

Chapter 1 Lecture -Introducing Economic Development: A Global Perspective

ECON 211 – 70: Economic Development

Chapter 1 Lecture -Introducing Economic Development: A Global Perspective



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

- Why do living conditions differ so drastically for people across different countries and regions, with some so poor and others so rich?
- Why huge disparities also in health, nutrition, education, freedom of choice, women's autonomy, environmental quality, market access, security, voice?
- Why is output per worker many times higher in some countries than others?
- Why are populations growing rapidly in some countries, on verge of shrinking in others?
- Why are public services insufficient, corrupt in some countries; effective in others?
- Why have some formerly poor countries made so much progress and others so little?
- How did great divergences across countries come about? How does history matter?

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- 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

Give Examples

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- The scale of challenges for sustainable economic development and ending poverty remains enormous
 - Persistence of violent conflict; and other governance challenges
 - Environment - impact of climate change; plus domestic environmental deterioration
- Inclusive Growth, and the drive to zero-poverty – not a simple matter of continuing along a trend line!

Give Examples

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What is Development Economics?

- Use of economic analysis, methods and tools to understand the problems, constraints and opportunities facing developing countries
 - Causes of poverty
 - Roads to escape poverty
 - Development and growth over time
- Theoretical and empirical work
- We study the economic, social, political and institutional mechanisms that lead to development and transformation of the economies

CAN YOU GIVE EXAMPLES OF DEVELOPING COUNTRIES?

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What is Development Economics?

continued

- How do people achieve material opportunities to live an acceptable life? (and what is acceptable anyway?)
- We discuss broad tendencies and stylized facts, that depend on the context of each country. We have no (or few) universal laws....
- We want to:
 - Achieve a better understanding of the problems of poor countries
 - Achieve a better understanding of how to apply economics
 - Answer policy questions

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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 well-being, more broadly understood
- The Central Role of Women
 - To make the biggest impact on development, societies must empower and invest in women
- Amartya Sen's "Capability" Approach

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Development as Freedom (Amartya Sen)*

- Development can be seen, it is argued, as a process of expanding the real freedoms that people enjoy
- Development: enhancing the *capability* to lead the kind of lives we have reason to value.
- Focusing on human freedoms contrasts with narrower views of development, such as identifying development with the growth of gross national product, or with the rise in personal incomes, or with the industrialization, or with technological advance, or with social modernization.
- Development consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency.
- If freedom is what development advances, then there is a major argument for concentrating on that objective, rather than on some particular means, or some specially chosen list of instruments.
- Viewing development in term of expanding substantive freedoms directs the attention to the ends that make development important, rather than merely on some of the means

*Oxford University Press, 1999

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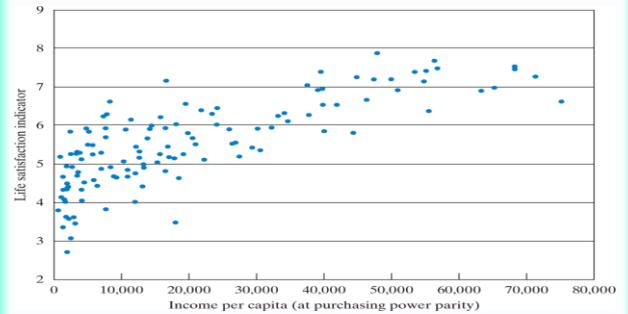
Some Key “Capabilities”

- 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
- 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**

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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?
<http://www.happyplanetindex.org>

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Happiness and Development

- There is not a perfect correlation between happiness and per capita income: people could be poor, but happy; rich, but unhappy
- Once per capita income increases above \$10,000 to \$20,000, the percentage of people who say they are happy tends to increase

Factors affecting happiness:

- ✓ Family relationships
- ✓ Financial conditions
- ✓ Work satisfaction
- ✓ Community and friends
- ✓ Health and health-care services
- ✓ Personal freedom
- ✓ Personal values

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Distinction Between Economic Growth and Economic Development

- **Economic Growth** – takes place when there is a sustained (ongoing for at least 1-2 years) increase in a country’s output (as measured by GDP or GNP) or in the per capita output (GDP or GNP per person)
- **Economic Development** – occurs when the standard of living of a large majority of the population rises, including both income and other dimensions like health and literacy

Why is there a distinction?

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Why Study Development Economics?

1. Moral and ethical reasons
 - Poverty is unfair
 - Inequality is unfair (at least at current levels)
 - Development is human right
2. Our own welfare
 - Global interactions (wars, environment, refugee)
 - Global coexistence
 - Trade and investment
3. Private interests
 - Job prospects
 - Perspectives on economics, common allround knowledge
4. Intellectual curiosity
 - What causes inequality and poverty and what can be done?
 - Why do some countries grow and others don't?

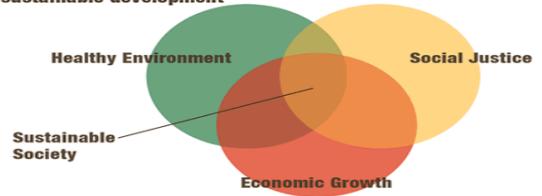
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What Are the Objectives of Development?

- We can list three objectives of development
 - increases in availability and improvements in the distribution of food, shelter, health, protection, etc.
 - improvements in 'levels of living,' including higher incomes, more jobs, better education, etc.
 - expansions in the range of economic and social choices available to individuals and nations

The three components of sustainable development



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Important Factors to be Understood When Studying Development

- Economics is important
- Non-economic variables are also important
- Values, attitudes, and institutions must be understood

What does the last statement mean and what are some examples?

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The Concept of Poverty

We usually think of poverty as making less than a certain amount of income. Poverty, however, has many dimensions.

- **Food (and nutrition) and shelter:** directly related to real income
- **Health:**
 - infant mortality
 - general health
 - overall life expectancy
- **Education:**
 - Literacy, Skills
- **Social:**
 - caste, gender
 - freedoms
- **Vulnerability:**
 - probability of being exposed to any type of deprivation

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Relative and Absolute Poverty

- **Relative Poverty** - Share of people (in each region) living on less than one third of average national consumption
- **Absolute Poverty** - The amount of income a person or family needs to purchase an absolute amount of the basic necessities of life. These basic necessities are identified in terms of calories of food, BTUs of energy, square feet of living space, etc.

Note: The problem with the absolute poverty level is that there really are no absolutes when it comes to consuming goods. You can consume a given poverty level of calories eating relatively expensive steak, relatively inexpensive pasta, or garbage from a restaurant dumpster. The income needed to acquire each of these calorie "minimums" vary greatly. That's why some prefer relative poverty.

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A Glimpse Into How the Six Billion Live

	Current Life Expectancy	Fertility Rate Average number of children per woman.	Contraceptive Use by percent of currently married women.
Africa	51 years	5.1	20
Asia	66	2.6	60
Europe	73	1.4	72
Latin America and Caribbean	69	2.7	66
North America	77	1.9	71

Source: United Nations Population Division
Credit: The New York Times (2005)

Countries or Areas With Highest Infant Mortality, Deaths/1,000 live births.

Sierra Leone	170
Afghanistan	151
Mexico	138
East Timor	135
Lowest	4
Japan	4
Singapore	5
Norway	5
Germany	5

Largest Urban Areas Population in millions.

Tokyo	28.8
Mexico City	17.8
Sao Paulo, Brazil	17.5
Bombay, India	17.4
New York	16.5
Shanghai	14.0
Los Angeles	13.0
Lagos, Nigeria	12.8
Calcutta, India	12.7
Buenos Aires	12.3

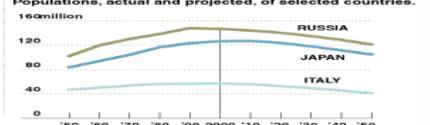
Countries With Greatest In-migration 1970-95 Net number, in millions.

United States	16.7
Russia	4.1
Saudi Arabia	3.4
India	3.3
Out-migration	
Mexico	-6.0
Bangladesh	-4.1
Afghanistan	-4.1
Philippines	-2.9

Oldest Countries Median age of population, 1999.

Italy	40.2
Japan	40.2
Germany	39.7
Sweden	39.7
Youngest	15.0
Uganda	15.8
Niger	15.9
Yemen	15.9
Congo Republic	15.9

Dropping Populations Populations, actual and projected, of selected countries, 1950-2050.



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The Structural Diversity of Developing Economies

- Size and income level
- Historical background
- Physical and human resources
- Ethnic and religious composition
- Relative importance of public and private sectors
- Industrial structure
- External dependence
- Political structure, power, and interest groups

Give Examples of Countries

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Common Characteristics of Developing Nations

- Low levels of living
- Low levels of productivity
- High rates of population growth and dependency burdens
- High and rising levels of unemployment and underemployment
- Substantial dependence on agricultural production and primary-product exports
- Prevalence of imperfect markets
- Dependence and vulnerability

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How the Other Half Lives

- *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*
- *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*
- *We have to line up for hours before it is our turn to draw water. —Mbwadzulu Village (Mangochi), Malawi*

A universal theme reflected in these quotes is that poverty is more than lack of income – it is inherently multidimensional, as is economic development 1 -21

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Daily Life in Developing Countries

So what would it be like living on \$1.50 per day? An article from *USA Today* may put things into perspective.

- Get rid of your car and all of your furniture and appliances except one chair and one table – no TV, stereo, refrigerator, dishwasher, clothes washer, dryer, or even lamps.
- Get rid of all your clothing except your oldest, most beaten-up shirt and pair of jeans. If you're the head of the family, you can keep one pair of shoes. If not, get rid of them too.
- Remove the food from the kitchen. You can keep one small bag of flour, some sugar and salt, and a few potatoes, onions, cabbages or dry beans. You'll cook with firewood or dried cow dung.
- Shut off the water, gas and electricity. While you're at it, dismantle the bathroom. Your new bathroom will be the local stream or pond. You'll get your drinking water from there too.

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- Move out of the house and into the toolshed. Your neighborhood will be a small village or shantytown.
- Don't waste any time on newspapers, books and magazines. They'll be meaningless to you because you'll give up literacy.
- Hold \$10 in case of emergency – no bank account, pension plan or insurance policies.
- Cultivate three acres as a tenant farmer. If the weather's good, you can expect \$300 to \$500 per year in cash crops. You'll pay one third of that to the landlord and another tenth to the moneylender.
- No need to worry about keeping yourself busy in retirement, because you'll be lucky if you live past 55 or 60.



Zambia,
*Saki Hirano

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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
- 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

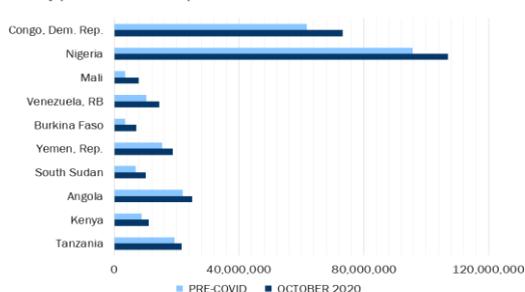
- Not ambitious enough, it merely projects past rates of improvement
- Goals not prioritized; stove-piped: overlooks goal complementarity
- The \$1.25 a day poverty measure misses intensity of poverty
- \$1.25 (or \$1.90 as purchasing-power adjusted) per day is too low a bar
- Lack of goals on reducing rich country agricultural subsidies, which harm low income farmers in developing countries
- No goals for slowing climate change harming developing countries
- Nothing on expanding gender equity outside of / beyond education
- Did not seem to apply to developed countries except as aid donors

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What about Covid-19?

Figure 2. Long-term impact of COVID-19 on extreme poverty in 2030, by country (absolute numbers)



Source: Author's calculations based on IMF World Economic Outlook October 2020 and World Bank Povcal data

BROOKINGS

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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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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

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

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The 17 Sustainable Development Goals

- 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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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

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

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The 17 Sustainable Development Goals (Continued)

- 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> 1 -33

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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
- 3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births
- 3.8 Achieve universal health coverage... access to quality essential health-care... affordable essential medicines and vaccines for all

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Global Ambitions: Selected Targets of the Sustainable Development Goals*

- 4.1 By 2030 ensure all girls and boys complete free, equitable, quality primary and secondary 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

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

- 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
- 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
- 10.1 By 2030... sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average
- <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

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

- 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

*For the full target list see the SDG website:
<https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

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Working in Development



what my parents think i do



what my friends think i do



what the govt thinks i do



what other people think i do



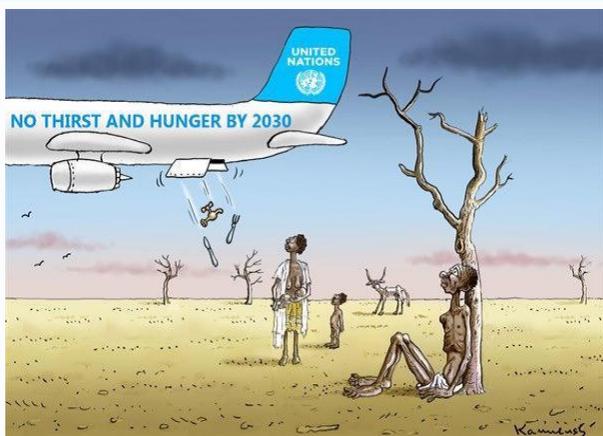
what i think i do



what it's really like

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We decided to go with 17 goals and 169 targets.



I know many of you wanted less and some of you wanted more.



So we decided to go right in the middle, that way nobody is happy.



fresh spectrum

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