DOWNLOAD PDF DEVELOPMENT ECONOMICS

Chapter 1 : The Graduate Institute, Geneva - PhD in Development Economics

Development economics is a branch of economics that focuses on improving fiscal, economic and social conditions in developing countries. Development economics considers factors such as health.

Development economics is easy to characterize as one of the three major subfields of economics, along with microeconomics and macroeconomics. More specifically, development economics resembles economic history in that it seeks to explain the changes that occur in economic systems over time. Economic development first became a major concern after World War II. As the era of European colonialism ended, many former colonies and other countries with low living standards came to be termed underdeveloped countries, to contrast their economies with those of the developed countries, which were understood to be Canada, the United States, those of western Europe, most eastern European countries, the then Soviet Union , Japan, South Africa , Australia, and New Zealand. As living standards in most poor countries began to rise in subsequent decades, they were renamed the developing countries. There is no universally accepted definition of what a developing country is; neither is there one of what constitutes the process of economic development. Developing countries are usually categorized by a per capita income criterion , and economic development is usually thought to occur as per capita incomes rise. Although there are a number of problems of measurement of both the level of per capita income and its rate of growth, these two indicators are the best available to provide estimates of the level of economic well-being within a country and of its economic growth. It is well to consider some of the statistical and conceptual difficulties of using the conventional criterion of underdevelopment before analyzing the causes of underdevelopment. The statistical difficulties are well known. To begin with, there are the awkward borderline cases. Even if analysis is confined to the underdeveloped and developing countries in Asia , Africa, and Latin America , there are rich oil countries that have per capita incomes well above the rest but that are otherwise underdeveloped in their general economic characteristics. Second, there are a number of technical difficulties that make the per capita incomes of many underdeveloped countries expressed in terms of an international currency, such as the U. These difficulties include the defectiveness of the basic national income and population statistics, the inappropriateness of the official exchange rates at which the national incomes in terms of the respective domestic currencies are converted into the common denominator of the U. Finally, there are conceptual problems in interpreting the meaning of the international differences in the per capita income levels. Although the difficulties with income measures are well established, measures of per capita income correlate reasonably well with other measures of economic well-being, such as life expectancy , infant mortality rates, and literacy rates. Other indicators, such as nutritional status and the per capita availability of hospital beds, physicians, and teachers, are also closely related to per capita income levels. While a difference of, say, 10 percent in per capita incomes between two countries would not be regarded as necessarily indicative of a difference in living standards between them, actual observed differences are of a much larger magnitude. The interpretation of a low per capita income level as an index of poverty in a material sense may be accepted with two qualifications. First, the level of material living depends not on per capita income as such but on per capita consumption. The two may differ considerably when a large proportion of the national income is diverted from consumption to other purposes; for example, through a policy of forced saving. Second, the poverty of a country is more faithfully reflected by the representative standard of living of the great mass of its people. This may be well below the simple arithmetic average of per capita income or consumption when national income is very unequally distributed and there is a wide gap in the standard of living between the rich and the poor. The usual definition of a developing country is that adopted by the World Bank: To be sure, countries with the same per capita income may not otherwise resemble one another: Centrally planned economies are also generally regarded as a separate class, although China and North Korea are universally considered developing countries. A major difficulty is that prices serve less as indicators of relative scarcity in centrally planned economies and hence are less reliable as indicators of the per capita availability of goods and services than in market-oriented economies. Estimates of percentage increases in real per capita income are subject to a somewhat smaller margin of error than are estimates of income levels. Page 1 of 7.

Chapter 2 : What Is Development Economics? - blog.quintoapp.com

Development economics is a branch of economics which deals with economic aspects of the development process in low income countries. Its focus is not only on methods.

Economic nationalism Following mercantilism was the related theory of economic nationalism , promulgated in the 19th century related to the development and industrialization of the United States and Germany, notably in the policies of the American System in America and the Zollverein customs union in Germany. A significant difference from mercantilism was the de-emphasis on colonies, in favor of a focus on domestic production. Following Brexit and the United States presidential election, , some experts have argued a new kind of "self-seeking capitalism" popularly known as Trumponomics could have a considerable impact on cross-border investment flows and long-term capital allocation [8] [9] See also: Only after the war did economists turn their concerns towards Asia, Africa and Latin America. At the heart of these studies, by authors such as Simon Kuznets and W. Arthur Lewis [14] was an analysis of not only economic growth but also structural transformation. Rostow in The Stages of Growth: These stages are "the traditional society, the pre-conditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption" [16] Simple versions of the Harrodâ€"Domar model provide a mathematical illustration of the argument that improved capital investment leads to greater economic growth. That is to say that this early and simplistic theory failed to account for political, social and institutional obstacles to development. Furthermore, this theory was developed in the early years of the Cold War and was largely derived from the successes of the Marshall Plan. This has led to the major criticism that the theory assumes that the conditions found in developing countries are the same as those found in post-WWII Europe. The pattern that a particular country will follow, in this framework, depends on its size and resources, and potentially other factors including its current income level and comparative advantages relative to other nations. The two-sector surplus model, which was developed in the s, has been further criticized for its underlying assumption that predominantly agrarian societies suffer from a surplus of labor. Actual empirical studies have shown that such labor surpluses are only seasonal and drawing such labor to urban areas can result in a collapse of the agricultural sector. The patterns of development approach has been criticized for lacking a theoretical framework. Unlike earlier theories, international dependence theories have their origins in developing countries and view obstacles to development as being primarily external in nature, rather than internal. These theories view developing countries as being economically and politically dependent on more powerful, developed countries which have an interest in maintaining their dominant position. There are three different, major formulations of international dependence theory: The first formulation of international dependence theory, neocolonial dependence theory, has its origins in Marxism and views the failure of many developing nations to undergo successful development as being the result of the historical development of the international capitalist system. Neoclassical theories argue that governments should not intervene in the economy; in other words, these theories are claiming that an unobstructed free market is the best means of inducing rapid and successful development. Competitive free markets unrestrained by excessive government regulation are seen as being able to naturally ensure that the allocation of resources occurs with the greatest efficiency possible and the economic growth is raised and stabilized. These different takes on neoclassical theory are the free market approach, public-choice theory, and the market-friendly approach. Of the three, both the free-market approach and public-choice theory contend that the market should be totally free, meaning that any intervention by the government is necessarily bad. Public-choice theory is arguably the more radical of the two with its view, closely associated with libertarianism , that governments themselves are rarely good and therefore should be as minimal as possible. Anne Krueger noted in that success and failure of policy recommendations worldwide had not consistently been incorporated into prevailing academic writings on trade and development. This approach still advocates free markets but recognizes that there are many imperfections in the markets of many developing nations and thus argues that some government intervention is an effective means of fixing such imperfections. In fact, the majority of development economists are employed by, do consulting with, or receive funding from institutions like the IMF and the World Bank. Where economic issues merge with social and political ones, it is referred to as development studies. Economic development and ethnicity[edit] A growing body of research has been emerging among development economists since the very late 20th century focusing on interactions between ethnic diversity and economic development, particularly at the level of the nation-state. While most research looks at empirical economics at both the macro and the micro level, this field of study has a particularly heavy sociological approach. The more conservative branch of research focuses on tests for causality in the relationship between different levels of ethnic diversity and economic performance, while a smaller and more radical branch argues for the role of neoliberal economics in enhancing or causing ethnic conflict. Moreover, comparing these two theoretical approaches brings the issue of endogeneity endogenicity into questions. This remains a highly contested and uncertain field of research, as well as politically sensitive, largely due to its possible policy implications. The role of ethnicity in economic development[edit] Much discussion among researchers centers around defining and measuring two key but related variables: It is debated whether ethnicity should be defined by culture, language, or religion. Several indices have been proposed in order to model ethnic diversity with regards to conflict.

Chapter 3 : Development Economics: Macroeconomics | Economics | MIT OpenCourseWare

The LSE Department of Economics is one of the biggest and best in the world, with expertise across the full spectrum of mainstream economics. A long-standing commitment to remaining at the cutting edge of developments in the field has ensured the lasting impact of its work on the discipline as a whole.

In the first place, I am unqualified to write such a paper. So I am in no position to write about his larger vision. Furthermore, while I am a great admirer of The Strategy of Economic Development, I do not think that it was helpful to development economics. To put it briefly, however, I regard the intellectual strategy that Hirschman adopted in writing that book as an understandable but wrong response to what had become a crisis in the field of economic development. Perversely, the very brilliance and persuasiveness of the book made it all the more destructive. If this paper is not about Hirschman, what is it about? It is some reflections on two intertwined themes. One is the strange history of development economics, or more specifically the linked set of ideas that I have elsewhere Krugman called "high development theory". This set of ideas was and is highly persuasive as at least a partial explanation of what development is about, and for a stretch of about 15 years in the s and s it was deeply influential among both economists and policymakers. Yet in the late s high development theory rapidly unravelled, to the point where by the time I studied economics in the s it seemed not so much wrong as incomprehensible. Only in the s and s were economists able to look at high development theory with a fresh eye and see that it really does make a lot of sense, after all. The second theme is the problem of method in the social sciences. As I will argue, the crisis of high development theory in the late s was neither empirical nor ideological: High development theorists were having a hard time expressing their ideas in the kind of tightly specified models that were increasingly becoming the unique language of discourse of economic analysis. They were faced with the choice of either adopting that increasingly dominant intellectual style, or finding themselves pushed into the intellectual periphery. It is a rich book, full of stimulating ideas. Its most important message at that time, however, was a rejection of the drive toward rigor. In effect, Hirschman said that both the theorist and the practical policy-maker could and should ignore the pressures to produce buttoned-down, mathematically consistent analyses, and adopt instead a sort of muscular pragmatism in grappling with the problem of development. Unfortunately, they perished there. The irony is that we can now see that high development theory made perfectly good sense after all. But in order to see that, we need to adopt exactly the intellectual attitude Hirschman rejected: This paper, then, is a meditation on economic methodology, inspired by the history of development economics, in which Albert Hirschman appears as a major character. I hope that it is clear how much I admire his work; he is not a villain in this story so much as a tragic hero. Loosely, high development theory can be described as the view that development is a virtuous circle driven by external economies -- that is, that modernization breeds modernization. Some countries, according to this view, remain underdeveloped because they have failed to get this virtuous circle going, and thus remain stuck in a low level trap. Such a view implies a powerful case for government activism as a way of breaking out of this trap. Although Myrdal is essentially a tract that emphasizes the importance of "circular and cumulative causation" without -- unlike Hirschman , which is often treated as a counterpart work -- providing much in the way of concrete examples of how it might arise. The distinctive features of high development theory came out of its explanation of the nature of the positive feedback that can lead to self-reinforcing growth or stagnation. In most versions of high development theory, the self-reinforcement came from an interaction between economies of scale at the level of the individual producer and the size of the market. The story then went something like this: So if modernization can be gotten started on a sufficiently large scale, it will be self-sustaining, but it is possible for an economy to get caught in a trap in which the process never gets going. The clearest and simplest version of this story is in the original paper by Rosenstein Rodan himself. In that seminal paper, he illustrated his argument for coordinated investment by imagining a country in which 20,! They receive wages substantially higher than their previous income in natura. Both key assumptions are clearly present: Admittedly, some of the classics of high development theory differed in their emphasis from this central vision. On the other side, some authors, notably Fleming , argued that owing to the role of intermediate goods in production -- what Hirschman would later memorably dub forward and backward linkages -- self-reinforcing development could conceivably occur even without dualism. There were also disputes over the nature of the policies that might be required to break a country out of a low-level trap. Rosenstein Rodan and others appeared to imply that a coordinated, broadly based investment program -- the Big Push -- would be required. Hirschman disagreed, arguing that a policy of promoting a few key sectors with strong linkages, then moving on to other sectors to correct the disequilibrium generated by these investments, and so on, was actually the right approach. Indeed, Hirschman structured his book as an argument with what he called the "balanced growth" school. He did not acknowledge that he had far more in common with Rosenstein Rodan and other "balanced growth" advocates like Nurkse than any of them had with the way that mainstream economics was going. For mainstream economics was, by the late s, becoming increasingly hostile to the kinds of ideas involved in high development theory. Above all, economics was going through an extended period in which increasing returns to scale, so central to that theory, tended to disappear from discourse. It may not be obvious just how crucial economies of scale were to high development theory. One of the characteristics of the writing of many of its expositors was a certain vagueness that makes it hard to know exactly what the essence of their arguments were -- a vagueness that, as we will soon see, was no accident. Still, if reads carefully, one finds that increasing returns are invariably crucial to the argument. Forward linkages are also defined by Hirschman as involving an interaction between scale and market size; in this case the definition is vaguer, but seems to involve the ability of an industry to reduce the costs of potential downstream users of its products and thus, again, push them over the threshhold of profitability. So economies of scale were crucial to high development theory. Why did that present a problem? Because economies of scale were very difficult to introduce into the increasingly formal models of mainstream economic theory. You might have supposed that the process would have been more or less linear: In the 15th century, maps of Africa were, of course, quite inaccurate about distances, coastlines, and so on. Thus the maps showed Timbuktu, the River Niger, and so forth. Admittedly, they also contained quite a lot of untrue information, like regions inhabited by men with their mouths in their stomachs. Still, in the early 15th century Africa on maps was a filled space. Over time, the art of mapmaking and the quality of information used to make maps got steadily better. The coastline of Africa was first explored, then plotted with growing accuracy, and by the 18th century that coastline was shown in a manner essentially indistinguishable from that of modern maps. Cities and peoples along the coast were also shown with great fidelity. On the other hand, the interior emptied out. The weird mythical creatures were gone, but so were the real cities and rivers. In a way, Europeans had become more ignorant about Africa than they had been before. It should be obvious what happened: Second-hand reports of the form "six days south of the end of the desert you encounter a vast river flowing from east to west" were no longer something you would use to draw your map. Only features of the landscape that had been visited by reliable informants equipped with sextants and compasses now qualified. And so the crowded if confused continental interior of the old maps became "darkest Africa", an empty space. Of course, by the end of the 19th century darkest Africa had been explored, and mapped accurately. In the end, the rigor of modern cartography led to infinitely better maps. But there was an extended period in which improved technique actually led to some loss in knowledge. Between the s and the s something similar happened to economics. A rise in the standards of rigor and logic led to a much improved level of understanding of some things, but also led for a time to an unwillingness to confront those areas the new technical rigor could not yet reach. Areas of inquiry that had been filled in, however imperfectly, became blanks. Only gradually, over an extended period, did these dark regions get re-explored. Economics has always been unique among the social sciences for its reliance on numerical examples and mathematical models. Nonetheless, in the early 20th century economic analysis was, by modern standards, marked by a good deal of fuzziness. In the case of Alfred Marshall, whose influence dominated economics until the s, this fuzziness was deliberate: By the way, I personally regard Marshall as one of the greatest of all economists. His works remain remarkable in their range of insight; one only wishes that they were more widely read. From the point of view of a modern economist, the most striking feature of the works of high development theory is their adherence to a discursive, non-mathematical style. Economics has, of course, become vastly more mathematical over time. Nonetheless, development economics was archaic in style even for its own time. Hirschman made a significant contribution to the formal theory of devaluation in the s, while Fleming helped create the still influential Mundell-Fleming model of floating exchange rates. Moreover, the development field itself was at the same time generating mathematical planning models -- first Harrod-Domar type growth models, then linear programming approaches -- that were actually quite technically advanced for their time. Almost certainly for one basic reason: The essential problem is that of market structure. From Ricardo until about , what economists knew how to model formally was a perfectly competitive economy, one in which firms take prices as given rather than actively trying to affect them. There is a standard theory of the behavior of an individual monopolist who faces no comparably-sized competitors, but there is no general theory of how oligopolists, firms who have substantial market power but also face large rivals, will set prices and output. Still less is there any general approach to modeling the aggregate behavior of a whole economy largely peopled by oligopolistic rather than perfectly competitive industries. Since the mid s economists have broken through this barrier in a number of fields: The way they have done this is essentially by making some peculiar assumptions that allow them to exploit the bag of tricks that industrial organization theorists developed for thinking about such issues in the s. So development theorists were placed in an awkward bind, with basically sensible ideas that they could not quite express in fully worked-out models. And the drift of the economics profession made the situation worse. In the s and even in the s it was still possible for an economist to publish a paper that made persuasive points verbally, without tying up all the loose ends. Some development theorists responded by getting as close to a formal model as they could. This is to some extent true of Rosenstein Rodan, and certainly the case for Fleming , which gets painfully close to being a full model. But others at least professed to see a less formal, less disciplined approach as a virtue rather than an awkward necessity. It is in this light that one needs to see Hirschman and Myrdal. These authors are often cited today by me among others as forerunners of the recent emphasis in several fields on strategic complementarity. In fact, however, their books marked the end, not the beginning of high development theory.

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Chapter 4 : THE FALL AND RISE OF DEVELOPMENT ECONOMICS

Development Economics By Debraj Ray, New York University March PreparedfortheNew Palgrave Dictionary of Economics, editedbyLawrence Blume and Steven Durlauf.

Subjects Description Development Economics: Alain de Janvry and Elisabeth Sadoulet identify seven key dimensions of development; growth, poverty, vulnerability, inequality, basic needs, sustainability, and quality of life, and use them to structure the contents of the text. This book gives a historical perspective on the evolution of thought in development. It uses theory and empirical analysis to present readers with a full picture of how development works, how its successes and failures can be assessed, and how alternatives can be introduced. The authors demonstrate how diagnostics, design of programs and policies, and impact evaluation can be used to seek new solutions to the suffering and violence caused by development failures. This text is fully engaged with the most cutting edge research in the field, and equips readers with analytical tools for the impact evaluation of development programs and policies, illustrated with numerous examples. It is underpinned throughout by a wealth of student-friendly features including case studies, quantitative problem sets, end-of-chapter questions, and extensive references. This unique text aims at helping readers learn about development, think analytically about achievements and alternative options, and be prepared to compete on the development job market. It is rich with material, examples, and case studies. It includes extensive discussions on data and studies using the randomized control trial approach, which is widely used in development research nowadays. Indicators and issues 2. State of development 3. History of thought in development economics 4. Impact evaluation of development policies and programs 5. Poverty and vulnerability assessment 6. Inequality and inequity 7. International trade and industrialization strategies 8. Explaining economic growth, the macro level 9. Endogenous economic growth International finance and development Population and development Labor and migration Financial services for the poor Social assistance programs and targeting Sustainable development and the environment Common property resources and determinants of cooperation Agriculture for development Development aid and its effectiveness Institutional innovations and development Political economy and the role of the state

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Chapter 5 : Development Economics: Theory and practice, 1st Edition (Paperback) - Routledge

Economic development is the process by which a nation improves the economic, political, and social well-being of its people. The term has been used frequently by economists, politicians, and others in the 20th and 21st centuries.

PhD Development Economics PhD in Development Economics The PhD programme is a challenging degree tailored for exceptional students with a strong commitment to Development Economics and a proven ability for inquisitive, independent work. Over the past decade, Development Economics has arguably become one of the most interesting fields in the profession. From global macroeconomic issues, such as the determinants of economic growth, to carefully-crafted microeconomic work in which rigorously constructed theories are tested in developing countries, often using cutting-edge experimental or quasi-experimental techniques, Development Economics is at the heart of many current policy debates. What policies should a country follow in order to ensure sustained economic growth and an equitable distribution of income? Attempting to answer such questions stands at the core of our programme. Our four-year PhD programme is centred around a dissertation. This work represents a substantial contribution to Development Economics and demonstrates your ability to combine independent research with the formal methodologies and tools of the trade. Admissions are decided on the basis of individual files. We consider both candidates from our own MIS programme in economics, as well as candidates from outside universities with a top reputation. What does it prepare you for? A practicing Development Economist must be, first and foremost, a very good economist, trained in the tools of the trade, from micro and macro theory, to advanced econometric techniques. But a Development Economist should be much more and should display sensitivity towards and knowledge of diverse cultural settings, know how to engage key stakeholders in developing countries from the government to local NGOs , and be capable of getting things done in the field in conditions that are sometimes quite difficult. Our graduates have secured positions in prominent policy institutions, such as the International Monetary Fund, the World Bank, and the research departments of prominent governments. While our training is focused on policy application, many graduates have secured positions in academia. How is the programme structured? The programme consists of classes in English and the research dissertation. Classes cover a sequence of four courses in the first two semesters: Students are encouraged, when appropriate, to carry out fieldwork in the context of projects supervised by faculty members in developing countries. While there is no requirement to take additional elective classes, you have the option to follow classes in economics or other departments of the Institute as an auditor, subject to approval of the Professor. The dissertation is the central element of the programme. You will choose a Professor to be your academic supervisor in the first year. That proposal describes your research plan and you will be expected to have clearly identified your research question, show a good grasp of the related literature, as well as have a clear plan for the methods and data you intend to use. The dissertation usually takes the form of three papers written under the direction of your supervisor, each of which is suitable as an independent paper. We allow for co-authorship of chapters, but expect you to demonstrate the ability to undertake research on your own. Students usually have one chapter ready by the beginning of their fourth year, which they use as their job market paper to secure employment. The credit requirements are 24 credits ECTS from the four classes. Can I follow classes outside the Institute? You can take classes in other institutions as auditors, subject to approval by your supervisor. Is financial support available? Financial support takes the form of teaching assistantships, scholarships both administered by the Institute and research assistantships usually administered by Professors using external funding. You can apply for support for your first year when applying to the Institute. Applications to obtain support for subsequent years are submitted during the spring semester for funding that will start in the next fall semester. While we cannot commit to fund all of our PhD students, the recent experience is that all of them have obtained some funding. What is the work atmosphere like? Each year we admit between 4 and 9 students, including those from our own MIS programme. This allows for close contact between students and faculty members. The economics section fully recognises that PhD students will soon become colleagues and we value the contribution of our students to departmental life. There is also a cooperative atmosphere among students. PhD students elect representatives who are in regular contact with the faculty and the administration. What are the opportunities to learn about and present research? The department runs a weekly research seminar where outside speakers come to present papers. This seminar series attracts prominent researchers and gives students an exposure to current research topics in all branches of economics. The economics departments of the Universities of Geneva and Lausanne are also a short distance away and offer seminar series. This is a very useful opportunity to learn what your fellow students are doing and receive feedback on your own research. The economics section also encourages students to present their work at economics conferences and submit it to journals, and offers a contribution towards the expenses this involves. What do our PhDs go on to do? The Institute is well known for preparing students to work as professional economists on development issues in international organisations such as the World Bank and the International Monetary Fund, governments or the private sector and the academic world. The combination of advanced knowledge of up-to-date theories and methodologies and our emphasis on real-life uses of economics is highly appreciated by employers. Admission is organised at the Institute level. In addition to the general admission conditions, the Economics department requires applicants to the Master and PhD programmes to take the GRE test school code: What else do I need to know? For more general information, you may check out the links on the right hand-side of the page. If your questions remain unanswered ask current students about their experience:

Chapter 6 : Master Lectures in Development at Summer Institute

Development economists are concerned with the state of low-income countries and citizens. They may work in research and policy analysis for government agencies and nonprofits. These are the top.

Development economics The scope of economic development includes the process and policies by which a nation improves the economic, political, and social well-being of its people. The concept, however, has been in existence in the West for centuries. Modernization , Westernisation, and especially Industrialisation are other terms people have used while discussing economic development. Economic development has a direct relationship with the environment. Although nobody is certain when the concept originated, some people agree that development is closely bound up with the evolution of capitalism and the demise of feudalism. According to Schumpeter and Backhaus , the changes in this equilibrium state to document in economic theory can only be caused by intervening factors coming from the outside. In , during his inaugural speech, President Harry Truman identified the development of undeveloped areas as a priority for the west: Their food is inadequate, they are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history humanity possesses the knowledge and the skill to relieve the suffering of these people I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better lifeâ€¦ What we envisage is a program of development based on the concepts of democratic fair dealing Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modem scientific and technical knowledge. From the s to the s the state played a large role in promoting industrialization in developing countries, following the idea of modernization theory. This period was followed by a brief period of basic needs development focusing on human capital development and redistribution in the s. Neoliberalism emerged in the s pushing an agenda of free trade and removal of import substitution industrialization policies. In economics, the study of economic development was borne out of an extension to traditional economics that focused entirely on national product , or the aggregate output of goods and services. Hirschman , a major contributor to development economics , asserted that economic development grew to concentrate on the poor regions of the world , primarily in Africa , Asia and Latin America yet on the outpouring of fundamental ideas and models. Growth and development[edit] Economic growth deals with increase in the level of output, but economic development is related to increase in output coupled with improvement in social and political welfare of people within a country. Therefore, economic development encompasses both growth and welfare values. Dependency theorists argue that poor countries have sometimes experienced economic growth with little or no economic development initiatives; for instance, in cases where they have functioned mainly as resource-providers to wealthy industrialized countries. There is an opposing argument, however, that growth causes development because some of the increase in income gets spent on human development such as education and health. According to Ranis et al. According to them, the first chain consists of economic growth benefiting human development, since economic growth is likely to lead families and individuals to use their heightened incomes to increase expenditures, which in turn furthers human development. At the same time, with the increased consumption and spending, health, education, and infrastructure systems grow and contribute to economic growth. In addition to increasing private incomes, economic growth also generates additional resources that can be used to improve social services such as healthcare , safe drinking water , etc. By generating additional resources for social services, unequal income distribution will be mitigated as such social services are distributed equally across each community , thereby benefiting each individual. Concisely, the relationship between human development and economic development can be explained in three ways. First, increase in average income leads to improvement in health and nutrition known as Capability Expansion through Economic Growth. Second, it is believed that social outcomes can only be improved by reducing income poverty known as Capability Expansion through Poverty Reduction. Lastly, social outcomes can also be improved with essential services such as education , healthcare , and clean drinking water known as Capability Expansion through

Social Services. After analyzing the existing capitalistic growth-development theoretical apparatus, he introduces the new model which integrates the variables of freedom, democracy and human rights into the existing models and argue that any future economic growth-development of any nation depends on this emerging model as we witness the third wave of unfolding demand for democracy in the Middle East. Micro knowledge is what an individual learns from school or from various existing knowledge and macro knowledge is the core philosophical thinking of a nation that all individuals inherently receive. How to combine both these knowledge would determine further growth that leads to economic development of developing nations. Yet others believe that a number of basic building blocks need to be in place for growth and development to take place. For instance, some economists believe that a fundamental first step toward development and growth is to address property rights issues, otherwise only a small part of the economic sector will be able to participate in growth. That is, without inclusive property rights in the equation, the informal sector will remain outside the mainstream economy, excluded and without the same opportunities for study. The economic development of countries can also be implicated or contributed by the multinational corporations companies. Economic development goals[edit] The development of a country has been associated with different concepts but generally encompasses economic growth through higher productivity, [9] political systems that represent as accurately as possible the preferences of its citizens, [10] [11] the extension of rights to all social groups and the opportunities to get them [12] and the proper functionality of institutions and organizations that are able to attend more technically and logistically complex tasks i. With this in mind, economic development is typically associated with improvements in a variety of areas or indicators such as literacy rates , life expectancy , and poverty rates , that may be causes of economic development rather than consequences of specific economic development programs. For example, health and education improvements have been closely related to economic growth, but the causality with economic development may not be obvious. In any case, it is important to not expect that particular economic development programs be able to fix many problems at once as that would be establishing unsurmountable goals for them that are highly unlikely they can achieve. For example, if a nation has little capacity to carry out basic functions like security and policing or core service delivery it is unlikely that a program that wants to foster a free-trade zone special economic zones or distribute vaccinations to vulnerable populations can accomplish their goals. Governments that can raise a significant amount of revenue from this source are less accountable to their citizens they are more autonomous as they have less pressure to legitimately use those resources. Economic development policies[edit] In its broadest sense, policies of economic development encompass three major areas: Governments undertaking to meet broad economic objectives such as price stability, high employment , and sustainable growth. Such efforts include monetary and fiscal policies, regulation of financial institutions , trade , and tax policies. Job creation and retention through specific efforts in business finance , marketing , neighborhood development , workforce development , small business development, business retention and expansion, technology transfer , and real estate development. This third category is a primary focus of economic development professionals. One growing understanding in economic development is the promotion of regional clusters and a thriving metropolitan economy. International trade and exchange rates are a key issue in economic development. Currencies are often either under-valued or over-valued , resulting in trade surpluses or deficits. Furthermore, the growth of globalization has linked economic development with trends on international trade and participation in global value chains GVCs and international financial markets. The last financial crisis had a huge effect on economies in developing countries. Economist Jayati Ghosh states that it is necessary to make financial markets in developing countries more resilient by providing a variety of financial institutions. This could also add to financial security for small-scale producers. The practitioners have two key roles: Economic development practitioners generally work in public offices on the state, regional, or municipal level, or in publicâ€”private partnerships organizations that may be partially funded by local, regional, state, or federal tax money. These economic development organizations function as individual entities and in some cases as departments of local governments. Their role is to seek out new economic opportunities and retain their existing business wealth. There are numerous other organizations whose primary function is not economic development that work in partnership with economic developers. They include the news media, foundations, utilities, schools, health care providers, faith-based organizations, and colleges, universities, and other education or research institutions. With over 4, members across the US and internationally, serving exclusively the economic development community, IEDC membership represents the entire range of the profession ranging from regional, state, local, rural, urban, and international economic development organizations, as well as chambers of commerce, technology development agencies, utility companies, educational institutions, consultants and redevelopment authorities. Many individual states also have associations comprising economic development professionals, who work closely with IEDC. Development indicators and indices[edit] There are various types of macroeconomic and sociocultural indicators or "metrics" used by economists and geographers to assess the relative economic advancement of a given region or nation. GDP per capita â€” growing development population[edit] GDP per capita is gross domestic product divided by mid year population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidizes not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. With the struggle to attract and retain business, competition is further intensified by the use of many variations of economic incentives to the potential business such as: IEDC places significant attention on the various activities undertaken by economic development organizations to help them compete and sustain vibrant communities. Additionally, the use of community profiling tools and database templates to measure community assets versus other communities is also an important aspect of economic development. Job creation, economic output, and increase in taxable basis are the most common measurement tools. When considering measurement, too much emphasis has been placed on economic developers for "not creating jobs". However, the reality is that economic developers do not typically create jobs, but facilitate the process for existing businesses and start-ups to do so. Therefore, the economic developer must make sure that there are sufficient economic development programs in place to assist the businesses achieve their goals. Those types of programs are usually policy-created and can be local, regional, statewide and national in nature.

Chapter 7 : Economic development - Wikipedia

One is the strange history of development economics, or more specifically the linked set of ideas that I have elsewhere (Krugman) called "high development theory". This set of ideas was and is highly persuasive as at least a partial explanation of what development is about, and for a stretch of about 15 years in the s and s it was.

When something is thought to work, the next challenge is determining why it works and the conditions under which it works; that is, assessing the extent to which conclusions are generalizable. These are key research themes in the Development Economics Program. One exciting source of new results on these questions arises from a multifaceted, focused initiative known as the "Graduation" Program. The Graduation Program has three central planks designed to provide a holistic set of resources and services to increase the productivity of the ultra-poor: They identified the poorest households in each study village and randomly offered about half of them the BRAC program, with the other households serving as controls. The program was a stunning success, as measured by a very large and broad set of markers of well-being. At the end of the intervention, which lasted two years, relative to controls, Graduation Program households reported higher levels of per capita consumption, more income, greater savings, more assets and improved mental health. Effects were not only large and statistically significant, but also long-lived, persisting for at least a year after the intervention ended in all the study settings 2 and in India for at least another four years. Based on this evidence, many countries are currently experimenting with this type of multifaceted package as they endeavor to reduce persistent poverty. Figure 1 New Thinking about Poverty Alleviation Strategies The study clearly establishes that the Graduation Program has transformed the lives of the poorest not just in one small area but across vastly different settings over three continents. This is important because many of the most promising anti-poverty programs that have documented successful poverty reduction in some contexts have not been successful in other settings. Microcredit is one example of an anti-poverty strategy that has been extensively analyzed. In , the Nobel Peace Prize was awarded to Muhammad Yunus and Grameen Bank for leading the microcredit revolution that brought small loans first to the poor in Bangladesh, and then to the poor more broadly. Micro-loans, which are made mostly to women, involve some form of group liability and report excellent repayment rates. The number of people who have received the loans has grown rapidly and microfinance for a time was heralded as the magic bullet that would end poverty as we know it. However, results from rigorous studies investigating the impacts of microcredit have not been encouraging. Duflo, Banerjee, Rachel Glennerster, and Cynthia Kinnan conducted a randomized evaluation of the impact of a microfinance firm entering markets in Hyderabad, India, and found that, while loans were made and recipients invested in their new businesses, the effects were transitory, with no discernible improvements in consumption or well-being for any but a small fraction of recipients at the top of the income distribution. This includes research that has taken a structural approach to modelling credit constraints, income uncertainty, and lumpy investments, exploiting quasi-experimental variation in micro-credit programs in Southeast Asia. Overall, estimated impacts of microcredit have been mixed, at best, and the outcomes that are affected vary substantially across studies and contexts. Francisco Buera, Joseph Kaboski, and Yongseok Shin summarize the evidence on microcredit as indicating that, while it can help segments of the population increase both income and consumption, there is little reason to believe that it has had a transformative impact on the lives of the poorest. This was investigated in a clever RCT conducted in rural Mali by Lori Beaman, Karlan, Thuysbaert, and Udry that provided capital to farmers at the beginning of the planting season to be repaid as a lump sum after the harvest. Women in those villages were able to form associations and apply for loans. After all loan decisions had been made, a random sub-sample of the women living in the same villages who did not borrow were given cash grants. In the other villages, randomly selected households were given a cash grant â€" the first plank of the Graduation Program. Those who received cash grants significantly increased investments and net revenue on their farms. In contrast, in the villages where loans were available, the farmers who borrowed increased their investments and revenue even more, whereas there were no significant increases among the cash grant recipients in these villages. The researchers conclude that when borrowers are self-selected, or selected by a loan officer, returns to credit are large, significant, and sustained, but when borrowers are not self-selected, average returns are effectively zero. A similar point is made by Pushkar Maitra, Sandip Mitra, Dilip Mookherjee, Alberto Motta, and Sujata Visaria, who show that crop yields and income of potato farmers increased when trader-lender agents were given authority to select borrowers. Other work on microcredit highlights the importance of liquidity constraints after a shock. Emily Breza and Kinnan show that after the crackdown on microfinance in Andhra Pradesh, India, there were declines in wages and consumption. Research at the macro level has established the importance of the banking sector for growth and development, and many national and international agencies have invested substantial resources in an effort to shift people from informal savings structures into formal institutions. In a series of RCTs, Pascaline Dupas, Karlan, Jonathan Robinson, and Diego Ubfal find that expanding access to basic bank accounts to a population-representative sample of unbanked households in Uganda, Malawi, and Chile results in more deposits to accounts but has no impact on savings or incomes. This is not to say that access to reliable saving mechanisms is not important: There is abundant evidence that increasing access to formal saving institutions for those who are predisposed to use the services can have long-lasting benefits, as noted, for example, by Dupas, Anthony Keats, and Robinson, 12 as well as Karlan, Beniamino Savonitto, Thuysbaert, and Udry. The third plank of the Graduation Program is training and skill development. There is a good deal of evidence that those who apply for and complete vocational training can realize positive, significant, and persistent improvements in labor market outcomes. Ten years after the training program, those who received training earned 12 percent more than the controls. In a study in the Dominican Republic that included an intensive treatment of hard and soft skill training as well as an internship, Paloma Acevedo, Guillermo Cruces, Paul Gertler, and Sebastian Martinez found that the lives of females were transformed by the training. In contrast, for males the training raised expectations that were subsequently dashed, and there were no measurable long-term benefits. The weight of the evidence, then, indicates that while each of the components of the Graduation Program can benefit specific sub-groups of the population, it is the program taken as a whole that is critical for achieving a transformative impact on the lives of the program beneficiaries. Banerjee, Karlan, Osei, Trachtman, and Udry explicitly test this hypothesis using data from Ghana designed to separately identify the impacts of the productive asset grant and the access to savings. They conclude that neither, alone, substantially improved the lives of the poorest. This is an extremely important insight that has had a major impact on thinking in the field. Large-scale cash transfers, particularly conditional cash transfers, have improved population economic security and well-being. They find that the exposed cohorts are significantly better educated, more geographically mobile, perform better in the labor market, and live in more economically secure households. Economic benefits are especially large for females. It is also unclear how such programs will impact society more broadly if they are implemented on a large scale in developing countries. Munenobu Ikegami, Michael Carter, Christopher Barrett, and Sarah Janzen develop a dynamic model of consumption and asset accumulation that includes random shocks; they conclude that state-of-the-world contingent transfers are likely to be more cost-effective than either conditional or unconditional cash transfers. The vast majority of farms in developing countries are small, which, as shown in Figure 2, contrasts sharply with farms in developed countries. Andrew Foster and Mark Rosenzweig explain that, in developing countries, small farms tend to be more productive than medium-scale farms because they largely rely on family labor, eschewing purchased labor that carries high transaction costs. However, above a size threshold, there are economies of scale in capital that result in higher productivity but these economies are rarely realized in developing countries. For example, using data from Indian districts over 50 years, Supreet Kaur establishes that nominal wages rise in response to higher than normal levels of rainfall but do not adjust downwards later, and nominal wages do not fall during droughts. She estimates that demand for the poorest rural dwellers, who are landless workers, is 9 percent lower than it would be if wages were flexible. The poor pay a heavy penalty for this wage rigidity, which apparently is sustained by beliefs on the parts of both workers and employers that nominal wage cuts are unfair and result in reduced effort. Uninsured weather risks are a major source of welfare loss although, as pointed out by Jing Cai, Alain de Janvry, and Elisabeth Sadoulet, weather insurance products typically face low take-up rates by farmers. Studies have shown that when farmers buy weather-based insurance, agricultural output and labor demand are more sensitive to weather because farmers switch to riskier, higher-yield production methods. This point is made by Ahmed Mobarak and Rosenzweig, who examine the general equilibrium implications on labor market outcomes of offering insurance to both farmers and to landless laborers. When agricultural laborers are offered insurance, their labor supply responses result in wages being smoothed across weather states. When farmers who own land are offered insurance, their incomes benefit, but that insurance exacerbates the impact of weather shocks on the wages of landless laborers â€" the poorest of the poor â€" and makes them worse off than they would be in a world without insurance. However, if the forecast turns out to be wrong, equilibrium wages are further reduced, resulting in greater volatility than would have been the case in the absence of weather forecasts. More generally, while migration has played an important role in mitigating spatial misallocation of factors in developing economies, large productivity gaps across sectors persist. For example, Gharad Bryan and Melanie Morten estimate that labor productivity would increase by 22 percent in Indonesia if barriers to migration were removed. Morten estimates a structural model using panel data from India to investigate the links between migration and insurance, distinguishing informal, collective risk-sharing and self-insurance. She concludes that improving access to risk-sharing reduces temporary migration by 20 percentage points while reducing the cost of migration reduces collective risk-sharing by 8 percentage points. These effects persist for several years, indicating important financial and non-financial barriers to migration. His work with David Lagakos and Michael Waugh investigates the welfare effects of the subsidy in a dynamic model of migration with incomplete markets. This research shows that non-financial factors play a major role in migration decisions, and that â€" since it is the poorest who are most likely to move when offered the subsidy â€" welfare gains are greatest for the poorest households. Many studies have sought to understand why so many small firms in these countries do not grow. As Chang-Tai Hsieh and Benjamin Olken point out, however, it is not just mid-sized firms but also large firms that are missing. They document that, as is the case for farms in the rural sector, a very large fraction of firms in developing countries are small. However, in contrast to agriculture, small firms have low levels of productivity relative to larger firms and so the researchers conclude that it is larger firms that face binding capital or labor constraints. For example, Karlan, Ryan Knight, and Udry conduct an experiment in Ghana that provides financial capital a cash grant and managerial capital consulting services to microenterprises. While entrepreneurs invest the cash and take the advice, their profits decline and they revert to their prior practices. They conducted a randomized trial with female micro-entrepreneurs in India in which microfinance repayment constraints were relaxed by providing a grace period to the treatment group. They find that profits of household enterprises, taken together, rose substantially for the group that received the grace period. When there were multiple enterprises in the household, resources were allocated to the most profitable enterprise, which was often managed by the husband. Moreover, when the only enterprise in the household belonged to the wife, the profits of her enterprise rose. They find similar patterns in the Ghanaian data used by Fafchamps and colleagues as well as in data from an earlier Sri Lankan study and conclude that when capital is provided to a household member, household-level income gains are equivalent regardless of the recipient of the grant or loan. They conclude that firm profits and productivity are higher in firms with better business practices, and that the better-educated and the children of entrepreneurs are more likely to employ these practices. As Duflo points out, drawing insights from economics to improve both the design and development of institutions will likely contribute to the field of implementation science and yield high returns for society. They point to the importance of taking into account the roles of selection, incentive structures, and monitoring of public sector workers in the design of programs and policies 37 as well as the time of recruitment and election. They show that changing the incentives of third-party environmental auditors in India to reduce corruption results in plant emissions not only being reported correctly but also in substantial reductions in poisonous emissions. One approach to mitigating such capture is increasing transparency in program implementation. This idea has been rigorously tested and shown to be extremely effective in some very large-scale field experiments. Collaborating with the Indonesian government, Banerjee, Hanna, Kyle, Olken, and Sudarno Sumarto provided information to eligible households in almost villages about the benefits they should receive and compared the amounts they actually received with households in about control villages. Beneficiaries received larger subsidies following the information campaign, with beneficiary households who were informed of the official price receiving the largest additional subsidies. Leakage of funds has been thought to be a serious problem as funds are diverted by local officials out of the program by paying ghost beneficiaries and by under-paying beneficiaries for their work. A large-scale randomized field experiment in Bihar designed and implemented by Banerjee, Rema Hanna, Jordan Kyle, Olken, and Sumarto increased transparency and accountability by shifting to electronic fund transfers and building in checks and balances. The reforms resulted in significantly lower leakage and thus lower program costs, while employment and wages of program beneficiaries did not change. This is important because these programs are often designed to reduce poverty. Conclusions This brief summary describes some major themes in ambitious and innovative development studies that have recently been completed or are currently underway. That this is an exciting time for development as a field is an understatement. In part, this is because of the many shared interests with other fields in economics and other disciplines. It is also because important substantive questions are being investigated both to advance science and to make a difference to global well-being. Studies creatively draw on theory in combination with a diverse array of empirical methods in a push to answer very hard questions. This has propelled investments in developing and testing ambitious research designs along with innovation in measurement and data collection. These ongoing investments augur well for continued important contributions to scientific understanding of the development process. This program is led by a director in consultation with an active advisory committee. The director is Duncan Thomas.

Chapter 8 : Development Economics - Studying Economics

The Journal of Development Economics publishes original research papers relating to all aspects of economic development - from immediate policy concerns to structural problems of underdevelopment. The emphasis is on quantitative or analytical work, which is novel and relevant.

What Is Development Economics? The field of study looks at the progress developing nations are making in improving various socioeconomic aspects. Development economics is a branch of economics that deals with the improvement of the economies of developing countries. The discipline aims at establishing strategies that apply to different developing countries depending on their unique social, political, and economic factors. Development economics also explores the unique challenges that face developing nations thus helps in the analysis of the opportunities available in these nations and how they can be applied. Development economics makes use of economic theory, econometric methods, political science, and demographics in its approaches. History of Development Economics Development economics as a discipline first arose in the s. However, earlier theories pointing towards this discipline started as early as the Seventeenth Century with the rise of the nation-state. Such approaches included Mercantilism and economic nationalism. The s saw the development through efforts of theorists such as W. Rostow who suggested that economic growth passes through five linear processes. These processes include the traditional society, preconditions, take-off, maturity, and high-mass consumption. Currently, the discipline is receiving a lot of attention and plays a significant role development research. Areas of Relevance Development economics is often applied to efforts aimed at poverty eradication, achieving millennium development goals MDGs set by the United Nations UN , democratic governance, sustainable environment and energy policies, and crisis prevention and recovery. Practical Applications Development economics is applied in the development of strategies that are aimed at improving the economic status of developing nations. Thus, they contribute to bridging the ever-increasing gaps between the poor and the rich in many countries. This economic development is achieved through the application of economic and political theories in the analysis of present and past economic developments as well as the possible opportunities that may be exploited and the methods for using these opportunities to the benefit of the country. Benefits of Using Development Economics Development economics offers a more comprehensive view and understanding of economic, political, and social impacts, as well as of influences on the economic state of a country. Besides, it examines areas that can be improved such as infrastructure, education, health and technology that is critical to positive economic growth through empowerment of the population. Besides, Economic Development examines the macroeconomic and micro-economic factors that relates to the structure of the developing country and how the country can create both domestic and international growth. Criticisms of Development Economics The measures used in quantifying the progress of economic development have been criticized for their failure to include smaller, yet significantly important economic activities, such as housekeeping and home building, that are not listed in financial transactions. Therefore, this shortcoming is likely to misrepresent the economic position of a country as the economic progress is measured in financial terms. Fraud and lack of data on funding also compromise the effectiveness of calculating the Gross Domestic Product GDP of a country. Development Economics in Practice The United Nations Development Program UNDP has applied development economics in an attempt to help developing countries to improve their economic positions by assisting them in developing strategies and analyzing growth trends. The UNDP program works through women empowerment and gender equality, poverty reduction, sustainable environmental management, disease eradication, and treatment, as well as strengthening partnerships for cooperation between rich and developing nations in a view to achieving the Millennium Development Goals. Strengths of Development Economics The most important and significant aspect of development economic is the realization that economic development strategies to be applied are not to be found in predefined formulas, but differ according to the political, economic, and social factors affecting any given economy. This realization is important in the development of tailored growth strategies that will best serve the economy in question. This page was last updated on April 25, By Benjamin Elisha Sawe.

Chapter 9 : Development Economics

Development Economics does precisely that in a clear, rigorous, and elegant fashion. Debraj Ray, one of the most accomplished theorists in development economics today, presents in this book a synthesis of recent and older literature in the field and raises important questions that will help to set the agenda for future research.