

Topics in Finance and Development

Spring 2015

Department of Economics
New York University

Wednesdays 1:55-3:55 pm (19 West 4th, Room 624)
OR Tuesdays 2:30-4:30 pm (19 West 4th, Room 624)

Jonathan Morduch (with Hunt Allcott)

Morduch: The Puck Building, room 3028
Telephone: (212) 998-7515
Email: Jonathan.Morduch@NYU.edu

Office hours: 5-6 pm Wednesday

Overview

Finance and development are closely related. Pioneering models of financial market failure in developing markets provide foundations for information economics. The work helps us understand the allocation of resources, investment, and risk, and it provides a basis for analyzing the dynamics of poverty and inequality.

One objective is to provide an opportunity to engage critically with new research via written work, completing three reports (and giving short in-class presentations) over the semester.

Integration with Development Economics II [Hunt Allcott]

The two courses share common material, and the courses will meet together on Tuesdays (room 624) for the first part of the semester. Otherwise, this course will meet separately on Wednesdays. The schedule below gives specifics.

Course Requirements

The course requirements are participation in class, two referee reports/presentations, and a final exam. Grades will be calculated according to:

Class Participation	20%
Three reports/presentations	40%
Final exam	40%

Texts

There are no required texts, but it is assumed that students are familiar with basic concepts in modern development economics, for which Debraj Ray's *Development economics*, provides a lively, authoritative introduction.

Schedule

	Date	Time	Lecturer	Topic
1	1/27			<i>Snow day. Class cancelled.</i>
2	2/3	T 2:30-4:30 pm	Allcott	Rubin Causal Model
3	2/10	T 2:30-4:30 pm	Allcott	Difference-in-Difference and Instrumental Variables (Allcott problem set due on diffs and IV)
4	2/17	T 2:30-4:30 pm	Morduch	Credit market failure and returns to capital
5	2/24	T 2:30-4:30 pm	Morduch	Incentives, Property rights, Land reform.
6	3/3	T 2:30-4:30 pm	Morduch	Credit contracts
7	3/11	* W 1:55-3:55	Morduch	Informal finance
	3/18	--	--	Spring break
8	3/25	* W 1:55-3:55	Morduch	Behavioral approaches to saving
9	3/31	T 2:30-4:30 pm	Allcott	RCT Design
10	4/7	T 2:30-4:30 pm	Allcott	Regression Discontinuity Design
11	4/14	T 2:30-4:30 pm	Morduch	Measuring microfinance impacts
12	4/22	* W 1:55-3:55	Morduch	Behavioral foundations of credit
13	4/29	* W 1:55-3:55	Morduch	Micro-insurance
14	5/6	* W 1:55-3:55	Morduch	Social enterprise

Readings

MORDUCH Background sources

Dean Karlan and Jonathan Morduch, 2009. "Access to Finance". In Dani Rodrik and Mark Rosenzweig, eds., *Handbook of Development Economics*, Volume 5. Amsterdam: Elsevier. Pages 4704 - 4784.

Beatriz Armendariz and Jonathan Morduch, 2010. *The Economics of Microfinance*, 2nd ed. Cambridge, MA: MIT Press.

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

Kiminori Matsuyama. 2013. "Imperfect Credit Markets, Household Wealth Distribution, and Development." *Annual Review of Economics*.

Banerjee, Abhijit V., and Esther Duflo. 2007. "The Economic Lives of the Poor." *Journal of Economic Perspectives*, 21(1): 141-168.

ALLCOTT 2/3: Rubin Causal Model

ALLCOTT 2/10: Differences-in-Differences and Instrumental Variables

MORDUCH 2/17: Credit Market Failure and Returns to capital

Abhijit Banerjee and Esther Duflo. 2005. "Growth Theory Through the Lens of Development Economics." Chapter 7 in Philippe Aghion and Steven N. Durlauf, eds., *Handbook of Economic Growth*. Vol 1, Part 1. Elsevier: 473-552.

Suresh de Mel, David McKenzie, Christopher Woodruff. 2008. "Returns to Capital in Microenterprises: Evidence from a Field Experiment." *Quarterly Journal of Economics* 123 (4): 1329–1372.

de Mel, Suresh, David McKenzie, and Christopher Woodruff. 2009. "Are Women More Credit Constrained? Experimental Evidence on Gender and Microenterprise Returns." *American Economic Journal: Applied Economics*, 1(3): 1-32

Udry, Christopher (1996). "Gender, Agricultural Production, and the Theory of the Household." *Journal of Political Economy*, 101(5): 1010-1045.

MORDUCH 2/24: Incentives, property rights, and land reform

Besley, Timothy. 1995. "Property rights and investment incentives: theory and evidence from Ghana," *Journal of Political Economy* 103: 903-937.

Timothy Besley and Maitreesh Ghatak, 2009. "Property Rights and Economic Development". Chapter 68 In Dani Rodrik and Mark Rosenzweig, eds., *Handbook of Development Economics*, Volume 5. Amsterdam: Elsevier. Pages Pages 4525-4595.

- Christopher Woodruff. 2001. "Review of de Soto's *The Mystery of Capital*." *Journal of Economic Literature* 39 (4), December: 1215-1223.
- Conning, Jonathan H. and Robinson, James A. 2007. "Property rights and the political organization of agriculture." *Journal of Development Economics* 82 (2), March: 416-447.
- Banerjee, Abhijit, Paul Gertler and Maitreesh Ghatak, 2002. "Empowerment and Efficiency: Tenancy Reform in West Bengal." *Journal of Political Economy* 110 (2): 239-280.
- Erica Field and Maximo Torero. 2006. "Do Property Titles Increase Credit Access Among the Urban Poor? Evidence from a Nationwide Titling Program." Manuscript.
<http://www.economics.harvard.edu/faculty/field/files/FieldToreroocs.pdf>
- Sebastian Galiani and Ernesto Schargrodsky. 2009. "Property Rights for the Poor: Effects of Land Titling." Coase Institute working paper, January. <http://www.coase.org/workingpapers/wp-7.pdf>

MORDUCH 3/3: Credit contracts

- Ashok Rai and Tomas Sjöström. 2013. "Redesigning Microcredit." Chapter 9 in Nir Vulkan, Alvin E. Roth and Zvika Neeman, eds., *The Handbook of Market Design*. Oxford: Oxford University Press.
- Banerjee, Abhijit. 2004. "The two poverties". Chapter 3 In: Dercon, S., (Ed.), *Insurance Against Poverty*. Oxford University Press, Oxford, pp. 59-75.
- Xavier Giné, Pamela Jakiela, and Dean Karlan, and Jonathan Morduch. 2010. "Microfinance Games." *American Economic Journal: Applied Economics*, July.
- Field, Erica, Rohini Pande, John Papp, and Natalia Rigol. 2013. "Does the Classic Microfinance Model Discourage Entrepreneurship among the Poor? Experimental Evidence from India." *American Economic Review*, 103(6): 2196-2226
- Xavier Giné and Dean Karlan. 2014. "Group versus Individual Liability: Short and Long Term Evidence from Philippine Microcredit Lending Groups." *Journal of Development Economics* 107: 65-83.
- Giné, Xavier, Jessica Goldberg, and Dean Yang. 2012. "Credit Market Consequences of Improved Personal Identification: Field Experimental Evidence from Malawi." *American Economic Review*, 102(6): 2923-54.
- Conning, Jonathan. 1999. "Outreach, sustainability and leverage in monitored and peer-monitored lending." *Journal of Development Economics* 60 (1), October: 51-77.
- Ghatak, Maitreesh (1999). "Group Lending, Local Information and Peer Selection," *Journal of Development Economics* 60 (1), October.

Beatriz Armendariz and Jonathan Morduch, 2010. *The Economics of Microfinance, 2nd ed.*, Chapters 4 (“Group Lending”) and 5 (“Beyond Group Lending”). Cambridge, MA: MIT Press. Pages 97-135 and 137-167.

MORDUCH 3/11: Informal finance

Besley, Timothy, Stephen Coate, and Glenn Loury (1993). “The Economics of Rotating Savings and Credit Associations,” *American Economic Review* 83: 792-810.

Anderson, Siwan and Jean-Marie Baland (2002). “The Economics of ROSCAs and Intrahousehold Allocation,” *Quarterly Journal of Economics*, August: 983-995.

Anderson, Siwan, Jean-Marie Baland and Karl Moene. 2009. "Enforcement and organizational design in informal savings groups." *Journal of Development Economics* 90(1): 14-23.

Beatriz Armendariz and Jonathan Morduch, 2005. *The Economics of Microfinance*, Chapter 3. Cambridge, MA: MIT Press.

MORDUCH 3/25: Behavioral approaches to saving

Karlan, Dean, McConnell, Margaret, Mullainathan, Sendhil, Zinman, Jonathan. (2014). "Getting to the Top of the Mind: How Reminders Increase Saving." *Management Science*, forthcoming.

Dupas, Pascaline, and Jonathan Robinson. 2013. "Why Don't the Poor Save More? Evidence from Health Savings Experiments." *American Economic Review*, 103(4): 1138-71.

Ashraf, Nava, Karlan, Dean, Yin, Wesley. (2006). "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines". *Quarterly Journal of Economics* 121, 635-672.

L. Brune, X. Gine, J. Goldberg and D. Yang. 2014. “Facilitating Savings for Agriculture: Field Experimental Evidence from Malawi.” May 2014.

ALLCOTT 3/31: Randomized Controlled Trial (RCT) Design

ALLCOTT 4/7: Regression Discontinuity (RD) Design

MORDUCH 4/14: Measuring Microfinance Impacts

Banerjee, Abhijit, Dean Karlan, and Jonathan Zinman (2015). *American Economic Journal: Applied Economics*, vol 7(1): 1-21.

Angelucci, M., Karlan, D., & Zinman, J. (2015). "Microcredit impacts: Evidence from a randomized microcredit program placement experiment by Compartamos Banco," *American Economic Journal: Applied Economics*, vol 7(1): 22-53.

Augsburg, B., De Haas, R., Harmgart, H., & Meghir, C. (2012). "Microfinance at the margin: Experimental evidence from Bosnia and Herzegovina," *American Economic Journal: Applied Economics*, vol 7(1): 183-203.

- Attanasio, O., Augsburg, B., De Haas, R., Fitzsimons, E., & Harmgart, H. (2014). "Group lending or individual lending? Evidence from a randomised field experiment in Mongolia," *American Economic Journal: Applied Economics*, vol 7(1): 90-122.
- Banerjee, A. V., Duflo, E., Glennerster, R., & Kinnan, C. (2013). "The miracle of microfinance? Evidence from a randomized evaluation," *American Economic Journal: Applied Economics*, vol 7(1): 22-53.
- Crépon, B., Devoto, F., Duflo, E., & Pariente, W. (2014). "Estimating the impact of microcredit on those who take it up: Evidence from a randomized experiment in Morocco," *American Economic Journal: Applied Economics*, vol 7(1): 123-150.
- Tarozzi, A., Desai, J., & Johnson, K. (2013). "On the impact of microcredit: Evidence from a randomized intervention in rural Ethiopia," *American Economic Journal: Applied Economics*, vol 7(1): 54-89.
- Fialla, Nathan. 2014. "Stimulating Microenterprise Growth: Results from a Loans, Grants and Training Experiment in Uganda." German Institute for Economic Research, Berlin. Unpublished. April 25, 2014
- Pitt, Mark and Shahidur Khandker (1998), "The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?" *Journal of Political Economy* 106 (5), October, 958 – 996.
- David Roodman and Morduch, Jonathan. 2014. "The Impact of Microcredit on the Poor in Bangladesh: Revisiting the Evidence." *Journal of Development Studies* 50 (4), April 2014: 583-604.

MORDUCH 4/22: Behavioral foundations of credit

- Michal Bauer, Julie Chytilová, and Jonathan Morduch. 2012. "Behavioral Foundations of Microcredit: Experimental and Survey Evidence from Rural India." *American Economic Review* 102(2): 1118-1139.

Rutherford, Stuart. *The poor and their money*. Practical Action.

MORDUCH 4/29: Micro-insurance

- Paul A. Samuelson. 1969. "Lifetime Portfolio Selection by Dynamic Stochastic Programming." *Review of Economics and Statistics* 51 (August): 239-246.
- Olivier Jean Blanchard and Stanley Fischer. 1989. "The Consumption/Saving Choice under Uncertainty," chapter 6.2 of chapter 6 "Optimal Consumption, Investment, and Inventory Behavior." In *Lectures on Macroeconomics*. Cambridge, MA: MIT Press. pp. 279-283.
- Angus Deaton. 1991, Saving and Liquidity Constraints, *Econometrica* 59 (5), September, 1221-1248.

Shawn Cole, Xavier Gine, Jeremy Tobacman, Robert M. Townsend, and James Vickery. 2013. "Barriers to Household Risk Management: Evidence from India." *American Economic Journal: Applied Economics* 5(1), January 2013: 104-35.

Shawn Cole, Xavier Gine, and James Vickery. 2014. "How Does Risk Management Influence Production Decisions? Evidence from a Field Experiment," December 2014. Working paper.

Dean Karlan, Robert Osei, Isaac Osei-Akoto, and Christopher Udry. 2014. "Agricultural Decisions after Relaxing Credit and Risk Constraints." *Quarterly Journal of Economics*.

MORDUCH 5/6: Social enterprise

Bruce C. Greenwald and Joseph E. Stiglitz. 1986. "Externalities in Economies with Imperfect Information and Incomplete Markets." *The Quarterly Journal of Economics* 101 (2), May: 229-264.

Conning, Jonathan and Jonathan Morduch. 2011. "Microfinance and Social Investment." *Annual Review of Financial Economics*, vol. 3, ed. Robert Merton and Andrew Lo: 407-434.

Kremer, Michael and Edward Miguel. 2007. "The Illusion of Sustainability." *Quarterly Journal of Economics*, August: 1007-1065.

Cohen, Jessica, Pascaline Dupas and Simone Schaner. 2015. "Price Subsidies, Diagnostic Tests, and Targeting of Malaria Treatment: Evidence from a Randomized Controlled Trial." *American Economic Review* 105 (2), February.

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