Instructors

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Class time and location:
Section 1: Wednesday 4:55 pm - 6:35 pm, 60 5th Ave. Room 161

Recitation time and location:
Monday, 8:45-9:45pm, 25 W. 4th St. Room C13.

Office time
Morduch: Wednesdays 3-4 pm  
Apltauer: 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.

Books


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% (Attending lecture and recitation/contributing thoughtfully)
- Homework 20%
- Mid-Term Exam 30%
- Final Examination 40%

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. Each student should become familiar with these policies.

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 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.

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.
### Overview of the semester

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<td>Recitation 1. (deeper dive) Evaluating evidence and the RCT debate.</td>
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<td>Poverty and economic growth</td>
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<td>Recitation 2. (deeper dive) How we measure poverty affects where we focus development efforts. What is poverty? How is it measured?</td>
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<td>Foreign Aid</td>
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<td>Recitation 3. (deeper dive) Theories on 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?</td>
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<td>Responses to market failure: Informal markets and access to finance.</td>
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<td>Recitation 4. (skill building) Help with questions on problem set 1 (attendance optional)</td>
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<td>10/2</td>
<td>Behavioral economics: Saving and asset-building Problem set 1 due</td>
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<td>Recitation 5. (skill building) How to read an economics paper: Just what do all those numbers in the tables mean?</td>
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<td>Responses to market failure: Microfinance (Guest lecture: Tim Ogden)</td>
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<td>Recitation 7. (skill building) Help with midterm preparation (optional)</td>
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<td>Mid-term exam (in class)</td>
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<td>No recitation this week</td>
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8. 10/30: **Government failure and corruption.**
Recitation 8. (skill building) Populations, context and generalizability. 11/4

9. 11/6: **Social business: band-aid or solution?**
Recitation 9. (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. 11/11

10. 11/13: **Delivering education Memo due (“problem set” 2)**
Recitation 10. (deeper dive) Tackling the Bridge question from a stakeholder perspective. 11/18

11. 11/20: **Gender and discrimination**
Recitation 11. (skill building) Help with questions on problem set 3 (attendance optional) 11/25

11/27: **No class** (Thanksgiving). [No recitation 12/2]

12. 12/4: **Population, the demographic transition, and norms. Problem set 3 due.**
Recitation 12. (deeper dive) Can we identify impact without an experiment? The role of data triangulation and natural experiments in building evidence. 12/9

13. 12/11: **Delivering Healthcare. Retrospective and review**
Recitation 13. (skill building) Help with final preparation (attendance optional) 12/16

12/18: **Final exam (in class)**
Detailed syllabus for the semester

> Recommended reading
► 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 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.

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

Recommended:
► Listen to Banerjee on poverty and poor people (3:06 minutes):
► For more on the book, extra materials and data
► 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):
Useful perspectives, but the narration can be a bit much...

Recitation 1: (skill building) Intro. Evaluating evidence and the RCT debate


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.

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.

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 2.** (deeper dive) How we measure poverty affects where we focus development efforts. What is poverty? How is it measured?

Readings posted to Classes:

Amartya Sen. *Poverty & Famines,* pp 1-8

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)


3. **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.


The class website has additional readings on aid.

▶ **Watch** Esther Duflo’s TED Talk on foreign aid and evaluation:

**Recitation 3.** (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?

Banerjee & Duflo, Poor Economics, Chapter 1.

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

4. 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.


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.

**Recitation 4.** (skill building) Help with questions on Problem set 1 (attendance optional)

5. **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.


► 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.”*

► Watch Dean Karlan describe why commitments matter to saving (9 minutes)
► Watch Nava Ashraf describe the challenge of holding on to your money (14 minutes)
► Watch LSE’s Nava Ashraf describe behavior change in saving (9 minutes)


► Watch Pascaline Dupas describe 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 5.** (skill building) How to read an economic paper: Just what do all those numbers in the tables mean?

Charles Wheelan, *Naked Statistics,* Chapters 8, 9 & 11.


6. **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.

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


> Banerjee and Duflo, Poor Economics. Chapter 9.


Recitation 6. (deeper dive). Proof of concept? Among whom?

Additional readings and instructions will be posted to Classes

7. Coping with risk: Micro-insurance

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.


Recommended
► Listen Adam Davidson interviews Daryl Collins and Jonathan Morduch about *Portfolios of the Poor*. NPR Planet Money Podcast. (26 minutes)


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


Recommended
► Watch Shawn Cole describe the research on rainfall insurance

Recitation 7. (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 the challenges (corruption) that can constrain action.
8. Government Failure and Corruption


►Watch *Ngozi Okonjo-Iweala’s TED Talk*


Recitation 8. (skill building) Population, context and generalizability: Heterogeneity of impacts... What’s really being measured?

Please read the abstract of each of the following articles:

*Deworming interventions*


*Remedial education interventions*


9. **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.


- **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** Bridge International Academies. A social enterprise approach (27 minutes)

**Recitation 9.** (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.

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)


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

Complete instructions for the recitation, background documents and optional reading list are 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.

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.


► Watch Animation on education and local politics in Indonesia


Recitation 10. (deeper dive) Tackling the Bridge question from a stakeholder perspective.

11. Gender and discrimination


> More Duflo, from The Atlantic.


Beatriz Armendáriz and Jonathan Morduch (2010), The Economics of Microfinance: Chapter 7: “Gender”. Pages 219-227 only.

Recitation 11. (skill building) Help with questions on problem set 3 (attendance optional)

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

Banerjee and Duflo, Poor Economics. Chapter 5.


► Watch Eliana La Ferrara at TEDx discussing TV and social norms

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

Recitation 12. (deeper dive) Identifying impact without an experiment: The role of data triangulation and natural experiments in building evidence.


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

13. Delivering Healthcare

►Watch Sendhil Mullainathan’s TED Talk on health and nudges

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


**Recitation 13.** (skill building) Help with final preparation. (attendance optional)

**Final exam (In class)**