

ECON 311 • ECONOMIC DEVELOPMENT

Chapter 1

Introducing Economic Development: A Global Perspective

Based on Todaro & Smith, Economic Development, 13th Edition (Pearson)

What This Chapter Covers

1.1 The World's Biggest Development Questions

1.3 Classifying Countries by Development Level

1.5 The Meaning of Development: Sen's Capability Approach

1.7 The Sustainable Development Goals

1.2 How Living Levels Differ Around the World

1.4 Economics and Development Studies

1.6 Happiness and Development

1.8 Critical Questions for the Study of Development Economics

Plus Case Study 1: Comparative Economic Development — Pakistan and Bangladesh

Some of the World's Biggest Questions

“Once one starts to think about [income disparities], it is hard to think about anything else.”

— Robert Lucas, Nobel Laureate in Economics

- Why do living levels differ so drastically across countries and regions?
- Why is output per worker many times higher in some countries than others?
- Why are populations growing rapidly in some countries, nearly shrinking in others?
- How did such great divergences across countries come about?

This text examines the historical sweep of development, the analytic tools, and the most recent data — from extreme poverty to international finance — across the spectrum of developing economies, from least-developed countries to upper-middle-income nations striving for fully developed status.

1.2 COMPARATIVE LIVING STANDARDS

How Living Levels Differ Around the World

Average living conditions differ drastically depending largely on where a person was born. Economists often divide the world into four “living standards strata,” a schema created by Hans Rosling.



Four Living-Standards Strata (Box 1.1 / Box 1.2)

Extreme Poverty: < \$1.90/day — subsistence economy, open-fire cooking, unsafe water, pit latrines

Second-Lowest: ~\$3.80/day — informal work, kerosene fuel, self-built housing

Second-Highest: ~\$15/day — motorbikes, some post-primary schooling, unstable jobs

Highest ("Rich"): ~\$75/day — formal jobs, full plumbing, secondary + post-secondary education

The Experience of Poverty: Voices of the Poor

“For a poor person, everything is terrible — illness, humiliation, shame. We are like garbage that everyone wants to get rid of.”

— A blind woman, Tiraspol, Moldova

“When one is poor, she has no say in public, she feels inferior. She has no food, so there is famine in her house.”

— A poor woman, Uganda

“We have to line up for hours before it is our turn to draw water.”

— Participant, Mbwadzulu Village, Malawi

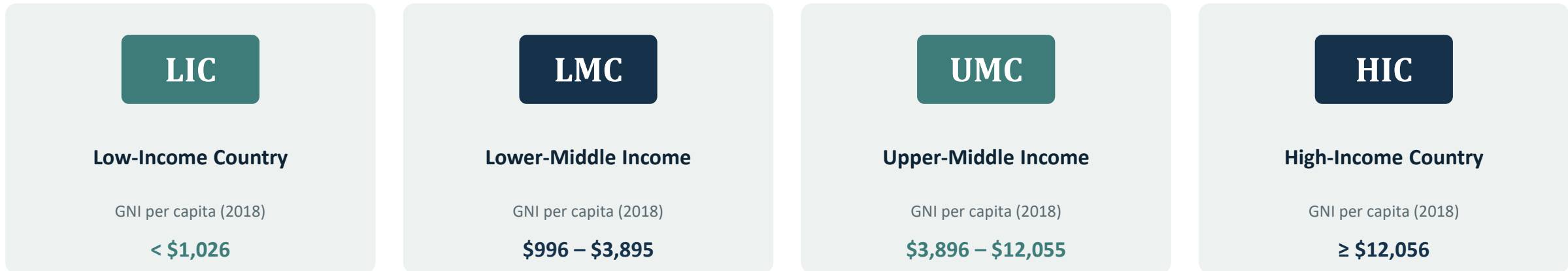
“Don't ask me what poverty is — look at the house and count the number of holes. Look at everything and write what you see. What you see is poverty.”

— A poor man, Kenya

1.3 COUNTRY CLASSIFICATION

How Countries Are Classified by Development Level

The World Bank classifies countries into four income groups using Gross National Income (GNI) per capita:



- About 16% of the world's population lives in HICs; a typical LIC resident lives on GNI per capita below \$1,026 — roughly 10% of the world's population, concentrated in sub-Saharan Africa.
- As recently as 1990, over half the global population lived in low-income countries. China (1999) and India (2007) crossed into LMC status; both later reached UMC status.
- The UN's “least-developed countries” (49 nations, just over 1 billion people) designation adds low education, health, and economic-vulnerability criteria to the income test.

A Wider Scope of Study

Development economics is largely an empirical discipline that also uses formal models — of household decisions, and of economy-wide transformation.

It incorporates political economy, institutional, behavioural, and experimental economics, overlapping with labour, public, urban, agricultural, environmental, and international economics.

It must address the economic, social, political, and institutional mechanisms needed for rapid, large-scale improvements in living levels — where markets are highly imperfect and multiple equilibria are common.

Geographic Scope

Most of Asia • sub-Saharan Africa • the Middle East and North Africa • Latin America and the Caribbean • transition economies of East and Southeast Europe

1.4.2 The Central Role of Women

Women must be the first thought, not an afterthought. They are more deprived in health, education, and freedoms; they bear primary responsibility for child-rearing, and spend a higher share of income under their control on their children than fathers do.

Amartya Sen's “Capability” Approach

Nobel Laureate Amartya Sen argues that “capability to function” — not income or utility — is what matters for well-being: commodities are valued only as means to human welfare and freedom.

Functionings

What people do or can do with the commodities of given characteristics that they come to possess or control — e.g., being healthy, well nourished, mobile, and taking part in community life.

Capabilities

The freedom a person has in terms of the choice of functionings, given personal features and command over commodities.

“A book is of little value to an illiterate person... a person with a parasitic disease will be less able to extract nourishment from a given quantity of food than someone without parasites.”

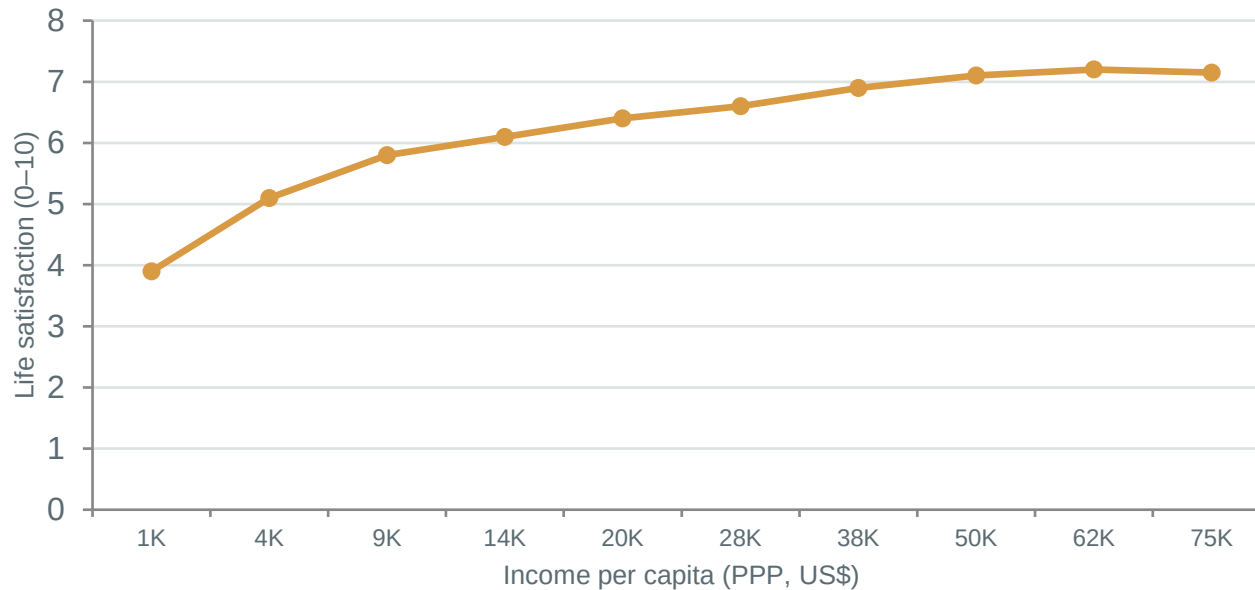
Development, in essence, is a social system moving from a life widely perceived as unsatisfactory toward a condition of life regarded as materially and spiritually better.

Five Sources of Disparity Between Income and Real Advantage

- 1 **Personal heterogeneities** — Disability, illness, age, or gender
- 2 **Environmental diversities** — Heating/clothing needs in the cold, infectious disease in the tropics, pollution
- 3 **Variations in social climate** — Prevalence of crime and violence, “social capital”
- 4 **Distribution within the family** — Household resources may be shared unevenly — e.g., girls receiving less medical care or education than boys
- 5 **Differences in relational perspectives** — Local customs and conventions shape which goods are “necessary” (e.g., a telephone or presentable clothing)

Happiness and Development

Figure 1.1 — Income and Happiness: Comparing Countries



Happiness rises with income, but at a decreasing rate; above ~\$40,000 average income, happiness is little higher, on average, with further income gains.

Richard Layard's 7 Factors Affecting National Happiness

1. Family relationships
2. Financial situation
3. Work
4. Community and friends
5. Health
6. Personal freedom
7. Personal values

People are happier when not unemployed, not divorced/separated, and enjoy high government quality, democratic freedoms, and trust in others.

1.7 THE SUSTAINABLE DEVELOPMENT GOALS

17 Goals: A Shared Development Mission

Adopted by UN member states in September 2015, to be achieved by 2030 — 169 targets, 232+ indicators.



Three underlying principles: universality (applies to every nation) • integration (all goals interrelated) • transformation (piecemeal steps are not enough).

Global Ambitions: Selected SDG Targets

1.1	By 2030, eradicate extreme poverty for all people everywhere
2.1	By 2030, end hunger and ensure access to safe, nutritious, sufficient food year round
3.1	Reduce the global maternal mortality ratio to less than 70 per 100,000 live births
4.1	By 2030, ensure all girls and boys complete free, equitable, quality primary and secondary education
5.3	Eliminate harmful practices such as child, early, and forced marriage and FGM
6.1	By 2030, achieve universal and equitable access to safe and affordable drinking water
8.1	Sustain at least 7% GDP growth per annum in the least-developed countries
13.a	Mobilize \$100 billion annually by 2020 for climate-change mitigation in developing countries

1.7.2 FROM MDGS TO SDGS

The Millennium Development Goals, 2000–2015

The SDGs' predecessor: eight goals adopted by the UN in 2000, assigning responsibilities to both rich and poor countries, with progress tracked to a 2015 deadline.

Extreme poverty	Halving the poverty rate (< \$1.90/day) was achieved by 2012 — largely due to income growth in China.	✓ Met
Hunger	Hunger fell from ~23% (1990) to ~12% (2015) — not quite halved; ~800 million remained hungry.	○ Partial
Primary education	57 million children still not enrolled in 2015, mostly among the poorest — universal goal not met.	○ Partial
Under-5 mortality	Fell about 41% — progress, but short of the targeted two-thirds reduction.	○ Partial
Maternal mortality	Maternal deaths were about halved — the three-quarters target was not reached.	○ Partial
Clean drinking water	Target met globally; the sanitation goal was not.	✓ Met

1.8 LOOKING AHEAD

Critical Questions for the Study of Development Economics

This chapter closes with a preview of key questions the rest of the text addresses — and the chapters where each is explored:

What are economic institutions, and how do they shape development?

Ch. 2

How can the extremes between rich and poor be so great?

Ch. 2,
4, 5

Is underdevelopment internally or externally induced?

Ch. 2–4

Does rapid population growth threaten economic progress?

Ch. 6

Why are steady, formal jobs so scarce in developing countries?

Ch. 5, 8

Can trade be an engine of broad-based development?

Ch. 12

What is the impact of foreign aid on development?

Ch. 14

What is the potential and limitation of microfinance?

Ch. 15

CASE STUDY 1

Comparative Economic Development: Pakistan and Bangladesh

In 1971, Bangladesh declared independence from Pakistan after a brutal war. With a shared colonial history and similar populations (~165–197 million), the two countries offer a natural comparative case. Bangladesh was long dubbed the “international basket case” — yet decades later it has “confounded the sceptics.”

#136 vs #150

Bangladesh now ranks 9 places above, Pakistan 14 places below, what their income alone would predict on the 2018 HDI

\$5,311 vs \$3,677

Pakistan's PPP per-capita income still exceeds Bangladesh's (2017, UNDP)

4.7% vs 3%

Bangladesh's average annual per-capita GDP growth (2000–17) outpaced Pakistan's

Pakistan vs. Bangladesh: Key Indicators

Indicator	Pakistan	Bangladesh
PPP income per capita (2017)	\$5,311	\$3,677
Per-capita GDP growth, 2000–17	~3.0%	~4.7%
Poverty at \$1.90/day	4.0%	14.8%
Multidimensional Poverty Index	0.228 (43.9%)	0.194 (41.1%)
Youth literacy rate (15–24)	72.8%	85.6%
Under-5 mortality (2011, per 1,000)	72	46
Fertility rate (2013)	3.3 births/woman	2.2 births/woman
Population density	256 / km ²	1,265 / km ²

Sources: World Bank WDI; UNDP Human Development Report 2018 (data years vary by indicator, 2011–2017)

CASE STUDY 1

Why Has Bangladesh Outpaced Expectations?

- 1 Garments & textiles** — Export-oriented factory jobs drove growth and women's employment, despite risks (e.g., 2013 Rana Plaza disaster).
- 2 NGOs & microfinance** — BRAC and Grameen Bank pioneered rural poverty programmes and non-formal education.
- 3 Agriculture & the green revolution** — Rapid, more equitably distributed farm-yield gains.
- 4 Family planning success** — Fertility fell from 6+ to 2.2 births/woman — among the fastest declines globally.
- 5 Ethnolinguistic homogeneity** — ~98% of the population is ethnic Bangla, aiding social cohesion (vs. Pakistan's greater fractionalisation).

Takeaway: Bangladesh remains poorer by average income, but its faster progress on human development illustrates that “growth without development” can run in reverse — social progress can outrun income growth.

Key Takeaways

1

Living conditions differ drastically worldwide, but there has been broad, if uneven, progress in reducing extreme poverty.

2

Countries are classified by income (LIC/LMC/UMC/HIC) and by human development, but these rankings can diverge substantially.

3

Development economics is a broad, empirical, multidisciplinary field concerned with structural transformation, not just growth.

4

Amartya Sen's capability approach reframes development around functionings and freedoms, not income or utility alone.

5

Happiness rises with income at a decreasing rate; non-income factors (health, freedom, relationships) matter greatly.

6

The 17 Sustainable Development Goals (2015–2030) provide the current shared global framework for development progress.

Discussion Questions

Q1

Sen argues that income and commodities are only “means,” not “ends,” of development. Do you agree? What are the strongest objections to the capability approach?

Q2

Why might a country with higher average income (like Pakistan) rank lower on human development than a poorer country (like Bangladesh)? What does this suggest about “growth without development”?

Q3

The MDGs and SDGs have both been criticized for having too many goals to meaningfully prioritize. If you had to pick 3 of the 17 SDGs to prioritize globally, which would they be, and why?

Q4

Layard's happiness research suggests income yields diminishing returns to well-being after a threshold. What are the policy implications for high-income vs. low-income countries?