

Instructor's Manual

Economic Development

Thirteenth edition

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Introduction

This introduction offers a description of the main features of this manual and provides some general suggestions for teaching undergraduate development economics. This may be particularly useful for instructors who have not previously taught a development economics course.

Each chapter of the manual corresponds to a chapter in the text and contains the following sections:

- *Key Concepts:* This section highlights the major topics covered in the chapter and offers a brief interpretation of the chapter's general perspective and overall conclusions for easy reference. This is not to be considered an inclusive summary of all the points covered in the text.
- *Lecture Suggestions:* Suggestions for developing and organising lectures are offered, based on the experiences of several instructors who have previously used this text. Many chapters contain suggestions on where to find additional material that can be useful for expanding on some of the topics covered in the text. This section of the manual is not to be considered a complete lecture guide, but it can be useful for organising lectures, filling in gaps, and suggesting new ideas for lecture topics. There are also suggestions for discussion topics included in each chapter.
- *Sample Questions:* These questions can be used for homework, quizzes, problem sets, or exams. The questions for review found at the end of each chapter in the text can also suggest potential essay questions for the exam. In many cases, where a question is not directly derived from material in the text, a very brief answer is suggested. Obviously, what you expect for an answer will depend on what you cover in lecture, as far as the level of detail. Most chapters also have one or two questions related to the case study at the end of each chapter.

The case study summaries can be found at the end of the chapter. As in previous editions, case studies have been updated and revised to reflect the content of the relevant chapters. The appendix to this manual contains more exam questions for each section of the text.

■ Lecture Ideas for First-Time Instructors

Development economics, with the breadth of material and ideas it covers, is one of the most difficult undergraduate courses in economics to teach. First, the course could and probably – in a perfect world – should be divided into a two course sequence. Especially, if this is your first time teaching the course, you might think that you will be able to cover the 15 chapters over the semester. This is unlikely. You will want to cover as much as possible but class time is a limited resource and choices will have to be made. The material in the text touches on every branch of economics and it assumes that students have a good grounding in economic principles. While student interest is always high the range of comfort with basic economic principles varies considerably as does students' background and experiences. Also, it is important to keep in mind that students' familiarity with the developing world may vary considerably from term to term. I have taught terms where virtually no one in class had traveled outside the US to terms where students were quite familiar with the developing world for a variety of reasons (foreign students, students of immigrant parents, travel with church groups or study abroad either in high school or in college). In sum, because students' level of comfort with economy

theory, their knowledge of the wide world, and the amount of material that has to be covered teaching the class for the first time can be almost as overwhelming as is exciting and rewarding. Here are a few ideas which may make it easier:

- Pick the topics and chapters that you would like to cover in your course and follow the text fairly closely the first time. Perhaps, as I suggest in Chapter 1 of this manual, asking students to identify which 3–4 of the critical questions listed in the first chapter of the text itself might guide you on what you should focus on that particular term.
- Emphasise economic theory and the applicability of the theory to developing countries. This works especially well in cases where the economics background of the students is only at the introductory level. If you feel the background of your students is not what it should be in this regard, putting together tutorials (using screen capture software such as Camtasia) might be worth considering. What has been most interesting to me over the years is the genuine pleasure students express in using economic theory to explain such crucial real-world problems.
- Emphasise development problems and the associated pros and cons of solutions. This provides a nice structure to many lectures.
- Research selected countries to use as examples. If you are teaching this course, it is in all likelihood the case that you have a high level of expertise in a certain area. You should not hesitate to go with your strengths and your expertise in a particular area. Talk about these countries throughout the whole course. Remind students that there are many developing countries, and it is not realistic to expect one person to be an expert on all countries. You may find that your students can be of great help in this task by turning to your students. For example, a discussion of the informal sector may begin with a description of *phuchka wallahs* in Kolkata and leads to a Mexican-American student in your class talking about street food in Oaxaca.
- Look up examples from current events and apply them to the theories discussed. Student interest is maintained by illustrating important problems and policy issues with recent events in the developing world, growth in microcredit organisations, climate change and its impact on developing nations, controversies over structural adjustment packages, export success of East Asia, reforms in China, Aids crisis in Africa, work of the Gates Foundation and the economic aftermath and recovery after the Asian tsunami. Depending on the other demands you face, this is especially a challenge but failure to do so is a missed opportunity. In the United States, the Newspaper Periodicals Index will help you locate the right article as well as identify topics you may have missed. Especially when a term is quite hectic, stories from NPR and the BBC have been invaluable.
- Consider using the group presentation approach described below. This has the disadvantage of taking up lecture time, but if properly supervised can also be a valuable learning experience for all concerned.
- If your class is relatively small, consider using what are called participation cards. A lined 5x8 file card works best. Hand these out the first day of class, have students put their name on this card, and have them turn in these cards at the end of class if they have a question that, for one reason or another, they failed to ask in class. Go through these between classes and turn them back at the very start of the next class with your answer written on the same card. If more than one student at the end of the first class is asking the same question, then it is well worth covering in the next class. These cards also may provide you with additional examples to use in class

(a student may ask about the relevance of purchasing power parity ratios to the rankings of economies by GDP or the connection between natural disasters and the depreciation ratio of the Solow). Although time-consuming, these cards can be a quite helpful tool in monitoring where your class is going from one day to the next.

- Emphasise the areas that you know best.

■ Writing Exams

Many instructors will find that essay-type questions (and to a lesser extent numerical problems) are most appropriate for this subject, in order to see if students have really grasped the ideas. Suggestions for multiple choice questions are also offered, though frequently the material does not lend itself to multiple choice questions, but may be useful if class size is large. The tradeoff is that while essay questions are relatively easy to write they obviously require a lot of time to grade. Writing decent multiple choice questions however is extremely difficult and you should feel free to take and modify the multiple questions in this manual. You might also consider putting together practice exams and multiple choice quizzes using course management software such as Moodle or Blackboard or Google forms. Because there is so much to cover, even if you limit what you choose to cover over the course of the term, you might also consider giving take home exams that are all essay.

■ Ideas for Assignments

There are many different types of assignments that can be used.

- Traditional homework assignments or problem sets. Homework and problem sets help students prepare for exams and to identify where they need help sooner rather than later. This is extremely important for you and your students if you feel that their comfort with key economic principles is not at the level it should be to fully understand the material you plan to cover. Regardless of level of preparation, working seriously with the material before more heavily weighted measures of learning like exams or papers is necessary.
- Short papers. One option is to assign two short papers of about five pages in length. Have the first one due a few weeks after the start of the course, and the second one at the end of the course. For the first paper, have the students research the general growth and development experience of a country of their, or your, choice. The purpose of the assignment is to get them to do some background reading on the country. You can assign specific items that they must report on or leave it more open. Possibilities include data on growth and other key indicators. Political and social factors can also be included. For the second paper, have the student keep the same country and research a more specific hypothesis or problem that they have learned in the class. Popular topics are growth and the environment, trade strategy, population growth, and income inequality. You may restrict the list of topics or have them submit the topic for approval. You can also present students with a scenario based on either the past or current situation in a given economy or region (China early 1980s, Nigeria today) or give a hypothetical case. You can give background information on levels of income, population growth, inequality, absolute poverty, agricultural, and trade policies, for example. Then present them with three or more different policy options. Ask them to evaluate each proposal based on what has been covered in class and to explain, again based on course material, why they would argue that a particular plan is more likely to succeed. Students

like this sort of assignment a great deal and it reinforces their excitement in discovering that economic theory yields considerable insight into real-world problems.

- Group projects. This works well if you have a small class and if it is carefully managed. There is a fairly substantial literature on how to properly design and manage group projects and much debate over whether or not group projects are really that worthwhile of a teaching tool. The other consideration is that, as mentioned earlier, with limited time available having four or five groups make 20-minute class presentations of their results and with time allotted for the rest of the class to ask questions and to make suggestions will require more than a class period. If groups are cohesive, you set clear expectations about how each member will be evaluated, and you monitor a group's progress throughout the term such projects are indeed worthwhile. It may be something that you consider doing after the first or second time you have taught the course.
- Current events/News journal. Have the students collect articles throughout the course related to development issues (two or three per week) and have them write up a short summary of each article discussing the relationship between the article and what they learned in class. You can even have one or two students present their article in class at the start of each class. You may want to devote 10 minutes of class time to a brief discussion about the articles and how they relate to what students have covered in the course or will shortly cover; perhaps they may never explicitly study the topic but you can explain to them why the issue is still important to the dialogue on economic development.

■ The Internet

The Internet has opened up great possibilities as far as sources of information are concerned. It is worth remembering that, when assigning papers, many of your students will not go to the library at all, but will use the Internet instead. Therefore, instructors should point out both the potentials and pitfalls of information collected from the Internet. The World Bank web site (www.worldbank.org), for example, has a wealth of information, and it is relatively easy to locate country summaries on the Internet that help with assignments. As a result, it is not too unrealistic to assign students the task of looking up information about particular countries in order to be prepared for class discussion. Other useful web sites include:

Countries and Regions (www.worldbank.org)

World Bank Development Data and Statistics (www.worldbank.org/data/)

International Monetary Fund (www.imf.org)

IMF World Economic Outlook (<http://www.imf.org/external/pubs/ft/weo/2010/02/index.htm>)

United Nations Economic and Social Development (www.un.org)

United Nations Statistics Division (unstats.un.org/unsd/)

United Nations Development Program (www.undp.org)

Human Development Report (<http://hdr.undp.org/en/>)

The Instructor's Resource Centre (go.pearson.com/uk/he/resources) carries PowerPoint lecture slides to aid you in classroom discussion.

Chapter 1

Introducing Economic Development: A Global Perspective

■ Key Concepts

As curious as students who register to take Development Economics may be, their knowledge and experience of the developing world will vary widely. The first main point of Chapter 1 is to emphasise how different life in the developing world is. New in the 13th edition is a systematic description of four stylised strata of living standards from extreme poverty to rich based on Rosling, Rosling, and Rosling Ronnlund's book *Factfulness*. This is followed by a discussion of the World Bank's classification of economies by ranges of average national income using gross national income (GNI) statistics.

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

Sections 1.5 and 1.6 look deeper into the meaning of development and a view of development that is multidimensional. Amartya Sen's "Capabilities" approach is discussed in Section 1.5. In Section 1.6, data collected in a Gallup World Poll on the relationship between happiness (as measured by Gallup's life satisfaction "ladder" question and real per capita income) and other research on happiness/life satisfaction is discussed. The level of happiness is not only related to level of income but to other factors such as democratic freedoms and the quality of social relationships. The role of normative values in development economics—a subject dealing with human misery and human potential, with equity as well as efficiency, with cultural change that causes losses as well as gains, and with transfer as well as creation of wealth—is also stressed.

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

Section 1.7 presents an in depth examination of the UN's Sustainable Development Goals (SDGs). This includes a more comprehensive list of the goals themselves (appearing in Table 1.1) and a discussion of the shortcomings of the SDGs. In Section 1.8, the plan of the book is introduced through 32 critical questions of development economics. Depending on the amount of material covered by the instructor, students should be able to intelligently address most of these questions by the end of the course. Finally, a comparative case study of Pakistan and Bangladesh is presented.

■ Lecture Suggestions

It might be best to begin with a discussion of the immense scale of transformation in the world economy. The late Hans Rosling's video "200 countries, 200 years, 4 minutes" (readily available on YouTube) can be used to confirm this point in an entertaining way. It might also be helpful to highlight that real gross world product per capita has almost tripled between 1960 and 2018 (implying growth per year of 1.85%) and is 33% higher than it was at the turn of this century (implying annual growth of 1.56% from 2000 to 2018). This data can be found on the Saint Louis Federal Reserve's website in the Federal Reserve Economic Database (or FRED).

Despite such advances, tremendous disparities continue to exist. In terms of easily accessible statistics the PEW Research Centre's "World Population by Income" provides an interactive map showing the share of economies' population who are economically poor, low income, middle income, upper middle income, and high income. While regrettably the data provided is for 2011, it echoes what Todaro and Smith point out in the text, that more than 75% of the world's population live on \$15 or less a day (or about \$5,500 per person per year). Several excellent books attempt to give some idea of the range of living standards found throughout the world. For example, *The Material World* by Peter Menzell. This book presents photographic profiles of typical families around the world with all of their possessions placed in front of their homes. As one goes from one family to the next the instructor has the opportunity to highlight the important differences between nations and regions and to touch on key issues of growth and development.

One of the key strengths of this chapter is that it does not focus solely on the hard numbers that supposedly measure development. The discussion of Sen's Capabilities approach and the far less than perfect relationship between income and happiness are well worth spending a fair amount of class time exploring. Class time should also be spent discussing the 32 critical questions listed on pages 21–23 of the text and then asking students to identify 3 or 4 questions that they are particularly interested in exploring. Asking each student to list what they consider to be "critically" critical questions on a sheet of paper, collecting their responses, and then trying to direct the rest of the term to addressing the most commonly mentioned critical questions for that class will be helpful in further drawing students in and holding their attention throughout the term.

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

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

certainly should use the first class or two to set the stage for the approach you will take, whether it will be more interdisciplinary, more economic, more mathematical and quantitative, more historical, or some combination.

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

As already mentioned, the 32 critical questions can be used to motivate student interest in the subject as well as present an overview of what the class is all about. It can be emphasised that there is no one answer to the general question of why some countries are more developed than others. There are as many different opinions on what a less-developed country should do to become more developed. A good approach is to present differing viewpoints throughout the course and let the students make up their minds on their own.

■ Discussion Topics

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

- What is the meaning of economic development? Why do we not see a stronger relationship between income and happiness, especially once income has risen above \$20,000 a year per person?
- Is it possible for the whole world to be developed? This can be an interesting question to ask at the beginning of the course, once environment and development have been covered (Chapter 10), and then again at the end of the course.

■ Sample Questions

Short Answer

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

Answer: See Section 4 (pages 8–10) for some ideas about how the students might answer this question. They should in some way say that development economics is more than just growth in GDP.

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

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

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

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

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

Answer: See Question 3 above.

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

Answer: The main point here is to ensure that students are thinking carefully about the issues raised in the text. You may also wish to draw from the critical questions on pages 21–23.

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

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

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

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

8. How is happiness related to development?

Answer: Answers should make reference to the correlation between happiness and income level as well as touch on the connection between happiness and social relationships, personal and democratic freedoms, religious beliefs, and health, among other factors listed on page 12. Further, answers should include a discussion on happiness as being a part of Amartya Sen's concept of functionings.

9. Compare and contrast the UN's Millennium Development Goals (MDGs) 2000–2015 with the Sustainable Development Goals (SDGs) put forward in 2015? What do you consider to be the most important of either set of goals and why?

Answer: The answer should stress that both sets of goals cover a broad range of objectives both economic and social. These were put forward so that developing countries would have numerical targets against which their progress could be judged and, where warranted, appropriate assistance offered.

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

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

11. What are the most important characteristics that have shaped Pakistan and Bangladesh's economic and social progress since the early 1970s?

Answer: The points raised in Chapter 1 case study should be addressed in answering this question.

■ Multiple Choice

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

- (a) the literacy rate.
- (b) the poverty rate.
- (c) the level of income per capita.
- (d) the types of goods they produce.

Answer: C

2. Sen's "capability to function" implies

- (a) that you cannot measure economic development by income alone.
- (b) that health and education are important.
- (c) that social inclusion and empowerment are important.
- (d) all of the above.

Answer: D

3. A subsistence economy is

- (a) a very low income economy.
- (b) an economy in which people make what they consume.
- (c) an economy in which people receive food for pay.
- (d) all of the above.

Answer: B

4. Development economics is the study of the

- (a) alleviation of absolute poverty.
- (b) transformation of institutions.
- (c) allocation of resources in developing countries.
- (d) all of the above.

Answer: D

5. Development economics must have a scope wider than traditional economics because
- (a) values and attitudes play little role in the pace of development.
 - (b) people in developing societies do less utility-maximising.
 - (c) transformation of social institutions is necessary for development.
 - (d) all of the above.

Answer: C

6. A good definition of the meaning of development is the
- (a) elimination of absolute poverty.
 - (b) improvement in the quality of life.
 - (c) fulfillment of the potential of individuals.
 - (d) all of the above.

Answer: D

7. Which of the following is not an important objective of development?
- (a) increases in per capita income
 - (b) the expansion of available choices
 - (c) increases in individual and national self-esteem
 - (d) all of the above are important objectives of development

Answer: D

8. Some of the targets of the Sustainable Development Goals include
- (a) eliminating extreme poverty.
 - (b) growth of at least 7% per year for the least-developed economies.
 - (c) universal access to safe and affordable drinking water by 2030.
 - (d) all of the above.

Answer: D

9. The core values of development include
- (a) increasing income per person.
 - (b) reducing the inequality of income.
 - (c) the ability to meet basic needs.
 - (d) all of the above.

Answer: C