Instructor Information

- Professor Jonathan Morduch
- Email: jonathan.morduch@nyu.edu
- Phone: 212-998-7515
- Office Address: Puck Building, 3rd Floor, Room 3028
- Office Hours: Wednesdays 5 – 6 pm or by appointment

Course Information

Section 001
- Class Meeting Times: Wednesdays, 11:00 am-12:40 pm
- Class Location: GCASL, Room 261

Section 002
- Recitation Meeting Times: Wednesdays, 6:45 pm-8:25 pm
- Class Location: Silver Center, Room 507

Course Description

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 social 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.

**Course and 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.
- Recitations will build skills, including comprehension of data analysis and statistics, and offer deeper exploration into issues and concepts raised during lectures.

**Required Readings**

We will use the following texts. Try Amazon and other places for better prices than NYU


**Course Requirements**

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

- Class Participation - 10%
- Homework - 20%
- Mid-Term Exam - 30%
- Final Examination - 40%

**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 me. 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 me.
Henry and Lucy Moses Center for Students with Disabilities at NYU

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 me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

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.

Detailed Course Overview

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?

Class 1 – Date

Topics:

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 colonies 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 re-shaping conversations.
Required Readings:
- Banerjee and Duflo, *Poor Economics*. Chapter 1, all.
  - For more on the book, extra materials and data

Recommended Materials:
- Listen to Banerjee on poverty and poor people (3:06 minutes)
- Watch Thomas Piketty’s TED Talk on increasing inequality
- Listen to Branko Milanovic (Graduate Center, CUNY) on global inequality, NPR Interview (11:17 minutes)
- Watch PBS Animated Overview on the History of Poverty (52 minutes) but the narration can be a bit much.

Recitation – Skill Building
Understanding an inequality measure (GINI); Deepening comprehension of basic statistical principles

Required Readings:
- Wheelan, Chapter 2

Class 2 – Date

Topics:

*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. The Economist: "The world has made great progress in eradicating extreme poverty. But the going will be much harder from now on." March 30, 2017.

*Poverty and Economic 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?

*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

Required Readings:

- **Poverty and economic growth**

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

- **Measuring poverty**

Recitation – Skill Building
How we measure poverty affects where we focus development efforts. What is poverty? How is it measured?

Required Readings:

- Selections from *Voices of the poor: Can anyone hear us?* pp 184-188, starting with “Police Activities”; p 98 "Corruption"; pp 51-56 “Humiliation & Shame”; Crying out for change p 27 “Self-Respect and Dignity”; p 189 "Respect"
- *Portfolios of the poor*, pp: 205 to 210, with special attention to Figure A1.1.
- Amartya Sen. *Development as Freedom*, various readings (posted to Classes)

No Class – Date
No Class Yom – Kippur [not sure why there is a topic and a reading section assigned for a no class day]
Topics:

**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.

Required Readings:

- The class website has additional readings on aid.
- Watch Esther Duflo’s TED Talk on foreign aid and evaluation

Recitation – Deeper Dive

Theories on economic growth underlie most development efforts since World War II. How did these theories shape past interventions and focus? How do those theories stand up to data and evidence? Where do theories stand today?

Required Readings:

- Economic growth models:
- Income & nutrition thresholds:
  - 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

- 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

Class 3 – Date

Topics:

*Market Failure: 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.

**Required Readings:**

• Banerjee and Duflo, Poor Economics. Chapter 6.
• Watch *Moral Hazard* and *Adverse Selection* – the animated videos! (3.5 minutes each)

**Recommended Materials:**

• Listen *Adam Davidson interviews Daryl Collins and Jonathan Morduch about Portfolios of the Poor*. Planet Money Podcast. (26 minutes)
• Watch *Harvard Business School’s Shawn Cole describe the research on rainfall insurance*

**Recitation – Skill Building**

[NYU is closed Monday 2/19. Both recitations will be held in the Wednesday slot.]
• Help with questions on Problem set 1 (attendance optional)
Class 4 – Date

Deliverable Due:
- Problem Set 1.

Topics:

Responses to market failure: Informal finance and 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.

Required Readings:
- Banerjee and Duflo, Poor Economics. Chapter 7.
- Beatriz Armendariz and Jonathan Morduch (2010), The Economics of Microfinance:
  - Chapter 1: “Rethinking banking”
  - Chapter 2: “Why intervene in credit markets?”

Recitation – Skill Building
- How to read an economic paper: Just what do all those numbers in the tables mean?

Required Readings:
- Charles Wheelan, Naked Statistics, Chapters 8, 9 & 11.

Class 5 – Date

Topics:

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.
Required Readings:

- Watch Muhammad Yunus documentary (10 minutes)
- Or Watch Muhammad Yunus on the Daily Show (with Jon Stewart) …content starts at 2 minutes]
- 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
- Watch Harvard University’s Rohini Pande describe new ways of thinking about microcredit (10 minutes)
- Banerjee and Duflo, Poor Economics. Chapter 9.
- Freedom from Hunger
- Pro Mujer
- ACCION International
- Consultative Group to Assist the Poorest

Recitation – Skill Building
Population, context and generalizability: Heterogeneity of impacts… What’s really being measured?

Required Readings
Please read the abstract of each of the following articles:

- Deworming interventions
- Remedial education interventions

Class 6 – Date

Topics:

**Behavioral Constraints: 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.

Required Readings:

• Watch Saving in groups and out – the animated videos! (3.5 minutes each)
  o Intro to Savings Group.
  o Savings Outside of Groups
• Beatriz Armendáriz and Jonathan Morduch (2010), *The Economics of Microfinance*: Chapter 6: “Saving and insurance.”
• Watch Yale’s Dean Karlan describes why commitments matter to saving (9 minutes)
• Watch Harvard’s Nava Ashraf describe the challenge of holding on to your money (14 minutes)
• Watch Harvard’s Nava Ashraf describe behavior change in saving (9 minutes)
• Watch Stanford’s Pascaline Dupas decribe her research on saving (5.5 minutes)
• Banerjee and Duflo, *Poor Economics*. Chapter 8.
• For next steps: Watch this 2-minute video on *M-Pesa’s mobile banking success in Kenya*

Recitation – Skill Building

Help with midterm preparation
Date - Midterm Exam in Class
No recitation this week.

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

Class 7 – Date
Topics:

Government Failure and Corruption

Required Readings:

- Banerjee and Duflo, Poor Economics. Chapter 10.
- Watch Ngozi Okonjo-Iweala’s TED Talk:

Recitation – Skill Building
Help with questions on problem set 2 (attendance optional)

Class 8 – Date
Deliverable Due:

- Problem Set 2.

Topics:

Responses to government and market failure: Social business and user fees
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.
Required Readings:

- Watch Dan Palotta argue that the way we think about charity is all wrong. (TED Talk)
- Watch Acumen Fund’s Jacqueline Novogratz talk about impact investing (TED Talk)
- Watch Berkeley’s Ted Miguel on Worms (3:52 minutes)
- Watch Deworm the World: A Call to Action (9:04 minutes)
- Watch video on Bridge International Academies. A social enterprise approach (27 minutes)

Recitation – Deeper Dive

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.

Required Readings:

- 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.
- Watch George Werner, Liberian Minister of Education, explaining his support of Bridge International Academies (14 mins)
- Instructions, background documents and optional reading list on Classes.

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: gender, population, healthcare delivery, and education delivery. 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.
Class 9 – Date

Topics:

Delivering Education

Required Readings:

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

Class 10 – Date

Topics:

Gender and discrimination

Required Readings:

- More Duflo on The Challenge of Closing the Gender Gap in Developing Countries:

Recitation – Skill Building

Help with questions on problem set 3 (attendance optional)

Class 11 – Date

Deliverable Due:

- Problem Set 3.
Topics:

Population growth, the demographic transition, and social norms

Required Readings:

- Banerjee and Duflo, Poor Economics. Chapter 5.
- Watch Eliana La Ferrara discuss the paper on TEDx:
- Watch Hans Rosling’s TED Talk on Global Population (10 minutes):

Recitation – Deeper Dive

How to read an economic paper II: Can we identify impact without an experiment? The role of data triangulation and natural experiments in building evidence.

Required Readings:


Class 12 – Date

Topics:

Delivering Healthcare

Required Readings

- Watch Sendhil Mullainathan’s TED Talk on health and nudges:
- Banerjee and Duflo, Poor Economics. Chapter 2 and 3.


Recitation – Skill Building
Help with final preparation

Date – Final Exam in Class