

# 1.1 – The Big Questions

ECON 317 • Economic Development • Fall 2021

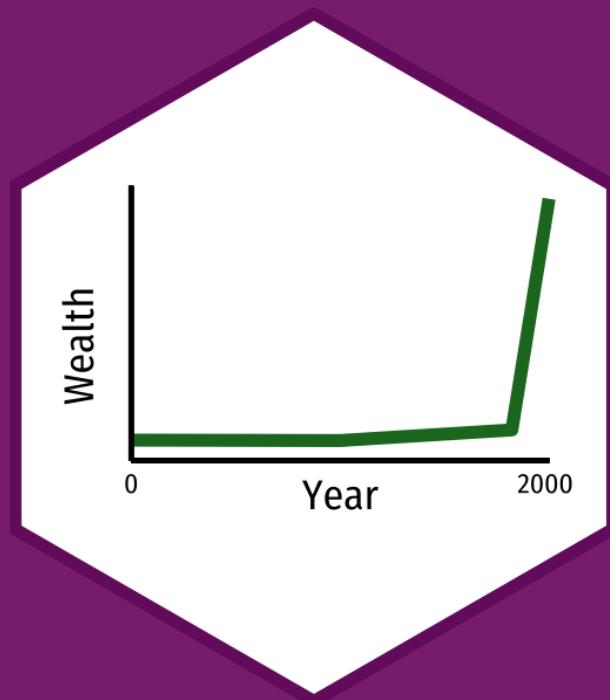
Ryan Safner

Assistant Professor of Economics

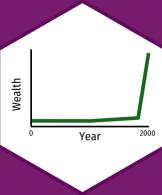
 [safner@hood.edu](mailto:safner@hood.edu)

 [ryansafner/devF21](https://github.com/ryansafner/devF21)

 [devF21.classes.ryansafner.com](https://devF21.classes.ryansafner.com)



# Outline



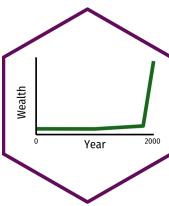
Game Theory

Defining a Game

Types of Games

About This Course

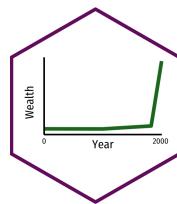
# About Me



- Ph.D (Economics) – George Mason University, 2015
- B.A. (Economics) – University of Connecticut, 2011
- Specializations:
  - Law and Economics
  - Austrian Economics
- Research interests
  - modeling innovation & economic growth
  - political economy & economic history of intellectual property

Edinburgh, 2019

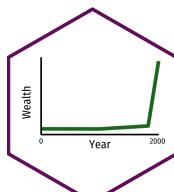
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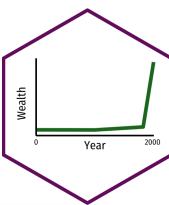
My face without a mask, 2021

# The Reason I am Busy AF Behind the Scenes



And why I wear a mask.

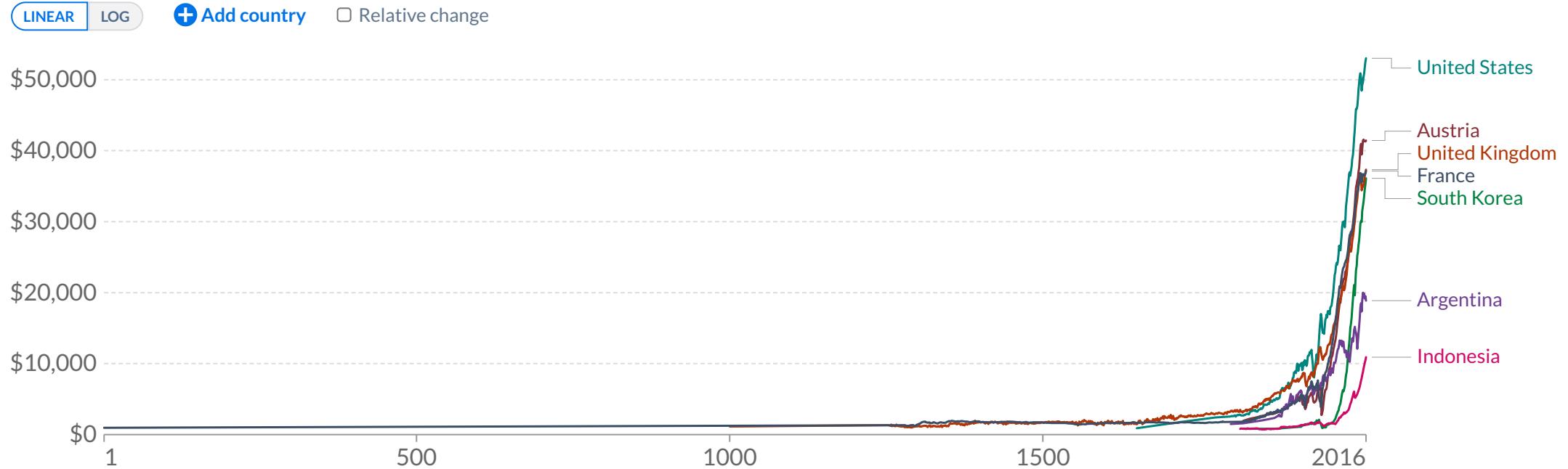
# The "Great Fact" I



## GDP per capita, 1 to 2016

Our World  
in Data

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

CC BY

► 1 2018

CHART

MAP

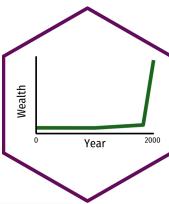
TABLE

SOURCES

DOWNLOAD



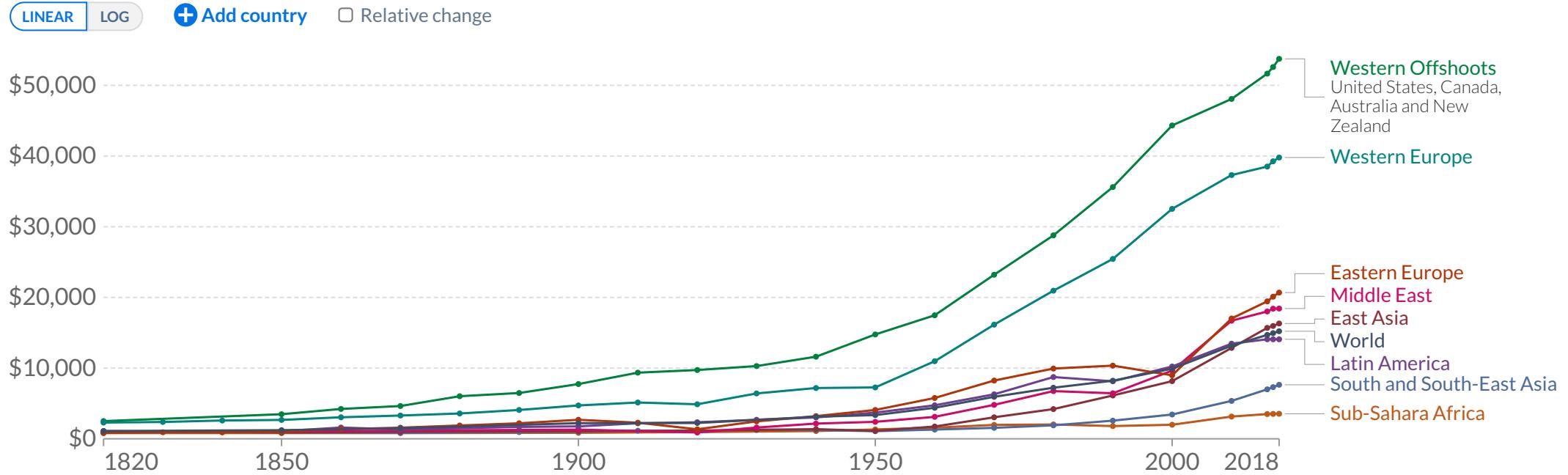
# The "Great Fact" II



Our World  
in Data

## GDP per capita, 1820 to 2018

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



Source: Maddison Project Database 2020 (Bolt and van Zanden (2020))

CC BY



CHART

MAP

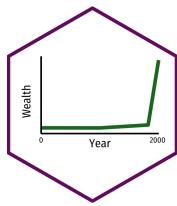
TABLE

SOURCES

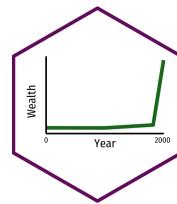
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# Self-Sufficiency...and Poverty



# Where We ALL Began

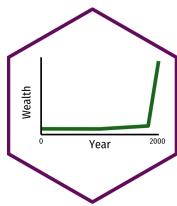


Dierdre N. McCloskey

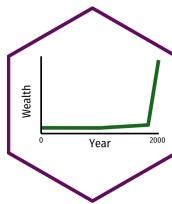
1942-

Two centuries ago the world's economy stood at the present level of Chad or Bangladesh. In those good old days of 1800...the average human consumed in modern-day prices...roughly \$3 a day, give or take a dollar or two...The only people much better off than the \$3 average were lords or bishops or some few of the merchants. It had been this way for all of history, and for that matter all of pre-history. With her \$3, the typical denizen of the earth could eat a few pounds of potatoes, a little milk, very occasionally a scrap of meat. A wool shawl. A year or two of elementary education, if exceptionally lucky. At birth she had a 50-50 chance of dying before she was 30 years old. Perhaps she was a cheerful sort, and was "happy" with illiteracy, disease, superstition, periodic starvation, and lack of prospects. After all, she had her family and faith and community, which interfered with every choice she made. But anyway she was desperately poor, and narrowly limited in human scope. (pp. 11-12)

# Complete Interdependence...and Prosperity



# We've Come SO Far

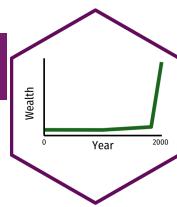


Dierdre N. McCloskey

1942-

[Today] the world supports more than six-and-a-half times more people...the average person today earns and consumes almost ten times more goods and services than in 1800. Real income per person in the world has recently been doubling every generation, and is accelerating. Starvation worldwide therefore is at an all-time low, and falling. Literacy and life expectancy are at all-time highs, and rising. Liberty is spreading. Slavery is retreating, as is a patriarchy enslaving of women. In the richer countries, such as Norway, the average person earns fully 45 times more than in 1800, a startling \$137 a day. The environment - a concern of a well-to-do bourgeoisie - is in such rich places improving. (pp. 11-12)

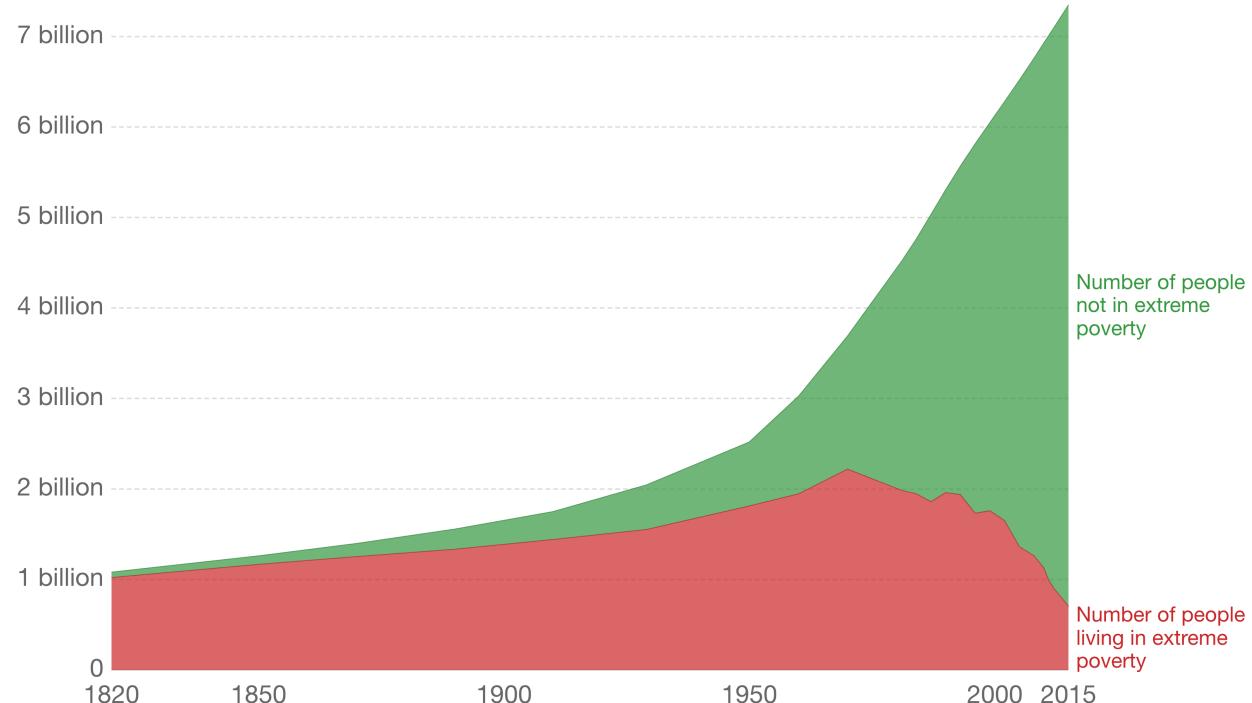
# The Greatest Reduction of Poverty in Human History I



## World population living in extreme poverty, 1820-2015

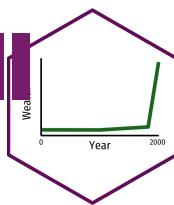
Extreme poverty is defined as living at a consumption (or income) level below 1.90 "international \$" per day. International \$ are adjusted for price differences between countries and for price changes over time (inflation).

OurWorld  
in Data



Source: World Poverty in absolute numbers - OWID based on World Bank (2016) and Bourguignon and Morrisson (2002)  
OurWorldInData.org/extreme-poverty/ • CC BY-SA

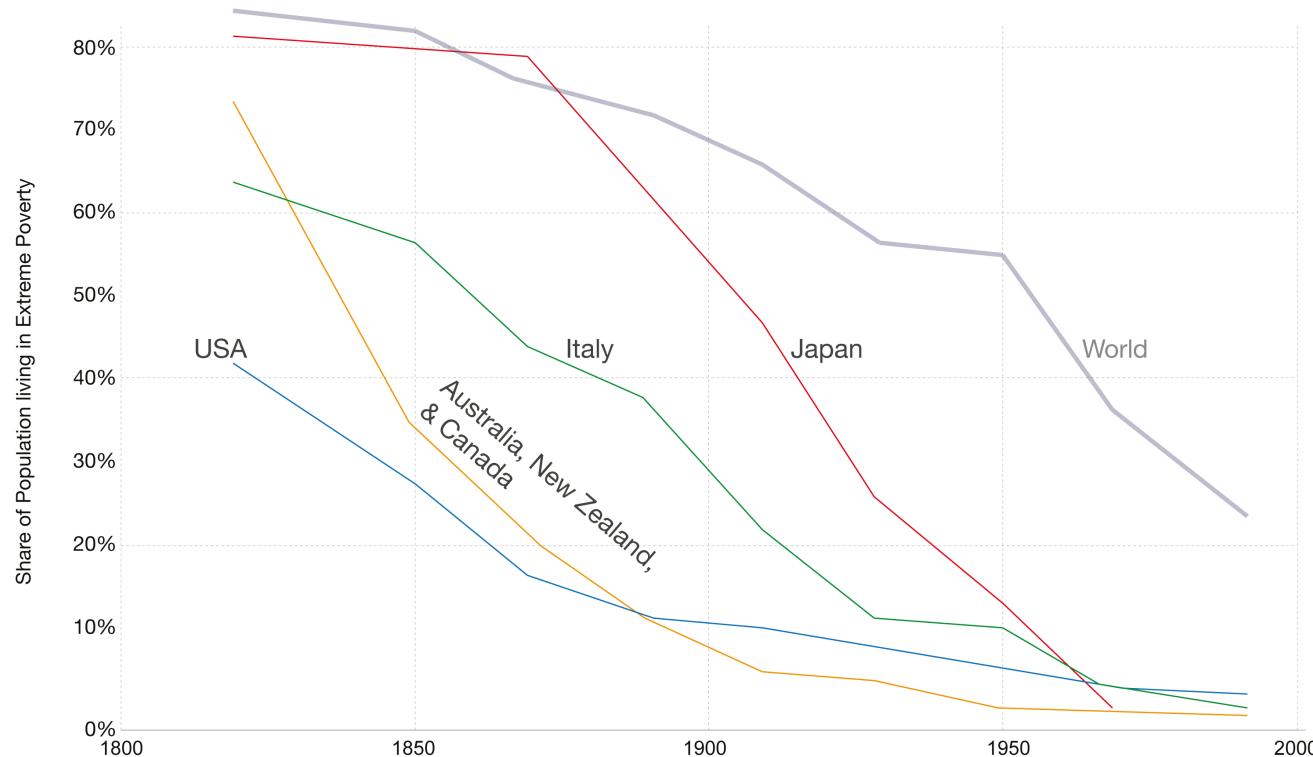
# The Greatest Reduction of Poverty in Human History



The reduction of extreme poverty in countries that are rich today, 1820–2000

The absolute poverty is defined as living with less than \$1.25/day. This is measured by adjusting for price changes over time and for price differences between countries (purchasing power parity (PPP) adjustment).

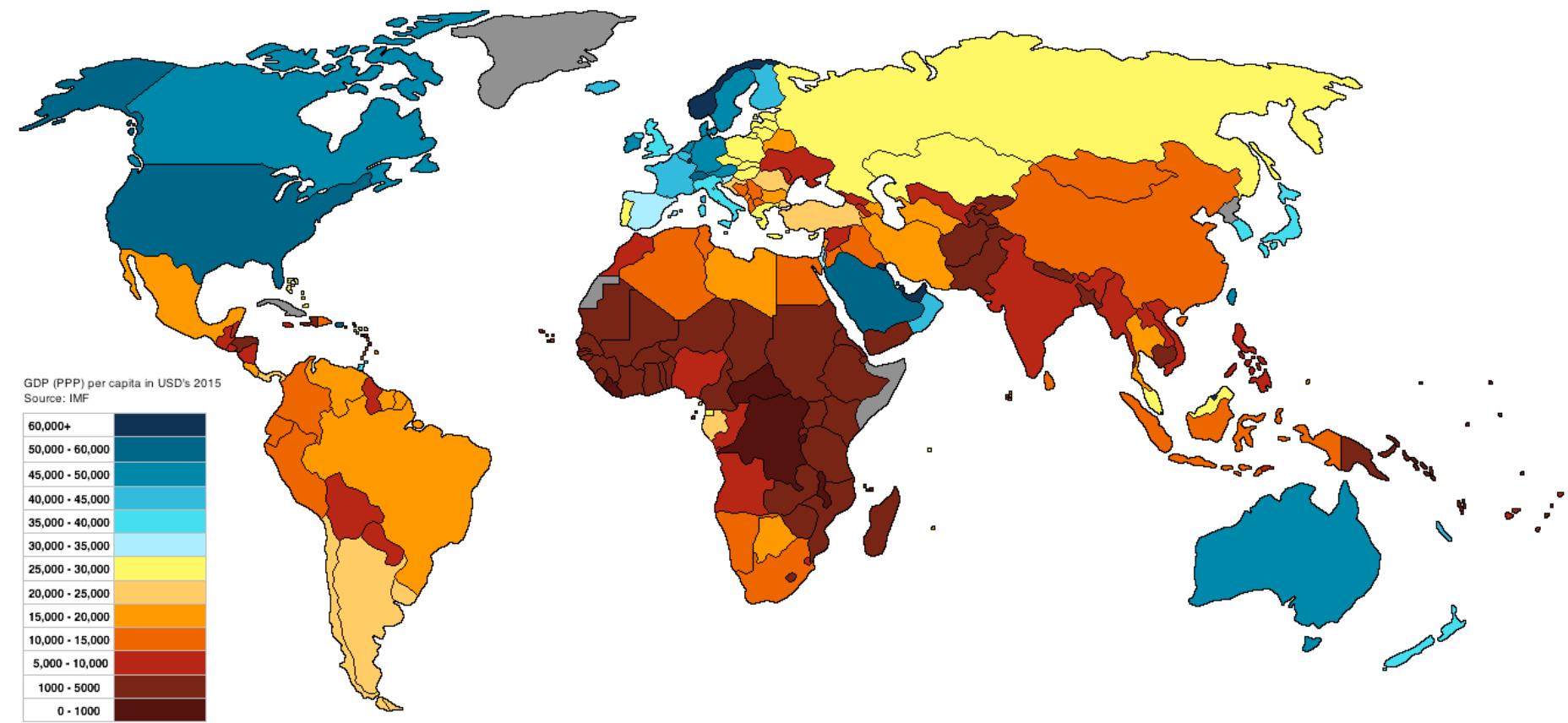
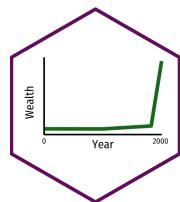
Our World  
in Data



Data source: Based on data from Ravallion (2014) – “Poverty in the Rich World When It Was Not Nearly So Rich” – via World Bank.  
The interactive data visualization is available at [OurWorldInData.org](http://OurWorldInData.org). There you find the raw data and more visualizations on this topic.

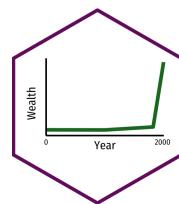
Licensed under CC-BY-SA by the author Max Roser.

# The Big Question I

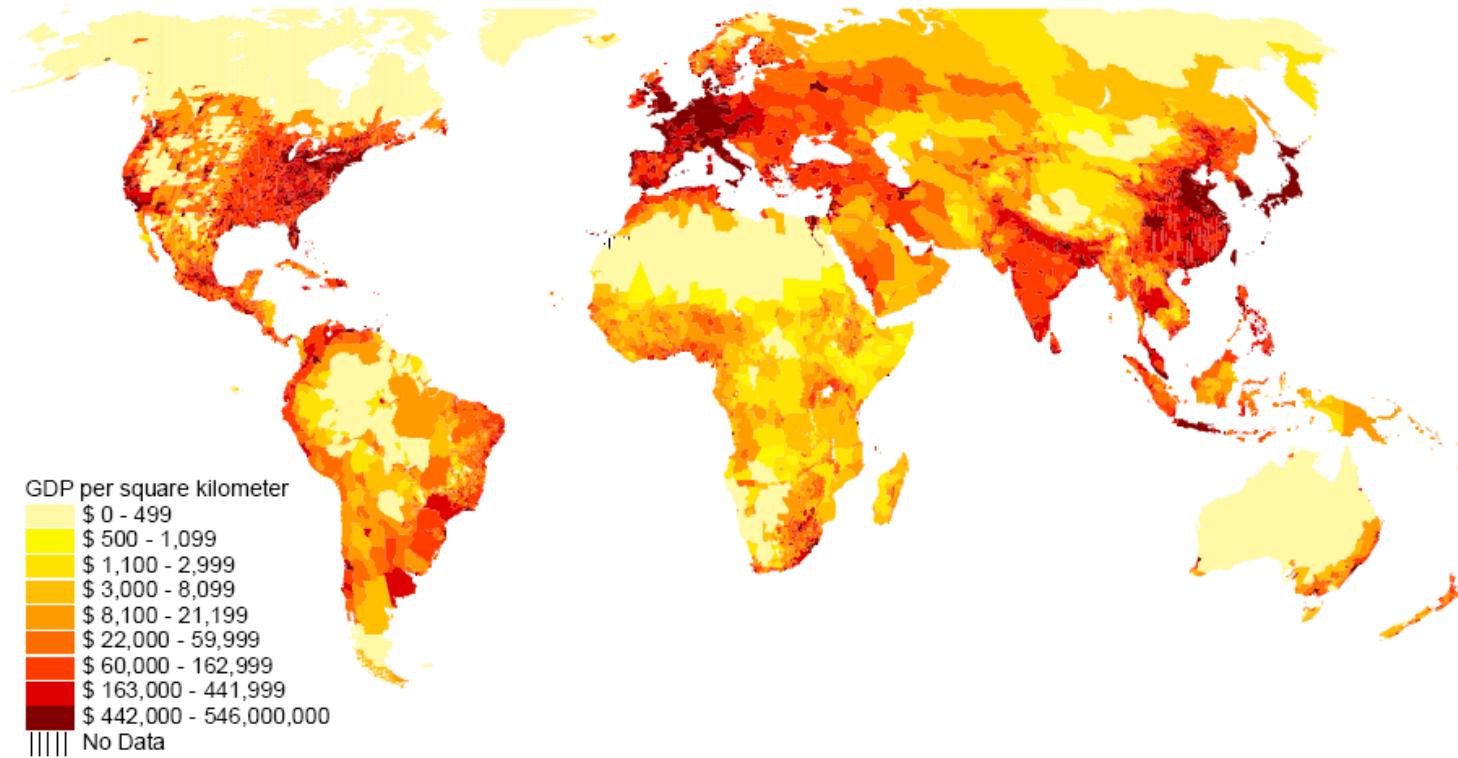


Map Source: [IMF Data & Interactive Map](#)

# The Big Question II

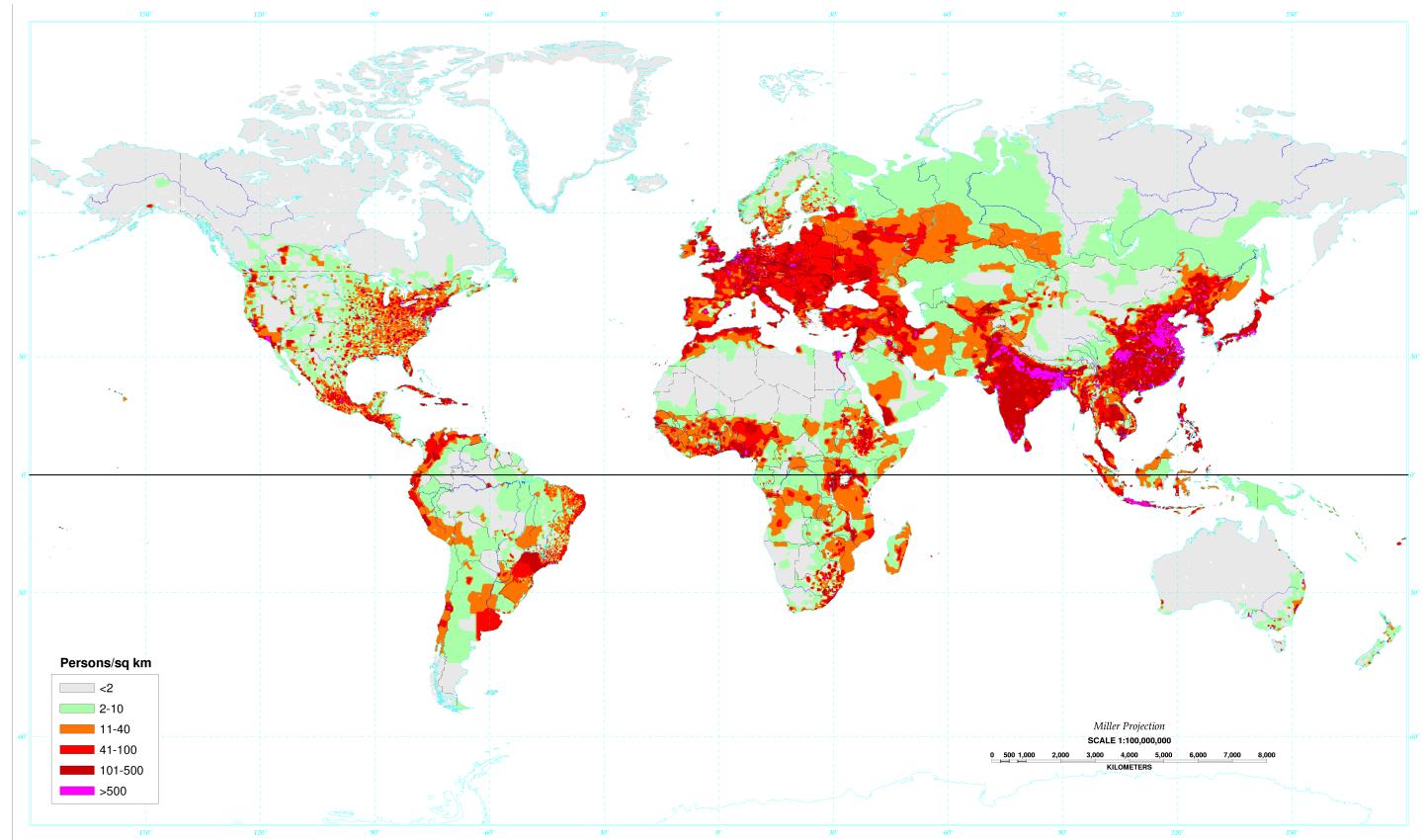
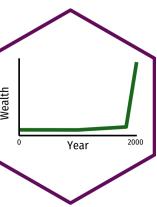


GDP Density



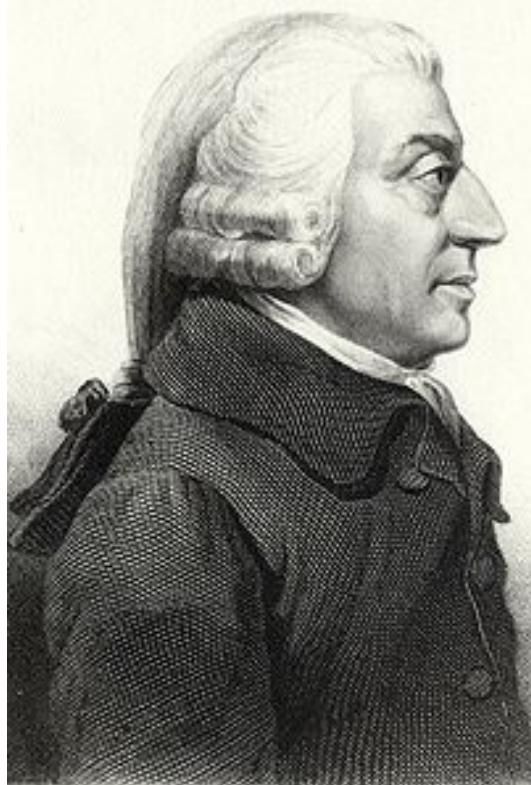
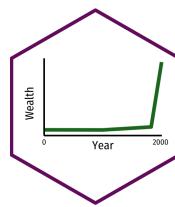
Gallup, J. L., J. D. Sachs, and A. D. Mellinger, 1999, "Geography and Economic Development," *International Regional Science Review* 22(2):179-224; [Land of Maps](#)

# The Big Question III



Gallup, J. L., J. D. Sachs, and A. D. Mellinger, 1999; [Wikipedia](#); [A Great Interactive Version](#)

# Asking the Big Questions



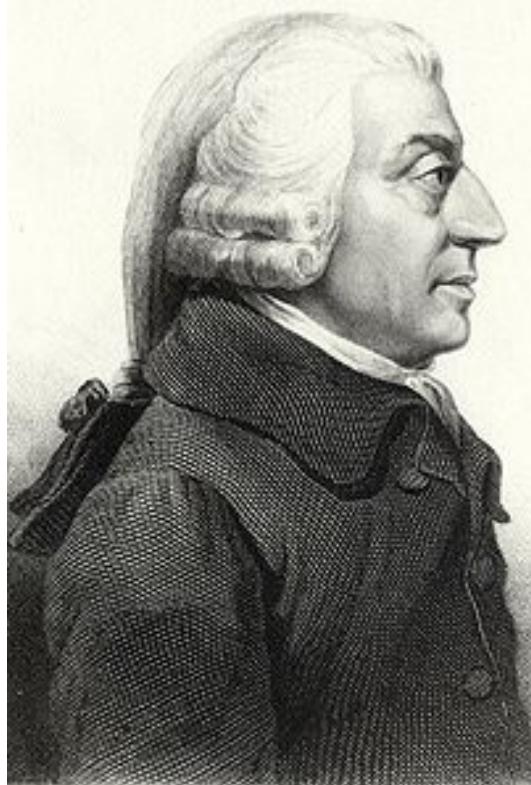
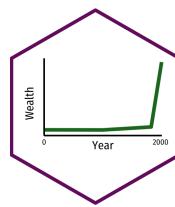
The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labour. (Book I, Chapter I)

Smith, Adam, 1776, *An Enquiry into the Nature and Causes of the Wealth of Nations*

Adam Smith

1723-1790

# Asking the Big Questions II



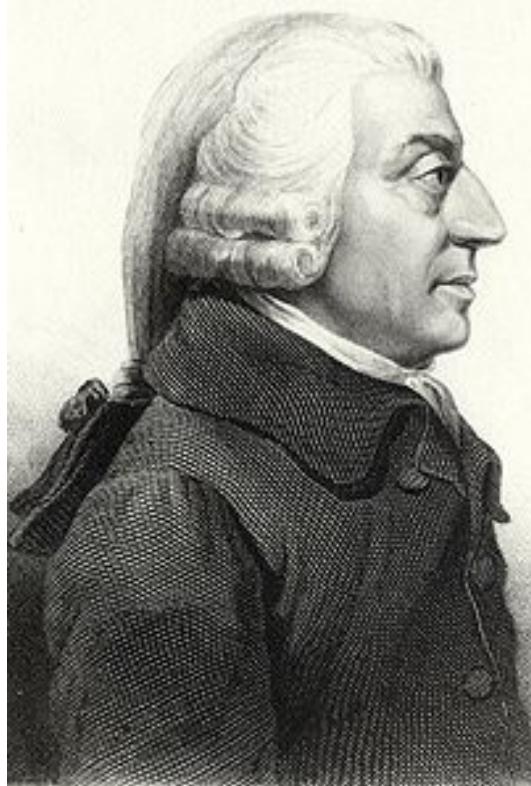
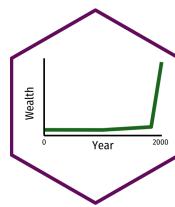
The natural effort of every individual to better his own condition...is so powerful, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations.  
(Book IV, Chapter V)

Smith, Adam, 1776, *An Enquiry into the Nature and Causes of the Wealth of Nations*

Adam Smith

1723-1790

# Asking the Big Questions III

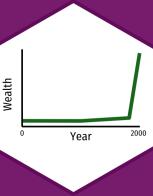


Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things.

Lecture in 1755, quoted in Dugald Stewart, *Account Of The Life And Writings Of Adam Smith LLD*, Section IV, 25.

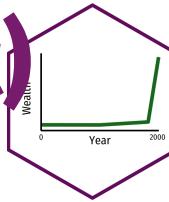
Adam Smith

1723-1790



# "Development Economics" as a Field of Economics

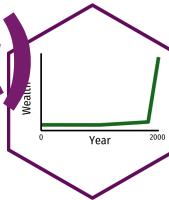
# "Development Economics" as a Field (c. 1945-Present)



- United Nations Monetary and Financial Conference aka "Bretton Woods" (1944)
- Create the international monetary and financial order post-WWII, promote free trade and monetary stability
- Created a system of fixed currency exchange rates pegged to (initially gold, later just the U.S. dollar)
  - This collapsed by the early 1970s, and today exchange rates are freely "floating"
- Created key international organizations...



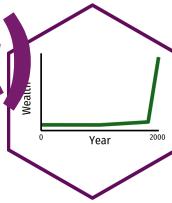
# "Development Economics" as a Field (c. 1945-Present)



- International Bank for Reconstruction and Development (IBRD) aka "the World Bank"
  - Offers loans to developing countries
- International Monetary Fund (IMF)
  - Reduce poverty around the world; assist countries with balance of payments/financial crises



# "Development Economics" as a Field (c. 1945-Present)



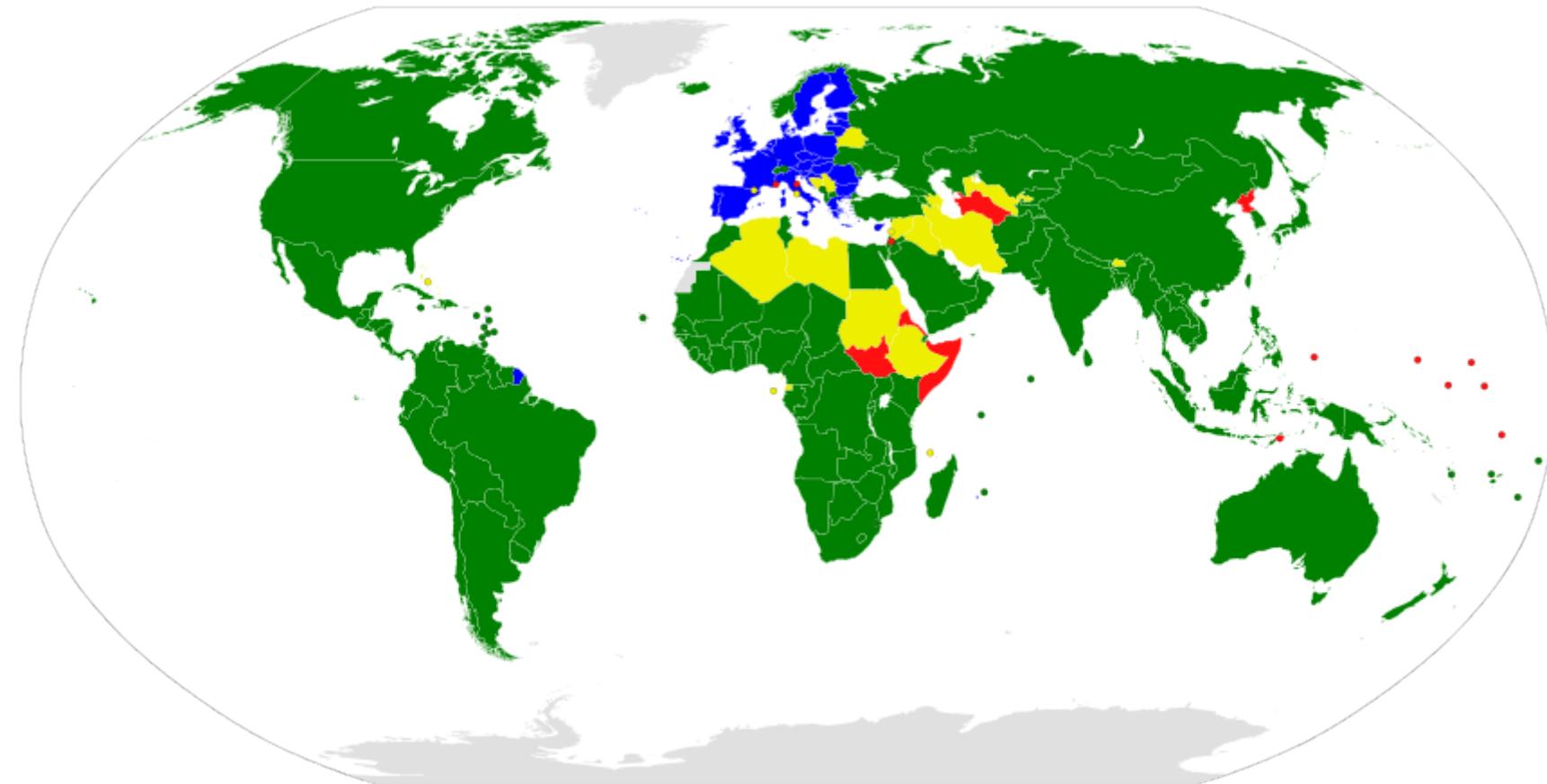
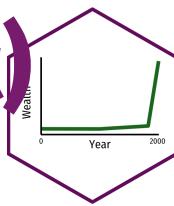
- 1947: General Agreement on Tariffs and Trade (GATT)
  - to promote international trade by reducing or eliminating trade barriers (e.g. tariffs, quotas, etc) between countries
- Replaced by the World Trade Organization (WTO) in 1995 administered by the U.N.



WORLD TRADE  
ORGANIZATION

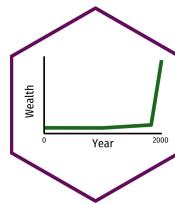


# "Development Economics" as a Field (c. 1945-Present)



WTO members, members dually-represented by the E.U., Observers, Non-members ([Wikipedia](#))

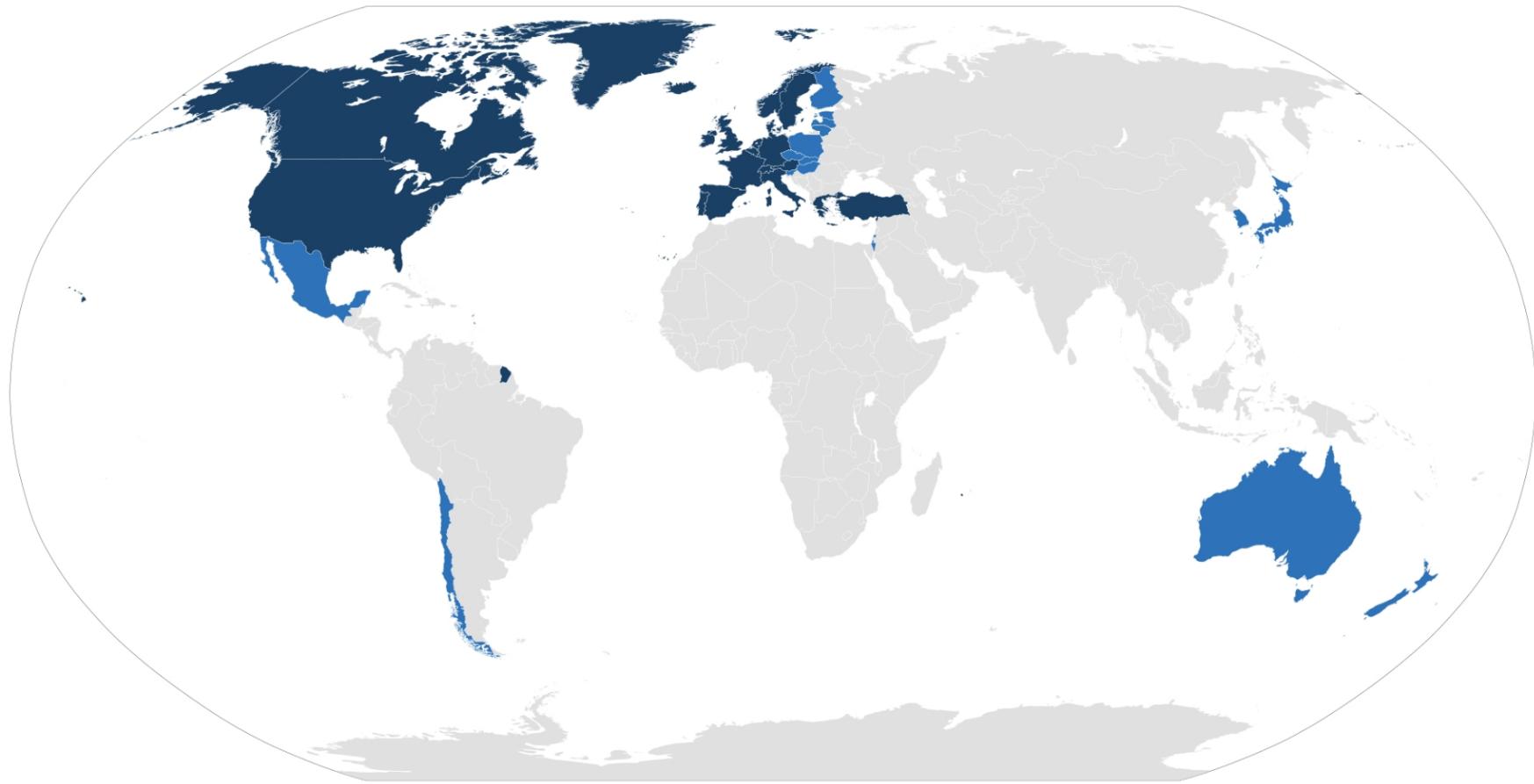
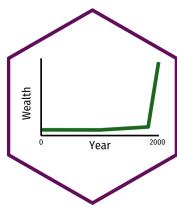
# The "Development Community" I



- 1948: Organisation for European Economic Co-operation (OECD) to administer the U.S. Marshall Plan to rebuild war-torn Europe
  - initially only Europe-oriented and European members
  - helped in early stages of ultimately creating European Free Trade Area, European Economic Community, European Union
- 1961: Organization for Economic Co-operation and Development (OECD)

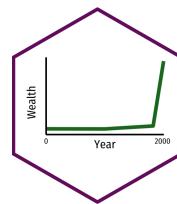
...an international organisation that works to build better policies for better lives. Our goal is to shape policies that foster prosperity, equality, opportunity and well-being for all...we work on establishing international norms and finding evidence-based solutions to a range of social, economic and environmental challenges...we provide a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice

# The "Development Community" II



OECD members, founding States in darker blue ([Wikipedia](#))

# NGOs



OXFAM



Save the Children



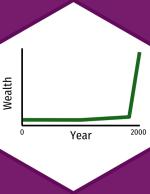
AMNESTY  
INTERNATIONAL



Plan

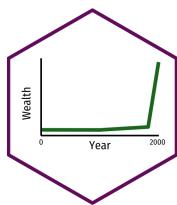
**CAFOD**  
Just one world

World Vision®

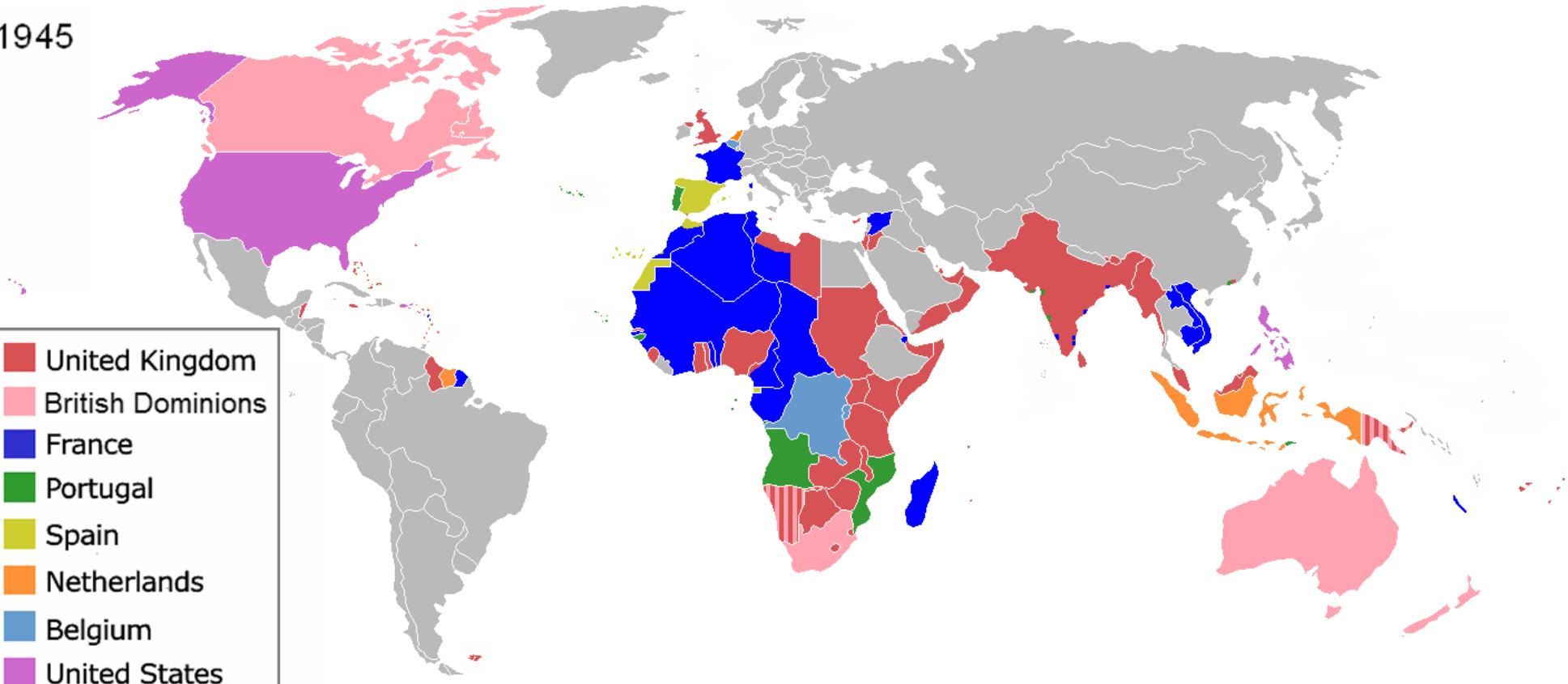


# Residues of 20<sup>th</sup> Century Geopolitics in Development

# Development and Colonial Legacies I

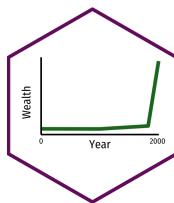


1945

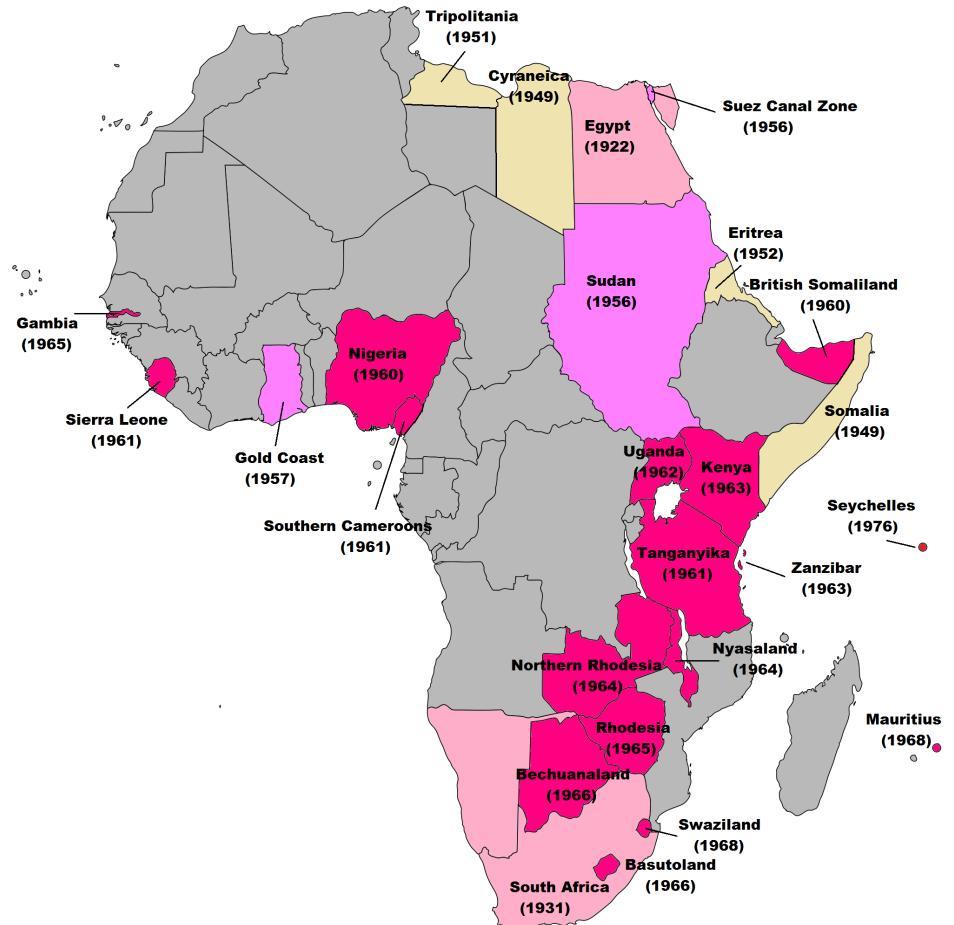
- 
- A world map titled '1945' showing the extent of Western colonial empires at the end of World War II. The map is color-coded according to a legend on the left. Most territories are shaded grey, indicating they were not part of any empire. Colored areas represent territories controlled by various powers:
- United Kingdom (dark red)
  - British Dominions (pink)
  - France (blue)
  - Portugal (green)
  - Spain (yellow-green)
  - Netherlands (orange)
  - Belgium (light blue)
  - United States (purple)
- The United Kingdom and its dominions (including Canada, Australia, New Zealand, and South Africa) controlled the largest share of the world's land surface. France, Portugal, Spain, Netherlands, Belgium, and the United States also had significant colonies, primarily in Africa and Asia.
- United Kingdom
  - British Dominions
  - France
  - Portugal
  - Spain
  - Netherlands
  - Belgium
  - United States

Western colonial empires at the end of WWII ([Wikipedia](#))

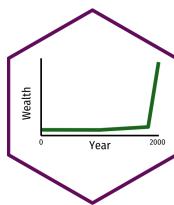
# Development and Colonial Legacies I



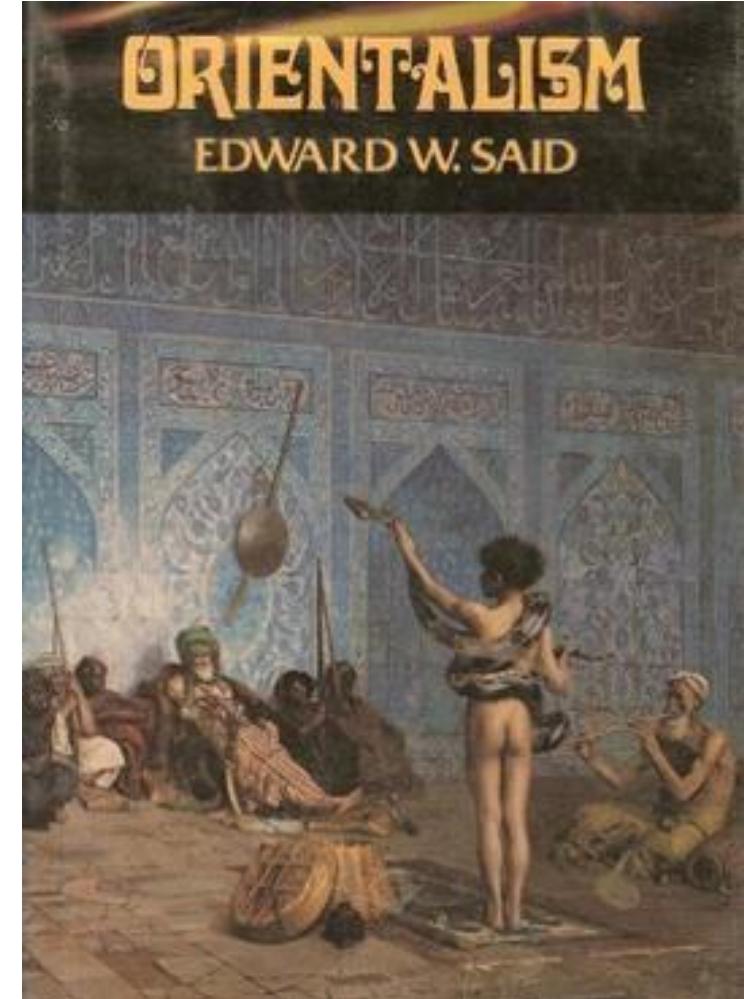
- Breakup of British and French empires  
create independent States from 1950s-1980s
- Some outright wars
  - Between colony and colonizer:  
Algeria, French-Indochina/Vietnam,  
Falklands
  - Between rival groups across colonies:  
Arab-Israeli War, Indo-Pakistani Wars
  - Civil Wars in poorly-designed new  
States in Africa



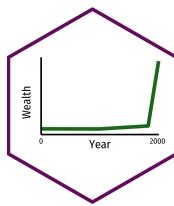
# Development and Colonial Legacies II



- Postcolonialism in literature in culture of many former colonies
  - Search for own national identity, nationalist/populist leaders
  - Opposition of mother country's culture, racism
- New countries need to develop, but
  - Does "development" or "modernization" mean "Westernization?"
- Often combined with Marxism

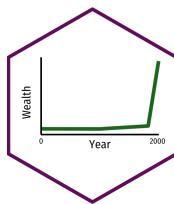


# Development and Colonial Legacies III

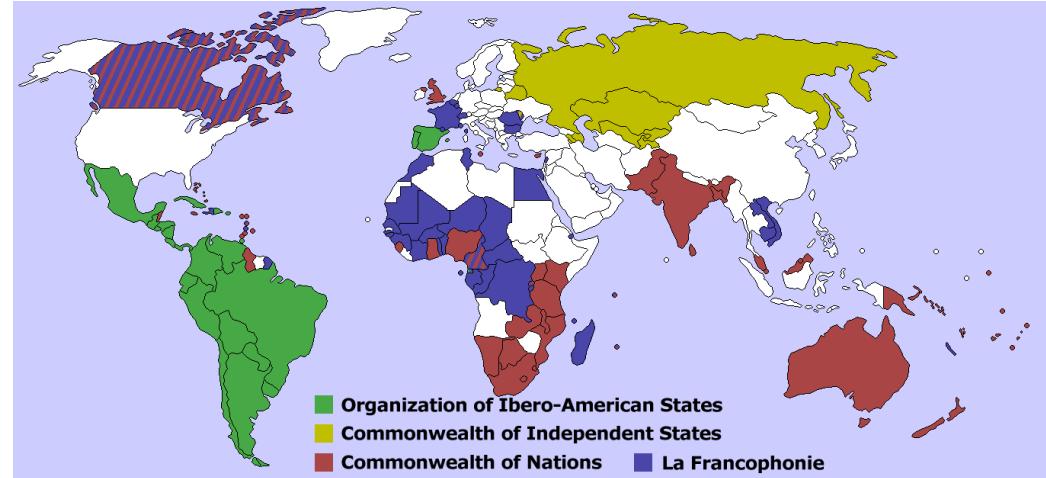


Gamal Abdel Nasser (Egypt), Sukarno (Indonesia), Jawaharlal Nehru (India), Kwame Nkrumah (Ghana)

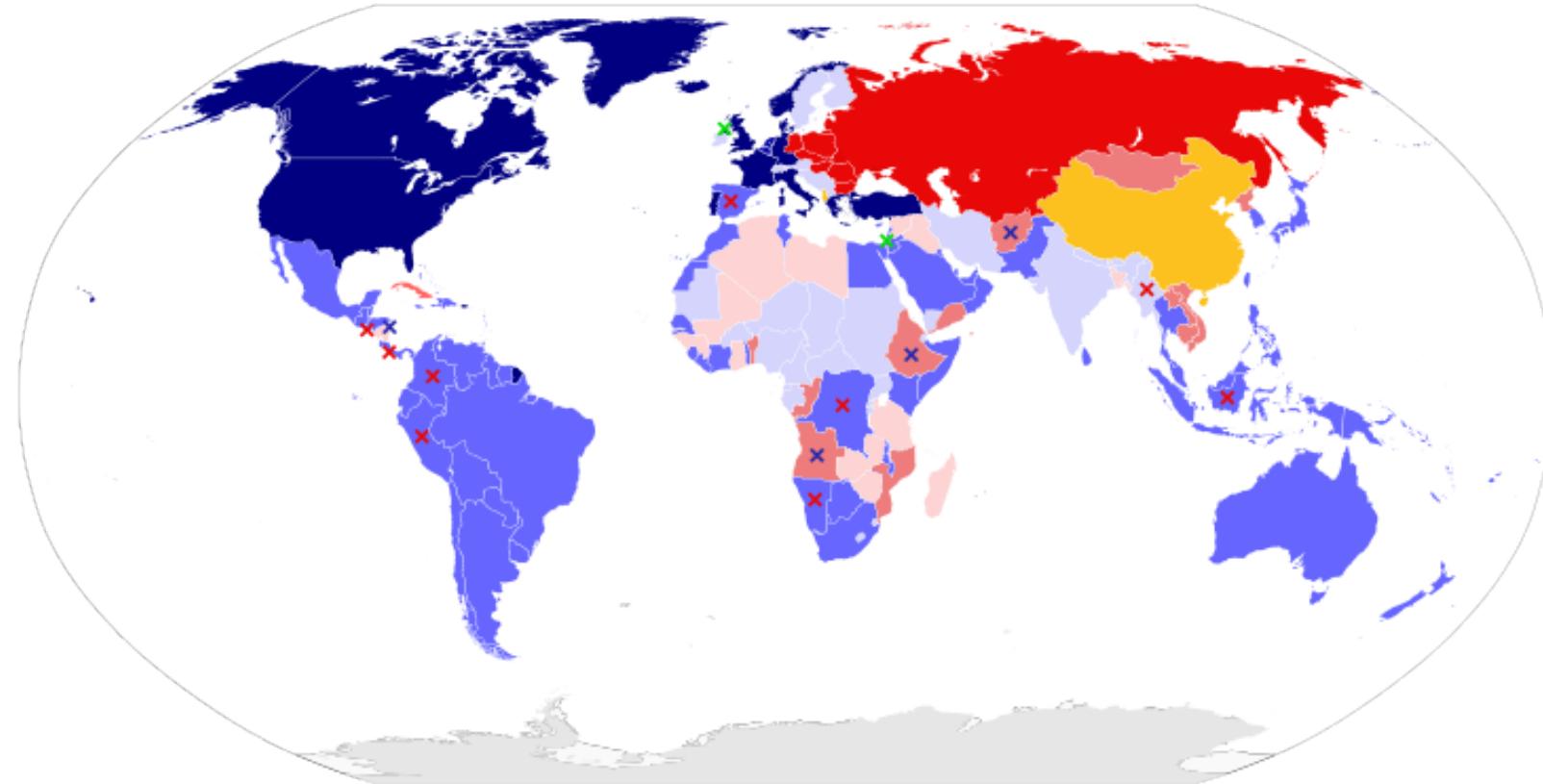
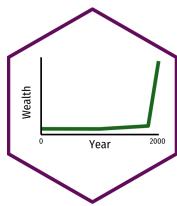
# Development and Colonial Legacies IV



- There is still a lot of connection between former colonies and mother countries
- Research shows a very strong influence on path of economic development
- Was colonization and imperialism *all good/bad?*

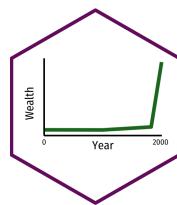


# Development and the Cold War



Cold War Alliances, "X"s' indicate prominent guerrilla movements ([Wikipedia](#))

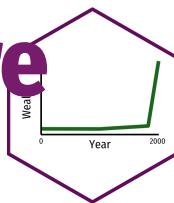
# Development and the Cold War: Competing Visions



- Competing ideological visions of political/economic development
  - "Capitalism" of the West
  - "Socialism" of the USSR, Yugoslavia, China
- Countries would pick from both options, many would switch
  - Consequences were pretty clear, but
  - We will need to understand both theories of development
  - What about "Democratic Socialism" or "Social Democracy"?



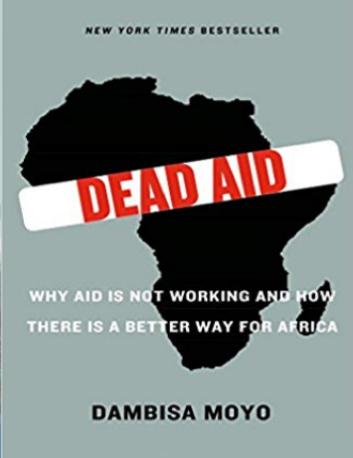
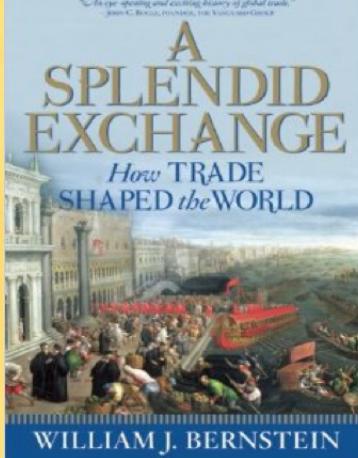
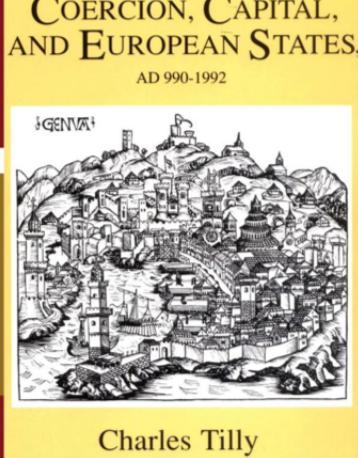
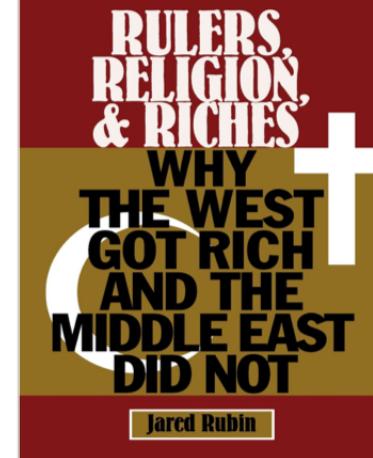
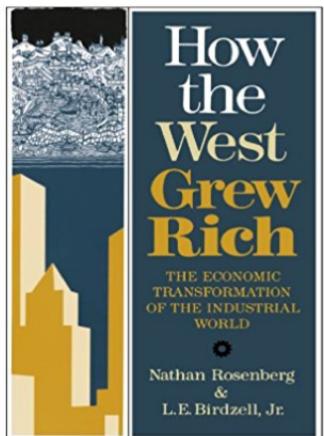
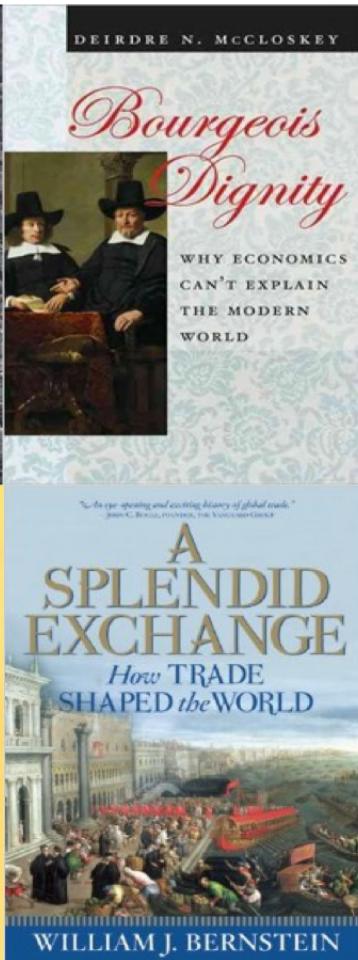
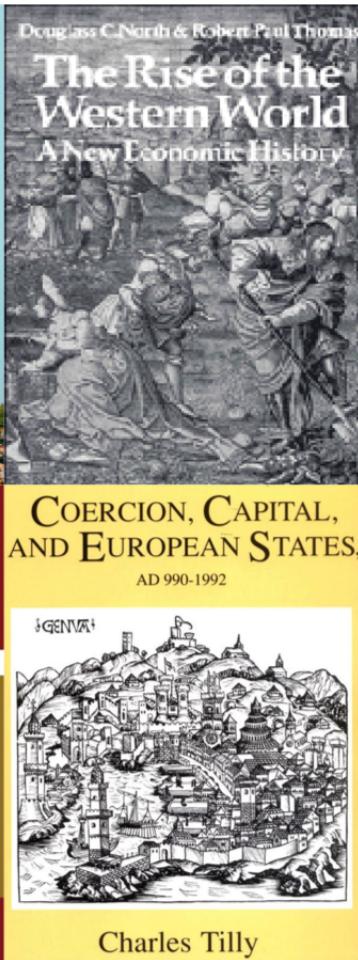
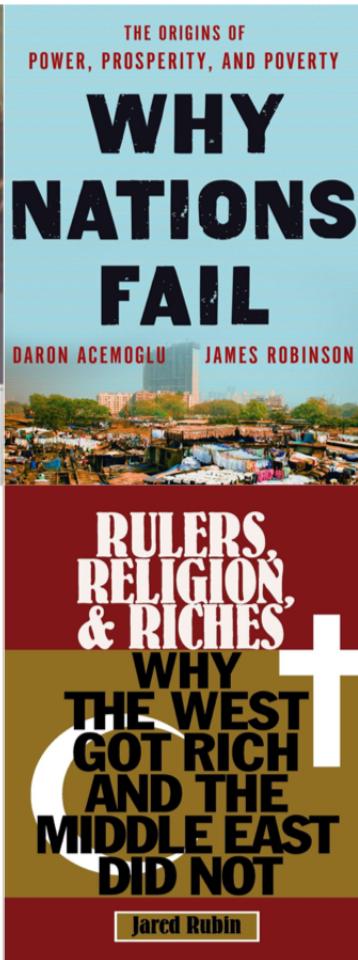
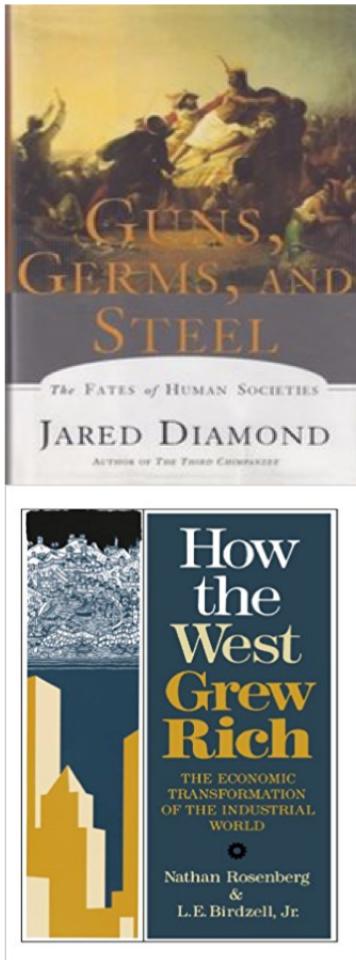
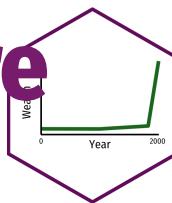
# There Are a LOT of Theories of Development Out There



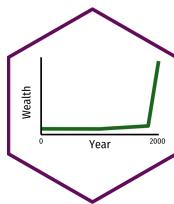
- Nobody honestly believes in a single causal factor
- Theories have emphasized different elements at different amounts:
  - Capital accumulation
  - Geography
  - Health
  - Demographics/Fertility
  - Education
  - Culture
  - Warfare



# There Are a LOT of Theories of Development Out There



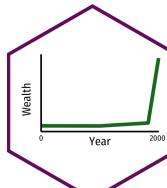
# Our Focus (and my Specialty)

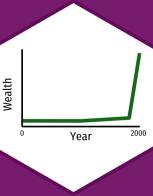


- The role of political and social institutions in fostering economic growth
- Health, education, demographics, geography, foreign aid, etc amount to **NOTHING** if you have poor institutions!
- We know what works, but we can't just transplant our institutions to other countries (we've tried)
- We need to understand each country's institutions before we can tell cute stories or recommend changes



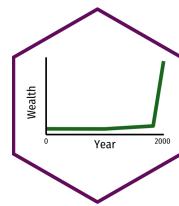
# What am I Leaving Out





# About This Class

# Format For the Course

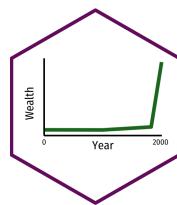


- A conversation, not a lecture<sup>1</sup>
- Many suggestions but fewer "correct" and concrete answers than you are used to
- Lectures to introduce topic, give background and context
- Discussions based on readings & informed by lectures



<sup>1</sup> Well, okay, I will lecture a fair amount. But please come as a willing participant.

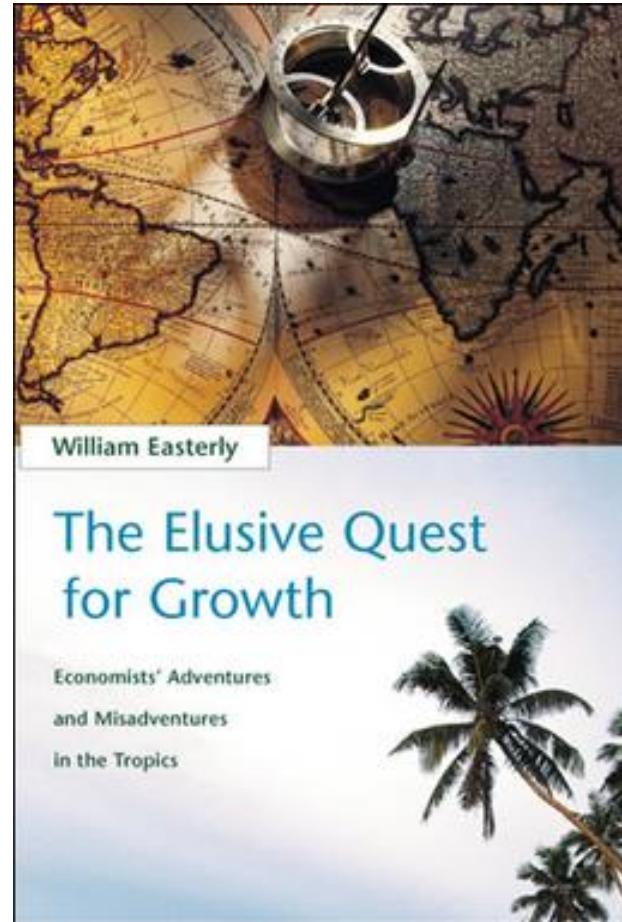
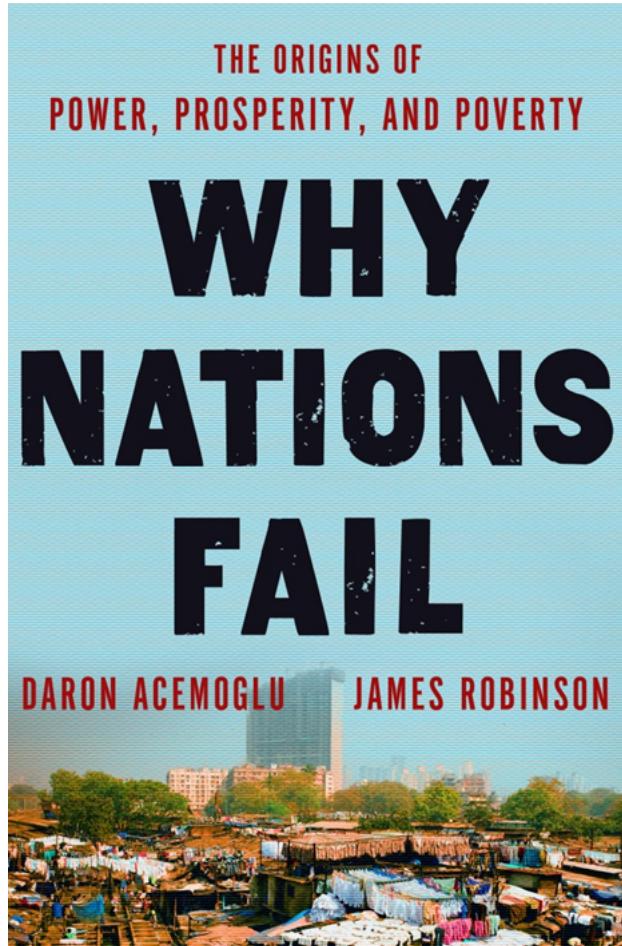
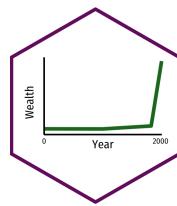
# Assignments



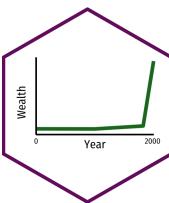
Assignment	Percent
n Participation (Average)	25%
1 Country Profile	5%
2 Short Paper	15% each
1 Final	30%

See more details at the [assignments page](#)

# Your "Textbooks"



# Course Website



ECON 317 — Economic Development

Syllabus Schedule Content Assignments Resources ⚙️ 🌙

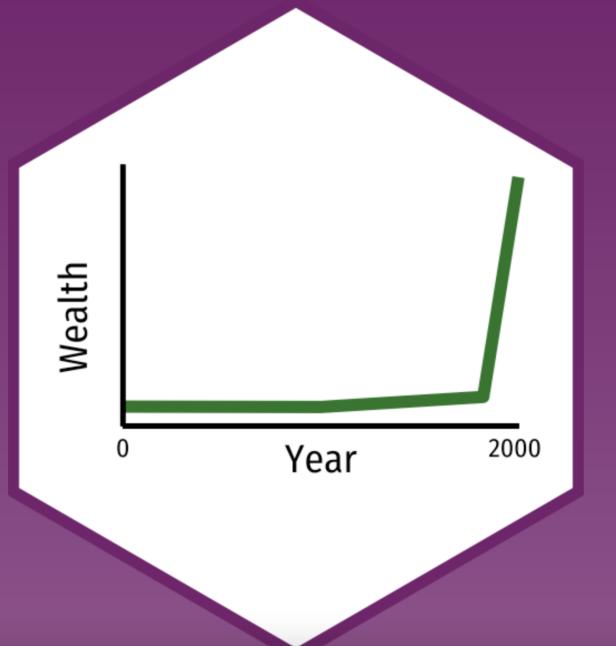
## Economic Development

ECON 317 • Fall 2021 • Hood College

**Grapple with the most important question in economics: why some countries are wealthy and others are poor.**

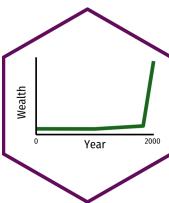
By the end of this course, you will:

1. Explain how the development community measures economic development
2. Interpret regression tables in the empirical literature in development
3. Demonstrate different theories of economic development
4. Explain why various policies aimed at promoting development have failed
5. Describe essential conditions for successful development



[devF21.classes.ryansafner.com](https://devF21.classes.ryansafner.com)

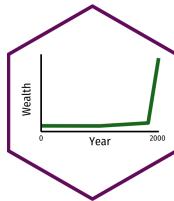
# Logistics



- Office hours: M/W 10:00-11:00 AM & by appt
  - Office: 110 Rosenstock
- Slack channel
  - `#c-3econ-16-dev`
- Recorded videos in Blackboard Panopto
- Attendance
- See the [resources page](#) for tips for success and more helpful resources



# Roadmap for the Semester



## Fundamentals of Development

Measurement

Models

Microeconomics

Macroeconomics

## Policies & Exogenous Factors

Foreign Aid

Geography

Resource Curse

Climate & Disease

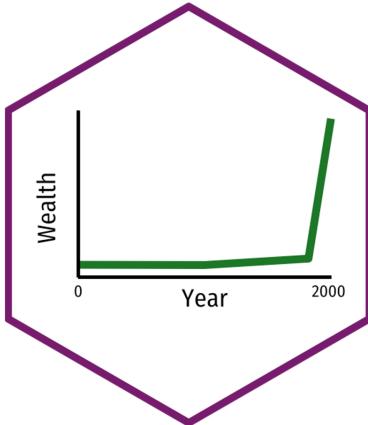
## Institutions & Political Economy

Malthusian Society

Violence Trap

Political Economy

Natural States



# Economics of Development

## Case Studies & Economic History

Feudalism

Mercantilism

Industrial Policy

State Capitalism