Class Information: Wed, 6:45PM to 8:25PM, 19 West 4th, Room 102

Salo Coslovsky  
svc2@nyu.edu  
Office Hours: by appointment

**Prerequisites:** n/a

**Course Description**
This course examines two critical questions in international development: (a) how can we deepen and broaden markets so everyone can have a job and benefit from the gains from trade? And (2) how can we strengthen the government so it can complement, sustain, and tame these markets?

When tackling these questions, this course focuses on the challenges and opportunities of institutional and governance reform in low- and middle-income countries, as faced by individuals living and working in those countries. This means that the politics of foreign aid, and the role played by international and multilateral organizations, NGOs, private foundations, and social enterprises might show up on occasion, but they are not the focus of the course.

By design, this course avoids offering blueprints or one-right answers to the perceived causes of “underdevelopment”. Rather, it encourages students to search for the levers that are likely to matter given the constraints that actors face. Both theory and empirical analysis are essential to this task, but at the end of the day international development professionals must be creative to foster positive change.

**Learning Objectives**
By the end of the course students will:

1. Understand how the theory and practice of institutional and governance reform has evolved over time;

2. Acquire a critical perspective on blueprints, received wisdoms and other misconceptions prevalent in international development thinking;
3. Identify some of the roles played by national and local governments, private businesses, and, to a lesser extent, NGOs, citizens, and international organizations in promoting economic development;

4. Think analytically and strategically about existing levers of institutional reform, improved governance and opportunities for pragmatic change;

5. Be a step closer to becoming reflective practitioners, i.e. professionals endowed with a sophisticated grasp of the opportunities, limits and dangers of action in the international development sphere.

**Required Readings**
Students are required to read one book – Behind the Beautiful Forevers, by Katherine Boo – and approximately 30 academic articles and chapters over 14 class sessions. The book is affordable and widely available for purchase. All other required readings are available on Brightspace.

These readings cover a wide range of topics. Their authors come from different countries and represent different political positions and academic disciplines. Some articles refer to high-income countries and are assigned to call attention to an important theoretical point. Other texts might seem old but they contain the original articulation of a powerful idea.

**Brightspace**
All announcements and resources will be delivered through NYU Brightspace.

**Academic Integrity**
Academic integrity is a vital component of Wagner and NYU. Each student is required to sign and abide by Wagner’s Academic Code. Plagiarism of any form will not be tolerated since you have all signed an Academic Oath and are bound by the academic code of the school. Every student is expected to maintain academic integrity and is expected to report violations to me. If you are unsure about what is expected of you, *ask*.

**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 at [www.nyu.edu/csd](http://www.nyu.edu/csd) and click on the Reasonable Accommodations and How to Register tab or call or e-mail 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 Policy on Religious Holidays

University policy states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Students do not need to ask the instructor for permission, but they may choose to notify faculty in advance of such an absence. Whenever feasible, exams and assignment due dates will not be scheduled on religious holidays.

Student Resources

Wagner tutors are available to help students with their writing skills. Please see details on https://wagner.nyu.edu/portal/students/academics/advisement/writing-center.

Assignments and Evaluation

Grades will be based on participation (30%), two short assignments (15% each), and a final assignment (40%).

- Engagement (30% of total grade) consists of practices and attitudes such as: (a) preparedness (i.e. student reads the assigned articles), (b) focus (i.e. avoids distractions during live activities); and (c) voice (i.e. contributes to discussions, either during live sessions or through Brightspace discussion board).

- Assignment 1 (15% of total grade) consists of short document (one page, single-spaced) detailing one purposefully distortionary policy adopted by a country of your choice to foster local economic development. Your assignment should include a succinct description of the conditions in this country/sector/industry that elicited the policy, the goal being pursued, an assessment of the policy’s logic of action (i.e. its “mechanism”), and the outcomes – positive and negative - it generated. This assignment is due immediately before class.

- Assignment 2 (15% of total grade) consists of a short document (one page, single-spaced) examining one effort to improve the performance of public servants in a country of your choice. Your assignment must draw from one recent academic article. It should describe the problems that elicited the intervention, the goal being pursued, the policy’s logic of action (i.e. its ‘mechanism‘), and the outcomes that the intervention produced. This assignment is due immediately before class.

- The final assignment (40% of total grade) consists of a personal reflection OR a research paper on a topic of your choice and that connects directly to themes discussed in class. The assignment should have up to ten (double-spaced) pages, including title, bibliography and footnotes. This assignment is due at the end of the course, as indicated in the schedule below.
All assignments should be written in Times New Roman size 12 (or equivalent),
double spaced lines, and one inch margins all around. Please remember to include
your name, mailbox # (if available) and page numbers. Adherence to these
guidelines demonstrates professionalism and deviance might negatively affect your
grade.

Learning Assessment Table

<table>
<thead>
<tr>
<th>Graded Assignment</th>
<th>Course Objective Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation</td>
<td>All</td>
</tr>
<tr>
<td>Assignment 1</td>
<td>#1</td>
</tr>
<tr>
<td>Assignment 2</td>
<td>#2</td>
</tr>
<tr>
<td>Final Assignment</td>
<td>#3, #4 and #5</td>
</tr>
</tbody>
</table>

Grading Scale and Rubric

Students will receive grades according to the following scale:

(A) Excellent: Work at this level is unusually thorough, well-reasoned, creative,
methodologically sophisticated, and well written. Numeric value=4.0 points.

(A-) Very good: Work shows signs of creativity, is thorough and well-reasoned,
indicates strong understanding of appropriate methodological or analytical
approaches, and meets professional standards. Numeric value=3.7 points.

(B+) Good: Work is well-reasoned and thorough, methodologically sound. This
grade indicates the student has fully accomplished the basic objectives of the
course. Numeric value=3.3 points.

(B) Adequate: Competent work for a graduate student even though some
weaknesses are evident. Meets course objectives but evidence suggests that
understanding of key issues is less than complete. Numeric value=3.0 points.

(B-) Borderline: Meets the minimal expectations for a graduate student.
Understanding of salient issues is incomplete. Numeric value=2.7 points.

(C/-/+ Deficient: Work is inadequately developed or flawed by numerous errors
and misunderstanding of important issues. Methodological or analytical work
performed is weak and fails to demonstrate knowledge or technical competence
expected of graduate students. Numeric value = 2.3; 2.0; 1.7 points.

(F) Fail: Work fails to meet even minimal expectations for course credit for a
graduate student. Performance has been consistently weak in methodology and
understanding, with serious limits in many areas. Weaknesses or limits are
pervasive. Numeric value = 0.0 points.
Course Overview

1  Sep 7  Poverty and the Challenges of International Development
2  Sep 14  How to create a job?
3  Sep 21  The Developmental State (assignment 1 is due)
4  Sep 28  Structural Adjustment and Other Market reforms
5  Oct 5  Market Institutions
6  Oct 12  Contracts and the rule of (commercial) law
7  Oct 19  Fostering performance in the private sector
8  Oct 26  Collective action in the marketplace
9  Nov 2  Pathways to economic prosperity (review session)
10 Nov 9  State Capacity (this class will be held online)
11 Nov 16  Delivering Public Services I (assignment 2 is due)
12 Nov 23  Thanksgiving
13 Nov 30  Delivering Public Services II
14 Dec 7  Working with corruption
15 Dec 14  In-class reflections (final assignment is due)
CLASS PLAN

Class 1
Poverty and the Challenges of International Development

Read:

• Boo, Katherine. (2013) Beyond the Beautiful Forevers [book]


Pointers:

These two readings provide a frame for the course. Katherine Boo’s book gives a vivid and fine-grained portrait of urban poverty. In her account, challenges and difficulties are everywhere and no obvious solution is in sight. To complement this view, Albert Hirschman draws from several cases to identify underappreciated levers and opportunities for positive reform. In this course, we will combine these two perspectives - problems and potential solutions - with a bias towards finding possibilities.

Do:

After reading the two pieces, be ready to answer the following questions:

• In your opinion, what is the root-cause of the challenges experienced by the main characters in Boo’s book?

• What key policy intervention could help mitigate the problem(s) observed in Annawadi and improve standards of living for those individuals (and others like them)?

Class 2
How to create a job

Read


  Recommended: Dunning, Claire (2019) How the rise of urban nonprofits has exacerbated poverty, Washington Post


**Pointers**

In this session we discuss a provocative piece by Alice Amsden and two classic articles by Rosenstein-Rodan and Andre Gunder Frank. When reading the piece by Amsden, notice how she argues against the layering of multiple and relatively small “social” interventions and defends policies focused on creating jobs. Her main point is echoed by a recent op-ed by Claire Dunning.

Rodan published his piece in 1943. In it, he discusses how to promote development in Eastern and Southern Europe, i.e. the region that corresponds to Bulgaria, Czech Republic, Hungary, Poland, Slovak Republic, Ukraine, Greece, Italy, Portugal, and Spain. In the 1940’s, this region was as poor and “backward” as many low-income countries today. And when Rodan mentions “external economies”, he means “externalities”. In lay terms, externalities are the side-effects of economic activity.

Notice that Rodan articulates a diagnostic for poverty and proposes a solution. His article is almost 80 years old, but his diagnostic was recently echoed in Jim Dwyer’s 2017 article explaining why NYC’s subway falls short of expectations. So Rodan might be old, but his ideas are not outdated.

Finally, Gunder Frank was a proponent of “dependency theory”. This piece summarizes some of his views. Like Rodan’s, it includes both a diagnostic and a prescription. Make sure you identify both.

**Do:**

After reading these three pieces, be ready to answer the following questions:

- Amsden claims that public housing, public health, public education, and other human services focus on the “supply side” of the labor market, and argues that we should pay much more attention to the “demand side”. What do you think of her argument? And under which conditions would you agree with her?

- Rodan, Gunder-Frank, and Amsden represent different generations of thinkers, and it is easy to see how their opinions differ. These differences aside, we can also see some convergence in their implied policy recommendations. In your opinion, what types of development policy would they all support?
Class 3
The Developmental State

There are no required readings. 1st assignment is due before class.

Over the years, governments all around the world have taken bold action to steer their economies into more rewarding territory. Some of these governments came to be known as “Developmental States”. For a recent introduction, assessment and discussion of this phenomenon, see Haggard, Stephan (2018) The Developmental State, Cambridge University Press (recommended).

For this assignment, students should choose a country and find at least one “dirigiste” or “developmental” policy adopted by its government. By “developmental”, I mean the heavy-handed, highly interventionist policies that were in vogue in most of the Third World (i.e. low-income, non-communist countries) between the end of WWII (1945) and the fall of the Soviet Union (1991).

Their main features was an effort by the government to control market forces, specially prices. Examples include tariffs, quotas, subsidies, price controls in product, capital, and labor markets, state-owned enterprises, minimum content requirements, and massive public investment in infra-structure and other public goods.

Your summary should be about one page long and it should include the name of the country, the relevant year(s), the name of type of policy you are examining, its main goals, and main results.

Much has been written about Japan, South Korea, Taiwan, Brazil, India, and China. For this reason, I encourage you to examine policies adopted elsewhere, such as the Middle East, North and Sub-Saharan Africa, Mexico, Central America, the Caribbean, Thailand, Indonesia, and the Philippines.

Class 4
Structural Adjustment and Market Reforms


Pointers

In this session, we start by discussing Anne Krueger’s (1990) diagnostic of the problems that plague low- and middle-income countries. Please note that Krueger’s article matches Bhagwati’s description of DUP activities. To see how some of the problems they identify can still be found in the world today, see Glass (2019) piece discussing her life in Venezuela. When reading these pieces, look for their shared understanding of the root causes of poverty, and their proposed solutions.

Finally, we read John Williamson’s original formulation of the “Washington Consensus”. In this piece, Williamson translates the points made by Reagan, Krueger, and Bhagwati into 10 fairly specific policy recommendations. You don’t have to dwell on details of each policy. According to this set of prescriptions, what is the proper role of governments in the economy?

Do:

After reading these pieces, be ready to answer these two questions:

- According to the readings, what happens when governments try to intervene in the economy? And how can the resulting problems be avoided?

- There is a growing pressure in the US for the government to intervene in the economy. For example, the federal government has been toying with tariffs and local-content requirements. At the subnational level, policy-makers are looking for ways to revive the economy of declining and lagging regions. Based on what you have learned in this course so far, what do you think of these policies?

Class 5
Market Institutions


Pointers:

This week, we read a piece by McMillan (2008) that summarizes his excellent 2002 book, Reinventing the Bazaar. In this piece, McMillan claims that markets can only function well when they are “scaffolded” by an adequate set of institutions. According to McMillan, what are institutions, and how do they matter?

For a deeper dive into a key institution, we read Hernando de Soto’s article about property rights. Again, this is the summary of his book of same name. De Soto’s ideas have inspired a large set of initiatives devoted to granting property rights to the poor. What is the main logic behind his proposal?
Do:

After reading these pieces, be ready to answer this question:

- Institutions, such as the ones discussed by McMillan, are so ubiquitous that they might be hard to see, even when they are right in front of us. Try to think of a few institutions, how they are maintained, and effects that they have, and what would happen if they were absent.

Class 6
Private contracts and the rule of (commercial) law

- Fafchamps, Marcel and Bart Minten (2001). Property Rights in a Flea Market Economy. Economic Development and Cultural Change. 49(2) [read for the main points, econometrics not necessary]

Pointers:

In this short article Clifford Geertz examines a Moroccan bazaar. If you lived in such a place, and had to make a living that involved buying and selling merchandise, how would you go about doing it? And what do you think would likely happen to someone who decided to innovate and do business differently (eg: offer warranty, a “best-price guarantee”, or post prices clearly for everyone to see)?

We also read a piece by Fafchamps and Minten (2001), where they assess the behavior of grain traders in Madagascar. This article is fairly long, but we are not interested in the mathematics. Rather, try to put yourself in the traders’ shoes, and understand how they behave, why they do what they do, and what are the aggregate consequences of their behavior.

Finally, we read Farrell’s (2015) vivid description of the “silk road”, a secret online market for illegal drugs, arms, and services.

Do:

After reading these pieces, be ready to answer the following questions:

- Why did the Silk Road collapse, and what could have been done to keep it going, or make it thrive?
- Imagine that the government of Madagascar asked for your advice on how to promote the grain sector in the country. What would you suggest?
Class 7
Fostering performance in the private sector

- Bloom, Nicholas and John van Reenen (2010), Why Do Management Practices Differ across Firms and Countries?, Journal of Economic Perspectives

- Game Changer [audio clip, 20 min]
  https://99percentinvisible.org/episode/episode-77-game-changer/

- The Yin and Yang of Basketball [audio clip, 20 min]
  https://99percentinvisible.org/episode/yin-yang-basketball/


Pointers

Many people assume that private firms are well-managed, otherwise they would not survive for long. Nick Bloom and John Van Reenen investigate this hypothesis. What do they find? And what solution do they propose?

After reading (and reflecting over) Bloom and van Reenen, I want you to listen to the audio clip titled “Game Changer”, and also “Yin and Yang of Basketball”. Similar to sluggish or declining economies, the game of basketball was losing sponsors, audience, and talented athletes. If nothing was done, it seemed destined to collapse, but it was eventually revived. Keep these cases in mind.

Next, I want you to read a piece I co-authored with Richard Locke, in which we examine how sugar and ethanol producers in Brazil improved their managerial performance, with an emphasis on improving labor standards. What was the driver of improvement, and what kinds of policy recommendation can we derive from this example?

Do:

After reading these pieces, be ready to answer the following questions:

- Perhaps the best way to revive a stagnant or declining sector is by dialing up its level of competition, and one of the best ways to dial up the level of competition is by eliminating regulations (eg: see Bloom and van Reenen). The stewards of basketball revived their sector twice. How did they do it, and what can these examples teach us about fostering performance among private firms?

- Coslovsky and Locke also describe an instance in which firms improved their performance. What was the role played by the government in this case, and what broader lessons can we derive from this case?
Class 8

Collective action in the marketplace


Pointers

Markets, clusters and supply chains function properly when they have an adequate governance structure. During this session we read a piece by Brian Skyrm (2001) that uses metaphors to discuss the importance of coordination. Next, we read an article that I wrote that compares the performance of an industry in Brazil and Bolivia, and examines how the Bolivians acquired proper governance structures while the Brazilians fell behind. Finally, I also recommend a paper by Naseer Farooq (2005) that examines the relationship between buyers and sellers of sugarcane in Pakistan. We will not dwell on the math. When reading this piece, pay attention to what happens to a supply chain (i.e. buyers and sellers of intermediate goods) when it is missing an adequate governance structure.

Do:

After reading these pieces, be ready to answer these questions:

- Adam Smith famously wrote that “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices”. Collusion is obviously a matter of great concern to policy-makers and the public worldwide. But are the stag-hunters, swamp-drainers, and rowers in Brian Skyrm’s vignettes “colluding”? What about brazil nut processors in Bolivia? More to the point, can we distinguish between different types of collective action? If so, what is the criteria we should use?

Class 9

Pathways to economic prosperity

There are no required readings. This class will be devoted to answering questions concerning the material covered so far.
Class 10
State Capacity


Pointers:

In this session, we read testimonies by two former public officials describing the challenges they faced when working in government. W. Michael Blumenthal served as Secretary of Treasury for President Carter. Akka Gordon was a caseworker with NYC Child Protection Services.

Like the story about blind people trying to describe an elephant, each of these people provide a different perspective on a complicated “object”. Once you take a step back from their individual descriptions, what is it that you see, and how does this emerging picture match (or does not match) your priors related to the government and how it works?

Do:

After reading these pieces, be ready to answer a minimum of two out of these four questions:

- “In government, there is no bottom-line”. Is that true? If so, why is that? Could a bottom-line be instituted if we wanted to? What would likely happen if we tried?

- “You learn very quickly that you do not go down in history as a good or bad secretary in terms of how well you ran the place” – is that true? If so, why? Could it be changed, to reward good management, if we wanted to? How?

- “In private industries you have many ways of motivating people [...] That’s impossible in government, because if I do it with one, all the other twenty-seven year olds say, what about me?” Is that true? Why would that be the case in government but not in business? Could it be changed? What would be the likely costs and benefits?

- “In government, no one has the power to decide that this is the policy he wants to develop, these are the people who are going to develop it, this is how it is going to be decided, and these are the folks who are going to administer it” – is that still true? If so, why? Could it be changed?
Class 11
Delivering public services I

There are two recommended readings and no required ones. 2\textsuperscript{nd} assignment is due immediately before class.


The two recommended readings by Kremer, Chaudhury and their co-authors provide a bleak picture of government capacity in low- and middle-income countries. You don’t have to dwell on the details, but you should get acquainted with the main points that they make. The point of this class if for you to start thinking on how we can tackle the problems outlined by these articles.

To answer this question, you should choose, read, and summarize into a one-page document a recent academic article that examines an effort to improve the performance of public sector workers when delivering a public service in a low- or middle-income country. When reading your chosen article, you should identify the problem that triggered action, the relevant details of the policy that the government implemented, its implicit or explicit logic of action, and the results it delivered.

Class 12
Delivering Public Services II


Pointers:

Tendler and Freedheim detailed case study shows how how the government in a remote area of Brazil managed to avoid the typical problems (absenteeism, low-effort, favoritism, etc) associated with the delivery of public services in poor countries. When reading this piece, try to think of the counterfactuals, i.e. what else could have happened (but did not)?

Do:

After reading these pieces, be ready to answer the following question:

- In your opinion, why do high-performing government agencies seem to be so rare? And what is your assessment of conventional public sector reforms,
such as those that emphasize managerial flexibility to hire, fire, and promote civil servants, eliminate unions, and impose performance metrics?

13 - Working with corruption


In this session we reassess the problems of corruption, clientelism, patronage and other maladies that often affect the public sector. On his piece, Hirschman proposes a provocative taxonomy for the perceived “obstacles to development”. How do we know what is an obstacle, and what should be done about them? The other two pieces help us apply Hirschman’s framework to the problem of corruption.

In the ChinaTalk podcast, Yuen Yuen Ang discusses her new book examining the relationship between corruption and development in China. And Keith Darden examines the relationship between corruption and state capacity in Ukraine. You can also read Terry Golway’s op-ed, a summary of his book, examining the same type of relationship, but in New York several decades ago.

Do:

After reading these pieces, be ready to answer the following questions:

- If Yuen Yuen Ang, Keith Darden, and Terry Golway had to use Hirschman’s taxonomy to classify their cases, how would they do it? Please explain your choice, and discuss how it matches (or does not match) your own personal opinion on the matter.

14 - In Class Reflection and course wrap up

**Pointers:**

Erik Olin Wright wrote a provocative piece about capitalism and inequality. So far, the course has emphasized markets as the best way to promote development. But what if markets are the problem?

Above all, students should come to class prepared to reflect on the whole course, their personal experiences, and what they have learned. Accretions to knowledge are good, but real learning often requires that we change our mind. What have you changed your mind about?

**Do:**

After reading these pieces, be ready to answer the following questions:

- Olin Wright describes four approach to being “anticapitalist”. If you see yourself in any of these quadrants, please identify it, and explain your reasoning. If you do not see yourself in any of them, please say so, and explain your reasoning.