

# Lecture I: Introduction to Development Economics

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Development Economics  
Universidad del Rosario  
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# 1. Introduction to Development Economics

- Average American or European citizens are incredibly rich by world standards
- Consider one rich (Norway) and one poor (Haiti) country:
  - Norway:
    - Life expectancy at birth: 82 years
    - GDP per-capita: 64,992
    - Years of schooling: 17.5
    - Income inequality (Gini Index): 0.27
  - Haiti:
    - Life expectancy at birth: 63 years
    - GDP per-capita: 1,648
    - Years of schooling: 8.7
    - Income inequality (Gini Index): 0.59
- Whereas development is more complex than these dimensions, disparities between poor and rich countries are evident

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- Prevalence of poverty in a world where some people enjoy great prosperity raises big questions:
  - Why are some people and countries so much poorer than others?
  - How did some countries become prosperous?
  - What can governments and other organizations do to reduce poverty and improve living standards?
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## 2. Global Poverty and Prosperity

- Global differences in income are vast, and the citizens in poor countries outnumber the citizens of rich countries
- Many of the world's poorest countries are in Africa [▶ here](#)
- Averages are useful, but are not enough to fully describing prosperity and deprivation:
  - Income is unequally distributed [▶ here](#)
  - Other dimensions than income are relevant [▶ here](#)
- Underdevelopment is multidimensional
- Living standards in poor countries using household surveys: Ethiopia [▶ here](#)
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### 3. Defining the Development Objective

- Many governments, international and civil society organizations have committed time and resources to reducing poverty and promoting development.
- But what do we mean by development objective?

#### Development objective

*“The objective in development is sustained improvement in the well-being of a country’s many people, with especial emphasis on improvements for the poor.”*

- This captures 3 sentiments shared by many development actors:
  - The ultimate aim is to make people’s lives better
  - The hope is for improvements that are broadly shared, especially by the poor
  - Development involves sustained improvement over many years

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- This definition also allows for diversity in development actors' goals:
  - Development actors differ in how they define and measure well-being
  - Development actors differ in how they weigh the experiences of diverse people against each other when evaluating development success
  - Development actors differ in the relative weights they place on immediate and long-term improvements

## 4. Understanding the Development Process

- The development process is the web of economic and social change through which widespread and sustained improvement comes about
- Accumulation of assets is central to the development process

### Assets

*“Any physical, mental, or social resources or attributes that expand in a long-lasting way an economy’s capacity to provide the goods, services, security, and opportunities from which people derive their well-being.”*

- The quantity, quality, and types of assets that an economy creates and the way their value is distributed across groups are determined by the country’s socioeconomic system

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- Interactions within socioeconomic systems are governed by institutions

## Institutions

*“The set of formal rules and informal norms, together with related enforcement mechanisms, that constrain people’s choices in specific arenas.”*

## 5. Analyzing Development Policy

- Governments, NGO, and other development actors implement a wide variety of policies, projects, and programs
- Type of policies:
  - Asset creation policies
  - Safety net policies
  - Policies of intervention
- The history of the last five decades teaches that development success is possible
- However, history also teaches that development success is not guaranteed
- Economic analysis applied to development issues is a fundamental tool

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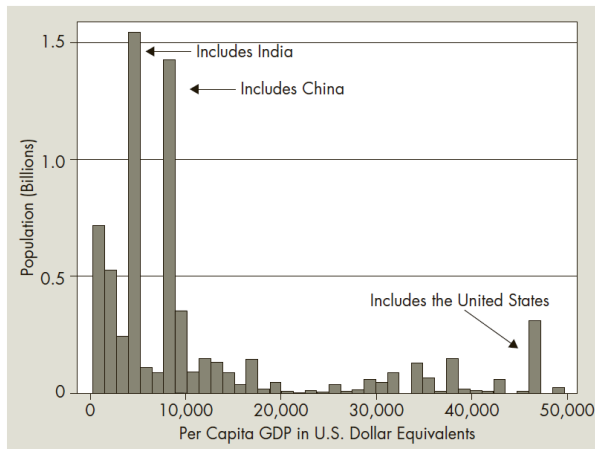
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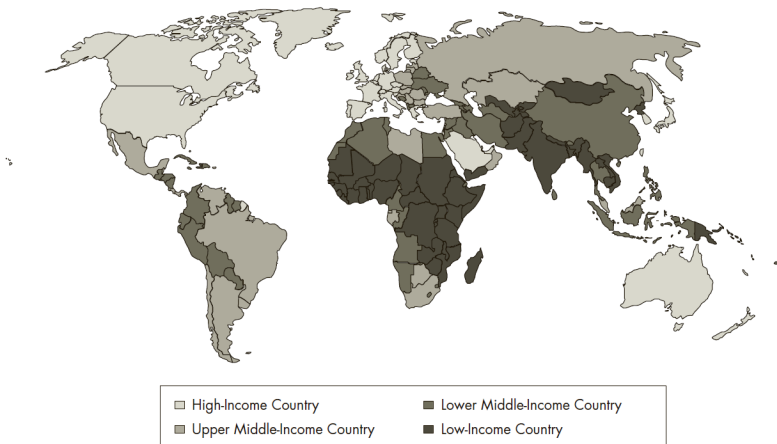
# Where the poor are

**FIGURE 1.1**  
Distribution of the  
World's Population  
across Countries at  
Different Levels of Gross  
Domestic Product (GDP)  
Per Capita in 2010

Source: Heston et al. (2012).



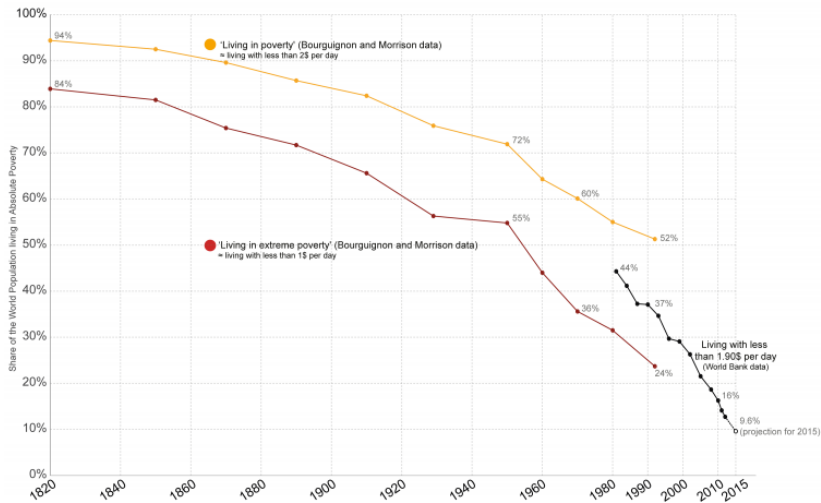
# Most of the poor are in Africa



**FIGURE 1.2**  
**Geographic Distribution of Countries by Average Income Level**

Source: World Bank (2012).

# Those living in poverty are a lower % of the world

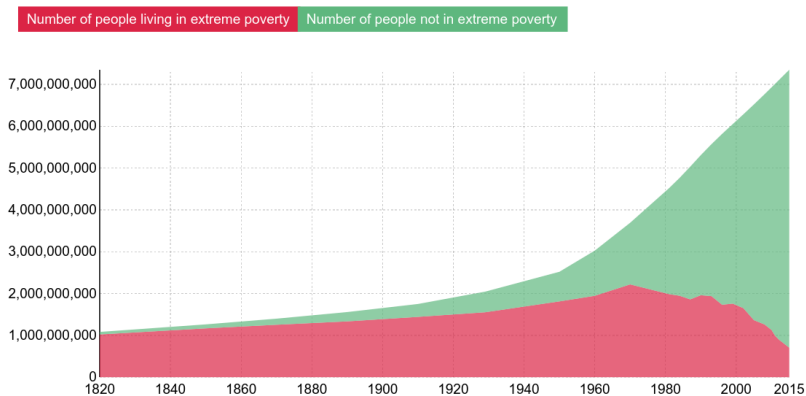


Data sources: 1820-1992 Bourguignon and Morrison (2002) - Inequality among World Citizens, In The American Economic Review; 1981-2015 World Bank (PovcalNet)

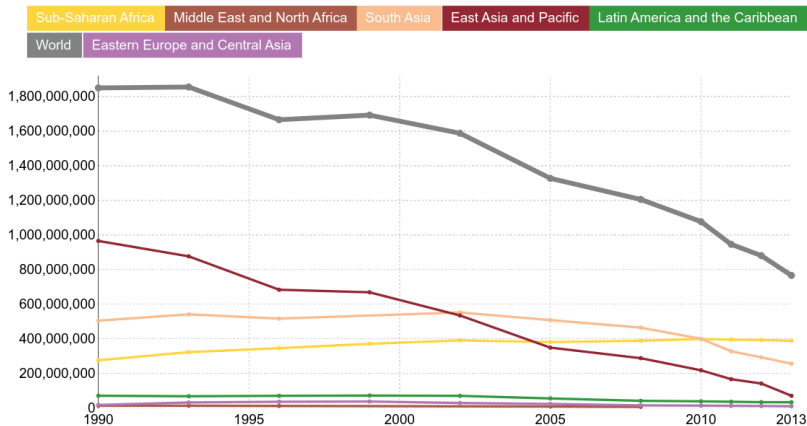
The interactive data visualisation is available at [OurWorldinData.org](http://OurWorldinData.org). There you find the raw data and more visualisations on this topic.

Licensed under CC-BY-SA by the author Max Roser.

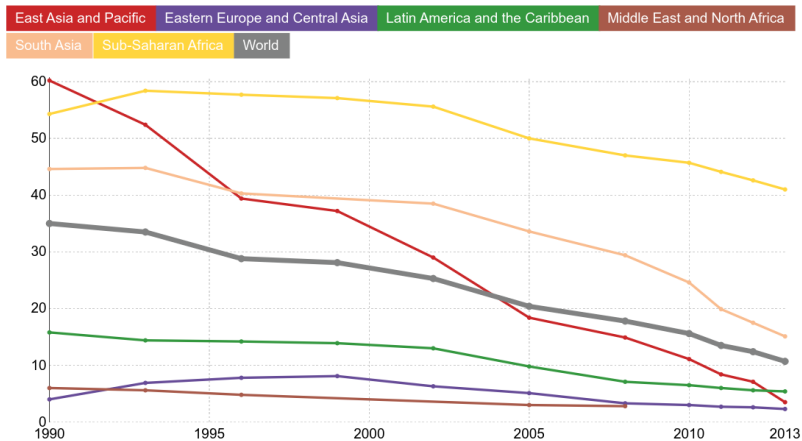
# But also in absolute terms



# Population living in extreme poverty, 1990-2013

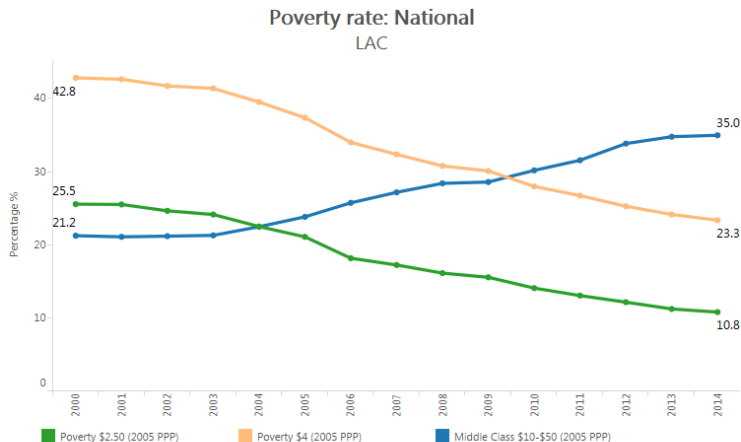


# Share of population living in extreme poverty, 1990-2013





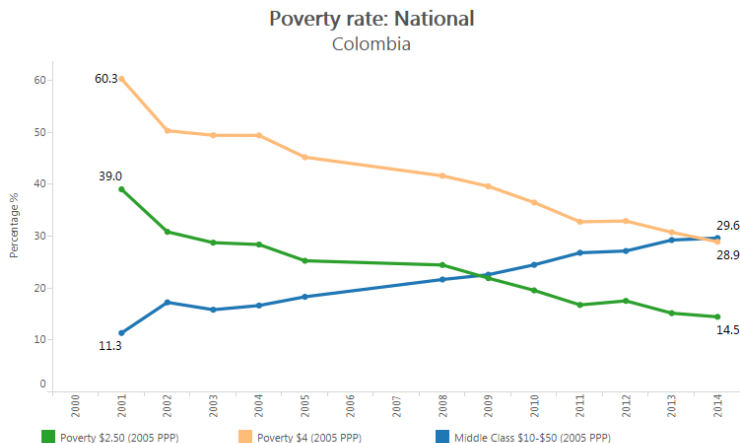
# Poverty in Latin America, 2000-2014



**Source:** LAC Equity Lab tabulations of SEDLAC (CEDLAS and the World Bank).

**Note:** Since the numbers presented here are based on SEDLAC, a regional data harmonization effort that increases cross-country comparability, they may differ from official statistics reported by governments and national statistical offices. In cases where data are unavailable for a given country in a given year, values have been interpolated using WDI data to calculate regional measures. The number of poor is based on total population from WDI. The LAC aggregate is based on 17 countries in the region for which microdata are available at national level. Urban and rural poverty rates are not available for the LAC aggregate or subregions. *Updated April 2016*

# Poverty in Colombia, 2000-2014



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# Income poverty around the world

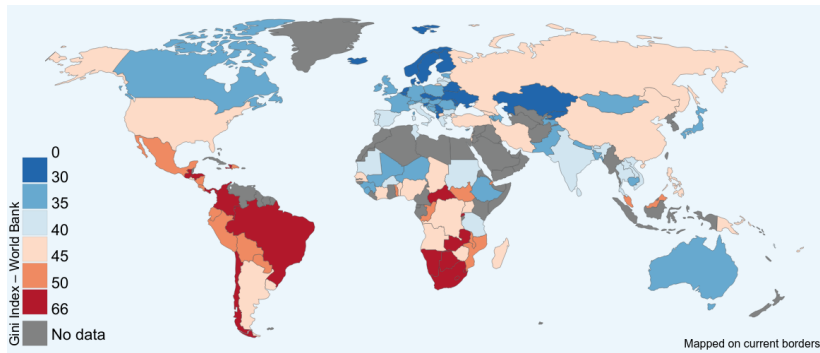
■ TABLE 1.1 Income Poverty Statistics for Low- and Middle-Income Countries by Region of the World, 2008

Region	Total Population of Region in 2008 (Millions)	Population Living on Less than \$1.25 per Day		Population Living on Less than \$2 per Day	
		Millions	Percent	Millions	Percent
Low- and middle-income countries	6,737.1	1,289	22.4	2,471	43.0
Eastern Europe and Central Asia	883.6	2	0.5	10	2.2
Middle East and North Africa	367.7	9	2.7	44	13.9
Latin America and the Caribbean	575.7	37	6.5	71	12.4
China	1,324.6	173	13.1	395	29.8
East Asia and the Pacific	2,173.0	284	14.3	659	33.2
South Asia	1,586.4	571	36.0	1,125	70.9
Sub-Saharan Africa	812.8	386	47.5	562	69.2

Source: World Bank (2012).

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# Income inequality (Gini Index), 2012



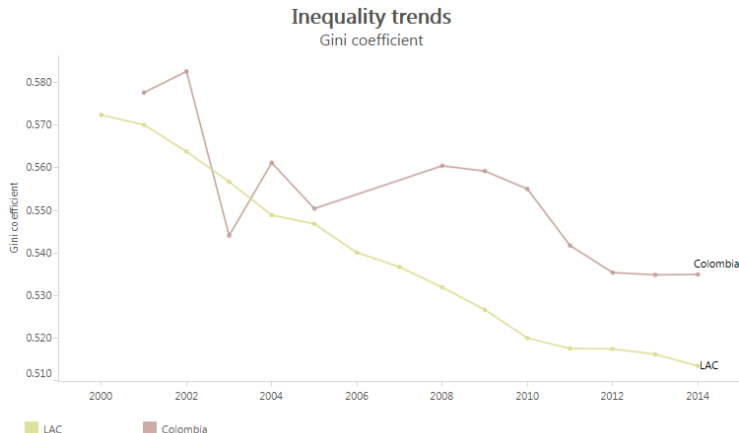
# Inequality trends in LAC



**Source:** LAC Equity Lab tabulations of SEDLAC (CEDLAS and the World Bank) and World Development Indicators (WDI).

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# Inequality trends in Colombia



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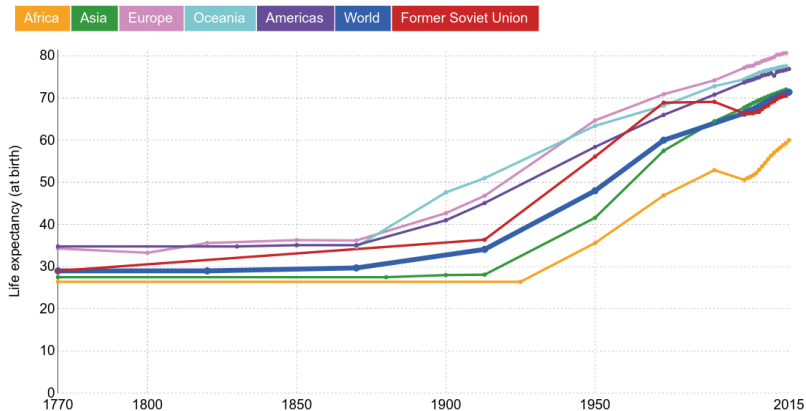
# Living standards around the world

■ **TABLE 1.2** Living Standards Indicators by Region of the World

Region	Life Expectancy at Birth, 2010 (Years)	Infant Mortality Rate, 2010 (Deaths per 1,000 Live Births)	Prevalence of Undernourishment, 2006–2008 (Percentage of Population)	Secondary School Gross Enrollment Rate, 2010 (Percent)	Access to Improved Water Source, 2010 (Percentage of Population)	Access to Improved Sanitation, 2010 (Percentage of Population)
High-income countries	80	5	<5	100	100	100
Low- and Middle-income Countries	68	45	14	64	86	56
Eastern Europe and Central Asia	71	19	6	89	96	84
Middle East and North Africa	72	27	7	72	89	88
East Asia and the Pacific	72	20	11	76	90	66
Latin America and the Caribbean	74	18	9	90	94	79
South Asia	65	52	20	55	90	38
Sub-Saharan Africa	54	76	22	36	61	31

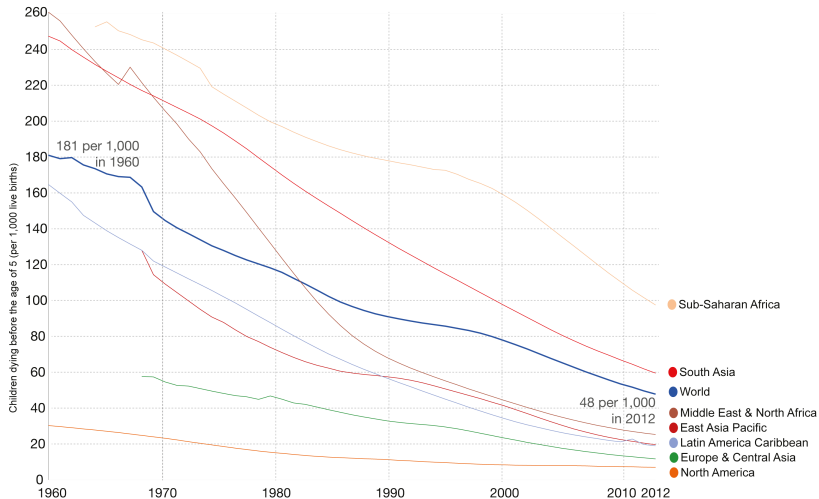
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# Life expectancy in the world, 1770-2015

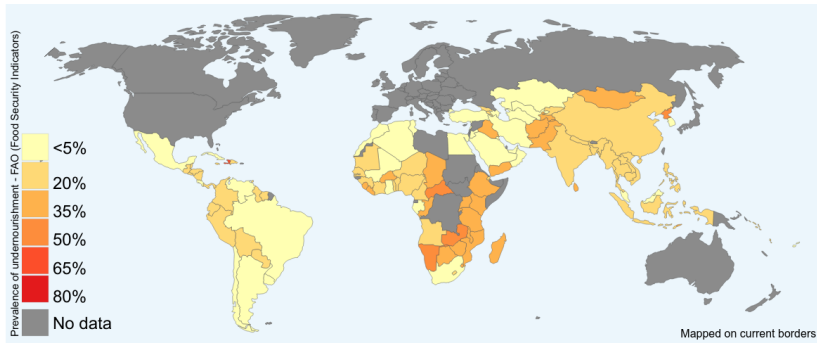




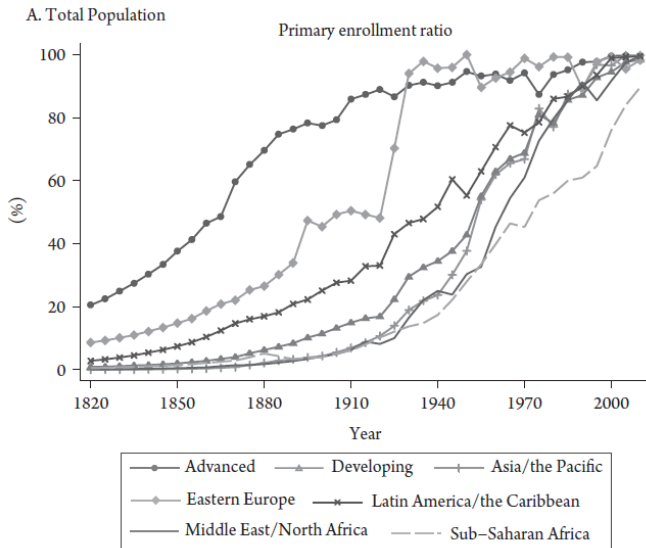
# Child mortality in the world, 1960-2012



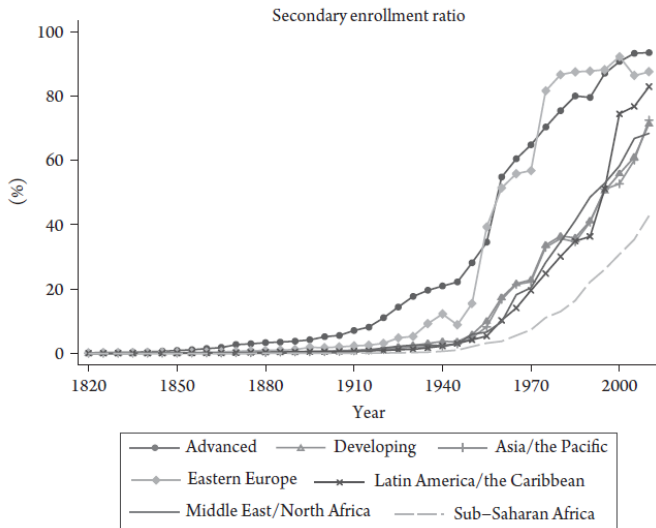
# Prevalence of undernourishment, 2015



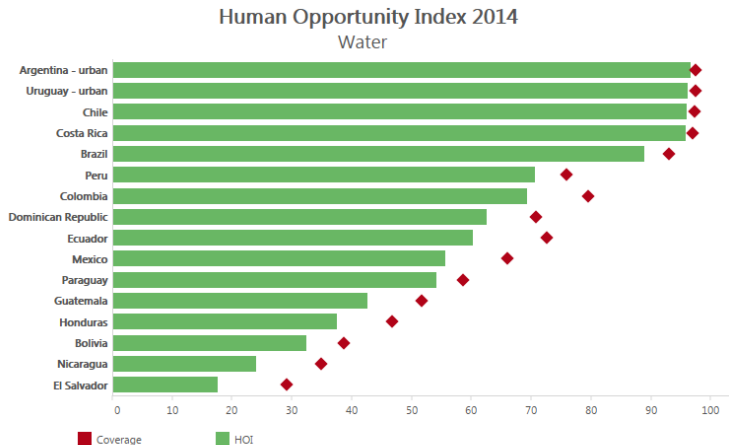
# Trends of primary enrollment ratios, 1820-2010



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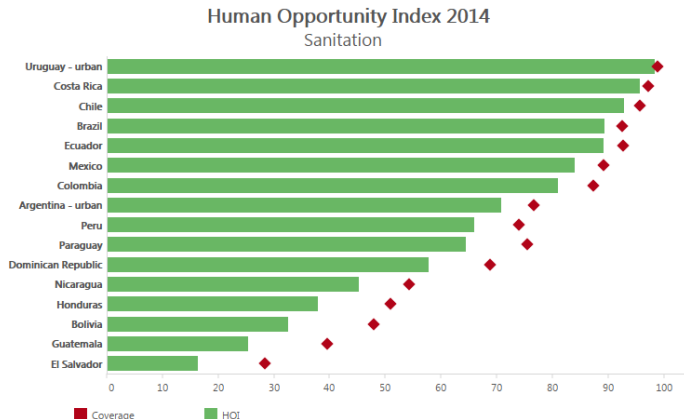
# Access to water, 2014



Source: LAC Equity Lab tabulations of SEDLAC (CEDLAS and the World Bank)

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## Access to sanitation, 2014



Source: LAC Equity Lab tabulations of SEDLAC (CEDLAS and the World Bank)

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# Living standards in Ethiopia

■ TABLE 1.3 Ethiopian Living Standard Statistics

	Rural	Urban
Number of households (millions)	11.3	2.1
Number of people (millions)	55.6	9.1
Share of total population (%)	86	14
<b>Median number of:</b>		
People in household	7	6
Rooms in dwelling	1	2
<b>Percentage of households:</b>		
With female head of household	18	34
With illiterate head of household	68	35
With grass roof	66	6
With corrugated iron roof	25	91
With electric lighting	1	74
Using collected firewood for fuel	81	19
Using field or forest for toilet	77	19
Using unprotected water source	77	9
Experiencing food shortage in last 12 months	35	16
<b>Percentage of children 7 to 14 years old:</b>		
Registered to attend school	39	84
<b>Percent of households more than 5 kilometers from the nearest:</b>		
Primary school	30	1
Secondary school	92	14
Health center	69	6
All-weather road	63	2

Source: Ethiopia's Welfare Monitoring Surveys of 2000 and 2004. All statistics refer to 2004 except those relating to shares of households living more than 5 km from nearest schools, health center, and all-weather road, which refer to 2000. The samples are representative only of the nonnomadic population.

# Voices of the Poor in Colombia (Arboleda et al 2004)

## A woman from Barrancabermeja

*"Well-being is having a job. Work is the basis for supporting the family."*

## Cauca community leader

*"Well-being is having a house and a plot of land to cultivate so our children don't wind up on the street."*

## Cauca leader

*"In the midst of so much wealth, we also have the highest poverty rates. Today there is more hunger, more pain, all caused by a political system that does not reflect territorial realities."*

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