

An “Entrepreneurial” Approach to Teaching Economic Development: Motivations and Methods

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Abstract

This paper proposes an alternative approach to the standard approach to teaching economic development. The intended audience for this course is masters’ level business students, particularly MBA students. This approach discards the standard approach, as I understand it, which involves covering a set of essentially separate topics, such as economic history, growth theory, international trade, demographic issues, etc. as they apply to the less developed countries of Africa, Asia, and Latin America. In the approach I discuss here, the course focuses on alternative approaches to combating global poverty, and more importantly, on how business managers can take a leadership role in the fight against global poverty.

I. Introduction

This paper proposes a novel and practical model for teaching economic development to business students.¹ I will suggest that this new model reflects the mission and identity of business (and economic) education at a Catholic university: Rather than simply *teaching* students about the poorer countries and the problems which these countries and their citizens face, the pedagogical model that I propose below involves business students in developing specific solutions to poverty and other problems facing the poorer countries. I have already used this model twice to teach economic development to MBA students, and am in the process of developing a version of this course for undergraduate business students which I will offer during the Summer 2008 Quarter.

A key motivation for the approach to teaching economic development which I outline here is the fact that by virtue of their training, business students are uniquely prepared not simply to *understand* various aspects of global poverty, human deprivation, and underdevelopment, but, more importantly, to take a leadership role in specific efforts to fight global poverty and improve the well being of the world’s poor.

To this end, rather than treating development economics as an intellectual exercise, and simply *teaching* students about the poorer countries and the problems which these countries and their citizens face, the pedagogical model that I propose below involves business students in developing specific on the ground solutions to poverty and/or other problems facing the poorer countries and their citizens. I have already used this model twice to teach economic development to MBA students, and am in the process of developing a version of this course for undergraduate business students to be offered in the future.

Briefly, the approach suggested here differs from typical practice in teaching economic development in the following way: Rather than structuring a course in economic development

around the usual list of somewhat disconnected topics found in most textbooks (measurement/data issues; the definition and meaning of economic development; theories of economic development; poverty; population issues; education; human capital; natural resources; government policy; the international sector; etc.), I focus the most of the course on alternative private sector, business oriented approaches to reducing poverty or otherwise improving the lives of the world's poor. In addition, instead of the usual academic term paper, I require students to prepare a "business plan" which focuses on a specific approach to alleviating poverty in a particular place or on delivering specific, needed goods or services to the poor in a particular place.

Thus, the use of the word "entrepreneurial" in this paper's title refers both to the fact that the approach to teaching economic development which I propose below represents, in my opinion, a useful and important pedagogical innovation compared to the usual approach to teaching the topic (at least so far as I know), so that the pedagogical approach itself is entrepreneurial in a Schumpeterian sense, and also to the fact that this approach requires business students to think creatively and entrepreneurially about solutions to the problem of global poverty and about serious, on the ground efforts to provide needed goods, services, and amenities to the world's poorest people and to help them escape poverty. As it is now structured, the primary purpose of the course is to help students develop private sector, business oriented approaches to poverty alleviation.

The paper is organized as follows: Section II makes a case for offering a course or courses in economic development to business students in general, and to MBA level students in particular. Section III then discusses the specific *kind* of course in economic development which, as I see it, business schools should offer their students. Section IV concludes.

2. Teaching Development Economics to Business Students: Why?

To begin, it seems worth asking why business students should take a course or courses in economic development and perhaps also *which* business students should take such a course. In most business programs at both the graduate and undergraduate level, students already have to take a wide range of coursework in accounting, business ethics, business law, finance, macroeconomics and managerial economics, management, marketing, operations management, quantitative methods, etc. With all of this coursework plus business electives or courses in a particular concentration required for the degree, why should graduate business programs offer a course in economic development as well?

There are at least two primary reasons:

First, courses in economic development, with their strong emphasis on learning about and helping the world's poorest citizen and countries, should provide students who take them, including business students, with important insights into the problem of global poverty and more importantly, with an array of possible solutions to specific problems related to global poverty,

which students will almost certainly acquire nowhere else in their formal education. Moreover, such courses are uniquely aligned with my understanding of the mission of Catholic business education, and particularly with the Catholic Church's emphasis on the preferential option for the poor.

It may be possible to gear any (or perhaps almost any) business course to emphasize a host of ethical issues which have recently become prominent in business education, for example, the "triple bottom line"; fair and ethical treatment of all stakeholders, including employees, customers, and others; environmentally responsible behavior, etc. However, I can think of no course which so easily, obviously, and completely fits with the overall objective of preparing business students to work toward creating a more just and humane world as a course in economic development. Nor can I think of a more pressing or important topic for business students to study than how they might use their skills and education to contribute to global efforts to combat poverty and improve the lives of some of the billions of poor persons with whom they share the planet.

The second reason, which is intimately connected with the first, is that by virtue of their training, business students, especially MBA students, are uniquely qualified to conceive, organize, and lead concrete efforts specifically aimed at improving the human condition in the material-economic sense. If a course in economic development is to rise above the level of mere intellectual enrichment for students and aim instead to prepare students to make a real difference in the world, what students could possibly be in a better position to make such a difference than those with graduate level managerial training?

As I spell out below, the particular economic development course I have developed for graduate business students tries both to motivate and to prepare business students to use their skills and training for the benefit of others in need. It also provides students with preparation for this vocation which goes beyond what they receive either in traditional business courses or in traditional economics courses. Who is better prepared than an MBA student to take on leadership in the life and death tasks of delivering vital goods and services to the world's poor and helping them to pull themselves up out of poverty?

Both of these reasons clearly argue at a minimum for including *elective* courses in economic development in a Catholic business school curriculum. While I do not yet advocate such a requirement, and view a serious discussion of the matter as well beyond the limited scope of this paper, I do think that this possibility at least merits serious discussion. What could be more consistent with the mission of Catholic business than requiring students to learn how they can participate in improving the lives of billions of their fellow human beings?

One last issue that remains concerns which students should take the sort of course I have in mind here. As I discuss in more detail below, one component of course is a business plan which students are required to prepare as a major graded assignment. Since MBA and other graduate students almost always have more real world experience than undergraduate students in terms of

both employment and travel and exposure to the world, as a general rule, they are better prepared than undergrads to identify particular, solvable problems that keep people poor or reduce quality of life and then propose solutions for these problems. As a result, I have so far only offered this course at the graduate level, although I am working on a somewhat different version of the course which might work at the undergraduate level.

III. Teaching Development Economics to Business Students: What and How?

The course I propose here grew rather suddenly out of some thirteen years of teaching development economics at both the undergraduate and masters' levels. For most of this time, I taught economic development in a very "conventional" manner, using different editions of fairly conventional textbooks in economic development by authors such as Basu (1997), Cypher and Dietz (1997), Ghatak (1995), Hogendorn (1996), Kasliwal (1995), Nafziger (2005), Perkins, Radelet, Lindauer (2006) (and its earlier incarnations), and Todaro and Smith (2006).²

As a general rule, the separate topics covered in the course were quite standard, and typically included some subset of the "usual suspects": data and measurement issues; conceptual issues; normative motivations for the material covered (Seattle University is a Jesuit school; a brief historical overview of the LDC's and the development experiences of the rich countries; theories of growth and development; poverty; population/demographic issues; labor markets, education, and human resources; physical capital; natural resources and the environment; trade and trade policy; monetary and fiscal policy; the global Debt "Crisis" and other, more recent financial crises involving the LDC's; etc.

Structuring the course around this set of widely used topics seemed to have several obvious advantages:

Decades of teaching by hundreds of dedicated development economists, as well as research and policy analysis in the sub-discipline of development economics clearly suggested that these were somehow the "right" topics to cover.

As the long list of books above suggests, it is relatively easy to find good textbooks in development economics which cover most or all of these key topics from various angles.

Students seemed to find these topics both interesting and important. The course almost always usually filled up, and no student ever complained that there were relevant or important topics which we should have covered in the course but did not.

There was more course material here than I could possibly cover in a single ten week quarter, and unlike other economics courses, the topics covered did not build on each other sequentially. As I discuss further below, these features of the course, especially the somewhat disconnected nature of the course material, do have their drawbacks. However I quickly learned to use them to my (and I hope my students') advantage: Because of the abundance of material, and the lack

of sequential progression for topic to topic, I find that I could let the students in the class choose most of the topics to be covered in a given quarter by majority vote. This further heightened student interest in the course material: they, not I, “owned” the topics covered in the course.

In addition, I also adopted a more or less standard pedagogical approach: I used class lecture/discussion sessions built on the required readings from the text and additional readings, in-class written essay/discussion exams, a conventional academic term paper, etc.

And, with one important exception, the results seemed quite satisfactory:

- Class sections for my development courses regularly filled up completely, even after my department started offering the course more frequently due to growing student interest in the subject.
- Course evaluations in my development courses were almost always higher than for my other courses, and students almost always reported very strong satisfaction with the material covered in the course, the teaching style, the approach to grading, etc.
- As a general rule (there were occasional exceptions) I found it much easier to get students to participate in class discussions than in my other courses.

The one exception to this list of advantages involved the somewhat disconnected nature of the course: Perhaps more than any other course that one might find in the typical economics department curriculum, the “standard” version of the economic development course suffers from an almost startling lack of unity. Rather than one or two broad overarching themes which can serve to unite the course material, the standard version of the economic development course involves brief discussions of issues taken from many different sub-fields of economics (the “usual suspects” partially enumerated above), and these issues are connected to each other solely by the fact that they are studied in a course on the poorer countries. As I suggested above, this feature of the course can conceivably have its advantages. However, it almost necessarily leaves students with a fragmented, piecemeal understanding of development economics, and it is difficult to argue for the advantages of a fragmented understanding of any subject.

At least on the surface, and aside from the one pedagogical problem, the success I had enjoyed in the course seemed to argue for leaving things more or less alone, and making only minor, incremental changes to improve the course in response to feedback on course evaluations.

However, after a decade or so of teaching the course more or less “by the book”, I began to think that I could and should do better. I came to believe that a course in development economics, especially a course offered primarily to business students ought to be about something more. Specifically, for my graduate level development economics course, which I had always taught primarily to MBA students, I tossed out most of what I had done so successfully in the past and rethought the course from the bottom up. In place of the traditional list of topics above, I shifted

toward an emphasis on what really matters: understanding the sources of global poverty and competing approaches to global poverty reduction. In terms of the tools and methods taught in the course, I moved toward trying to provide students with those tools which would help them to use their business education in the war on global poverty.

As I now teach it, the course has three primary objectives:

First, it exposes students to a spectrum of different approaches to the problem of global poverty. At the moment, the “extreme” ends of the spectrum are represented by Jeffrey Sachs (2005) and William Easterly (2006), or by “Planners” and “Searchers”, as Easterly puts it.³ The two main focuses of the course are to encourage students to become Searchers themselves and to provide them with some of tools that Searchers need. One of several ways I maintain intellectual rigor in the course is by discussing how the books by Sachs and Easterly build on two long, separate traditions of 20th Century and pre 20th Century thought in economics, politics, and philosophy, including especially different views of the appropriate role of the state in the economy and the development process.

For example, the approach championed by Sachs as the intellectual foundation for the UN Millennium Development Goals ultimately builds on a long line of “Big Push”, top down, central planner thinking which focuses of government solutions to social problems and which harkens back both to Keynes and to P.N. Rosenstein-Rodan (1943). Early and mid 20th Century proponents of this approach were responding in many cases to the general distrust of markets caused by the Great Depression and to the apparent success of Soviet central planning in the 1930’s and the success of the US planned economy during World War II. Similarly, the most important modern incarnation of the statist approach to economic development, Sachs and the Millennium Development Goals, seems to assume that, even in the “right” institutional setting, market forces cannot or will not make an important contribution toward reducing global poverty in the near future.

At the other end of the ideological spectrum, much of Easterly’s analytical approach to development and the historical failure of state planning bears a strong resemblance both to ideas on the *complexity* of real world economies and the resulting difficulty of central planning enunciated by F.A. Hayek in 1945 and also to Joseph Schumpeter’s vision of how the process of economic development works. In particular, Easterly’s discussion of Searching behavior bears a strong resemblance to Schumpeter’s discussion of what entrepreneurship is and how it matters for the development process.

Second, rather than asking students to reinvent the wheel on the subject of global poverty reduction, this course exposes students to successful efforts to fight poverty and help the world’s poor. The primary resources here include Smith (2005), Prahalad (2006), and Rangan, Quelch, Herrero, and Barton (2007). Smith’s analysis of why people are poor (poverty traps) and his numerous descriptions of proven methods for helping the poor improve their lives provide students with an invaluable background for thinking about practical ways that they can use their

business skills and education to fight global poverty. Also, unlike Smith's book, which appears to be aimed at a general audience, the books by Prahalad and Rangan et al are aimed specifically at business students and management professionals. Both books aim to provide very practical, problem/solution oriented approaches to both poverty alleviation and efforts to benefit the world's poor by increasing the delivery of key products and services to them. They also deal extensively with some of the numerous challenges that managers will face in providing goods, services, and jobs to the poor in developing countries.

Finally, as a major graded assignment, the course requires students to write a complete, well researched and thought out "business plan" or "feasibility study". The point of this business plan is to suggest and discuss in detail a concrete project which has the specific aim of reducing poverty or otherwise improving conditions in a specific less developed country or region of a less developed country. Successful papers accomplish at least the following: 1. they either identify and discuss either a *specific* and *solvable* root cause of poverty in a particular country or region or they identify a particular, solvable problem other than poverty in a country or region; and 2. they suggest a specific, concrete, and workable plan of action for reducing or eliminating that poverty or solving the problem identified.

In addition to preparing business managers to take a leadership role in private sector efforts to end global poverty and help the world's poor improve their circumstances, this approach to structuring a course in economic development also offers a valuable *pedagogical* advantage relative to the standard approach to teaching the course: It introduces a heretofore missing overall unity into the subject matter. Rather than teaching economic development as a disconnected set of sub-topics which find unity only in their common connection to the poorer countries, every topic covered in this version of the course must ultimately relate to the nature or causes of poverty and deprivation in the poorer countries or to specific practical approaches to fighting poverty and deprivation. While this may not be the only way to impose some structure and order on the separate topics one encounters in a course on economic development, it is probably the one way most consistent with the mission of Catholic business education.

Both of the times I have taught this version of the economic development course at the MBA level, I have been very pleasantly surprised by both the wide variety of the "business plans" my students have written and by the generally high quality of those plans. For the most part, students tend to focus on very specific, relatively low cost, and relatively "low tech" approaches to helping the poor gain access to basic necessities and amenities such as potable water, sanitation facilities (including several memorable papers on non-water toilet systems and odor-free processes for composting and reusing human waste), indoor illumination, basic health services, education, telecommunications, etc.

IV. Conclusion

A key motivation for the approach to teaching economic development which I have suggested above is that by virtue of their training, business students in general, and MBA's in particular,

are uniquely qualified to take concrete actions aimed at improving the human condition in the material and economic sense. As I now teach the subject, a course in economic development can contribute significantly toward motivating students to use their training for the benefit of others, and, just as importantly, can provide them with some of the tools they need to make concrete contributions to the war on global poverty.

The connection of the approach to teaching economic development which I have sketched out above to widely held normative and moral values and especially to the Catholic church's goal of solidarity with the poor should be obvious. Thus, if Catholic business schools are serious about the preferential option for the poor, then at the very least, they should give their undergraduate and graduate business students the *option* to learn about best practices in the war on poverty and thus to learn how they can use their skills and training to benefit the world's poorest citizens. This much at least seems obvious.

However, I would go further and suggest the possibility that true solidarity with the world's poor implies that it is not enough that Catholic business schools simply offer economic development as an elective course. If Catholic business schools *really* want to have an impact on global poverty and human suffering, then they should go beyond offering such courses as electives and require that all of their graduates acquire the background required for them to participate actively in improving the human condition in the world's poorest countries. That is, I want to suggest we consider seriously the possibility that a course in economic should be *required* for every student in Catholic business schools. Let us excite the next generation of business leaders with the possibility that they can go beyond simply managing a business or part of business and use their skills and education where they can really make a difference in the lives of the world's poorest people.

As an economist, I recognize that such a proposal has both costs and benefits, and clearly any conversation on whether Catholic business schools should seriously consider adding one more required course to their curricula goes well beyond the scope of this paper. However, I would suggest that this is a discussion that Catholic business schools must consider if they want to take a leadership role in the war on global poverty.

NOTES

1. A slightly different version of this paper was presented at the July 2008 Western Economic Association International Meetings in Honolulu. I am grateful to session participants at that conference and at the June, 2008 Conference on Business Education at Catholic Universities at Notre Dame University for their helpful remarks on earlier versions of this paper. Of course, I bear sole responsibility for any errors that may remain.

2. Other important texts and collections books of readings include Ray (1998) and Meier and Rauch (2005).

3. I am very well aware that Easterly and Sachs do not represent the most extreme positions on economic development which one might encounter. There are certainly approaches to the world order which are more radical than Sachs' argument for the Millennium Development Goals, as well as arguments against "more of the same" (i.e., additional aid for the LDC's) which are more ideological and genuinely "conservative" than Easterly's. However, one has to set one's boundaries somewhere, and I set the "extremes" covered in my course based on two considerations: First, many people are familiar with Sachs' book or at least with Sachs himself, and almost as many have at least heard of Easterly or his books. Thus, covering these authors and their books in class brings students into contact with two highly influential "popular" authors with very different viewpoints. Second, it seems highly unlikely that viewpoints more extreme than Sachs' or Easterly's will have a significant impact on current development thought, either within the business community where most of our students will spend their professional lives, or in the policy arena. Presenting more extreme views which seem destined to have a limited impact on thinking and practice seems like a poor use of class time.

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