

Economic Development

12th Edition

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Chapter 1

Introducing Economic Development: A Global Perspective



1.1 How the Other Half Live

When one is poor, she has no say in public, she feels inferior. She has no food, so there is famine in her house; no clothing, and no progress in her family.

—A poor woman from Uganda

For a poor person everything is terrible—illness, humiliation, shame. We are cripples; we are afraid of everything; we depend on everyone. No one needs us. We are like garbage that everyone wants to get rid of.

—A blind woman from Tiraspol, Moldova

Life in the area is so precarious that the youth and every able person have to migrate to the towns or join the army at the war front in order to escape the hazards of hunger escalating over here.

—Participant in a discussion group in rural Ethiopia



1.1 How the Other Half Live

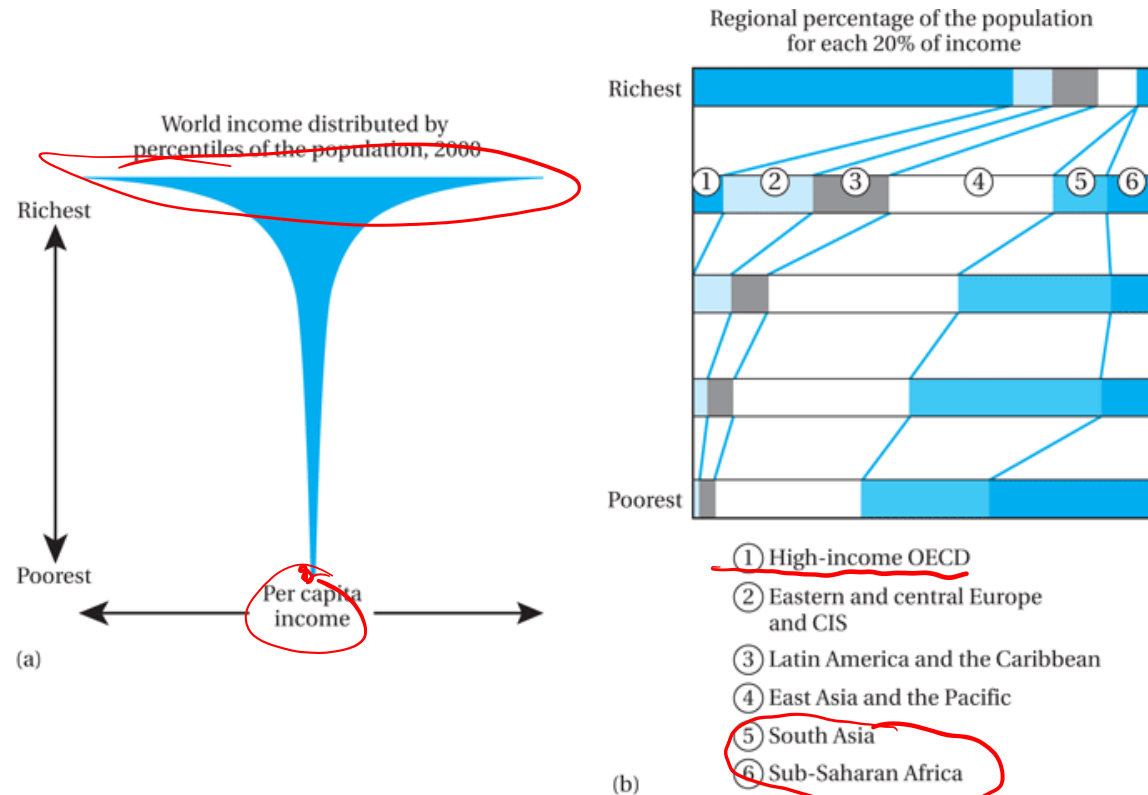
- *When food was in abundance, relatives used to share it. These days of hunger, however not even relatives would help you by giving you some food.*
—**Young man in Nichimishi, Zambia**
- *We have to line up for hours before it is our turn to draw water.*
—**Mbwadzulu Village (Mangochi), Malawi**
- *[Poverty is] . . . low salaries and lack of jobs. And it's also not having medicine, food, and clothes.* --**Discussion group, Brazil**
- *Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty.* —**Poor man in Kenya**
- **A universal theme reflected in these seven quotes is that poverty is more than lack of income – it is inherently multidimensional, as is economic development.**



1.2 Economics and Development Studies

- **The Nature of Development Economics**
 - Greater scope than traditional neoclassical economics and political economy.
- **Why Study Development Economics? Some Critical Questions**
- **The Important Role of Values in Development Economics**

Figure 1.1 World Income Distribution



Part (a) shows world income distribution by percentile. The huge share controlled by the top percentiles gives the graph its “champagne glass shape.” Part (b) shows the regional shares of global income. For example, a large majority of people in the top 20% of the global income distribution live in the rich countries. Most of those in the bottom 60% live in sub-Saharan Africa and Asia. OECD is the Organization for Economic Cooperation and Development. CIS is the Commonwealth of Independent States.

Source: From *Human Development Report, 2005*, p. 37. Reprinted with permission from the United Nations Development Programme.



1.2 Economics and Development Studies

- **Economies as Social Systems: The Need to Go Beyond Simple Economics**
- Social Systems
 - Interdependent relationships between economic and non-economic factors
- Success or failure of development policy
 - Importance of taking account of institutional and structural variables along with more traditional economic variables

1.3 What Do We Mean by Development?

- **Traditional Economic Measures**

- Gross National Income (GNI)
- Income per capita
- Utility of that income?

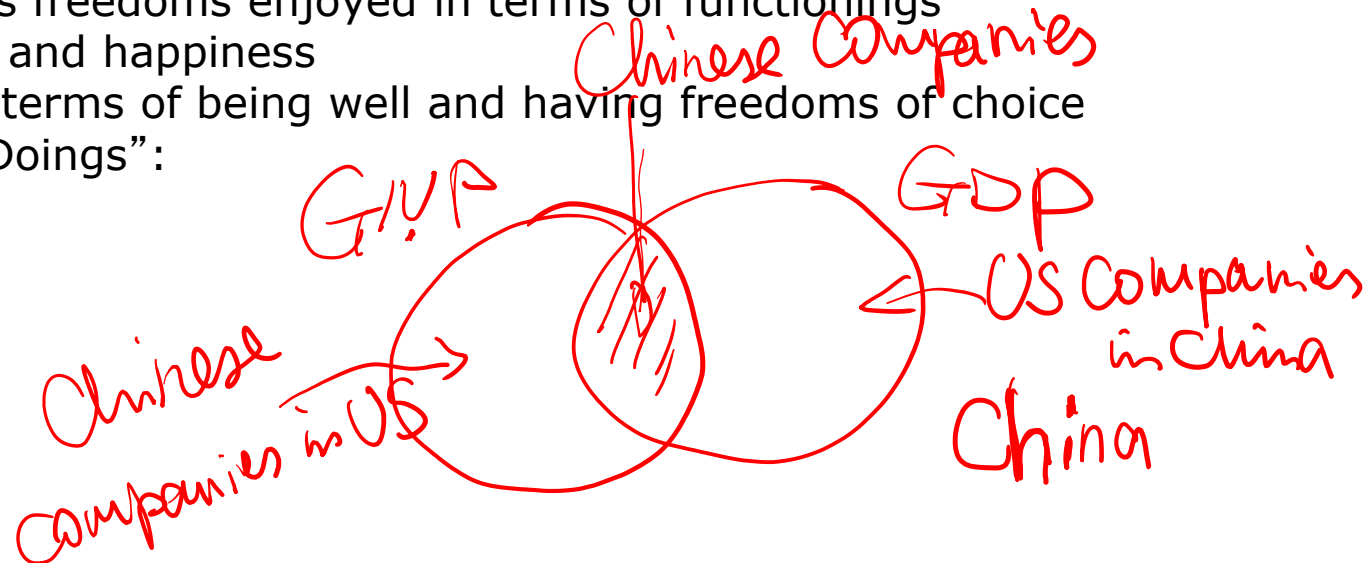
- **The New Economic View of Development**

- Leads to improvement in wellbeing, more broadly understood

- **Amartya Sen's "Capability" Approach**

- Functionings as an achievement
- Capabilities as freedoms enjoyed in terms of functionings
- Development and happiness
- Well being in terms of being well and having freedoms of choice
- "Beings and Doings":

GDP / GNP
Domestic





Some Key “Capabilities”

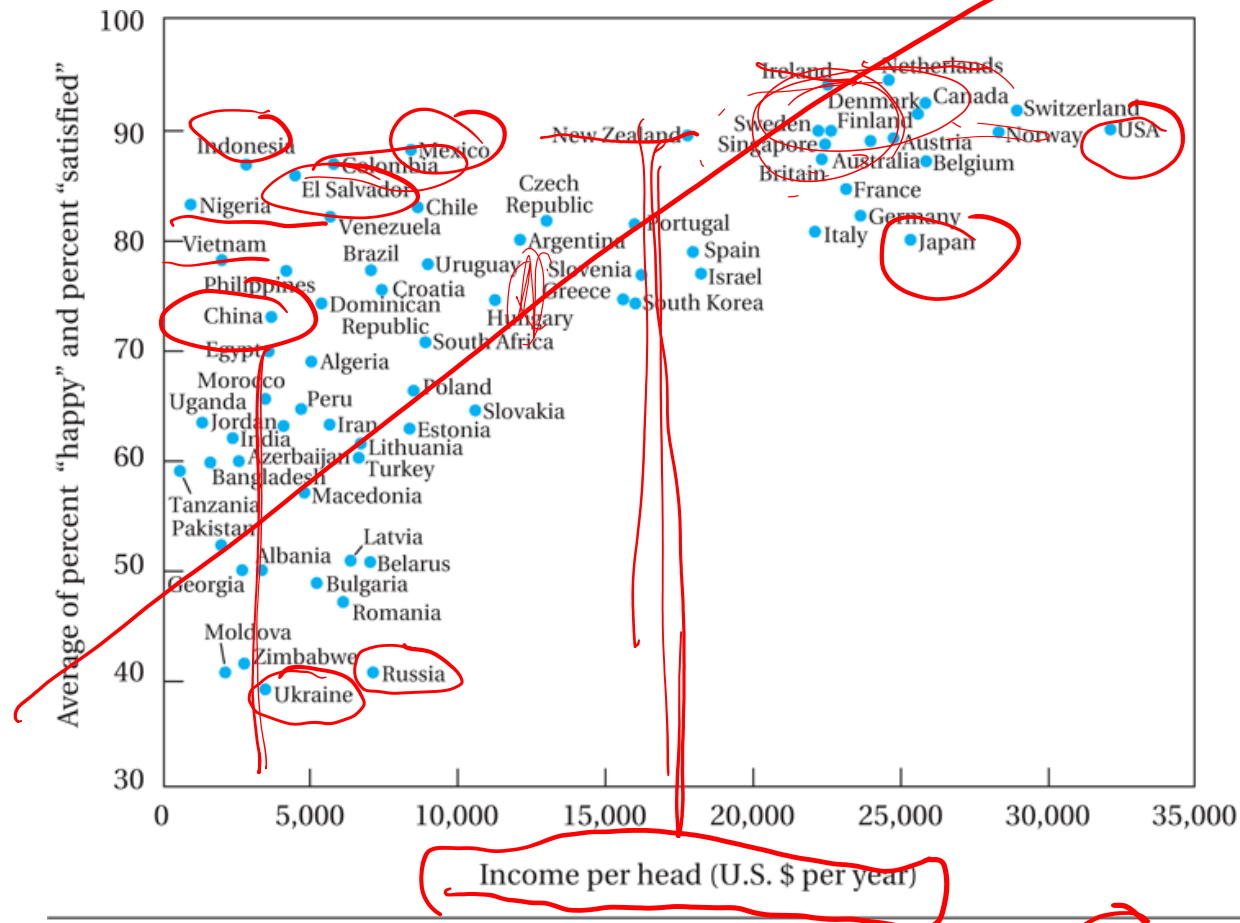
- Some Important “Beings” and “Doings” in Capability to Function:
 - Being able to live long
 - Being well-nourished
 - Being healthy
 - Being literate
 - Being well-clothed
 - Being mobile
 - Being able to take part in the life of the community
 - Being happy – as a state of being - may be valued as a functioning



1.3 What Do We Mean by Development? (cont' d)

- **Three Core Values of Development**
 - Sustenance: The Ability to Meet Basic Needs
 - Self-Esteem: To Be a Person
 - Freedom from Servitude: To Be Able to Choose

Figure 1.2 Income and Happiness: Comparing Countries



Source: From *Happiness: Lessons from a New Science* by Richard Layard, copyright © 2005 by Richard Layard. Used by permission of The Penguin Press, a division of Penguin Group (USA) Inc. and United Agents Ltd. (www.unitedagents.co.uk) on behalf of the author.



1.3 What Do We Mean by Development? (cont' d)

- **The Central Role of Women**
 - To make the biggest impact on development, societies must empower and invest in women
- **The Three Objectives of Development**
 - Increase availability of life-sustaining goods
 - Raise levels of living
 - Expand range of economic and social choices



1.4 The Millennium Development Goals

- Millennium Development goals (MDGs)
 - Eight goals adopted by the United Nations in 2000

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria, and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

($\leq 1\$/\text{day}$)




Table 1.1 Millennium Development Goals and Targets for 2015

Goals	Targets
1. Eradicate extreme poverty and hunger	<ul style="list-style-type: none">• Reduce by half the proportion of people living on less than \$1 a day• Reduce by half the proportion of people who suffer from hunger
2. Achieve universal primary education	<ul style="list-style-type: none">• Ensure that all boys and girls complete a full course of primary schooling
3. Promote gender equality and empower women	<ul style="list-style-type: none">• Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels by 2015
4. Reduce child mortality	<ul style="list-style-type: none">• Reduce by two-thirds the mortality rate among children under 5
5. Improve maternal health	<ul style="list-style-type: none">• Reduce by three-quarters the maternal mortality ratio
6. Combat HIV/AIDS, malaria, and other diseases	<ul style="list-style-type: none">• Halt and begin to reverse the spread of HIV/AIDS• Halt and begin to reverse the incidence of malaria and other major diseases
7. Ensure environmental sustainability	<ul style="list-style-type: none">• Integrate the principles of sustainable development into country policies and programs; reverse the loss of environmental resources• Reduce by half the proportion of people without sustainable access to safe drinking water• Achieve significant improvement in the lives of at least 100 million slum dwellers by <u>2020</u>

2023




Table 1.1 Millennium Development Goals and Targets for 2015 (cont' d)

Goals

8. Develop a global partnership for development

Targets

- Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system; includes a commitment to good governance, development, and poverty reduction—both nationally and internationally
- Address the special needs of the least developed countries; includes tariff and quota free access for least developed countries' exports; enhanced program of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous official development assistance (ODA) for countries committed to poverty reduction
- Address the special needs of landlocked countries and small-island developing states
- Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Source: From "Millennium Development Goals" (accessed via www.undp.org). Reprinted with permission from the United Nations Development Programme.



1.5 Conclusions

- The importance of Development Economics
- Inclusion of non-economic variables in designing development strategies
- Achieving the Millennium Development Goals
- “...One future-or none at all”



Concepts for Review

- Absolute Poverty
- Attitudes
- Capabilities
- Developing countries
- Development
- Development economics
- Freedom
- Functionings
- Globalization
- Gross domestic product
- Gross national income (GNI)
- Income per capita
- Institutions
- Less developed countries (LDCs)
- Millennium Development Goals (MDGs)
- More developed countries (MDCs)
- Political economy



Concepts for Review (cont' d)

- Self-esteem
- Social system
- Subsistence economy
- Sustenance
- Traditional economics
- Values