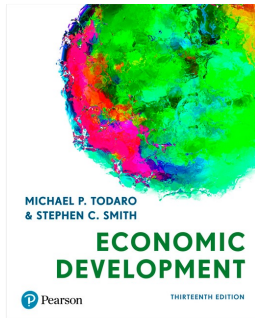


Economic Development

Thirteenth Edition



Chapter 1

Introducing economic development: A global perspective

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1

The Experience of Poverty – Voices of the Poor

- 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
- 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

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The Experience of Poverty – Voices of the Poor (Continued)

- We have to line up for hours before it is our turn to draw water. —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 alone is that poverty is more than lack of income – it is inherently multidimensional, as is economic development

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The Nature of Development Economics

- Greater scope than traditional neoclassical economics and political economy:
 - traditional economics : utility, profit maximization, market efficiency and equilibrium
 - Political economy: merging economic analysis with practical politics

What is Economic Development?

What isn't economic development?



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The Study of Economic Development Raises some of the World's Most Fundamental Questions

- For example: Why do living conditions differ so drastically for people across different countries and regions, with some so poor and others so rich?
- Why are there huge disparities also in health, nutrition, education, freedom of choice, women's autonomy, environmental quality, market access, security, voice?
- Why do workers in some countries have fairly secure, formal jobs with regular, predictable pay, while in others most work with fluctuating and insecure earnings?



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- Why are populations growing rapidly in some countries, on verge of shrinking in others?
- Why have some formerly poor countries made so much progress and others so little?
- What are the sources of international and national growth?
- What are the effects of population growth, education, health, unemployment, etc on growth?
- What are the effects of trade, foreign exchange, foreign aid on growth?



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Does Economic Growth = Economic Development????

- Traditional Economic Measures looked at GNI (Gross National Income) or GDP (Gross Domestic Product).
- Economic Growth: rise in GDP or GDP per person/per capita (pp)
- Is this development?
 - Yes or no?

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- If GDP increases by 5% and the population increases by 5%, **then GDP pp (per capita/per person) has not changed.**
- Since 1992, Asia has been growing at an average rate of almost triple that of high income Western countries and growth has returned to parts of Africa.
 - Health has improved
 - Poverty has fallen
- Economic development is a process of decades, not solely years
- **The New Economic View of Development**
 - Leads to improvement in wellbeing, more broadly understood (standards of living, self-esteem and freedom)

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Introducing Economic Development: A Global Perspective

- Substantial – even dramatic – progress in growth and poverty reduction in the developing world in the last quarter century
 - Developing countries have faster growth than rich countries – but unevenly
 - The income poverty rate has been more than halved
- International economic relations are less one-sided - but also more fragile

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“Typical” Conditions in the Poorest of the Strata

- Close to one billion people live at the lowest stratum
- A majority of them live below the \$1.90 per day extreme poverty line
- Often live in remote rural areas
- Majority of food is grown by the people who consume it
- Shelter and furnishings often made by those who use them
- Few passable roads particularly in the rainy season
- Younger children attend school irregularly; school may be difficult to access
- Many have never seen a high school
- No hospitals, no electricity connection
- No improved water supplies; water collected in reused commercial buckets from sources (such as a spring or stream) that are often contaminated; a kilometer or more walk from home

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“Typical” Conditions in Second-lowest of the “Strata”

- Close to 3 billion people live in second-lowest strata
- Typical person in this “strata” not officially classified as **extremely poor**
- Typical family may live on about twice the \$1.90 per person poverty line
- Almost as likely to live in an urban area (or peri-urban (adjacent or surrounding urban) area)
- Employment probably informal, companies not registered, no worker protections Or, work in own small family enterprises
- Get around with well-used but functioning bicycles
- Water often still unsafe (without boiling or adding chlorine)

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“Typical” family in the second-highest of the strata

- More than two billion people in the second-highest stratum
- Could have \$15 per person per day
- (More than three-quarters of people in the world lives on less than \$15 a day)
- Family considered solidly middle income by global standards
- Such families typically live in urban areas
- Jobs still usually not very stable and often informal
- Cooking on manufactured burners using kerosene, or electric plates
- Have a television in their house

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“Typical” family in the second-highest of the strata (Continued)

- Get around with a motorbike
- Children likely to survive early childhood
- Probably attend some post-primary school, though often not complete it
- Most adults and many teenagers have a mobile phone (typically not a smartphone)
- Water typically delivered through a tap to their house
- A majority lack what people in the highest of the strata consider full indoor plumbing
- Their city likely exhibits high inequality; sharp contrasts in living conditions

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“Typical” family in highest of the strata

- Close to a billion people live at the highest stratum
- Most other people in the world would consider them rich
- They are some distance above the World Bank high income line
- A family in this strata might live on \$75 per person per day
- Full indoor plumbing taken for granted
- Central air conditioning, central heating, as prompted by climate
- House filled with consumer goods, including high speed internet, smartphones, laptops,
- Children generally get good medical care if they need it
- Would expect to complete their secondary education
- Likely gain at least some postsecondary education
- Choose from a variety of careers
- Can expect to live to an average age of close to 80 years

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Movement up the strata

- Often people born on one stratum spend their lives on it, albeit typically making some progress within it
- Sometimes, transformative progress is highly visible and takes form in the course of a single person's life

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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 "Capabilities" 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"



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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 physically secure
- Being able to take part in the life of the community
- Being happy – as a state of being - may be valued as a functioning
- *What other examples would you suggest are important?*



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Details on Amartya Sen's Capability Approach 1

- **Sen:** "Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy."
- What matters fundamentally is not things a person has—or feelings these provide—but what a person *is*, or can be, and does, or *can do*
- That is, not just characteristics of commodities consumed as in the utility approach, but the uses a consumer can and does make of commodities
- Think beyond availability of commodities and consider uses to address "functionings" - what a person does (or can do) with commodities of given characteristics they come to possess or control



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Details on Amartya Sen's Capability Approach 2

- Disparities between income and advantages are due to factors including:
 - Personal heterogeneities
 - Environmental diversities
 - Variations in social climate
 - Intra-household distribution; and
 - Differences in relational perspectives such as minimal social expectations

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Details on Sen's Capability Approach 3

- Measuring individual well-being by levels of consumption of goods and services confuses the role of commodities by regarding them as ends in themselves rather than as means to an end
- For nutrition, the end is health and what one can do with good health, as well as personal enjoyment and social functioning
- Measuring well-being with utility is not a sufficient improvement over measuring consumption to capture the meaning of development
- A person's own valuation of what kind of life would be worthwhile is not necessarily the same as what gives pleasure to that person

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Details on Sen's Capability Approach 4

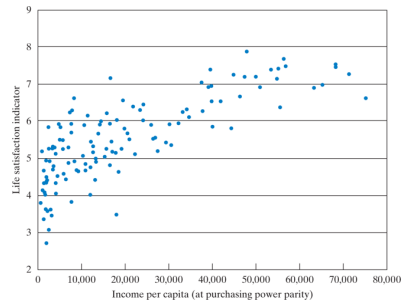
- Consider functionings as resulting from choices, given capabilities
- "The functioning of a person is an *achievement*; it is what the person succeeds in doing with the commodities and characteristics at his or her command... bicycling has to be distinguished from possessing a bike... [and] from the happiness generated by [bicycling]..."
- Or, you can think of goods leading in part to functioning, and from there to "utility" (as happiness resulting from functioning)
- Sen suggests subjective well-being as a psychological state is a functioning—that could be pursued alongside functionings such as health and dignity

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Figure 1.1
Income and Happiness: Comparing Countries



Note: The data on the x-axis is drawn from the World Bank World Development Indicators. The y-axis uses the Cantril Self-Anchoring Striving Scale from the Gallup World Poll, asking respondents to imagine a ladder with steps from (0) worst possible life for you to (10) best possible life for you and answer: On which step of the ladder would you say you personally feel you stand at this time?

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What Factors Determine Happiness?

- <https://happiness-report.s3.amazonaws.com/2022/WHR+22.pdf>

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What Do We Mean by Development?

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

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The Millennium Development Goals 2000–2015; and The 2015–2030 Sustainable Development Goals

- **Millennium Development goals (MDGs):** Eight goals adopted by the United Nations in 2000, a blueprint for the subsequent 15 years (to 2015)
 - 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



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MDG Retrospective: Was the Glass Half Full or Half Empty?

- Shorthand: “Halving Poverty” (and Halving Hunger)
- Income poverty target reached – by official definition of fraction living under \$1 a day equivalent (now adjusted to \$1.90)
- Progress on hunger (fraction hungry fell from about 23% to 14%) but not halved – and nearly 900 million still hungry
- Under-5 Mortality dropped 41%: progress; but not nearly cut by two-thirds



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- Maternal deaths about halved – but not cut by three-quarters
- Clean drinking water target met, and slum target met; sanitation goal not met
- Great progress against several diseases including TB and malaria
- Progress on enrollments, but universal goal not met - 57 million children still not in primary school – generally the poorest
- Development assistance is now probably falling in real terms



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Some criticisms that were raised concerning the original MDGs framework

- Not ambitious enough, it merely projects past rates of improvement
- Goals not prioritized; overlooks goal complementarity
- The \$1.25 a day poverty measure misses *intensity* of poverty
- \$1.25 (or \$1.90 as purchasing-power adjusted) per day is too low a bar
- Lack of goals on reducing rich country agricultural subsidies, which harm low income farmers in developing countries
- Nothing on improving legal and human rights of the poor
- No goals for slowing climate change harming developing countries
- Nothing on expanding gender equity outside of / beyond education

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Sustainable Development Goals

- Adopted by the UN on 26 Sept. 2015
- To be achieved by 2030
- Features 17 goals, with 169 targets
- Go to <https://sustainabledevelopment.un.org> and search for 'sdgs'
- New Underlying Principles:
 - *Universality principle*: Applies to every nation (with action encouraged from every sector)
 - *Integration principle*: Must achieve all goals; to do so account for their interrelationships
 - *Transformation principle*: Not “piecemeal” steps

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SUSTAINABLE DEVELOPMENT GOALS



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Table 1.1 (note you do not need to know all of these, maybe pick one or two you could discuss)

The 17 Sustainable Development Goals

- Goal 1. End poverty in all its forms everywhere
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3. Ensure healthy lives and promote well-being for all at all ages
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all
- Goal 7. Ensure access for all to affordable, reliable, sustainable, modern energy
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Source: United Nations. See <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>



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Table 1.1

The 17 Sustainable Development Goals (Continued)

- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12. Ensure sustainable consumption and production patterns
- Goal 13. Take urgent action to combat climate change and its impacts
- Goal 14. Conserve and sustainably use oceans, seas and marine resources for sustainable development
- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: United Nations. See <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>



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Table 1.2

Global Ambitions: Selected Targets of the Sustainable Development Goals*

- 1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day
- 2.1 By 2030, end hunger and ensure access by all people... to safe, nutritious and sufficient food all year round
- 2.2 By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women...
- 3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births
- 3.2 By 2030... reduce neonatal mortality [below] 12 per 1,000 live births and under-5 mortality [below] 25 per 1,000 live births
- 3.8 Achieve universal health coverage... access to quality essential health-care... affordable essential medicines and vaccines for all
- 4.1 By 2030 ensure all girls and boys complete free, equitable, quality primary and secondary education...



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Table 1.2**Global Ambitions: Selected Targets of the Sustainable Development Goals* (Continued)**

- 4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education
- 5.1 End all forms of discrimination against all women and girls everywhere
- 5.2 Eliminate all forms of violence against all women and girls in public and private spheres, including trafficking, sexual, other types of exploitation
- 5.3 Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation
- 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
- 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene... with attention to the needs of women and girls
- 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
- 8.1 Sustain... at least 7 per cent gross domestic product growth per annum in the least developed countries



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Table 1.2**Global Ambitions: Selected Targets of the Sustainable Development Goals* (Continued)**

- 10.1 By 2030... sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average
- 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
- 12.4 By 2020, achieve environmentally sound management of chemicals and wastes... reduce their release to air, water and soil
- 13.a [Mobilize] \$100 billion annually by 2020 to address the needs of developing countries in the context of meaningful [climate change] mitigation
- 16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children
- 17.12 Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least-developed countries...
- *For the full target list see the SDG website:
<https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>



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Discussion Topic: The SDGs

- What are some key similarities and differences between the SDGs and the earlier MDGs?
- To what extent do the same criticisms apply to SDGs as were raised in the past concerning the MDGs?
- If you think one or more criticisms are addressed – at least in part – please explain
- If you think a new criticism is relevant – specific to SDGs, or that applies also to MDGs but not listed above – please specify; explain
- Regardless of your specific views about the SDGs: do you think it is better to have these goals [or perhaps even any goals] than not to specify international development goals? How, or why not?
- Do you have a proposal for how to remedy a problem that you specify or that has been raised?



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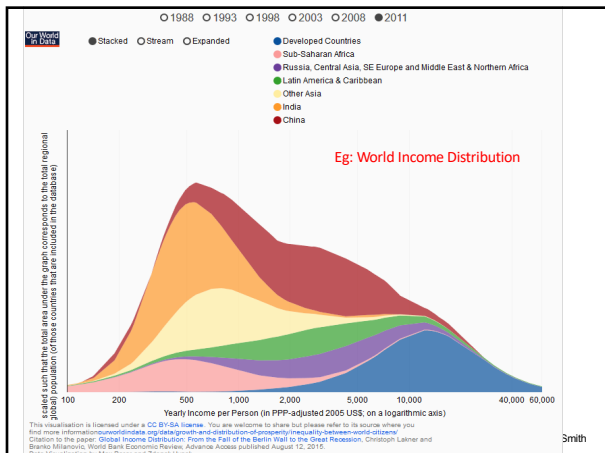
Concluding Observations

- The importance of Development Economics
- Inclusion of non-economic dimensions in designing development strategies
- Increasing capabilities to function as a central concept of development – Development as freedom
- Achieving the Sustainable Development Goals (SDGs)
- “...One future-or none at all”

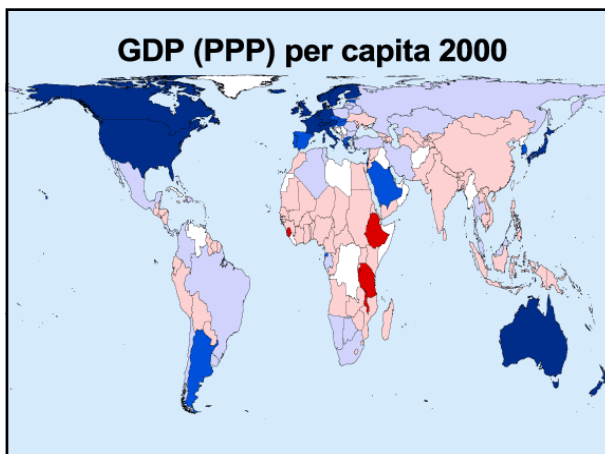
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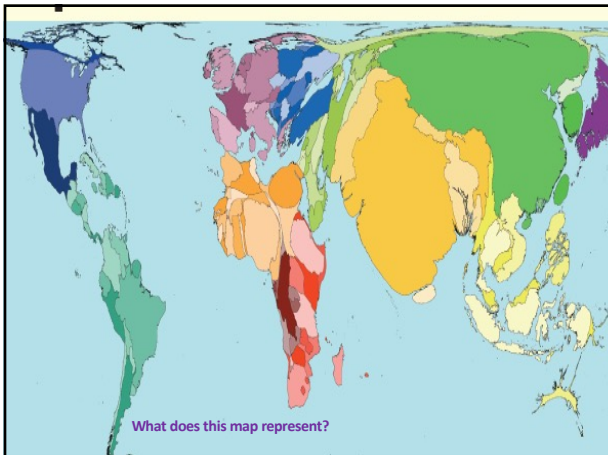
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Concepts for Review

<ul style="list-style-type: none"> Absolute Poverty Attitudes Capabilities Developing countries Development Development economics Freedom Functionings Globalization Gross domestic product Gross national income (GNI) Income per capita Institutions 	<ul style="list-style-type: none"> Less developed countries (LDCs) Millennium Development Goals (MDGs) More developed countries (MDCs) or DCs Political economy Self-esteem Social system Subsistence economy Sustenance Traditional economics Values
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