CONTENTS

LIST OF EXHIBITS xv
PREFACE xvii
USING THIS BOOK xix

I. INTRODUCTION 1

Overview 1

I.A. MEASURING DEVELOPMENT 5

Note I.A.1. The Evolution of Measures of Development 5
Selection I.A.1. Why Are Services Cheaper in the Poor Countries? 13
Comment I.A.1. The Productivity and Factor Proportions Explanations Again 17
Selection I.A.2. Burden of Poverty 18
Comment I.A.2. Capabilities and Entitlements 30

I.B. ECONOMIC PERFORMANCE OF LESS DEVELOPED COUNTRIES:

THE RECENT PAST 35
Selection I.B.1. The East Asian Miracle 36
Selection I.B.2. East Asian Crisis: An Overview 42
Selection I.B.3. Completing China’s Move to the Market 48
Selection I.B.5. The Launching of the Reforms 58
Selection I.B.6. Indian Economic Reforms: Background, Rationale,
Achievements, and Future Prospects 61
Note I.B.1. The Triumph of Laissez-Faire? 64
Selection I.B.7. Explaining Africa’s Development Experiences 65

I.C. THE DISCIPLINE OF DEVELOPMENT ECONOMICS 69

Note I.C.1. Evolution of Development Economics 69
Comment I.C.1. Classical Growth Theory 72
Comment I.C.2. Development Economics as a Special Subject 73
Note I.C.2. New Endogenous Growth Theory 75
II. HISTORICAL PERSPECTIVE

Overview: The Division of the World 77

Selection II.1. The Spread of Economic Growth to the Third World: 1850–1980 80
  Comment II.1. State-owned Enterprises and Privatization 96

Selection II.2. The Division of the World and the Factoral Terms of Trade 97

Note II.1. Why Not Export First? 102

Note II.2. The Lewis Model of the World Economy 104

Selection II.3. Agricultural Productivity, Comparative Advantage, and Economic Growth 107
  Comment II.2. Income Elasticity of Demand for Food in the Matsuyama Model 110

Selection II.4. Income Distribution, Market Size, and Industrialization 111
  Comment II.3. Minimum Market Size in the Murphy–Shleifer–Vishny Model 113

Selection II.5. Divergence, Big Time 114

III. SAVINGS AND INVESTMENT 119

Overview: Savings—The Engine of Growth? 119

Note III.1. The AK Model 123

Selection III.1. Is Fixed Investment the Key to Economic Growth? 126

Selection III.2. Interest Rates in the Organized Money Markets of Underdeveloped Countries and Interest Rates Outside the Organized Money Markets of Underdeveloped Countries 129

Selection III.3. Financial Liberalization in Retrospect: Interest Rate Policies in LDCs 133
  Comment III.1. Financial Liberalization 136


Selection III.5. Financial Development and Economic Growth: Views and Agenda 141

Selection III.6. Good Policy or Good Luck? Country Growth Performance and Temporary Shocks 147
  Comment III.2. Policies Versus Shocks: A Closer Look 153

IV. INTERNATIONAL TRADE AND TECHNOLOGY TRANSFER 155

Overview 155

IV.A. TRADE 159

Selection IV.A.1. Natural Resource Abundance and Economic Growth 161

Note IV.A.1. Import-substituting Industrialization and the Infant-Industry Argument 168

Selection IV.A.2. Typology in Development Theory: Retrospective and Prospects 170

Selection IV.A.3. An Exposition and Exploration of Krueger’s Trade Model 175
  Comment IV.A.1. Moving Up the Ladder and Changes in Relative Costs of Factors of Production 178
Selection IV.A.5. Exchange Control, Liberalization, and Economic Development 187
Selection IV.A.6. Trade Policy Reform
Comment IV.A.2. Stabilization-cum-Liberalization Programs 193
Selection IV.A.7. Getting Interventions Right: How South Korea and Taiwan Grew Rich 195
Note IV.A.2. Tradeability of Intermediate Goods, Linkages, and Bottlenecks 202

IV.B. FOREIGN CONTACT AND TECHNOLOGY TRANSFER 204
Note IV.B.1. Learning in International Production Networks 204
Selection IV.B.1. Technology Gaps Between Industrial and Developing Countries: Are There Dividends for Latecomers? 206
Selection IV.B.2. The Benefits of FDI 209
Note IV.B.2. Trade as Enemy, Handmaiden, and Engine of Growth 211

V. HUMAN RESOURCES 213
Overview 213

V.A. EDUCATION 216
Note V.A.1. Three Views of the Contribution of Education to Economic Growth 216
Selection V.A.2. Economic Impact of Education
Comment V.A.1. Ability Differences, Spillovers, and the Returns to Education 226
Comment V.A.2. Education and Development 227
Selection V.A.3. Interpreting Recent Research on Schooling in Developing Countries 229
Selection V.A.4. Schooling Quality in a Cross Section of Countries 234
Selection V.A.5. Creating Human Capital 237

V.B. POPULATION 241
Note V.B.1. The Size of the World’s Population and the Size of the Average Family 241
Selection VB.1. Economic Approaches to Population Growth 242

V.C. HEALTH AND NUTRITION 249
Selection V.C.1. Health and Nutrition 254
Selection V.C.2. Investing in Health 257

V.D. GENDER AND DEVELOPMENT 263
Selection V.D.1. Women’s Education in Developing Countries: An Overview 263
CONTENTS

Selection V.D.2. Women in the Labor Force 271
Selection V.D.3. Women, Poverty, and Development in the Third World 275
Selection V.D.4. Women in Developing Countries 280
Selection V.D.5. Missing Women 283
Comment V.D.1. The Grameen Bank and “Empowerment” of Women 287
Comment V.D.2. Gender-Aware Analysis 288

VI. MIGRATION AND THE URBAN INFORMAL SECTOR 289

Overview: The Evolving View of Urban Underemployment, the Informal Sector, and Their Connection with Rural-Urban Migration 289
Selection VI.1. Urban Growth in Developing Countries: A Demographic Reappraisal 293
Selection VI.2. Economic Development with Unlimited Supplies of Labor 297
Selection VI.3. A Model of Labor Migration and Urban Unemployment in Less Developed Countries 300
Note VI.1. The Lewis Versus the Harris–Todaro View of Underemployment in Less Developed Countries 302
Selection VI.4. Wage Spillover and Unemployment in a Wage-gap Economy: The Jamaican Case 307
Note VI.2. Econometric Studies of Migration 312
Selection VI.5. The Informal Sector 313
Selection VI.8. The Role of the Informal Sector in the Migration Process: A Test of Probabilistic Migration Models and Labour Market Segmentation for India 323

VII. AGRICULTURE 329

Overview 329

VII.A. THE IMPORTANCE OF AGRICULTURE FOR ECONOMIC DEVELOPMENT 332
Selection VII.A.1. Development Strategy in a Limping World Economy 332
Note VII.A.1. Food, Hunger, Famine 335

VII.B. DESIGNING AN AGRICULTURAL STRATEGY 336
Selection VII.B.1. Some Theoretical Aspects of Agricultural Policies 336
Comment VII.B.1. The Green Revolution 345
CONTENTS

Comment VII.B.2. Land Reform 346
Selection VII.B.3. The Agricultural Transformation 347
Note VII.B.1. Induced Technical and Institutional Change 350

VII.C. MICROECONOMICS OF THE RURAL SECTOR 352
Selection VII.C.1. The New Development Economics 352
Selection VII.C.3. The New Institutional Economics and Development Theory 359
Selection VII.C.4. Rural Credit Markets and Institutions in Developing Countries: Lessons for Policy Analysis from Practice and Modern Theory 361
Selection VII.C.5. A Survey of Agricultural Household Models: Recent Findings and Policy Implications 364
Comment VII.C.1. Supply Functions and Price Responsiveness 366

VII.D. AGRICULTURAL PRICING POLICY AND URBAN BIAS 368
Note VII.D.1. Agricultural Pricing Policy 368
Selection VII.D.1. Urban Bias 370
Comment VII.D.1. Rural–Urban Terms of Trade 373
Comment VII.D.2. The Rural–Urban Divide 373

VIII. INCOME DISTRIBUTION 375
Overview 375
Note VIII.1. Measurement of Income Inequality 379

VIII.A. THE IMPACT OF DEVELOPMENT ON INCOME DISTRIBUTION 382
Selection VIII.A.1. Economic Growth and Income Inequality 382
Selection VIII.A.2. Inequality, Poverty, and Development 387
Selection VIII.A.3. Growth and Income Distribution 391
Selection VIII.A.4. A Note on the U Hypothesis Relating Income Inequality and Economic Development 394
Selection VIII.A.5. Economic Development, Urban Underemployment, and Income Inequality 395
Comment VIII.A.1. The Informal Sector, Intraurban Inequality, and the Inverted U 399

VIII.B. THE IMPACT OF INCOME DISTRIBUTION ON DEVELOPMENT 401
Selection VIII.B.1. Distributive Politics and Economic Growth 401
Selection VIII.B.2. Income Distribution, Political Instability, and Investment 404
CONTENTS

VIII.C. CASE STUDIES 409
  Selection VIII.C.1. Economic Growth and Income Distribution in Taiwan, 1953–64 409
  Selection VIII.C.2. Brazilian Size Distribution of Income 417

IX. POLITICAL ECONOMY 421
  Overview 421

IX.A. THE (PROPER) ROLE OF THE STATE IN LESS DEVELOPED COUNTRIES 426
  Selection IX.A.1. Public Policy and the Economics of Development 426
    Comment IX.A.1. Development Planning 431
    Comment IX.A.2. Governing the Market 432

IX.B. RENT SEEKING AND GOVERNMENT FAILURE 434
  Note IX.B.1. What Are Rents? 434
  Selection IX.B.1. The Political Economy of the Rent-Seeking Society 437
    Comment IX.B.1. Complete Rent Dissipation Through Competitive Rent Seeking in the Harris–Todaro Model 440
    Comment IX.B.2. The Relationship Between Rent Seeking and Corruption 440
  Selection IX.B.2. Neoclassical Political Economy, the State, and Economic Development 442
  Selection IX.B.3. India 446
  Selection IX.B.4. Governments and Agricultural Markets in Africa 450

IX.C. STATE CAPACITY 471
  Selection IX.C.2. The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change 476
  Selection IX.C.3. Taking Trade Policy Seriously: Export Subsidization as a Case Study in Policy Effectiveness 495
  Selection IX.C.4. Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries 508

X. DEVELOPMENT AND THE ENVIRONMENT 517
  Overview: Environmental Problems in Less Versus More Developed Countries 517
  Selection X.1. Development and the Environment 520
    Comment X.1. The “Environmental Kuznets Curve” 529
  Selection X.2. North–South Trade and the Global Environment 531
Comment X.2. Empirical Studies of the Impact of International Trade on the Environment in Less Developed Countries 533

Selection X.3. Deforestation and the Rule of Law in a Cross Section of Countries 535

Selection X.4. Determinants of Pollution Abatement in Developing Countries: Evidence from South and Southeast Asia 544

Selection X.5. Sustainable Development: Ecology and Economic Progress 554

Comment X.3. Weak Sustainability, Genuine Savings, and Green National Accounting 559

APPENDIX: HOW TO READ A REGRESSION TABLE 561

INDEX OF SELECTION AUTHORS 567

INDEX 569
EXHIBITS

Exhibit I.A.1. Basic Indicators 8
Exhibit I.A.2. Exchange-Rate-Deviation Index in Relation to Real GDP per Capita, Thirty-four Countries, 1975. 12
Exhibit I.A.3. The Human Development Index 21
Exhibit I.A.4. Similar Income, Different Human Development, 1993 23
Exhibit I.A.5. Human Development Index Rankings 24
Exhibit I.B.1. Balance Sheet of Human Development—Developing Countries 35
Exhibit III.1. Economic and Social Indicators in Fast and Slow Growth Economies 122
Exhibit IV.A.1. Share of Primary Products in Merchandise Exports and Index of Export Concentration 159
Exhibit V.C.1. Health Indicators 249
Exhibit V.C.2. Life Expectancies and Health Expenditures in Selected Countries 262
Exhibit VI.1. Self-employment and Unpaid Family Workers Circa 1990 295
Exhibit VII.D.1. Rural and Urban Poverty in the 1980s 373
Exhibit IX.A.1. Market Failure and State Intervention 431
PREFACE

The economics of development is one of the most exciting subjects in social science. Why, two centuries after the Industrial Revolution, are poverty and its attendant ills so prevalent in most of the world? And what can be done about it? Nobel Prize–winning economist Robert Lucas wrote of the questions addressed by development economics, “Once one starts to think about them, it is hard to think about anything else” [“On the Mechanics of Economic Development,” *Journal of Monetary Economics* 22 (July 1988), p. 5].

Development economics is also a very frustrating subject. Unlike most areas within economics, there exists no consensus on what the student should know. Two scholars can write two completely different textbooks.

The aim of this book is to convey as much of the excitement of development economics and as little of the frustration as possible. To this end we have avoided writing the ordinary type of textbook, instead culling the most insightful readings from the diffuse field of development and bringing them into conceptual order. By using this distinctive approach we allow for a variety of perspectives while keeping in sight the most important overarching themes. The section “Using This Book” (p. xix) describes our strategy of combining excerpted readings (“Selections”) with our own “Overviews,” “Notes,” “Comments,” and “Exhibits.”

After being responsible for the previous six editions of *Leading Issues in Economic Development* over the past 35 years, Professor Meier has now selected Professor Rauch to upgrade and modernize this seventh edition and to perpetuate subsequent editions. This edition is mainly Professor Rauch’s effort. It reflects his desire to strengthen the analytical and quantitative dimensions of development economics and to illuminate contemporary—and future—problems of development policymaking. In all, it provides fresh and serious attention to the interplay between development experience, changing views of economists, and policy.

While this seventh edition maintains the format of previous editions, the inclusion of a new author has brought many changes relative to the sixth edition:

- New chapters on income distribution and on development and the environment have been added while other chapters have been consolidated.
- Most of the Selections and Notes are new.
- The representation in the Selections of articles from leading professional journals has increased.
- The Selections make greater use of statistical analysis, and an Appendix, “How to Read a Regression Table,” has been added to ensure that these Selections are easily accessible to all readers.

We wish to express our appreciation to the authors and publishers who have granted permission to use excerpts from publications for which copyrights exist. Specific acknowledgment is given with each Selection. Some parts of the original versions of the excerpted materials have been omitted out of consideration for relevance and to avoid repetition. In some instances, tables and diagrams have been renumbered and the footnotes have been deleted or renumbered.

We would like to thank a number of extremely busy people who generously took time out to provide advice or to comment on portions of the manuscript: Richard Carson, Graham Elliott, Peter Evans, and Dani Rodrik. We would also like to acknowledge the valuable research assistance of Neville Francis, Timothy Kane, Paula Lindsay, and Donald McCubbin. James Rauch wishes to thank his wife, Doris...
Bittar, for making room in her life for this book during its final months of preparation. Kenneth MacLeod has been a very helpful and patient editor. Finally, we are grateful to the entire profession of social scientists whose writings on development provide the foundation for this volume.
USING THIS BOOK

Instructors and students can use this book more like a main text or more like a supplementary reader. To facilitate the latter approach the contents have been designed to allow individual freedom of choice in deciding what chapters and Selections to read and in what sequence. If the former approach is taken, the organizational and thematic guidance of the chapter Overviews can be followed and the chapters can be read in numerical order.

The chapters include the following materials:

Overviews: These are introductory essays that show how the subsequent chapter materials fit together and elucidate one or more overarching themes. They sometimes contain ideas that are not explicitly presented by the other chapter materials.

Selections: These are the core of the book. They present a broad sample of the major contributions by scholars and practitioners on the central issues in economic development. Each Selection has been edited for the sake of brevity and to highlight the points of greatest relevance for the chapter in which it appears.

Notes: These serve two purposes. One is to expound important ideas that are extant in the literature but are not presented as clearly or simply as we would like. The other is to present more original material that complements the Selections.

Comments: Like the Notes, these serve two purposes. One is to clarify or expand upon the immediately preceding Selection. The other is to suggest additional readings on the subject of the immediately preceding Selection.

Exhibits: These are tables and charts that provide empirical illustrations and data on topics under discussion. Starting with Selection III.1, some Selections include regression tables. Readers without econometric training are urged to refer to the Appendix to get the most insight from these Selections.
<table>
<thead>
<tr>
<th>Authors</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahluwalia, Montek S.</td>
<td>387–90</td>
</tr>
<tr>
<td>Alesina, Alberto</td>
<td>401–3, 404–8</td>
</tr>
<tr>
<td>Banerjee, Biswajit</td>
<td>323–27</td>
</tr>
<tr>
<td>Barbier, Edward</td>
<td>554–59</td>
</tr>
<tr>
<td>Bardhan, Pranab</td>
<td>359–60, 446–49</td>
</tr>
<tr>
<td>Barro, Robert J.</td>
<td>234–36</td>
</tr>
<tr>
<td>Bates, Robert H.</td>
<td>450–55</td>
</tr>
<tr>
<td>Behrman, Jere R.</td>
<td>254–56</td>
</tr>
<tr>
<td>Benhabib, Jess</td>
<td>218–22</td>
</tr>
<tr>
<td>Bhagwati, Jagdish N.</td>
<td>13–17, 187–90</td>
</tr>
<tr>
<td>Binswanger, Hans P.</td>
<td>356–58</td>
</tr>
<tr>
<td>Blomström, Magnus</td>
<td>126–28</td>
</tr>
<tr>
<td>Braverman, A.</td>
<td>361–63</td>
</tr>
<tr>
<td>Buvnic, Mayra</td>
<td>275–79</td>
</tr>
<tr>
<td>Cardoso, Eliana</td>
<td>52–57</td>
</tr>
<tr>
<td>Chichilnisky, Graciela</td>
<td>531–33</td>
</tr>
<tr>
<td>Collier, Paul</td>
<td>280–82</td>
</tr>
<tr>
<td>Deacon, Robert T.</td>
<td>535–43</td>
</tr>
<tr>
<td>Deardorff, Alan V.</td>
<td>175–78</td>
</tr>
<tr>
<td>Deolalikar, Anil B.</td>
<td>254–56</td>
</tr>
<tr>
<td>Easterly, William</td>
<td>147–53, 456–70</td>
</tr>
<tr>
<td>Edwards, Sebastian</td>
<td>58–60</td>
</tr>
<tr>
<td>Evans, Peter B.</td>
<td>476–94, 508–15</td>
</tr>
<tr>
<td>Fei, John C. H.</td>
<td>409–16</td>
</tr>
<tr>
<td>Fields, Gary S.</td>
<td>318–22, 391–93</td>
</tr>
<tr>
<td>Fishlow, Albert</td>
<td>52–57, 417–20</td>
</tr>
<tr>
<td>Guasch, J. L.</td>
<td>361–63</td>
</tr>
<tr>
<td>Hanushek, Eric A.</td>
<td>229–33</td>
</tr>
<tr>
<td>Harrison, Ann</td>
<td>209–10</td>
</tr>
<tr>
<td>Hettige, Hemamala</td>
<td>544–53</td>
</tr>
<tr>
<td>Hill, M. Anne</td>
<td>263–70</td>
</tr>
<tr>
<td>Huq, Mainul</td>
<td>544–53</td>
</tr>
<tr>
<td>ILO Mission</td>
<td>313–15</td>
</tr>
<tr>
<td>International Labour Office</td>
<td>271–74</td>
</tr>
<tr>
<td>Johnston, Bruce F.</td>
<td>340–45</td>
</tr>
<tr>
<td>Keefer, Philip</td>
<td>471–75</td>
</tr>
<tr>
<td>Khalily, Basquie</td>
<td>285–87</td>
</tr>
<tr>
<td>Khan, Zahed</td>
<td>285–87</td>
</tr>
<tr>
<td>Khandker, Shahidur R.</td>
<td>285–87</td>
</tr>
<tr>
<td>King, Elizabeth M.</td>
<td>263–70</td>
</tr>
<tr>
<td>Knack, Stephen</td>
<td>471–75</td>
</tr>
<tr>
<td>Kremer, Michael</td>
<td>147–53</td>
</tr>
<tr>
<td>Krueger, Anne</td>
<td>187–90, 437–40</td>
</tr>
<tr>
<td>Kuo, Shirley W. Y.</td>
<td>409–16</td>
</tr>
<tr>
<td>Kuznets, Simon</td>
<td>382–86</td>
</tr>
<tr>
<td>Lee, Jong-Wha</td>
<td>234–36</td>
</tr>
<tr>
<td>Levine, Ross</td>
<td>141–46, 456–70</td>
</tr>
<tr>
<td>Lipsey, Robert E.</td>
<td>126–28</td>
</tr>
<tr>
<td>Lipton, Michael</td>
<td>370–72</td>
</tr>
<tr>
<td>Livingstone, Ian</td>
<td>316–17</td>
</tr>
<tr>
<td>Lycette, Margaret A.</td>
<td>275–79</td>
</tr>
<tr>
<td>McKinnon, Ronald L.</td>
<td>133–36</td>
</tr>
<tr>
<td>Markandya, Anil</td>
<td>554–59</td>
</tr>
<tr>
<td>Matsuyama, Kiminori</td>
<td>107–9</td>
</tr>
<tr>
<td>Murphy, Kevin M.</td>
<td>111–13</td>
</tr>
<tr>
<td>Overseas Development Institute</td>
<td>65–68</td>
</tr>
<tr>
<td>Pack, Howard</td>
<td>206–8</td>
</tr>
<tr>
<td>Pargal, Sheoli</td>
<td>544–53</td>
</tr>
<tr>
<td>Patrick, Hugh T.</td>
<td>138–40</td>
</tr>
<tr>
<td>Pearce, David</td>
<td>554–59</td>
</tr>
<tr>
<td>Perkins, Dwight</td>
<td>48–51</td>
</tr>
<tr>
<td>Perotti, Roberto</td>
<td>404–8</td>
</tr>
<tr>
<td>Preston, Samuel H.</td>
<td>293–94</td>
</tr>
<tr>
<td>Pritchett, Lant</td>
<td>114–18, 147–53</td>
</tr>
<tr>
<td>Psacharopoulos, George</td>
<td>223–26</td>
</tr>
<tr>
<td>Ranis, Gustav</td>
<td>170–74, 409–16</td>
</tr>
<tr>
<td>Rauch, James E.</td>
<td>395–99, 508–15</td>
</tr>
<tr>
<td>Reynolds, Lloyd G.</td>
<td>80–95</td>
</tr>
<tr>
<td>Robinson, Sherman</td>
<td>394</td>
</tr>
<tr>
<td>Rodrik, Dani</td>
<td>195–201, 401–3, 495–507</td>
</tr>
<tr>
<td>Rosenzweig, Mark R.</td>
<td>356–58</td>
</tr>
<tr>
<td>Sachs, Jeffrey D.</td>
<td>161–67</td>
</tr>
<tr>
<td>Sen, Amartya</td>
<td>283–84</td>
</tr>
<tr>
<td>Shleifer, Andrei</td>
<td>111–13</td>
</tr>
<tr>
<td>Singh, Inderjit</td>
<td>364–66</td>
</tr>
<tr>
<td>Spiegel, Mark M.</td>
<td>218–22</td>
</tr>
<tr>
<td>Squire, Lyn</td>
<td>364–66</td>
</tr>
<tr>
<td>Srinivasan, T. N.</td>
<td>61–63, 442–45</td>
</tr>
<tr>
<td>Stern, Nicholas</td>
<td>426–30</td>
</tr>
<tr>
<td>Strauss, John</td>
<td>364–66</td>
</tr>
<tr>
<td>Summers, Lawrence</td>
<td>147–53</td>
</tr>
<tr>
<td>Tidrick, Gene M.</td>
<td>307–11</td>
</tr>
<tr>
<td>Timmer, C. Peter</td>
<td>347–49</td>
</tr>
<tr>
<td>Todaro, Michael P.</td>
<td>300–301</td>
</tr>
<tr>
<td>Vishny, Robert W.</td>
<td>111–13</td>
</tr>
<tr>
<td>Wai, U Tun</td>
<td>129–32</td>
</tr>
<tr>
<td>Warner, Andrew M.</td>
<td>161–67</td>
</tr>
<tr>
<td>Wheeler, David</td>
<td>544–53</td>
</tr>
<tr>
<td>Zejan, Mario</td>
<td>126–28</td>
</tr>
</tbody>
</table>
INDEX

Acquired immune deficiency syndrome (AIDS), 257, 260
Adverse selection effect, 362
Afghanistan, 88, 91, 263, 536
Africa, 104. See also East Africa; North Africa; South Africa; Sub-Saharan Africa; West Africa; agriculture and, 97, 100, 333; divergence and, 115; economic environment in, 430; economic growth in, 84–85, 86–87, 89, 91, 92, 94; education in, 219, 225; environment and, 526, 528; health in, 258; industrialization and, 98, 99, 451–52; population of, 244; poverty in, 18; rural-urban migration in, 293, 294; state intervention in agricultural markets, 450–55; typology of development in, 170–74; unemployment in, 310; women in, 274, 275, 276, 281
Agency for Marginal Farmers and Agricultural Labour (MFAL), 447
Agricultural household models, 331, 364–66
Agricultural productivity: comparative advantage, economic growth and, 107–9; factorial terms of trade and, 99–101; in Lewis model of world economy, 104–6; soil, water and, 522–23; strategies for increasing, 343
Ahuwalia, Montek, 209
Air quality, 521–22, 525
AK model, 120, 121, 123–25, 151, 178
Algeria, 86, 87
Alliance for Progress, 54
Amakudari, 481
Amazon Basin, 332
Argentina, 99, 406; agriculture and, 108; economic development in, 52; economic growth in, 86, 92, 94, 473; economic reforms in, 58; industrialization and, 98, 182, 183; poverty in, 55; trade and, 192, 202
Asia, 2, 104. See also East Asia; South Asia; Southeast Asia; Africa and, 97, 100, 333, 344; economic growth in, 80, 84, 86, 93; education in, 429; environment and, 526; industrialization and, 99; interest rates in, 129, 134; population of, 242; rural-urban migration in, 294; women in, 271, 272–73, 274, 275, 276, 283, 284
Assassinations, 458, 540
Association of Southeast Asian Nations (ASEAN), 43
Australia, 88, 99, 101, 105, 183
Bahrain, 166
Balanced growth, 69–70
Bangladesh: economic growth in, 88; family planning programs in, 247; famine in, 335; foreign direct investment and, 210; Grameen Bank of, 215, 285–88; infrastructure of, 429; pollution abatement in, 544–45, 548–51; population in, 244, 245; poverty in, 18; technology transfer and, 204; women in, 271, 283, 284; women’s education in, 269
Bangladesh Chemical Industries Corporation (BCIC), 548
Banks, 139; central, 46, 142, 502; in East Asia, 36, 37, 44, 45; financial development and, 142; in India, 61; interest rates in, 129, 131, 132
BAPEDAL, 547
Barbados, 297
Basic indicators, 8–11
BEFIEX program, 499–500
Belgium, 107
Benin, 264
Big push, 69
Bimodal agricultural strategy, 330, 340–42, 343, 345, 347
Biodiversity, 523–24
Birth rates, 2, 82, 298. See also Fertility rates
Black markets, 162, 424, 458, 459, 460, 461, 463
Bolivia, 144; education in, 237, 240; export subsidies and, 495, 503, 505; poverty in, 18; women in, 276; women’s education in, 264
Botswana, 65; economic growth in, 147, 152; ethnic diversity in, 463; political system of, 406; trade and, 156; women in, 275; women’s education in, 263, 268
Branco, Castello, 417
Brazil, 5, 6; deforestation in, 536; economic development in, 52; economic growth in, 54, 83, 84, 86, 91, 92, 93, 94; economic reforms in, 58, 60; education in, 230, 231, 232, 239, 419; environment and, 527, 528, 531; export subsidies and, 495, 499–501; health in, 427; income distribution in, 56, 378, 417–20; industrialization and, 98, 99; poverty in, 36, 55; state intervention in, 488–91, 493, 494; trade and, 189, 192, 202; women in, 273, 276
Bribery, 438, 461, 509
Brundtland Report, 555
Burkina Faso, 263, 276, 526
Burma, 86, 89, 93, 99
Burundi, 115
Busia, Kofi, 453, 462–63
Business Environmental Risk Intelligence (BERI), 471, 472, 508, 514
Business International (BI), 508
Buyer-driven chains, 204–5
Cameroon, 276
Canada, 88, 99, 101, 183, 417
Capital accumulation, 72, 73, 178–79
Capital availability, 42–43
Capital formation, 126–28
Central banks, 46, 142, 502
Central Europe, 98, 99, 181, 182
Ceylon, 86, 98, 99
Chad, 115
Chaebols, 45, 197, 483–84
Chad, 115
Chile, 99, 183–84; economic development, 52; economic growth in, 86, 89, 91, 92; economic reforms in, 58; environment and, 528; health in, 429; poverty in, 55; technology and, 207; trade and, 156, 192; women in, 276, 277
China, 3, 99, 105, 409. See also Hong Kong; Taiwan; divergence and, 115; economic crisis in, 42; economic growth in, 36, 38–39, 80, 81, 83–84, 85, 88, 89, 90, 91, 92, 93; environment and, 523, 524, 527; famine in, 335; health in, 427–29; industrialization and, 98; move to the market, 48–51; poverty in, 19; rural-urban migration in, 293, 294; women in, 271, 283–84; women’s education in, 263
China Productivity Center, 207
China Steel, 485
Chinese Petroleum Corporation (CPC), 198
Chlorofluorocarbons (CFCs), 521
Chrysler, 182
Classical economics: development economics and, 69; growth theory and, 72–73; income inequality and, 387
Closed economies, 77–78, 98, 107, 108
Cocoa Marketing Board, 455
Coefficient of our ignorance, 225
Collective choice analysis, 443
Colombia: economic development in, 52; economic growth in, 91, 93, 94; industrialization and, 99, 112; trade and, 202; women’s education in, 263
Colonialism, 170
Colosio, Luisa, 58
Commodity markets, 450–51
Commonwealth of Independent States (CIS), 48
Communist Party (China), 48
Community Development Programmes, 446–47
Comparative advantage, 107–9
Competitiveness hypothesis, 355
Concertina approach to tariffs, 192
Constrained Pareto efficiency, 354, 360
Contracts: enforceability of, 472; government repudiation of, 471; in rural sector, 330, 356–58
Coordination: failure of, 195–98; investment policies for, 198–200
Copper, 183–84
Corruption, 440–41, 471, 508, 512, 514
Cost sharing, 352–53, 354
Cote d’Ivoire
Costa Rica, 319–21, 473, 532
Cost sharing, 352–53, 354
Cote d’Ivoire. See Ivory Coast
Council for Mutual Economic Assistance (CMEA), 48
Council on Economic Planning and Development (CEPD), 484
Crash Scheme for Rural Employment (CSRE), 448
Credit: in agricultural market, 338, 340; in East Asia, 43–44; in rural sector, 361–63, 447; women and, 280–81, 285–86
Cuba, 90, 91
CUF, 549
Cultural Revolution, 50, 115
Deadweight losses, 422, 435, 443
Death rates. See Mortality rates
Declclectivization, 49–50
Default risk, 244–45, 539
Deforestation, 518, 523, 531–32, 535–43; income and, 538–39; population and, 536–38, 541–42
Demand-following supply response, 138–40
Democracies, 402, 404
Deng Xiaoping, 48
DENR, 545, 546
Departamento Administrativo de Servicio Publico (DASP), 489
Deterioration phase of income inequality, 389
Developmental states, 480–88
Development economics, 69–76; evolution of, 69–74; in rural sector, 352–55
Development measures, 5–34; burden of poverty in, 18–35; evolution of, 5–7; price of services as, 13–17
Development theory, 359–60
Dictatorships, 402, 404
Direct taxes, 368, 386, 418
Disability-adjusted life year (DALY), 257, 259
Disguised unemployment, 297, 317
Divergence, 114–18
Division of labor: classical growth theory on, 72; by gender, 272–73
Domestic investment, 36
Domestic resource cost (DRC) ratio, 182
Dominican Republic, 52, 263
Dutch disease model, 161, 164, 165, 173
Earnings. See Wages/earnings
East Africa, 92, 275–76
East Asia: economic crisis in, 42–47; economic growth in, 36–41, 147, 152; education in, 36, 234–35, 236, 237–39; family planning programs in, 36, 246; income distribution in, 407; market governance in, 432; poverty in, 19; state intervention in, 480, 482, 486–87, 494; Sub-Saharan Africa compared with, 456, 460, 466, 467; typology of development, 170–74; women’s education in, 263, 266
Eastern Europe, 2; China compared with, 48; environment and, 526; import substitution and, 181; industrialization and, 182
Econometric studies of migration, 312
Economic booms, 85–88
Economic Commission for Latin America, 52–53
Africa, 65–68; typology of, 170–74; underemployment and, 395–99; unlimited labor supply and, 297–99
Economic environment, 429–30
Economic growth: agricultural productivity, comparative advantage and, 107–9; agriculture and, 81, 82, 83–84, 342–43; cross-country studies of, 141–45, 458–60; in East Asia, 36–41, 147, 152; education and, 216–17; environment and, 524–26; extensive, 80–85; financial development and, 138–40; fixed investment and, 126–28; functional approach to, 40–41; income distribution and, 391–93, 401–3, 409–16; income inequality and, 382–86; in Latin America, 52–54, 80, 84, 86, 89, 90, 93–94; natural resources and, 156, 161–67; policies versus shocks in, 85–88; resources and, 156, 161–67; trade and, 81, 82, 83–84, 87, 90, 149–51, 187–90; turning point in, 85–88
Economic indicators, 56
Economic Planning Board (EPB), 483
Economic reforms: in India, 61–63; in Latin America, 58–60
Ecuador, 18, 532
Education, 214, 216–40. See also Women’s education; access to, 230–32; balance sheet of, 35; bureaucracy and, 512–14; creating human capital with, 237–39; dropout rates and, 235–36; 240; in East Asia, 36, 234–35, 236, 237–39; economic development and, 218–22, 227–28; economic impact of, 223–28; effect of facilities, 229, 232; grade repetition and, 232, 235–36; 240; income distribution and, 419; in India, 447–48; policies on, 429; population and, 242–44; poverty and, 19; pupil-teacher ratio and, 229, 234, 235–36; quality of, 230–32, 234–36; quality of children and, 243–44; research on, 229–33; returns to investment in, 223–27; social impact of, 225–26; in Sub-Saharan Africa, 65, 68, 237, 238, 429; teacher education and, 229; teacher experience and, 229; teacher salaries and, 229, 234, 235, 236; test scores and, 236; textbooks in, 229, 231; total expenditure per pupil and, 229, 234, 236
Egypt, 7; bureaucracy in, 514; divergence and, 115; economic growth in, 84, 85, 88, 89, 92, 93, 94; education in, 230, 231, 232; poverty in, 18; trade and, 189; women in, 283
Elasticity of demand, 107–8, 109, 230
Electronic Research and Service Organization (ERSO), 199
El Salvador, 52
Embedded autonomy, 478, 480, 481–76, 120, 121, 218; two-sector models of, 107–9; Endogenous growth theory, 4
Endogenous politicians, 443
Endowment ratio, 15–16
Endogetic growth, 80–85
Excess capacity, 356–58
Excommunication, 354–55
Expenditure per pupil and, 229, 234, 235–36, 240; test scores and, 236; textbooks in, 229, 231; total expenditure per pupil and, 229, 234, 236
Export processing zones (EPZs), 50, 51; East Asia and, 36, 37, 46; economic growth and, 87–88, 90, 93–94; fictitious, 503, 504; as first trade move, 102–3; foreign direct investment and, 210; India and, 61, 62; industrialization and, 183–84; Korea and, 105; Latin America and, 53; natural resources and, 162; primary products in, 155–56, 159–60; Sub-Saharan Africa and, 65, 68; Taiwan and, 105
Export subsidies, 424, 495–507; failures in, 502–3; intermediate cases, 503–6; successes in, 496–501
Export substitution: primary, 171, 173; secondary, 171–72, 173
Expropriation risk, 471, 472, 473–74
Extensive growth, 80–85
Externalities, 259, 336
Extinction, 523–24
Factorial terms of trade, 99–101
Factor prices, 175, 176, 178
Factor proportions explanations, 17
Factors of production, 178–79
Family distribution of income (FID), 409, 415–16
Family income, 244
Family planning programs, 36, 242, 246–47, 345, 348
Family size, 241
Famine, 335
Fertility rates, 242, 243, 244, 283.
See also Birth rates; economic growth and, 82, 83; education and, 226; family planning programs and, 246–47; infant mortality and, 245–46; nutrition and, 255
Fertilizer plants, 544, 548–49
Fictitious exports, 503, 504
Financial development, 138–40, 141–46
Financial liberalization, 133–37
Five-Year Plan, 431
Fixed investment, 126–28
Fixed-rate tenancy, 357, 358
Food and Agriculture Organization (FAO), 535
Food crops, 451
Food deficiency, 356–58
Food prices, 254–55
Food supply, 82–84, 88–89, 91
Foreign direct investment (FDI), 90, 102, 157–58; benefits of, 209–10; China and, 50–51; East Asia and, 39, 44; Latin America and, 53, 58; technology transfer and, 209–10
Formal sector, 313, 317, 319; mobility from informal sector to, 323–26; relation between informal sector and, 314–15, 321
Four Tigers, 3, 36. See also Hong Kong; Korea; Singapore; Taiwan
France, 90, 97, 138, 283
Franc Zone, 65
Great Britain/United Kingdom; see also England, 97, 138, 244–45; See also Great Britain/United Kingdom; environment and, 531, 532; industrialization and, 111
Environment, 517–59; balance sheet of, 35; economic development and, 520–29; Kuznets curve for, 517, 529–30; sustainable development and, 519, 554–59; trade and, 518, 531–34
Environmental Protection Agency (EPA), 529, 547, 548
Ethiopia, 88, 115, 335
Ethnic diversity, 423–24, 456–58, 460–66; bureaucracy and, 514; concepts and country examples, 460–63; measuring, 463
Europe, 88. See also Central Europe; Eastern Europe; Western Europe; agriculture and, 99–100; divergence and, 114; education in, 225; environment and, 528; trade and, 202; women in, 283
Exchange-rate deviation index, 6, 12
Exchange rates, 43–44, 45, 46, 54
Exploitation hypothesis, 354–55, 361
Export crops, 450–51
Export processing zones (EPZs), 50, 165, 210
Export promotion: direct, 192; import substitution versus, 187–88
Exports, 180, 184–85; China and, 48, 50, 51; East Asia and, 36, 37, 46, 47; economic growth and, 87–88, 90, 93–94; fictitious, 503, 504; as
Graphs of growth, 40–41
Gabon, 166
Gandhi, Rajiv, 62
Gandhi, Indira, 62
Gakubatsu, 481
Gabon, 166
Functional approach to economic growth, 40–41
Gross domestic product (GDP): absorption in form of services and commodities, 14; agriculture and, 368; in AK model, 123, 125; bureaucracy and, 508; calculating a lower bound for, 114–16; of China, 48, 49; of East Asia, 36; economic growth and, 84–95, 142–45; education and, 234, 235; environment and, 523; exchange-rate deviation in relation to, 6, 12; fixed investment and, 126; of India, 61, 62, 63; interest rates and, 134–36; investment and, 406, 407; of Latin America, 52, 53; natural resources and, 161, 162, 163–65
Gross national product (GNP), 2; as development measure, 5–7; in East Asia, 37; economic growth and, 92, 93, 94; education and, 237, 239; health care and, 258; inverted-U hypothesis and, 387, 389; women’s education and, 263
Growth accounting, 219–22
Grupo Executivo para Industria Automobilística (GEIA), 490–91
Guatemala, 18, 58
Gulf War, 62
Haiti, 58, 307, 310, 529, 536
Handicrafts, 81, 84, 89
Health insurance, 258, 259
High-income economies: basic indicators in, 11; development measures in, 5; Gini coefficient in, 392; health indicators in, 252–53; population and labor force in, 34; self-employment and unpaid family workers in, 295–96
High-performing East Asian Economies (HPAEs), 3, 36–41, 237–39; See also Hong Kong; Indonesia; Korea; Malaysia; Singapore; Taiwan; Thailand
Historical perspective, 77–118; on division of the world, 97–99; on factorial terms of trade, 99–101; on spread of economic growth, 80–96
Honduras, 55, 276, 473
Hong Kong, 3, 51, 460, 466; economic crisis in, 43; economic development in, 52; economic environment in, 430; economic growth in, 36, 39, 94, 147; education in, 237; family planning programs in, 246; import substitution and, 184; industrialization and, 180; natural resources and, 164; trade and, 184; women’s education in, 270
Hot Oil Act, 532
Household model, 243, 244
Household production, 80–81
Human capital: creating, 237–39; economic development and, 218–22; knowledge acquisition, 207–20; natural resources and, 164; trade and, 184; women’s education in, 270
Human development: balance sheet of, 35; income and, 23
Human Development Index (HDI), 2, 7, 21–22, 24–29, 119, 123
Human resources, 218–22. See also Education; Health; Nutrition; Population; Women
Hungary, 182–83, 184, 185, 529
Hunger, 335
Hyundai, 196–98
Ibadan, 81–82
Illiteracy, 7, 68, 240. See also Literacy
Imperfect information, 336, 353, 355, 357–58, 359–60, 361
Imports, 54, 89, 90, 157
Impost-substituting industrialization, 156, 168–69
Import substitution, 92–93, 170, 185, 189, 499; export promotion versus, 187–88; first stage of, 180–81; India and, 61, 181; Latin America and, 52, 53, 54, 181, 185; primary, 171, 173; secondary, 171–72; 173; second stage of, 181–83, 184, 186, 202; Sub-Saharan Africa and, 67
INBIO, 532
Income: balance sheet of, 35; deforestation and, 538–39; education and, 221–22; environment and, 524–26; family, 244; family distribution of, 409, 415–16; full, 365; human development and, 23; in India, 61, 448–49; per capita. See Per capita income; secular levels of, 382, 383, 384, 386; subsistence, 115
INDEX

573

political instability, investment and, 404–8; politics of, 401–3; population and, 244; in Taiwan, 378, 403, 409–16
Income inequality, 394. See also
Income distribution; economic growth and, 382–86; measurement of, 379–81; poverty and, 387–90; trends in, 382–84, 385–86; urban underemployment and, 395–99
Income taxes, 124, 125, 386
India, 3, 105, 168, 446–49; agriculture and, 101, 414; asset redistribution policies in, 446; credit for rural sector in, 447; divergence and, 115; economic environment in, 431; economic growth in, 83, 84, 85, 88, 89, 90, 91, 92, 93, 94; economic reforms in, 61–63; education in, 447–48; environment and, 524; export subsidies and, 505–6; family planning programs in, 246, 247; Five-Year Plan in, 431; foreign direct investment and, 209; health in, 429; hunger in, 335; import licenses and, 62, 437; import substitution and, 61, 181; industrialization and, 61, 63, 98, 99; informal sector in, 323–27; pollution abatement in, 544, 545, 549–51; population of, 242–43; poverty in, 18, 36, 61; public investment in, 446–47; rent seeking in, 438–39, 444; rural investment in, 448; rural-urban migration in, 293; state intervention in, 491–93, 494; trade and, 61, 188, 191; women in, 272, 273, 275, 283, 284; women’s education in, 269–70
Indian Administrative Service (IAS), 491–92
Indian Civil Service (ICS), 491
Indirect taxes, 368, 449
Indonesia, 3; deforestation in, 536; divergence and, 115; economic crisis in, 42, 44–47; economic environment in, 430; economic growth in, 36, 83, 88, 91, 92; education in, 237, 240; environment and, 526, 529; health in, 257, 429; pollution abatement in, 544, 545, 547–48, 549–51; poverty in, 18; rural-urban migration in, 293; women in, 273, 276
Indoor pollution, 517, 522
Induced technical innovation, 350–51
Industrial and Commercial Development Corporation, 315
Industrial Development Bureau (IDB), 484, 485, 491
Industrialization. See also
Manufacturing: Africa and, 98, 99, 451–52; agricultural productivity and, 107–9; alternative development strategies for, 180–86; division of world into agriculture and, 97–99; economic growth and, 81, 82, 183–84; import-substituting, 156, 168–69; income distribution and, 111–13, 384, 385, 386, 414–16; India and, 61, 63, 98, 99; market size and, 111–13; Taiwan and, 111, 414–16; women and, 273–74
Industrialized Products Tax (IPI), 500
Industrial Revolution, 97–99, 107, 180
Infanticide, 283
Information costs, 355, 359, 361
Infrastructure, 426, 427, 429; of Japan, 480–82; institutional, 411–12; quality of, 472; rural, 332; of Sub-Saharan Africa, 460; of Taiwan, 411–12
Insurance: agricultural, 336; health, 429; in China, 427; female, 284; in India, 61; in Latin America, 56; population and, 245–46
Inflation, 63
Inferior goods, 202–3
Infant-industry argument, 156, 168–69, 182, 186
Inflation, 63
Information costs, 355, 359, 361
Infrastructure, 426, 427, 429; of India, 446, 447; institutional, 411–12; quality of, 472; rural, 332; of Sub-Saharan Africa, 460; of Taiwan, 411–12
Institutional indicators, 471–75
Insurance: agricultural, 336; health, 258, 259; social, 258
Intensive growth, 80, 88–95
Interest rates: in East Asia, 47; financial liberalization and, 133–37; in Latin America, 54; in organized money markets, 129–32
Interlinkage, 352, 353, 354, 355, 361–62
Intermediate goods, 202–3
International commodity arbitrage, 5
International Commission Project (ICP), 6, 13, 114
International Country Risk Guide (ICRG), 471, 472, 508, 514
International Panel on Climate Change (IPCC), 524
International production networks, 204–5
International trade and development school, 443
Interrelated strategy in agriculture, 347–48
Invest-U hypothesis, 375–77, 391, 394; explained, 387–90; intrarural inequality and, 395–98, 399–400
Investment, 119–22; in East Asia and, 44–46; fixed, 126–28; foreign direct. See Foreign direct investment; in health, 257–62; income distribution, political instability and, 404–8; India and, 446–47, 448; institutional indicators of, 471, 473–75; knowledge acquisition and, 207–8; policies to subsidize and coordinate, 198–200; public, 199–200, 446–47; in rural sector, 332, 448
Investment licenses, 438–39
Inward-oriented industrial development, 181–86
Iran, 88, 89
Iraq, 88, 89
Ishikawa curve, 83
Israel, 2, 191
Italy, 138, 473
Ivory Coast: bureaucracy in, 514; deforestation in, 536; economic growth in, 86, 87, 94; environment and, 533; import substitution and, 180; poverty in, 18; women’s education in, 268
Jamaica: informal sector in, 318; unemployment in, 291, 307–11
Japan, 2, 3, 102, 139, 170, 405, 480–82, 484, 485, 486, 487; agriculture and, 340, 342, 344, 348, 414; divergence and, 114; economic crisis in, 45, 46, 47; economic growth in, 36, 41, 86, 89; education in, 225; environment and, 531, 533; import substitution and, 180; poverty in, 18; women’s education in, 268
Join Commission on Rural Reconstruction (JCRR), 412, 414
Kenya: economic growth in, 86, 87; education in, 230, 239; environment and, 526; ethnic diversity in, 462, 463; export...
subsidiaries and, 495, 505; health in, 429; informal sector in, 313–15, 316–17, 318; labor migration and unemployment in, 300–301; poverty in, 18; state intervention in agricultural markets, 451; typology of development in, 170–74; women in, 275, 276, 277, 282, 285
Kenyan administration, 462

Korea, 3, 102, 466, 480; economic crisis in, 42, 44, 45, 47; economic development in, 52; economic environment in, 430; economic growth in, 36, 39, 41, 87, 89, 91, 93, 94; education in, 225, 237; export subsidies and, 495, 496–99, 502–3; family planning programs in, 246; foreign direct investment and, 210; income distribution in, 403; interest rates in, 124; natural resources and, 164, 166; state intervention in, 157, 195–201, 482–84, 485, 487; technology and, 204, 206–8; trade and, 184, 185, 188, 192; women’s education in, 268

Korup National Park, 532

Kravis-Heston-Summers productivity explanation, 13–15

Krueger’s trade model, 175–78, 179

Kuomintang (KMT), 484–85, 486

Kuwait, 166

Kuznets, Simon, 375–76, 387, 391, 395

Kuznets environmental curve, 517, 529–30


Laissez-faire, 64

Land ownership, 401–3

Land reform, 330, 332, 344–45, 346, 403, 409–12, 446

Land use model, 539

Latin America, 1, 3, 4, 104; agriculture and, 97, 100; economic and social indicators in, 56; economic development: 1950–1980, 52–57; economic growth in, 52–54, 80, 84, 86, 89, 90, 93, 94; economic reforms in, 58–60; education in, 219, 222, 238, 429; environment and, 526, 533; health in, 258; import substitution in, 52, 53, 54, 181, 185; income distribution in, 54–57, 403, 407; income inequality in, 390, 397; industrialization and, 98, 99, 182; interest rates in, 129, 134, 137; poverty in, 19; rural-urban migration in, 293, 294; Sub-Saharan Africa compared with, 456, 458, 459, 464; trade and, 53, 202; typology of development, 170–74; women in, 271, 272, 275, 276, 277; women’s education in, 263, 266

Law for Dealing with Illicit Wealth, 497

Law of Large Numbers, 396

Law of one price, 5

Lead, 521–22

Learning-by-doing, 13

Lerner diagrammatic technique, 13

Lesotho, 529

Lewis model of underemployment, 291, 302–6

Lewis model of world economy, 104–6

Libya, 263

Life expectancy, 7; in China, 427; divergence and, 115; health expenditures and, 262; in India, 61; in Latin America, 56; poverty and, 18, 19; in Sub-Saharan Africa, 456; of women, 283, 284

Literacy, 56, 218, 263, 265, 267

Low-income economies: basic indicators in, 11; health indicators in, 252; population and labor force in, 34

Lower-middle-income economies: basic indicators in, 9–10; health indicators in, 250–51; income inequality in, 397; self-employment and unpaid family workers in, 295; women’s education in, 265, 267

Low-income economies: basic indicators in, 8–9; development measures in, 5; Gini coefficient in, 392; health indicators in, 249–50; health systems in, 258; income inequality in, 389; population and labor force in, 31–32; self-employment and unpaid family workers in, 295; women’s earnings in, 276–77; women’s education in, 263–64, 265, 267

Lucky-Goldstar, 196–98

Ludhiana, 318

Macroeconomics: in Caribbean, 59; in East Asia, 43–44; education and, 225; health and, 254, 255; in informal sector, 316; in Latin America, 52, 59, 60

Madagascar, 529

Mahalanobis Committee on Distribution of Income and Levels of Living, 61

Maharashtra, 429

Mahaweli scheme, 528

Malawi, 267–68, 273, 282

Malaya, 86

Malaysia, 3; economic crisis in, 42, 44, 47; economic growth in, 36, 39, 40, 89, 91, 94; informal sector in, 319–21; natural resources and, 165; population in, 245; women in, 271, 273, 275; women’s education in, 268–69

Malta, 73

Manmade Fibers Association, 485

Manufacturing. See also Industrialization: agriculture and, 333–34; economic growth and, 89–90, 92–93; in Krueger’s trade model, 175–78

Mao Zedong, 48, 50

Market failure, 426; agriculture and, 336, 348, 356; environment and, 524; import-substituting industrialization and, 168–69; state intervention and, 431

Market policy approach to agriculture, 438

Markets, 432–33; agricultural, 336; China’s move to, 48–51; commodity, 450–51; health care, 259–60; population and, 244–45; size of, 111–13

Marshallian ineffectiveness, 357

Marxist theory, 298, 442, 445, 477

Maternal mortality, 257, 283

Mauritania, 273

Mauritius, 65, 165, 529

McKenzie-Chipman diversification cone, 15

Merck and Company, 532

Mexico: bureaucracy in, 482; economic environment in, 430; economic growth in, 86, 89, 91, 92, 93, 94; economic reforms in, 58; environment and, 533; foreign direct investment and, 157–58, 210; political system of, 404; poverty in, 18, 55; trade and, 202; typology of development, 170–74; women in, 273

Microeconomics: education and, 223–25; health and, 254; in Latin America, 52; in rural sector, 330, 352–67

Middle class, 377, 407

Middle East, 2; economic growth in, 80; environment and, 524; natural resources and, 165; poverty in, 19; women in, 272; women’s education in, 264, 266
Mortality rates, 2, 82–83, 298; child, Morocco, 87; bureaucracy in, 514; Moi, Arap, 453, 462
Mobutu Sese Seko, Joseph, 479, 480
Ministry of Trade and Industry (MTI), 480–81, 487, 485
Ministry of International Trade and Industry (MITI), 483, 485
Minimum wage, 448
Minerals, 79, 86, 164, 165, 241
Mill, John Stuart, 73
Migration. See Rural-urban migration
Mill, John Stuart, 73
Minerals, 79, 86, 164, 165, 241
Minimum wage, 448
Ministry of International Trade and Industry (MITI), 480–81, 487, 491
Ministry of Trade and Industry (MTI), 483, 485
Mobutu Sese Seko, Joseph, 479, 480
Moi, Arap, 453, 462
Monopolies and Restrictive Trade Practices (MRTP) Act, 62
Morocco, 87; bureaucracy in, 514; environment and, 533; foreign direct investment and, 157, 209–10; poverty in, 18
Mortality rates, 2, 82–83, 298; child, 19, 82, 257, 260; infant. See Infant mortality; maternal, 257, 283
Mozambique, 65, 88, 115
Multinational enterprises (MNEs), 209–10
Murphy-Shleifer-Vishnev model, 113
Myrdal, Gunnar, 496
National Development Bank (BNDE), 489
Nationalization potential, 472
National Renewal Fund, 62
National Resources Commission (NRC), 484
Natural capital stock, 519, 554, 555–58, 559
Natural habitats, 523–24
Natural resources, 156, 161–67, 173
Neoclassical economics, 152, 423, 477; development economics and, 70, 71, 73; East Asian economic growth and, 39; income inequality and, 387; state, economic development and, 442–45
Neoutilitarian economics, 476, 477
Nepal, 88, 91, 95, 263, 264, 268, 275, 526
Netherlands, 107, 115
New institutional economics, 359–60
New Zealand, 99, 101, 509–10, 526
NGPF, 549
Nicaragua, 52, 230
Nigeria, 65, 450, 460; bureaucracy in, 514; economic growth in, 86, 87; environment and, 529; ethnic diversity in, 464; women in, 273
Nkrumah, Kwame, 462
Nongovernmental organizations (NGOs), 258, 259
North Africa, 1; economic growth in, 80; poverty in, 19; women in, 272, 275, 283, 284; women’s education in, 264, 266
North America, 97, 98, 225, 283
Nutrition, 214–15, 254–56, 344, 348; balance sheet of, 35; famine and hunger, 335; policies on, 427–29; women’s earnings and, 277
Off-shore companies, 44, 45
Oil and petroleum, 7, 50, 54, 165, 166
Oil and natural gas, 44, 45
Outward-oriented industrial development, 184–86
Ozal, Turgut, 503, 504
Pakistan: economic growth in, 85, 88, 91, 92, 93; education in, 237; family planning programs in, 246; women in, 283
Panama, 273
Park Chung Hee, 197, 482–83, 484, 497, 498, 499
Paternalism, 426
Per capita income, 3.
Perca income, 3. See also Gross domestic product (GDP); Gross national product (GNP); in AK model, 123–25; as development measure, 5–7; divergence and, 114–18
Peru: economic growth in, 89, 91; economic reforms in, 58; health in, 258–59; poverty in, 18; women in, 276, 278
Petite bourgeoisie, 423, 449
Petrolia, 491
Philippines, 3; agriculture and, 414; deforestation in, 536; economic crisis in, 44; economic growth in, 39, 86, 90, 91, 92, 93; environment and, 523; family planning programs in, 247; industrialization and, 98; pollution abatement in, 545, 546–47; trade reform in, 192; women in, 273; women’s education in, 263, 268
Physical Quality of Life Index (PQLI), 7
Plantations, 86, 100, 180, 271
Pluralist theory, 453–54
Poland, 527, 529
Policy coherence, 496
Political stability/instability: deforestation and, 539–41; income distribution, investment and, 404–8; institutional indicators of, 472, 473, 474–75; in Sub-Saharan Africa, 458, 464–66
Pollution abatement, 544–53
Polonoreste projects, 528
Population, 2, 214, 241–48; agriculture and, 332, 333; deforestation and, 536–38, 541–42; of East Asia, 36; economic approaches to, 242–48; economic growth and, 82–84, 88–89, 91; environment and, 521; labor force and, 31–34; size of, 241
POSCO, 200
Poverty: balance sheet of, 35; burden of, 18–35; capabilities and entitlements in, 30; decline in, 36; environment and, 521; extent of, 19–20; health and, 259; income inequality, economic development and, 387–90; in India, 18, 36, 61; in Latin America, 54–57; women and, 18, 215, 275–79
Poverty gap, 19
Poverty line, 6, 18, 19, 54–55, 115
Prebisch, Raul, 52
Predation, 476, 479–80, 481, 487, 491
Price controls, 451
Price distortions, 36–37, 526
Prices: agricultural, 331, 337–38, 366–67, 368–69, 448; factor, 175, 176, 178; food, 254–55; in India, 448–449; service, 13–17
Primary export substitution (PES), 171, 173
Primary import substitution (PIS), 171, 173
Primary products, 155–56
Primary school education, 424, 237–39, 240, 263–64, 265, 266
Principle-agent approach, 508, 509
Privatization, 96
Probabilistic migration model, 292, 323–27
Producer-driven chains, 204

Productivity. See also Agricultural productivity: factor proportions explanations, 17; growth accounting with human capital stocks in, 220–22; Kravis-Heston-Summers explanation for, 13–15

Profit effect, 366

Programa de Integracao Nacional (PIN), 418

Programa de Integracao Social, 418

PROKASHI, 545

Property rights, 442, 444, 518, 526, 527, 532, 535, 539–41

Prussia, 383

Public choice school, 443

Public goods, 259, 336

Public sector: economic growth and, 43; political economy of, 437–40; defined, 434–36; in competitive, 437–39; corruption role in, 292, 323–27; trade and, 184, 185; and, 207; technology effects in, 67; poverty in, 18, 19; women’s education in, 271, 275, 276

State autonomy, 496

State intervention, 432–33, See also State-owned enterprises (SOEs)

State-owned enterprises (SOEs), 96, 485, 493, 551

Strong states, 496

Strong sustainability, 555, 559

Structuralist analysis, 70

Structural transformation, 478–79, 489–90

Sub-Saharan Africa, 2, 3, 4, 422–24; economic development in, 65–68; economic growth in, 80, 456–70; education in, 65, 68, 237, 238, 429; environment and, 523, 527; ethnic diversity in, 423–24, 456–58, 460–66; income distribution in, 407; personal rule effects in, 67; poverty in, 18, 19; women in, 271, 272, 283, 284; women’s education in, 263, 266, 269

Subsistence income, 115

Sudan, 65, 88, 95, 263, 273

Suez Canal, 86

Sukarno administration, 88

Sukhatme-Srinivasan-Seckler-Payne hypothesis, 255

Sulfur dioxide, 522

Sun Yat Sen, 484

Supply elasticity of agricultural production, 366–67

Supply-leading phenomenon, 139–40

Suspended particulate matter, 521

Sustainable development, 519, 554–59

Rural-urban divide, 373–74

Rural-urban migration, 289–327; demographic reappraisal of urban growth and, 293–94; econometric studies of, 312; informal sector role in, 292, 323–27; model of urban unemployment and, 300–301; unlimited labor supply and, 297–99

Russia, 139

Sanitation, 521

Saudi Arabia, 165, 166

Savings: in AK model. See AK model; in East Asia, 36, 42; as engine of growth, 119–22; financial liberalization and, 133–37; genuine, 559; in India, 63; women and, 280

Savings clubs, 280

Saxony, 383

Schulz, Theodore, 300

Secondary export substitution (SES), 171–72, 173

Secondary import substitution (SIS), 171–72, 173

Secondary school education, 237–39, 265, 266

Second best solutions, 337

Second Indian Plan, 371

Secular levels of income, 382, 383, 384, 386

Seemingly-unrelated-regression (SUR) technique, 234

Self-employment, 295–96, 313, 318, 319, 397

Semi-democracies, 404

Service prices, 13–17

Shaman Pharmaceuticals, 532


Shocks, 147–53

Sierra Leone, 254

Singapore, 2, 3; economic crisis in, 43; economic development in, 52; economic environment in, 430; economic growth in, 36, 39, 40, 94; education in, 237; environment and, 527; interest rates in, 124, 133; natural resources and, 164; technology and, 207; trade and, 184, 185; women in, 273

Sino-Japanese War, 86

Small Farmers Development Agency (SFDA), 447

Smith, Adam, 69, 72, 75, 98, 494

Social indicators, 56

Social insurance, 258

Soft states, 102

Soil quality, 522–23

Somalia, 115, 263

Somprasong Land, 46

South Africa, 97, 99, 273

South America, 345

South Asia: economic growth in, 91; health in, 258; import substitution and, 181; industrialization and, 182; pollution abatement in, 544–53; population of, 244; poverty in, 18, 19; women’s education in, 263, 266

Southeast Asia: economic growth in, 36, 92; pollution abatement in, 544–53; women in, 271

Southern Europe, 98, 99

Southern Rhodesia. See Zimbabwe (Southern Rhodesia)

Soviet Union, 2, 181, 526

Spanish-American War, 86

SSPM, 549

Sri Lanka: development measures in, 7; economic growth in, 89, 91, 93; environment and, 528; health in, 254, 427–29; women in, 271, 275, 276

State intervention, 432–33, See also State-owned enterprises (SOEs)

State-owned enterprises (SOEs), 96, 485, 493, 551

Strong states, 496

Strong sustainability, 555, 559

Structuralist analysis, 70

Structural transformation, 478–79, 489–90

Sub-Saharan Africa, 2, 3, 4, 422–24; economic development in, 65–68; economic growth in, 80, 456–70; education in, 65, 68, 237, 238, 429; environment and, 523, 527; ethnic diversity in, 423–24, 456–58, 460–66; income distribution in, 407; personal rule effects in, 67; poverty in, 18, 19; women in, 271, 272, 283, 284; women’s education in, 263, 266, 269

Subsistence income, 115

Sudan, 65, 88, 95, 263, 273

Suez Canal, 86

Sukarno administration, 88

Sukhatme-Srinivasan-Seckler-Payne hypothesis, 255

Sulfur dioxide, 522

Sun Yat Sen, 484

Supply elasticity of agricultural production, 366–67

Supply-leading phenomenon, 139–40

Suspended particulate matter, 521

Sustainable development, 519, 554–59
INDEX

Sweden, 419, 527
Switzerland, 107
Synthesis model, 243, 244
Taiwan, 2, 3, 51, 168, 480;
agriculture and, 340, 344, 348,
412–14; economic crisis in, 43,
45; economic development in,
52; economic environment in,
430; economic growth in, 36, 39,
86, 87, 89, 91, 93, 94, 403,
409–16; income distribution in,
378, 403, 409–16;
industrialization and, 111,
414–16; interest rates in, 124,
133; state intervention in, 157,
195–201, 482, 484–86, 487;
technology and, 206–8; trade
and, 184, 185, 202; typology of
development in, 170–74; women
in, 275
taiwan agriculture and forestry
development corporation, 415
taiwan cement corporation, 415
taiwan industrial and mining
corporation, 415
taiwan pulp and paper corporation,
415
taiwan sugar corporation, 410
tanganyika, 86, 87
tanzania, 18, 115, 280, 451
tariff refund certificate (cra), 503
tariffs, 435–36, 437; agricultural
trade and, 338; concertina
approach to, 192;
industrialization and, 180, 182;
Latin america and, 54;
reforming, 191–92; replacing
quantitative restrictions, 191
taxes, 406, 500; in Africa, 450–51;
agricultural, 368; carbon, 527;
direct, 368, 386, 418; income,
124, 125, 386; in india, 448–49;
indirect, 368, 449
technology: agriculture and, 332,
350–51, 352, 353–54; economic
growth and, 152; gaps between
countries, 206–8
technology transfer, 157–58, 204–12
tenancy ladders, 330, 358
textiles, 84, 89, 98, 99, 168, 485–86
thailand, 3; agriculture and,
342, 414; economic crisis in, 42, 43,
44, 45, 46, 47; economic growth
in, 36, 39, 84, 86, 89, 91, 93, 94;
education in, 216, 230, 237;
environment and, 526, 529;
industrialization and, 98, 99;
pollution abatement in, 544, 545,
546, 549–51
33/50 program, 548
todaro paradox, 396
trade, 153, 154; africa and, 451–52;
agricultural, 332, 337–38; china
and, 50–51; classical growth
theory on, 72, 73; control of,
187–90; division of world in,
97–99; economic growth and, 81,
82, 84, 85–86, 87, 89, 90,
149–51, 187–90; as enemy,
handmaiden, and engine of
growth, 211–12; environment
and, 518, 531–34; factorial terms
of, 99–101; India and, 61, 189,
191; in intermediate goods,
202–3; Krueger’s model of,
175–78, 179; latin america and,
53, 202; liberalization of,
187–90, 192–94; policy reform
in, 191–94; rural-urban terms of,
373; technology transfer and,
157–58, 204–12
trade unions, 301, 307, 396
transaction costs, 355, 357, 359,
360, 361
transportation costs, 6, 85–86, 89
trickle down process, 389
trinidad, 307
TPSC, 549
Tunisia, 6
turkey, 102; economic growth in,
84, 85, 88, 91, 93, 94; export
subsidies and, 503–5; rent
seeking in, 438–39; trade and,
188; women’s education in,
263
two-sector model of endogenous
growth, 107–9
typology of development, 170–74
UFF, 549
uganda, 86, 87, 95, 99, 115
uncertainty, 406
underemployment. See also
unemployment: economic
development, income inequality
and, 395–99; Harris-Todaro
model of, 291, 302–6, 396, 399;
lewis model of, 291, 302–6
unemployment. See also
employment; unemployment;
disguised, 297, 317; in East Asia,
47; in Jamaica, 291, 307–11;
model of labor migration and,
300–301
unimodal agricultural strategy, 330,
340–43, 345, 347
United Kingdom. See Great
Britain/United Kingdom
united states, 88, 90, 97, 100, 101,
104, 139, 170; agriculture and,
332; divergence and, 116, 117;
education in, 229, 230;
environment and, 528, 532;
financial development in, 145;
health systems of, 258; income
distribution in, 375–76, 382–83,
384, 385, 386, 417, 419;
industrialization and, 107, 111;
latin america and, 52, 54;
pollution abatement in, 548;
technology transfer and, 204;
trade and, 183, 184, 202; women
in, 283
unorganized money markets,
129–31
unpaid family workers, 295–96,
319, 397
Upper-middle-income economies:
basic indicators in, 10–11; health
indicators in, 251–52; income
disparity in, 397; population
and labor force in, 33–34; self-
employment and unpaid family
workers in, 295; women’s
education in, 265, 267
urban bias, 331, 370–74
urban sector, 395–99. See also
informal sector; Rural-urban
migration
urban traditional sector, 291, 300
uruguay, 52, 55, 58, 192
Venezuela: economic development
in, 52; economic growth in, 86,
87, 89, 91; economic reforms in,
58; education in, 237;
environment and, 533; foreign
direct investment and, 157,
209–10; political system of, 406
vietnam, 42, 48
Wage-gap model, 308–9
Wage-rental ratio, 13, 14–15, 16
Wages/earnings: in agricultural
labor, 341; in informal sector,
319, 327; in Jamaica, 307–11; in
Krueger’s trade model, 175–76,
178; minimum, 448; in rural
sector, 356–58; rural-urban
migration and, 300;
underemployment and, 302,
304–5; unlimited labor supply
and, 297; for women, 243, 266,
271, 275–77
Water quality, 521, 522–23, 524,
525, 532, 545–47, 551
Weak states, 496, 504, 506
Weak sustainability, 555, 559
Weber, Max, 477–78, 481, 494,
508
Weberian state hypothesis, 508, 509,
510, 511–14
West Africa, 81–82, 273
Western Europe, 97, 98, 99, 104;
agriculture and, 333; divergence
and, 115; economic growth in,
81; income distribution in, 417
Wigs, 184
Women, 215, 263–88. See also
Women’s education; asymmetric
rights and obligations of,
281–82; balance sheet of human
development, 35; credit and,
280–81, 285–86; Gramsci’s
break and, 215, 285–88; in the labor
force, 243, 269–70, 271–74,
297–98, 307; missing, 283–84;
poverty and, 18, 215, 275–79; role models for, 281; savings and, 280–81
Women-headed households, 215, 273, 275
Women’s education, 263–70, 277, 279, 280; benefits at work and home, 269–70; costs, benefits and gender differentials, 264–67; economic impact of, 225–26; financial, opportunity, and psychic costs of, 267–69; health and, 254, 255; labor force participation, wages and, 243
Wood pulp plants, 544, 548–49
World Conservation Strategy, 555
Yunus, Muhammad, 285
Zaire, 65, 88, 95, 263, 479–80
Zambia, 87, 275
Zimbabwe (Southern Rhodesia), 86, 87, 258