” *Journal of Development Economics*, 2005. (skim intro and results)

Basu, Kaushik, “Child Labor: Cause, Consequence, an Cure”, *Journal of Economic Literature*.

Eric Edmonds, "Child Labor," in T. P. Schultz and J. Strauss, eds., *Handbook of Development Economics*, Volume 4 (Elsevier Science, Amsterdam, North-Holland), 2007.

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”.

Donald Parsons and Claudia Goldin, “Parental Altruism and Self-Interest: Child Labor Among Late 19th Century American Families,” *Economic Inquiry*, Volume 27 (October 1989), pp. 637-659.

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

Eric Edmonds (2002), “Is Child Labor Inefficient?”.

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).

* Duflo, Esther. “Gender Inequality in Development.” MIT Abdul Latif Jameel Poverty Action Lab. <http://econ-www.mit.edu/files/799>

Jensen, Robert and Emily Oster. 2007. “The Power of TV: Cable Television and Women’s Status in India.” Working paper.

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

Avraham Ebenstein and Ethan Sharygin, “The Consequences of the ‘Missing Girls’ of China,” *Journal of Human Resources*, Volume 23, Number 3.

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

Mark Rosenzweig and T. Paul Schultz (1982), “Market Opportunities, Genetic Endowments, and Intrafamily Resource Redistribution: Child Survival in Rural India,” *American Economic Review*, Volume 72, Number 4.

Douglas Almond and Lena Edlund (2008), “Son-Biased Sex Ratios in the 2000 United States Census,” *Proceedings of the National Academy of Sciences*, Volume 105, Number 15.

Francine Blau and Lawrence Kahn (2001), “Understanding International Differences in the Gender Pay Gap,” National Bureau of Economic Research Working Paper No. 8200.

Ashish Garg and Jonathan Morduch, “Sibling Rivalry, Resource Constraints, and the Health of Children”.

Emmanuel Skoufias (2001), “PROGRESA and its Impact on the Human Capital and Welfare of Households in Rural Mexico”.

Duncan Thomas (1990), “Intra-Household Allocation: An Inferential Approach,” *Journal of Human Resources*, Volume 25, Number 4.

Christopher Udry (2006), “Agricultural Production and the Theory of the Household,” *Journal of Political Economy*, Volume 105, Number 5.

Robert Jensen and Emily Oster (2007), "The Power of TV: Cable Television and Women's Status in India," National Bureau of Economic Research Working Paper No. 13305.

Esther Duflo and Petia Topalova (2004), "Unappreciated Service: Performance, Perceptions, and Women Leaders in India."

Raghabendra Chattopadhyay and Esther Duflo (2004), "Women as Policy Makers," *Econometrica*, Volume 72, Number 5.

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".

T. Paul Schultz. 2006. "Fertility and Income." Chapter 9 in *Understanding Poverty*, edited by Abhijit Banerjee, Roland Benabou, and Dilip Mookherjee. Oxford University Press.

Sudhir Anand and Jonathan Morduch (1998), "Poverty and Population Pressure," chapter 2 in Massimo Livi-Bacci and Gustavo de Santis, eds., *Population and Poverty in Developing Countries*. Oxford University Press (Clarendon), 1998, pages 9 – 24.

Seema Jayachandran and Adriana Lleras-Muney (2009), "Life Expectancy and Human Capital Investments: Evidence from Maternal Mortality Declines," *Quarterly Journal of Economics*.

The Population Council: 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.

* Pop-Eleches, Cristian, "The Supply of Birth Control Methods, Education, and Fertility: Evidence from Romania," *The Journal of Human Resources*, Vol. 45, No. 4, 2010. (skim intro and results)

* Dehejia, Rajeev, and Adriana Lleras-Muney, "Booms, Busts, and Babies' Health," *Quarterly Journal of Economics*, Volume 119, Number 3 (August 2004), pp. 1091-1130. (skim intro and results)

* Grant Miller. 2007. "Contraception as Development? New Evidence from Family Planning in Colombia." Stanford Medical School working paper, May. (skim intro and results)

*Eliana La Ferrara, Alberto Chong, and Suzanne Duryea. 2008. "Soap Operas and Fertility: Evidence from Brazil." BREAD Working Paper No. 172, March. (skim intro and results)

Lant Pritchett (1994), "Desired Fertility and the Impact of Population Policies," *Population and Development Review*, Volume 20, Number 1.

Becker, Gary S. (1960), "An Economic Analysis of Fertility," in *Demographic and Economic Change in Developed Countries*, National Bureau of Economic Research Series, Number 11, Princeton, NJ: Princeton University Press, pp. 209–231.

Becker, Gary S., and Nigel Tomes (1976), "Child Endowments and the Quantity and Quality of Children," *Journal of Political Economy*, Volume 84, Number 4 (Part 2), pp. S143–S162.

Jones, Larry, and M. Tertilt (2008), "An Economic History of Fertility in the U.S.: 1826-1960," in *Frontiers of Family Economics*, P. Rupert (ed.), Volume 1. London: Emerald Press, forthcoming.

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

Kearny, Melissa (2004), "Is There an Effect of Incremental Welfare Benefits on Fertility Behavior? A Look at the Family Cap," *Journal of Human Resources*, Volume 39, pp. 295–325.

Ebenstein, Avraham (2008), "The 'Missing Girls' of China and the Unintended Consequences of the One Child Policy," *Journal of Human Resources*, forthcoming.

Black, Sandra, Paul Devereux, and Kjell Salvanes, "The More the Merrier? The Effect of Family Composition on Children's Education," NBER Working Paper No. 10720.

Bhalotra, Sonya, "Fatal Fluctuations? Cyclicity In Infant Mortality In India", *Journal of Development Economics*, May 2009.

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.

*Esther Duflo. "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review* 91(4), 2001, pp. 795-813. (skim intro and results)

Rema Hanna and Esther Duflo. "Monitoring Works: Getting Teachers to Come to School," NBER Working Paper No. 11880, 2005; BREAD Working Paper No. 103, 2005

Banerjee, Abhijit V., Shawn Cole, Esther Duflo, Leigh Linden "Remedying Education: Evidence from Two Randomized Experiments in India" *Quarterly Journal of Economics* 2007 122:3, 1235-1264

Kremer, Michael (2003). "Randomized Evaluations of Educational Programs in Developing Countries: Some Lessons." *American Economic Review Papers and Proceedings*, 93(2), 102-106

In discussing evaluation methods, it may also be helpful to read the chapter on impact measurement in Armendáriz and Morduch, *The Economics of Microfinance*.

Public Report on Basic Education (PROBE) in India (1999), Oxford University Press.

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.

* Bertrand, Marianne, Simeon Djankov, Rema Hanna and Sendhil Mullainathan. 2007. "Obtaining a Driving License in India: An Experimental Approach to Studying Corruption." *Quarterly Journal of Economics*, November. (skim intro and results)

* Olken, Ben, 2007. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia", *Journal of Political Economy* 115 (2): 200-249. (skim intro and results)

Mauro, Paolo, 1995. "Corruption and Growth," *The Quarterly Journal of Economics*, MIT Press, vol. 110(3), pages 681-712, August.

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

Karthik Muralidharan, Paul Neihaus, and Sandip Sukhtanker, "Building State Capacity: Evidence from Biometric Smartcards in India," manuscript.

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?

* Sachs, Jeffrey D., Andrew D. Mellinger, and John L. Gallup. 2001. "The geography of poverty and wealth." *Scientific American* 284 (3):70-5.

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

* Acemoglu, D., S. Johnson, et al. (2003). "Disease and Development in Historical Perspective." *Journal of the European Economic Association* 1(2-3): 397-405.

Jared Diamond (1997). *Guns, Germs, and Steel*. New York: W.W. Norton & Co. (Chapter 4)

W. Easterly and R. Levine, "Tropics, germs, and crops: the role of endowments in economic development" *Journal of Monetary Economics*, 50:1, January 2003.

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.

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Jonathan Conning and Jonathan Morduch. 2010. "Social Finance," Hunter College and NYU, working paper.

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