Part One
Principles and Concepts

Chapter 1
Introducing Economic Development:
A Global Perspective

◼ Key Concepts

As curious as students who register to take Development Economics may be, their knowledge and experience of the developing world will vary widely. The first main point of Chapter 1 is to emphasize how different life in the developing world is. Through examples of debt crises and oil shocks, the idea that the world is becoming increasingly interdependent and that actions taken in the developed world can have a profound impact on the developing world.

The second point is to provide an overview of the nature of development economics as a field. A defense of development economics as a distinct field, rather than an agglomeration of other economics subfields, is offered. A major theme of the book, that development economics must encompass the study of institutional and social, as well as economic, mechanisms for modernizing an economy while eliminating absolute poverty, is introduced.

The plan of the book is introduced through a series of 30 critical questions of development economics. Depending on the amount of material covered by the instructor, students should be able to intelligently address most of these questions by the end of the course.

Section 1.3 looks deeper into the meaning of development and offers both the traditional economic measures and the new economic view of development that is multidimensional. This alternative approach is closely tied to the discussion of Sen’s “Capabilities” approach, first introduced in the 7th edition. Further, this section talks specifically about happiness in the context of economic development, relating the level of happiness not only to level of income but to other factors such as democratic freedoms and the quality
of social relationships. The role of normative values in development economics—a subject dealing with human misery and human potential, with equity as well as efficiency, with cultural change that causes losses as well as gains, and with transfer as well as creation of wealth—is also stressed.

The conclusion is that development is both a physical reality and a state of mind. The meaning and objectives of development include the provision of basic needs, reducing inequality, raising living standards through appropriate economic growth, improving self-esteem in relation to the developed countries, and expanding freedom of choice in the market and beyond.

Section 1.4 presents an in depth examination of the UN’s Millennium Development Goals (MDGs). This includes a more comprehensive list of the goals themselves (appearing in Table 1.1) and a discussion of the shortcomings of the MDGs. Finally, the case study on Brazil at the end of the chapter has been revised and updated.

◼ Lecture Suggestions

It might be best to begin with a discussion of this chapter’s prologue and to focus on the authors’ statement (page 3) that the scale of transformation in the world economy is immense. Hans Rosling’s video “200 countries, 200 years, 4 minutes” (readily available on YouTube) can be used to confirm this point in an entertaining way. It might also be helpful to mention that gross world product has more than doubled between 1985 and 2012.

Despite such advances, tremendous disparities continue to exist. In terms of easily accessible statistics “Poverty Facts and Statistics” (http://www.globalissues.org/article/26/poverty\_facts\_and\_stats) provides data on the share of the world’s population living on $1, $1.25, $1.45, $2, $2.5, and $10 a day. Particularly striking for many students is the fact that, in 2005, 80% of the world’s population earned $10 or less a day. Several excellent books attempt to give some idea of the range of living standards found throughout the world. For example, *The Material World* (http://wwwpbs.org/wgbh/nova/worldbalance/material.html) by Peter Menzell. This book presents photographic profiles of typical families around the world with all of their possessions placed in front of their homes. As one goes from one family to the next the instructor has the opportunity to highlight the important differences between nations and regions and to touch on key issues of growth and development.

One of the key strengths of this chapter is that it does not rush to the hard numbers that supposedly measure development. The discussion of Sen’s Capabilities approach, the far less than perfect relationship between income and happiness, and what the authors refer to the three core values of development are well worth spending a fair amount of class time exploring. Class time should also be spent discussing the 30 critical questions listed on pages 11-14 of the text and then asking students to identify 3 or 4 questions that they are particularly interested in exploring. Asking each student to list what they consider to be “critically” critical questions on a sheet of paper, collecting their responses, and then trying to direct the rest of the term to addressing the most commonly mentioned critical questions for that class will be helpful in further drawing students in and holding their attention throughout the term.

At this same point, the instructor might also wish to get some idea of students’ experiences traveling to developing countries and, in as subtle a way as is possible, determine how shaky their understanding of the wider world is. The instructor perhaps could draw on his or her own experiences and give some background as to how he or she first became interested in Development Economics. This may –through the kinds of questions asked- help the instructor further gauge students’ level of sophistication in this area. This is not something that should be or, can, be settled in the first one or two classes and will develop over the course of the term.

In many universities, the economic development course will be filled with students who are not majoring in economics. These students may come from different colleges with majors such as anthropology, sociology, or political science or business (management, finance, etc.). They may have had as little as one semester of introductory economics. Given that you are teaching an economics class, you may wish to remind the students of this fact and offer whatever help you can. Given video capture software, you might consider recording some primers that then could be made available to students through course management software such as Blackboard or Moodle. You certainly should use the first class or two to set the stage for the approach you will take, whether it will be more interdisciplinary, more economic, more mathematical and quantitative, more historical, or some combination.

Emphasize that development economics is an exciting subject to study and teach because it does not focus just on one country, but on all less-developed countries. Further emphasize that you will try to teach key concepts and ideas which can be applied to the experiences of many developing countries. These concepts and ideas are important for understanding where the developing countries are today, as well as what their options are for the future. You might also wish to emphasize that there arguably is no other area of economics that is more relevant to the majority of the world’s people.

The 30 basic questions can be used to motivate student interest in the subject as well as present an overview of what the class is all about. It can be emphasized that there is no one answer to the general question of why some countries are more developed than others. There are as many different opinions
on what a less developed-country should do to become more developed. A good approach is to present differing viewpoints throughout the course and let the students make up their minds on their own.

If you have developing-country experience, mentioning some of your own experiences with, “How the Other Half Live,” is a way of introducing the first chapter and really getting students’ attention.

◼ Discussion Topics

Encouraging class participation is a good way to motivate the students and make them feel involved in
the learning process. The first few weeks of class in particular are conducive to this sort of exercise. Two ideas for discussions at this stage are:

• What is the meaning of economic development? Why do we not see a stronger relationship between income and happiness, especially once income has risen above $10,000-$20,000 a year per person?

• Is it possible for the whole world to be developed? This can be an interesting question to ask at the beginning of the course and then again at the end of the course.

◼ Sample Questions

Short Answer

 1. Provide a definition of development economics. Justify your choice carefully.

**Answer:** See the section in Chapter 1 entitled, “The Nature of Development Economics,” on
pages 9–10 for some ideas about how the students might answer this question. They
should in some way say that development economics is more than just growth in GDP.

 2. In defining development to include more than just the growth of per capita income, there is an implicit assumption that the growth of per capita income alone is not sufficient to guarantee the reduction of poverty and the growth of self-esteem. Is it possible that there could be growth of
per capita income without the achievement of these other objectives?

**Answer:** Per capita income can show growth even when that growth does not touch vast portions
of the population. This point is clearly made in Chapter 5. The growth may be centered in one area or sector of the economy for example. Also, most developed countries have, at some time in their histories, introduced policies emphasizing equality.

 3. In what way is development economics greater in scope than traditional economics?

**Answer:** Development economics must encompass the study of institutional, political, and social as well as economic mechanisms for modernizing an economy while eliminating absolute poverty and transforming states of mind as well as physical conditions. More details found in the chapter.

 4. Make a case that development economics might be merely a combination of all the other subfields
of economics, only applied to low-income countries.

**Answer:** See Question 3 above.

 5. What do you think are the most serious obstacles to further progress in the developing world?

**Answer:** The main point here is to ensure that students are thinking carefully about the issues raised in the text. You may also wish to draw from the critical questions on Pages 9–11.

 6. In reviewing discussions of life in developing countries, what is it about lifestyles in the low-income countries compared with lifestyles in the high-income countries that most strikes you? Why?

**Answer:** This is an open-ended question to stimulate reflection.

 7. It has been said that “underdevelopment is a state of mind.” Comment.

**Answer:** You may look for a discussion of the role of modern values in the development process,
as on Pages 12–14 of the text.

 8. Do you think it is in the material interests of high-income countries to help low-income countries improve their economic performance? Why or why not?

**Answer:** Answers might touch on increasing the market for products in which high-income countries have a comparative advantage, reducing the dangers of regional war and terrorism, reducing international transmission of disease, and curbing international migration.

 9. How is happiness related to development?

**Answer:** Answers should make reference to the correlation between happiness and income level as well as touch on the connection between happiness and social relationships, personal and democratic freedoms, religious beliefs, and health, among other factors listed on Page 20. Further, answers should include a discussion on happiness as being a part of Amartya Sen’s concept of functionings.

10. What are the Millennium Development Goals (MDGs) and how did they come about? What do you consider to be the most important of these and why?

**Answer:** The answer should stress that the goals cover a broad range of objectives both economic and social. These were put forward so that developing countries would have numerical targets against which their progress could be judged and, where warranted, appropriate assistance offered. An interim assessment of the MDGs can be found at: *www.unmilleniumproject.org*.

11. Why are women often referred to as playing a central role in economic development?

**Answer:** An answer should include how women can influence whether or not the next generation will be impoverished through their role of childrearing based on the resources they bring
to this task and the values they pass to their children. Another key point that should be mentioned is that empirically, women tend to allocate a higher percentage of the income under their own control to the family and children than men.

12. What are the most important characteristics that have shaped Brazil’s economic and social progress during the last three decades?

**Answer:** Discussion should include the large degree of income inequality, the need for land reform as a result of the dualistic nature of the land tenure system and the environmental challenge faced by what is one of the world’s most environmentally diverse countries.

◼ Multiple Choice

 1. Countries tend to be classified as more or less developed based on

a. the literacy rate.

b. the poverty rate.

c. the level of income per capita.

d. the types of goods they produce.

**Answer:** C

 2. Which of the following demonstrates international interdependence?

a. the oil shocks

b. the debt crisis

c. global warming

d. all of the above.

**Answer:** D

 3. A subsistence economy is

a. a very low income economy.

b. an economy in which people make what they consume.

c. an economy in which people receive food for pay.

d. all of the above.

**Answer:** B

 4. Development economics is the study of the

a. alleviation of absolute poverty.

b. transformation of institutions.

c. allocation of resources in developing countries.

d. all of the above.

**Answer:** D

 5. Development economics must have a scope wider than traditional economics because

a. values and attitudes play little role in the pace of development.

b. people in developing societies do less utility-maximizing.

c. transformation of social institutions is necessary for development.

d. all of the above.

**Answer:** C

 6. A good definition of the meaning of development is the

a. elimination of absolute poverty.

b. improvement in the quality of life.

c. fulfillment of the potential of individuals.

d. all of the above.

**Answer:** D

 7. Which of the following is not an important objective of development?

a. increases in per capita income

b. the expansion of available choices

c. increases in individual and national self-esteem

d. all of the above are important objectives of development

**Answer:** D

 8. The Millennium Development Goals include

a. eliminating the proportion of people living on less than $1 per day.

b. universal primary education.

c. increasing exports by one half.

d. all of the above.

**Answer:** B

 9. The core values of development include

a. increasing income per person.

b. reducing the inequality of income.

c. the ability to meet basic needs.

d. all of the above.

**Answer:** C