



NYU

**ROBERT F. WAGNER GRADUATE
SCHOOL OF PUBLIC SERVICE**

**PADM-GP 2201
Institutions, Governance and International Development
Spring 2024**

Wed, 6:45PM to 8:25PM, 194 Mercer St Room 305

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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 benefit from the division of labor and the gains from trade? And (2) how can we improve government capacity, 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 data 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 an original or compelling 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 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%), three short assignments (15% each), and a final assignment (40%).

- Engagement (20% 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).
- Assignment 1 (15% of total grade) consists of a short document, due immediately before Class 3. Please see the relevant heading for details.
- Assignment 2 (15% of total grade) consists of a short document, due immediately before Class 7. Please see the relevant heading for details.
- Assignment 3 (15% of total grade) consists of a short document, due immediately before Class 13. Please see the relevant heading for details.
- The final assignment (35% 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 and page numbers.

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	Jan 24	Poverty and the Challenges of International Development
2	Jan 31	How to create a job?
3	Feb 7	The Developmental State: Picking Winners (assignment 1 is due)
4	Feb 14	Structural Adjustment and Other Market reforms
5	Feb 21	Market Institutions
6	Feb 28	Contracts and the rule of (commercial) law
7	Mar 6	The Voluntary market for nature-based CO ₂ credits (assignment 2 is due)
8	Mar 13	Fostering performance in the private sector
<i>No Class - NYU Spring Break - March 18-24</i>		
9	Mar 27	Institutions for collective action
10	Apr 3	State Capacity
11	Apr 10	Discretion at the frontline
12	Apr 17	Reassessing corruption
13	Apr 24	The pursuit of economic dev today (Zoom Class & assignment 3 is due)
14	May 1	Wrap-up and in-class reflections
	May 8	No Class – Final assignment is due

Class 1

Poverty and the Challenges of International Development

Read:

- Boo, Katherine. (2013) *Beyond the Beautiful Forevers* [book]
- Hirschman, Albert O. (1963) "The Contriving of Reform." In: *Journeys Toward Progress: Studies of Economic Policy-Making in Latin America*. New York, NY: The Twentieth Century Fund, pp. 251-264 and 271-275.

Pointers:

These two readings provide a frame for the course. From one side, Katherine Boo's book gives a fine-grained portrait of urban poverty. In her account, challenges are everywhere and no obvious solution is in sight. From the other side, Albert Hirschman draws from case studies to identify underappreciated levers for positive reform. In this course, we will combine these two perspectives – problems and potential solutions - with a bias towards finding possibilities for improvement.

Do:

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

- What is the root-cause of the challenges experienced by the main characters in Boo's book?
- What should be our top policy priority when vying to improve standards of living for people living in Annawadi?

To Know More:

Katherine Boo is an American journalist who moved to India. If you want to complement her account with the first-person testimony of a person who was born and raised in relative poverty and in the country being described, you can read some of the books below:

- de Jesus, Maria Carolina. (1962) *Child of the Dark: The Diary Of Carolina Maria De Jesus*
- Barrios de Chungara, Domitila (1978) *Let Me Speak! Testimony of Domitila, a Woman of the Bolivian Mines*
- Maathai, Wangari (2008) *Unbowed: A Memoir*
- Menchu Tum, Rigoberta (2010) *I, Rigoberta Menchu: An Indian Woman in Guatemala*
- Yousafzai, Malala (2016) *I Am Malala: How One Girl Stood Up for Education and Changed the World*

Class 2

How to create a job

Read

- Amsden, Alice (2010) Say's Law, Poverty Persistence, and Employment Neglect. *Journal of Human Development and Capabilities*, 1(1): 57-66.

Recommended: Schwarz, Jon (2023) How We Forgot the "Jobs" Part of the March on Washington for Jobs and Freedom, *The Intercept*

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

- Rosenstein-Rodan, Paul (1943). Problems of Industrialization of Eastern and Southeastern Europe. *The Economic Journal*, vol.53, no 210/211 pp.202-211

Recommended: Dwyer, Jim (2017) The Subways Made Them Rich. Is It Time for Them to Pay Up?, *New York Times*

- Gunder Frank, Andre (1966) The Development of Underdevelopment. *Monthly Review*. 18(4): 17-31

Recommended: Bounds, Andy and Javier Espinoza (2023) Rich world uses green policies to hold back the poor, says UN trade chief, *The Financial Times*

Pointers

We start this session discussing a piece by Alice Amsden. When reading it, notice how she argues against the layering of multiple, small, supply-side interventions and in favor of policies that create good jobs. As explained by Jon Schwarz (2023), she is echoing a core tenet of the US civil rights movement. The op-ed by Claire Dunning shows that the concern remains valid today.

We follow up with a classic piece by Paul Rosenstein-Rodan, from 1943. In this article, Rodan provides a diagnostic and proposes a solution for the poverty that affects Eastern and Southern Europe, i.e. the region that corresponds to Bulgaria, Czech Republic, Hungary, Poland, Slovakia, Ukraine, Greece, Italy, Portugal, and Spain. In the 1940's, this region was as poor as many low-income countries today. Please note that when Rodan mentions "external economies", he means "externalities", i.e. the side-effects of economic activity.

This article is 80 years old, but its central point was recently echoed in Jim Dwyer's 2017 article explaining why NYC's subway falls short of expectations.

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 is the demand side, and what policies would support it?
- Rodan, Gunder-Frank, and Amsden represent different generations of thinkers, and it is easy to see how their opinions differ. We can also see some convergence in their implied policy recommendations. In your opinion, what types of development policy would they all support?

To Know More:

Amsden's article was published more than a decade ago but its argument still holds a central place in ongoing development debates. To understand where it fits, you can read the three pieces below. The first, by Abhijit Banerjee and Esther Duflo, two of the most influential development economists in the world today, dismiss the pursuit of growth as a fool's errand and defend the layering of relatively small, project-based interventions as the best way forward.

The other two pieces contest Banerjee and Duflo's view. The piece by Megan Stevenson suggest that our current obsession with evidence- and project-based policies might be leading us astray. And the piece by Lant Pritchett and Addison Lewis take it from there to argue for the centrality of national development and economic growth.

- Banerjee, Abhijit and Esther Duflo (2020). How Poverty Ends: The Many Paths to Progress and Why They Might Not Continue, *Foreign Affairs*
- Stevenson, Megan (2024) Cause, Effect, and the Structure of the Social World, *BU Law Review*, vol. 103:2001
- Pritchett, Lant and Addison Lewis (2022) Economic growth is enough and only economic growth is enough

Paul Rosenstein-Rodan published his piece in 1943. It might seem hard to believe it now, but at that time, a large swath of Europe was characterized by extreme poverty, high incidence of communicable diseases such as malaria, strong attachment to superstition and other traditional values, and rigid and static power structures. To get a sense of it for yourself, you can read Carlo Levi's first-person account of the period (1935-36) he spent in exile in the south of Italy.

- Levi, Carlo (1943) “Christ Stopped at Eboli”,

Class 3

The Developmental State: Picking Winners

There are no required readings. 1st assignment is due before class and it will provide the basis of discussion. Please bring your notes to class, and submit the assignment through Brightspace.

Over the years, governments 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).

One of the defining feature of Developmental States is their willingness to pick “winners”, or “national champions”, that is, to select a sector or industry and then provide it with all kinds of support, so the “winner” can thrive, with the hopes that it will lead the country into prosperity.

For this assignment, students will choose a country, identify one industry or sector the country chose to be a “winner” or “national champion” at some point in its history, and then describe the reasons the country chose this particular sector, the main kinds of support the government provided to the chosen industry or sector over time, and what kinds of results, both positive and negative, it achieved.

Please note that some governments are “picking winners” today, under a variety of rationales: to create resilient supply chains, promote or protect strategically important sectors, and/or foster a low-carbon, green economy. For an example, see the backgrounder by Siripurapu, Anshu and Noah Berman (2023), *Is Industrial Policy Making a Comeback?*, Council of Foreign Relations (recommended).

Still, it is hard to derive useful lessons from ongoing initiatives. In this assignment, we will focus on policies that have accumulated some track record. This should be easy, as Developmental States were particularly willing to “pick winners” between the end of WWII (1945) and the fall of the Soviet Union (1991).

Your summary should be about one to two pages long. So you know what to look for, some of the most common policy instruments include tariffs, quotas, subsidies, price controls in product, capital, and labor markets, state-owned enterprises, and minimum content requirements.

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, Malaysia and the Philippines.

Class 4

Structural Adjustment and Market Reforms

Read:

- Krueger, Anne. (1990). "Government Failures in Development," *Journal of Economic Perspectives*. Vol. 4, No. 3, pp. 9-23.

Recommended: Lopez Glass, Virginia (2019) Nothing can prepare you for life with hyperinflation, *New York Times*

Recommended: Bhagwati J.N. (2008) Directly Unproductive Profit-Seeking (DUP) Activities. In: Durlauf S.N., Blume L.E. (eds) *The New Palgrave Dictionary of Economics*. Palgrave Macmillan, London

- Williamson, John (1990) What Washington Means by Policy Reform? Chapter 2 from *Latin American Adjustment: How Much Has Happened?* Edited by John Williamson.

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 argument 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.

Next, we read John Williamson's original formulation of the "Washington Consensus". In this piece, Williamson translates the points made by Krueger (and Bhagwati) into 10 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, such as the Rust Belt. Based on what you have learned in this course so far, what do you think of these policies?

To Know More:

After more than three decades of its original formulation, the Washington Consensus continues to be a topic of debate, directly and indirectly influencing policies that are adopted today. The three articles below, published together as part of a symposium, provide a recent reassessment of the experience, as viewed through the lenses of the Asian, Latin American, and Sub-Saharan African perspectives:

- Spence, Michael (2021) Some Thoughts on the Washington Consensus and Subsequent Global Development Experience, *Journal of Economic Perspectives*. Vol 35. No. 3, pp. 67-82.
- Goldfajn, Ilan, Lorenza Martínez and Rodrigo O. Valdés (2021) Washington Consensus in Latin America: From Raw Model to Straw Man, *Journal of Economic Perspectives*, vol 35, no 3, pp. 109-132
- Archibong, Belinda; Brahim Coulibaly and Ngozi Okonjo-Iweala (2021) Washington Consensus Reforms and Lessons for Economic Performance in Sub-Saharan Africa, *Journal of Economic Perspectives*, vol 35, no 3, pp. 133-156

And a recent news story, published by *Le Monde*, illustrate what can happen when a government decides to confront the “Consensus” and meddle with prices. In this case, the government of Madagascar determined a minimum price of US\$250 per kilogram of vanilla beans, one of the country’s leading exports. The results were not what they had expected.

- Caramel, Lawrence (2023) Crisis in Madagascar over hundreds of tonnes of unsold vanilla, *Le Monde*

Class 5 Market Institutions

Read:

- McMillan, John (2008) *Market Institutions*, Palgrave
- De Soto, Hernando (2001) *The Mystery of Capital, Finance and Development*, International Monetary Fund
- Lacroix, Richard and Panos Varangis (1996) *Warehouse Receipts, Finance and Development*, International Monetary Fund
- Clayton, Kenneth and Preston Warren (2003) *The Political Economy of Differentiating Markets: Facing Reality Inside the U.S. Department Of Agriculture*, *American Journal of Agricultural Economics*

Pointers:

This week, we read a piece by John McMillan (2008) that summarizes his 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 support markets?

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 wide range of initiatives devoted to granting property rights to the poor, specially in urban areas. To complement this piece, we read a short article examining how “warehouse receipts” can fulfill similar functions for rural producers. What are these interventions trying to achieve, what is the logic behind the proposal?

Finally, we read a short piece by Kenneth Clayton and Preston Warren discussing the importance of grading and standards, and the role of the government in determining them. What do grades and standards do and how are they created?

Do:

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

- Institutions, such as the ones discussed by McMillan, are so ubiquitous that they disappear. Before class, choose a product or service, and then try to think of a few institutions that enable this particular product or service to be traded in an efficient manner. What role do each of the relevant institutions play, how are they maintained, and what would happen if they were absent?
- All these readings imply a certain division of labor between public and private sectors. How would you characterize their respective roles, who should be doing what?

Class 6

Private contracts and the rule of (commercial) law

Read:

- Geertz, C. (1978) *The Bazaar Economy: Information and Search in Peasant Marketing*
- 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*]
- Gabre-Madhin, Eleni (2006-7), Four Op-Eds published in *The Ethiopian Reporter*, plus (2012) *A Market for Abdu*, IFPRI

Pointers:

In this short article, Clifford Geertz describes how buyers and sellers conduct business in a Moroccan bazaar, and suggest an explanation on why they behave this way.

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 math. Rather, you should see the authors as your research assistants, who visited Madagascar on your behalf and reported back. According to their account, how do these traders behave, why they do what they do, and what are the aggregate consequences of their behavior?

Finally, we read a collection of pieces by Eleni Gabre-Madhin concerning the establishment of a commodity exchange for agricultural products in Ethiopia. Which tangible problem is this exchange trying to solve, how would it solve them, and why does Dr. Gabre-Madhin think the exchange is the way to go?

Do:

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

- If you lived in the Moroccan town that Geertz visited 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 a warranty, a “best-price guarantee”, or post prices clearly for everyone to see)?
- 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

The Voluntary Market for Nature-Based CO2 Credits

There are no required readings. The 2nd assignment is due before class and will provide the basis for discussion. Please bring your notes to class, and submit the assignment through Brightspace.

This week we will try to make sense of the voluntary market for nature-based CO2 credits. This market is important, as it promises to generate income for people in low- and middle-income countries while combating climate change.

The market is also in apparent disarray. As indicated by a flurry of recent news stories (see references below), buyers and sellers are not always fully aware of what is the exact “thing” they are negotiating and what are its main attributes.

For example, some credits might refer to “avoided deforestation” while others refer to the tangible removal of CO2 from the atmosphere through the regeneration of native forests. Similarly, some credits might be produced by tree farms that consume a lot of water and require intensive use of fertilizers and pesticides, while others regenerate the natural environment and create jobs for its inhabitants. And some might include an opaque mix of some of the above.

A number of organizations have emerged to handle this problem, including certification agencies, brokers, retailers, speculators, auditors, exchanges, information providers, independent market analysts, and so on.

For this assignment, you should choose a product, organization, or other facet of this market as your object of study and then use the concepts we discussed in class to describe it and analyze its performance. To illustrate, you can try to explain what your object is, what it does, the role it plays (or tries to play), whether the government is (or should be) involved, and how it contributes (or not) to the success of the larger enterprise.

You can choose whichever aspect of this market you want, but make sure to stay within bounds: we are studying the voluntary market for nature-based CO2 credits. Also, the narrower and more specific your research question, the more interesting your results are likely to be.

To get started, I suggest the following news stories:

- The Guardian (2023) Revealed: more than 90% of rainforest carbon offsets by biggest certifier are worthless, analysis shows
- Blake, Heidi (2023) The Great Cash-for-Carbon Hustle, The New Yorker

- Cannon, John (2024) Forest carbon credits and the voluntary market: A solution or a distraction? Mongabay, 3 Jan 2024
- Cannon, John (2024) Do carbon credits really help communities that keep forests standing?, 5 Jan 2024
- Cannon, John (2024) 'Cowboys' and intermediaries thrive in Wild West of the carbon market, 9 Jan 224
- Cannon, John (2024) Leveraging the hypothetical: The uncertain world of carbon credit calculations, 12 Jan 2024
- Cannon, John (2024) The future of forest carbon credits and voluntary markets, 16 Jan 2024

Class 8

Fostering performance in the private sector

Read:

- 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/>
- Coslovsky, Salo and Richard Locke (2013) Parallel Paths to Enforcement: Private Compliance, Public Regulation, and Labor Standards in the Brazilian Sugar Sector, Politics & Society

Pointers

Many people assume that private firms must be 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”. 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. The solution was very specific to the game, but if we abstract from the details, what does it teach us?

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 9

Institutions for collective action

Read:

- Skyrms, Brian (2001) The Stag Hunt, Presidential Address, American Philosophical Association.
- Saxenian, Annalee (1996) Silicon Valley: Competition and Community, chapter 2 in Regional Advantage, Harvard University Press
- Coslovsky, S. (2014) Economic Development without Pre-Requisites: How Bolivian producers met strict food safety standards and dominated the global brazil nut market, World Development. Volume 54, Pages 32-45

Recommended: Naseer, Farooq (2005) Whither Quality? Incentives in the Sugarcane Market in Pakistan

Pointers

Markets, sectors and supply chains function better when they have an adequate governance structure that promotes the provision of public goods.

During this session we read a piece by Brian Skyrms (2001) that uses models and metaphors to discuss the importance of cooperation. Next, we read a chapter of a classic book, by Annalee Saxenian, in which she investigates how firms located in Silicon Valley performed so much better than their competitors in the Boston region. When reading this piece, pay attention to the formal and informal structures and practices that encouraged firms and their professionals to collaborate even as they continued to compete.

Finally, we read an article of mine that compares the performance of an industry in Brazil and Bolivia, and examines how the Bolivians acquired better governance structures while the Brazilians fell behind. 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 firms in the supply chain when it lacks an adequate governance structure.

Do:

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

- Competition is often seen as a default (and desirable) behavior for firms in a marketplace. This week's readings suggest that markets, sectors and supply chains can also be enhanced by cooperation. This can be tricky, as cooperation can devolve into collusion. How can a group of firms temper competition with cooperation while avoiding the legal liability associated with collusion?

To Know More:

If you pay attention to the news, you will see a constant stream of stories about firms that colaborate for mutual gain, and also cases in which collaboration crosses the line into collusion. I highlight two recent stories below. The first, shows how some fashion brands tried to make the sector more sustainable, and ended up getting into trouble because of it. The second story shows how coffee farmers in Hawaii rely on - and strive to protect - their collective reputation.

- Hughes, Virginia (2024) How Coffee Farmers in Hawaii Fought Counterfeit Kona Beans, *The New York Times*
- Paton, Elizabeth, Ephrat Livni and Jenny Gross (2022) When Does Collaboration Become Collusion? *The New York Times*

Class 10

The Role of the State

Read:

- Blumenthal WM (1979) Candid Reflections of a Businessman in Washington, Fortune Magazine, Jan 29. Pp. 36-49.

Recommended: Duhigg, Charles (2017) For Trump's Nominees, a Billionaires' Guide to Running the Government, New York Times

- Gordon, Akka (2000) Taking Liberties. City Limits.

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 fable about the 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
Discretion at the frontlines

Read:

- Tendler J. and S. Freedheim (1996) Trust in a Rent-Seeking World: Health and Government Transformed in Northeastern Brazil. *World Development*. 22:12, Pages 1771-1791

Pointers:

Tendler and Freedheim detailed case study shows how the government in a remote area of Brazil managed to avoid the typical problems of 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), and how were the expected problems avoided?

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?

Class 12

Reassessing corruption

Read:

- Hirschman, Albert (1965) Obstacles to Development: A Classification and a Quasi-Vanishing Act, *Economic Development and Cultural Change* 13: 4, 385-393
- ChinaTalk, interview with Yuen Yuen Ang (2020) - <https://www.lawfareblog.com/lawfare-podcast-how-corruption-works-china> [1h audio clip]
- Chang-Tai Hsieh presentation and discussion of his paper with Chong-en Bai and Zheng Song (2020) *Special Deals with Chinese Characteristics*, NBER <https://www.youtube.com/watch?v=u8UEzVfspLs> [52 minute presentation; you can also read the paper if you wish]

In this session we reassess the problems of corruption, clientelism, patronage and other maladies that often characterize the relationship between public and private sectors. 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?

In the ChinaTalk podcast, Yuen Yuen Ang discusses her book examining the relationship between corruption and development in China. And in his presentation (and associated paper), Chang-Tai Hsieh describes an unusual pattern of interaction between the private and public sectors that seems very troubling from a conventional perspective, but may explain how China is doing so well economically.

Do:

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

- Corruption is a loaded term with no apparent positive connotation. The three readings assigned for today forces us to confront this interpretation. How should the concept be reimagined, so it is more useful for those concerned about equity, efficiency and results?

13 - The Pursuit of Economic Development Today (ZOOM CLASS)

There are no required readings. The 3rd short assignment is due before class and it will provide the basis of discussion. Please bring your notes to class and submit the assignment through Brightspace.

This week, we will try to get a sense on what is the leading edge in economic development today. To this end, you should:

1. Identify one organization or program (at national, subnational or local level) that seems to be doing innovative, promising or remarkable work promoting local economic development in its jurisdiction;
2. Describe exactly what this organization or program does, using concrete examples and simple language. If possible, you should explain how its frontline people invest their time and where the money goes. Does it offer training? Does it build things like roads and schools? Does it channel money to certain people or organizations? Does it do something else?
3. Assess the rationale behind these actions (in NGO parlance, its “theory of change”), and explain how the organization or program is reenacting, improving on, modifying, or moving beyond the modes of action that we have studied in class.

Everyone in class will appreciate if you bring something new, but if you have trouble finding an object of study, you can consider the following organizations or initiatives:

- Mesas Ejecutivas (Executive Roundtables), in Peru
- Agricultural Transformation Agency, in Ethiopia
- Fundacion Chile, in Chile
- The Genesis Movement, in the United States
- Precision Development (PxD), a global non-profit

You can also start by considering countries and sectors that seem to be doing well, and identify some of the key organizations or programs behind the (apparent) achievement. For example, you can look at the production of:

- Black pepper in Vietnam,
- Fresh pineapples in Costa Rica,
- Medicines in Kenya, Uganda and Tanzania,
- Wine in Georgia,
- Garments in Mauritius or
- Surgical instruments in Pakistan
- Dairy in Nicaragua
- Irrigated fruits in the Petrolina-Juazeiro region of Brazil

14 - In Class Reflection and course wrap-up

Read:

- Wright, Erik Olin. (2015) How to be an Anticapitalist Today, Jacobin Magazine

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?

In addition to considering the question above, 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.