


**From the Viewpoint of
Development Economics**

Economists' Reasons for Poverty

(From MDGs to SDGs)
(For GSID I2ID-DE Part I Lecture)

Prof. Shigeru T. OTSUBO
GSID, Nagoya University
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**1. “Economic Development”
in “Development”**

For “Poverty” Reduction.....

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Sustainable Development Goals (SDGs)

- ◆ **Goal 1: End poverty in all its forms everywhere**
- ◆ Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- ◆ Goal 3: Ensure healthy lives and promote well-being for all at all ages
- ◆ Goal 4: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- ◆ Goal 5: Achieve gender equality and empower all women and girls
- ◆ Goal 6: Ensure availability and sustainable management of water and sanitation for all
- ◆ Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Sustainable Development Goals (SDGs)

- ◆ Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- ◆ Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- ◆ Goal 10: Reduce inequality within and among countries
- ◆ Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable
- ◆ Goal 12: Ensure sustainable consumption and production patterns
- ◆ Goal 13: Take urgent action to combat climate change and its impacts
- ◆ Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

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Sustainable Development Goals (SDGs)

- ◆ Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- ◆ Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- ◆ Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

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貧困とは...End poverty in all its forms everywhere...

(1) 奴隷貿易発祥の地 ガーナ (西アフリカ)

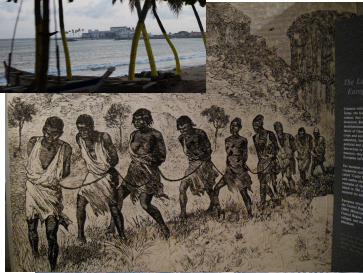


Photo: © Lisa Kristine
Source: TED (Jan. 2012)



Photos: © Shigeru T. Otsubo



17世紀以降主要な
奴隷貿易拠点となっ
たエルミナ。

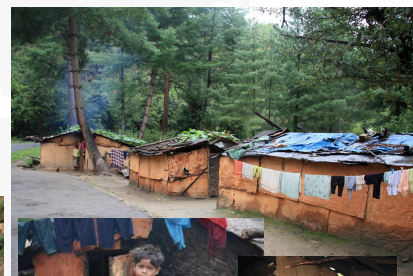
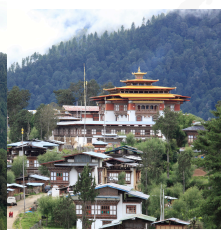
自由な国で続く、
(違法)炭鉱奴隷労働
。

貧しい小規模農家。

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貧困とは...End poverty in all its forms everywhere...

(2) 国民総幸福の秘境の国 ブータン (南アジア)



Photos:
© Shigeru T. Otsubo



国民総幸福の国 ブータン

Road Peopleという「貧困」

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貧困とは...End poverty in all its forms everywhere...

(3) 動き出した巨像 インド (南アジア)



躍動する経済と「貧困」

Photos: © Shigeru T. Otsubo

ジェンダー格差と「貧困」

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貧困とは...End poverty in all its forms everywhere...

(4) 微笑みの国 タイ (東南アジア)



A story without photographs...

社会統合の進む北部
Welfare Schoolで、売春宿、強制労働から
助け出され、社会復帰を目指す農村・
山間民族出身の少女たち

「貧困脱却」とは
Freedom from Deprivation

貧しい北東部
雇用確保か環境保全(子供の健康)か

Photos: © Shigeru T. Otsubo

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貧困とは...End poverty in all its forms everywhere...

(5) アジア金融危機を乗り越えた東南アジアの盟主インドネシア (東南アジア)



National Unity第一の国で広がる格差

World Bank, March 2016

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東南アジアの盟主に返り咲くインドネシア

Photos: © Shigeru T. Otsubo

貧困とは...End poverty in all its forms everywhere...

(5a) 再建国家 カンボジア (東南アジア)



Killing Fieldsで損失したSocial Capitalと制度
2年にも渡り、陸に上がったことのない少女...

紛争はインクルーシブな社会形成の一番の敵

Photos: © Shigeru T. Otsubo

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貧困とは...End poverty in all its forms everywhere... (5b) 再建国家 カンボジア (東南アジア)

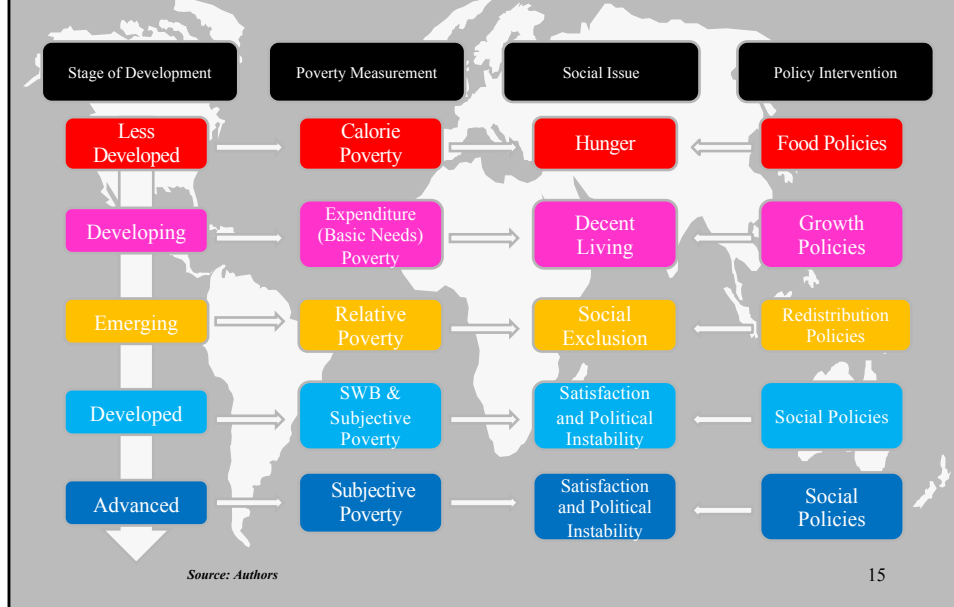


Major Shifts from MDGs to SDGs

- ◆ DGs for **all, developed and developing**, alike...
- ◆ Ever expanding notion of “Sustainability”
Sustainable Planet and **Sustainable Society**
- ◆ Determination to interfere “Internal Affairs”
Dealing with (Structural) **Inequality** in order to save
structurally poor (domestic governance incl. institutions,
laws/regulations, even embedded social values)
- ◆ Calls for Wider Participation & **Networking Brain Power**

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III.3 Poverty Indicator, Social Issue and Policy Intervention



What is Economic Growth?

In the development economics field, the term “**economic growth**” and “**economic development**” are distinctively used. Strictly speaking, economic growth is the growth of the size of the real economy in a country, which is measured by the gross domestic product (GDP). The growth rate is what we call the economic growth rate. However, when discussing its effect to **poverty reduction**, there are times that **increase in the average income per capita (GDP divided by population)** is considered economic growth. In this case, **the rate of per capita income increase** is observed.

What is Economic Development?

In economic development, “development” is perceived as a *process*. Economic development is defined as a concept that involves the following **structural changes and social transformation** that accompany economic growth.

- ◆ **Industrial transformation** (shift from an agriculture-dominant society to an industry-dominant society), and **economic structural changes** such as developments in economic/social infrastructure and institutions;
- ◆ **Social transformation** and the changes in lifestyles that accompany urbanization (labor migration from rural areas to cities);
- ◆ **Cultural transformation** such as the shift from family/relative/tribe-oriented organization/relationship to a more merit-based, contractual organization/ relationship;
- ◆ **Political transformation** including democratization and (legal) institution building for the establishment of property rights, contract enforcement, and so forth.

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What is Economic Development?

When we see “development” as *outcomes*, it is considered that development has happened or has been made, only when human well-being has improved along with economic growth (income growth).

Dadley Seers (1969) discusses as follows:

The questions to ask about a country’s development are therefore: What has been happening to **poverty**? What has been happening to **unemployment**? What has been happening to **inequality**? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if per capita income doubled. (P-G-I Triangle & Pro-Poor Growth)

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P-G-I Triangle

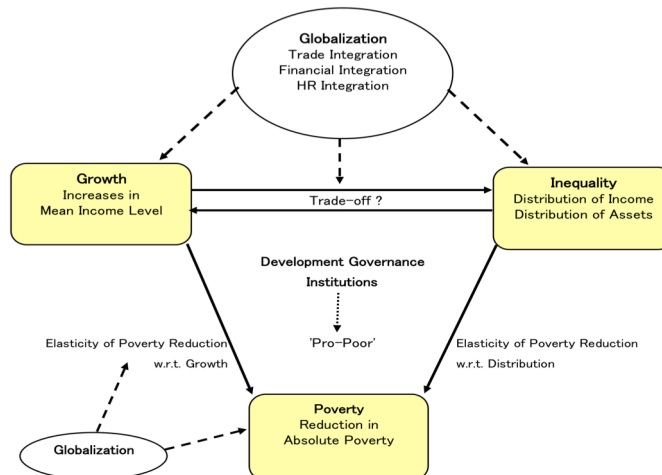


FIGURE 1.2 Poverty-Growth-Inequality Triangle under Globalization
Source: Authors' construction.

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2. The State of the World

Economic Growth

(Changes in per capita Income)
(Changes in Income Disparity)

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Regional Poverty Estimates (2011 PPP \$1.90)

Table 1.1 Poverty Reduction under the MDGs: 1990–2015 (2018 Revision)

Poverty in Developing Regions at \$1.90 a day

	(a) Changes in Regional Poverty HCR (%)						(b) Changes in Poor Population (million)					
Developing Regions	1990	1999	2005	2011	2013	2015	1990	1999	2005	2011	2013	2015
East Asia & Pacific	61.3	38.5	18.9	8.6	3.6	2.3	1117	781	403	191	81	53
China	66.2	40.2	18.5	7.9	1.9	0.7	751	504	241	106	26	10
Europe & Central Asia	52 (1993)	7.9	4.9	2.1	1.6	1.5	44 (1993)	68	43	19	14	14
Latin America & Caribbean	14.8	13.5	9.9	5.7	4.6	3.9	66	70	56	34	28	25
Middle East & North Africa	6.2	3.8	3.1	2.7	2.6	4.2	16	12	11	11	11	18
South Asia	47.3		33.7	19.8	16.1	..	536		510	327	274	..
India	45.9 (1993)	..	38.2 (2004)	21.2	424 (1993)	430 (2004)	264
Sub-Saharan Africa	54.7	58.3	50.8	45.0	42.4	41.0	280	381	389			
Low & middle income	44.4	34.8	25.0	16.4	13.3	11.8	1887	1717	1342	953	793	722

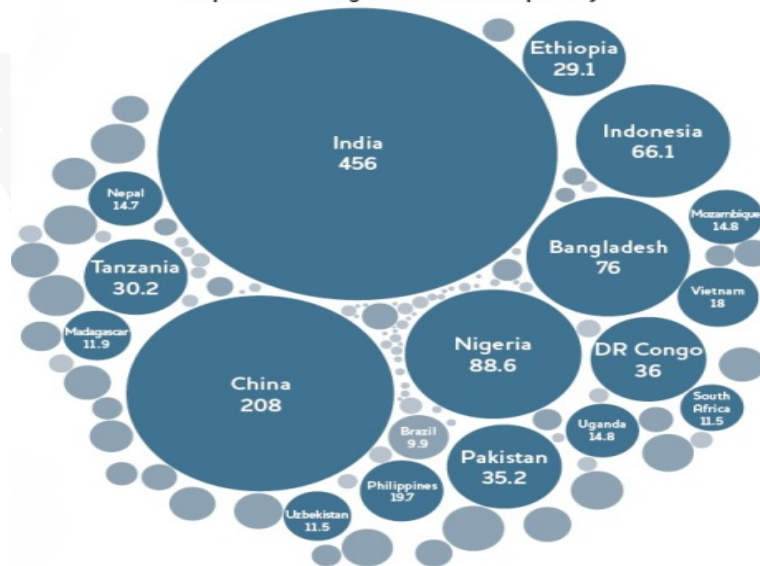
(Source) Compiled by author using World Bank, World Development Indicators On-line Database.

<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (data downloaded on April 13, 2019)

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World's Poor in 2005

Population living under US\$1.25 per day



Figures are in millions of people. Graphic courtesy The Guardian
www.guardian.co.uk/global-development

Income Convergence?

Table1-2 Changes in Regional Real Per Capita GDP (2010 US\$)

Developing Regions	1965	1975	1985	1995	2005	2015	2015/1965	2015/1985
East Asia & Pacific	1,682	2,522	3,456	4,807	6,296	9,234	5.5	2.7
China	187	272	539	1,228	2,738	6,497	34.7	12.1
Europe & Central Asia	–	12,928	15,481	17,675	22,471	24,810	..	1.6
Latin America & Caribbean	4,151	5,878	6,469	6,977	7,955	9,446	2.3	1.5
Middle East & North Africa	–	5,837	4,751	5,220	6,453	7,527	..	1.6
South Asia	338	382	466	630	934	1,603	4.7	3.4
India	325	375	447	622	971	1,759	5.4	3.9
Sub-Saharan Africa	1,235	1,473	1,293	1,162	1,375	1,680	1.4	1.3
LMIC	1,065	1,089	1,103	1,208	1,329	1,459	1.37	1.32
High Income Cos.	14,386	15,082	15,602	17,171	18,028	19,848	1.38	1.27
World	4,447	4,608	4,714	5,098	5,301	5,743		
HIC/LMIC	13.5			13.6				

Note: Country compositions of geographical regions are basically fixed. Country compositions of income groups, however, change over years. For tabulation, they are fixed using 2019 World Bank income groupings.

Source: Compiled by author using World Bank, World Development Indicators On-line Database.

<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>
(data downloaded on April 13, 2019)

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Income Convergence? (σ -convergence)

Mean Income (2000US\$) and Coefficient of Variation (CV)

	1965	1970	1975	1980	1985	1990	1995	2000	2005
Mean Income									
Low Income Cos. (54)	219	241	246	257	273	312	340	393	481
Lower Middle Income Cos. (58)	361	442	570	689	768	861	1,047	1,250	1,614
Upper Middle Income Cos. (40)	–	2,631	3,016	3,516	3,447	3,498	3,416	3,897	4,480
LMIC (152)	550	644	752	867	901	963	1,036	1,191	1,440
High Income Cos. (56)	10,911	13,375	15,044	17,304	18,959	21,917	23,466	26,368	28,242
High Income OECD (24)	11,190	13,742	15,419	17,732	19,606	22,712	24,256	27,304	29,251
Other High Income Cos. (32)	4,570	5,831	8,113	10,324	9,470	11,292	13,535	15,304	17,110
World (208)	2,840	3,314	3,596	3,981	4,158	4,565	4,758	5,241	5,647
CV									
Low Income Cos. (54)	0.51	0.54	0.56	0.55	0.51	0.49	0.55	0.49	0.49
Lower Middle Income Cos. (58)	0.55	0.62	0.56	0.51	0.47	0.45	0.53	0.47	0.43
Upper Middle Income Cos. (40)	0.63	0.58	0.51	0.50	0.45	0.35	0.41	0.36	0.30
LMIC (152)	1.13	1.14	1.06	1.01	0.99	0.96	1.04	1.05	1.04
High Income Cos. (56)	0.78	0.60	0.57	0.52	0.45	0.43	0.42	0.43	0.40
High Income OECD (24)	0.45	0.42	0.38	0.38	0.38	0.38	0.37	0.37	0.37
Other High Income Cos. (32)	1.30	0.97	0.85	0.73	0.49	0.38	0.34	0.33	0.38
World (208)	1.61	1.46	1.40	1.40	1.40	1.47	1.50	1.50	1.58

(Source) Author's own calculations from World Bank, World Development Indicators 2007 CD-ROM.

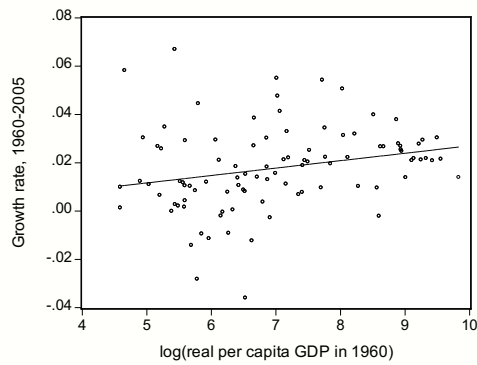
$$c_v = \frac{\sigma}{\mu} \quad \sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \mu)^2}$$

(from Otsubo (2009), *Globalization and Development*)

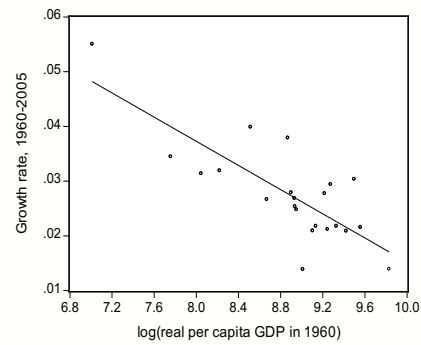
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Income Convergence? (Absolute β -convergence)

All Countries: 1960-2005



High Income OECD 24 Countries: 1960-2005



(Source) Otsubo (2009), *Globalization and Development*.

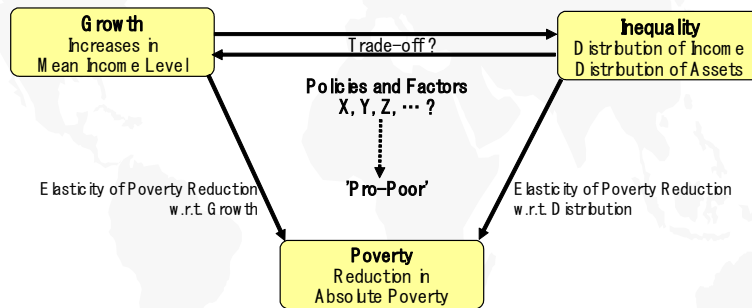
(Barro's Ad Hoc Growth Equation Estimation)

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3. Poverty-Growth-Inequality Triangle

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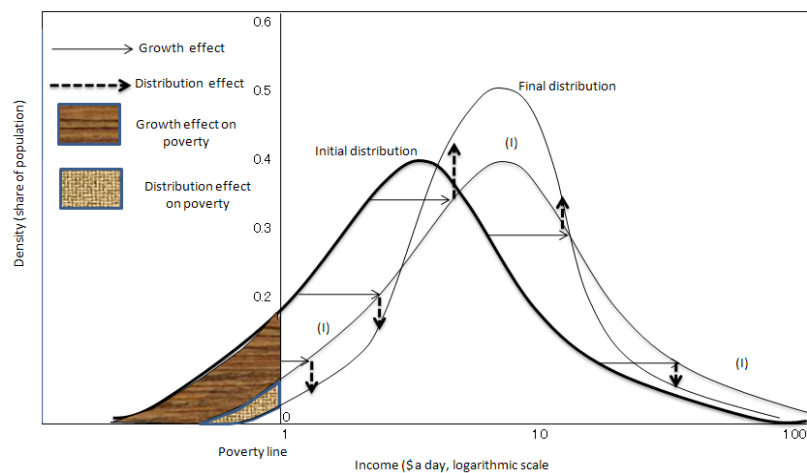
Figure 0: Poverty-Growth-Inequality Triangle



Source: Author

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Figure 0.5: Decomposition of change in distribution and poverty into growth and distribution effects



Source: Bourguignon (2003), Figure 1.2; Bourguignon (2004), Figure 1

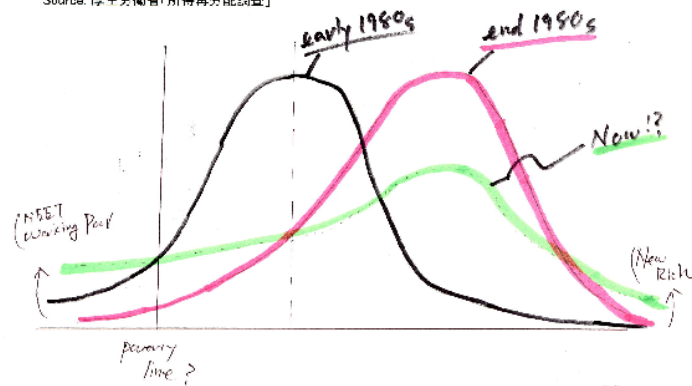
Change in Poverty = F(growth, distribution, change in distribution) (assuming log-normal distribution)

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Recent Movements in Japan's Gini Indices

	1981	2005	Changes
Gini Index before Redistribution (当初所得)	0.3491	0.5263	1.51
Gini Index after Redistribution (再分配所得)	0.3143	0.3873	1.23

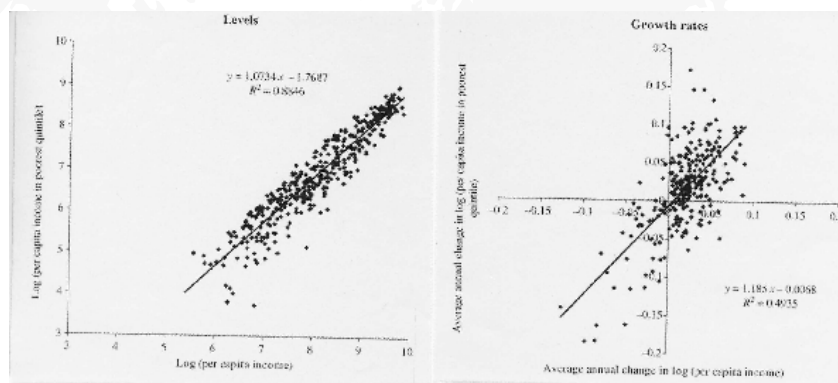
Source: 厚生労働省「所得再分配調査」



Source : Author's unscientific imagination !?

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Figure 4 : Growth is good for the poor (Figure 1-4 in Ch.1)



Source: Dollar and Kraay (2007), Figure 1

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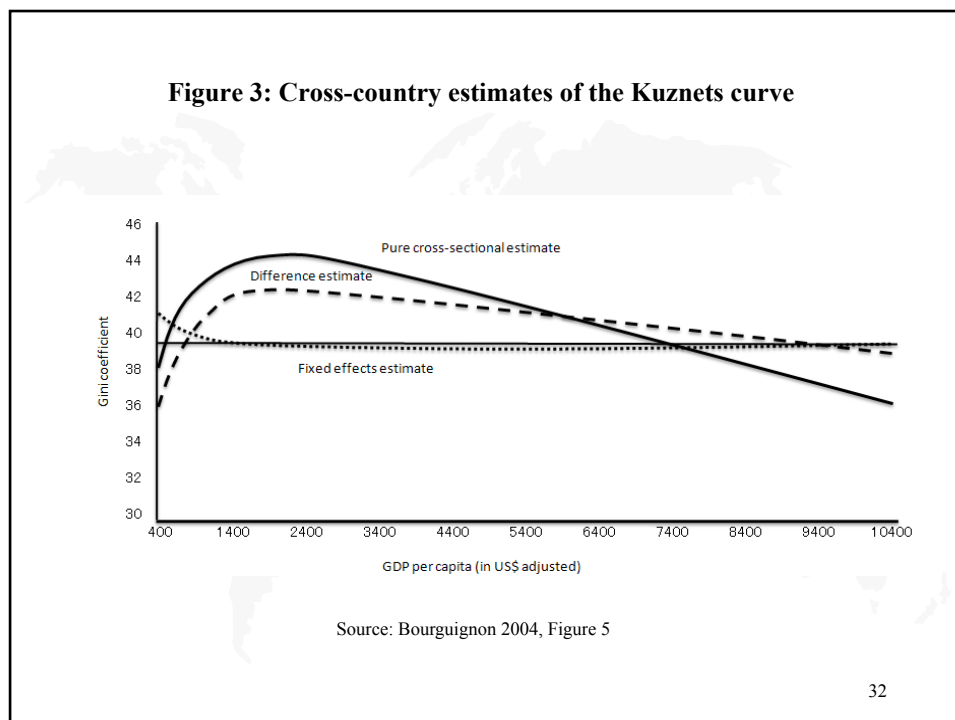
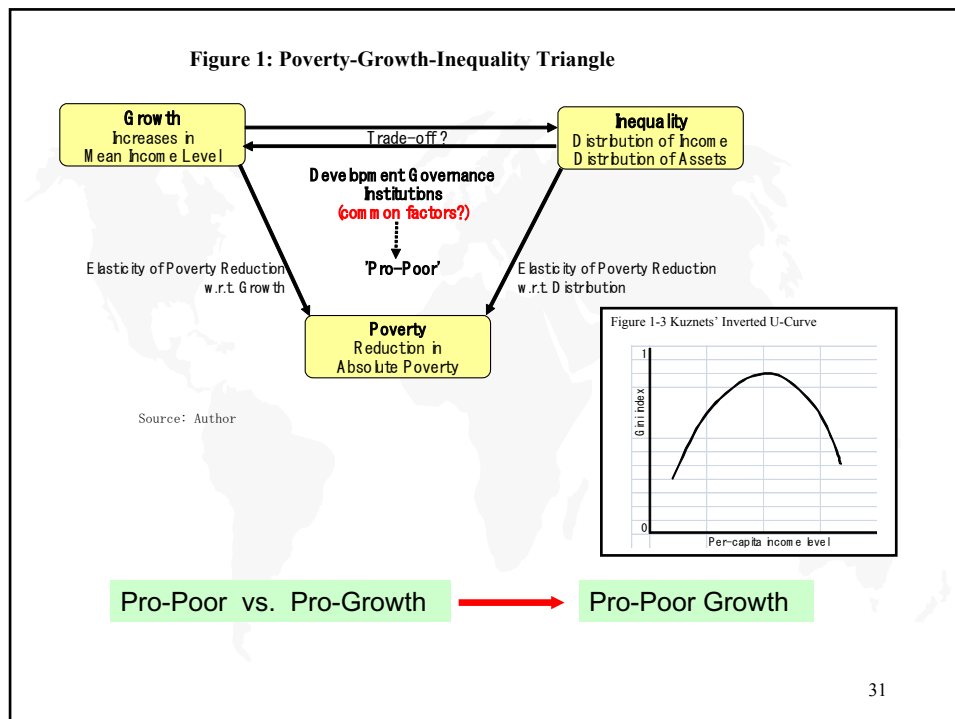
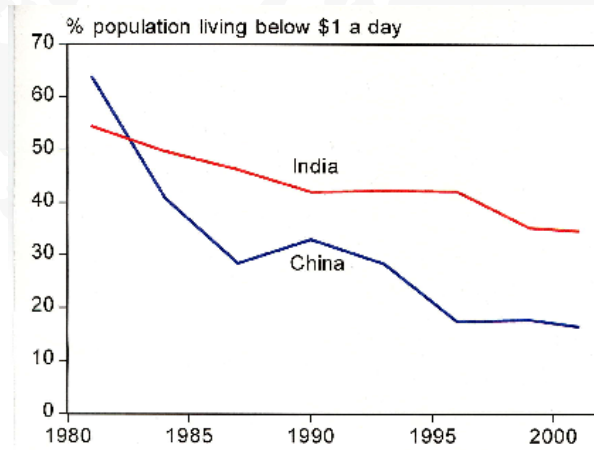


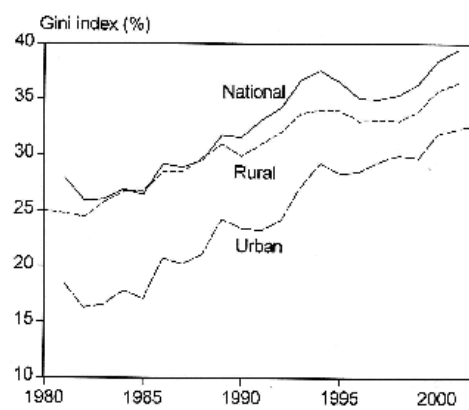
Figure 6 : Poverty incidence in China and India, 1981-2001



Source : Ravallion (2005), Figure 12

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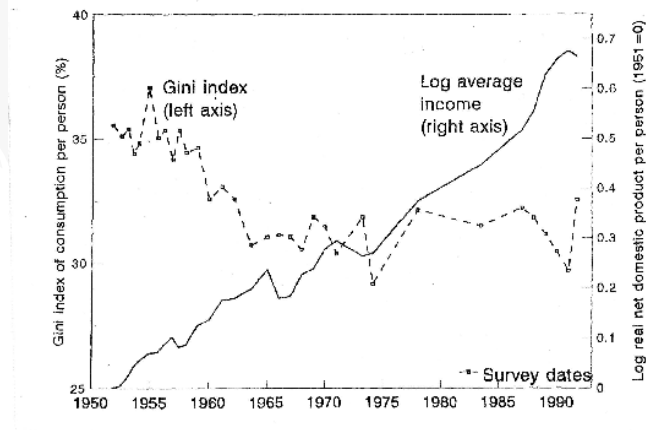
Figure 9 : Income inequality in rural and urban areas and nationally (China)



Source : Ravallion and Chen (2004), Figure 5

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Figure 7 : Inequality and average income in India



Source : Bruno, Ravallion, and Squire (1996), Figure 1

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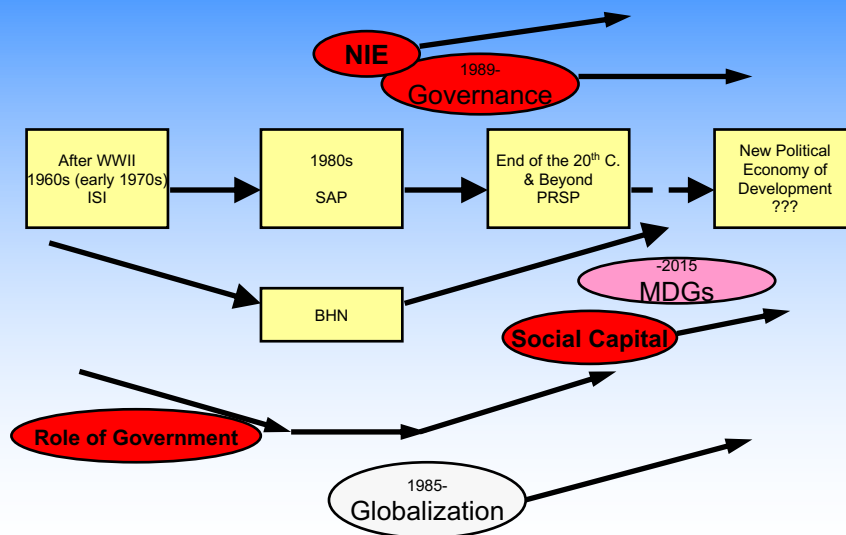
4. Evolution of Development Paradigms.....

Economists' Reasons for Poverty

(Refer to the A3 Table Distributed)

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The Evolution of Development Paradigm: A Simplified Review

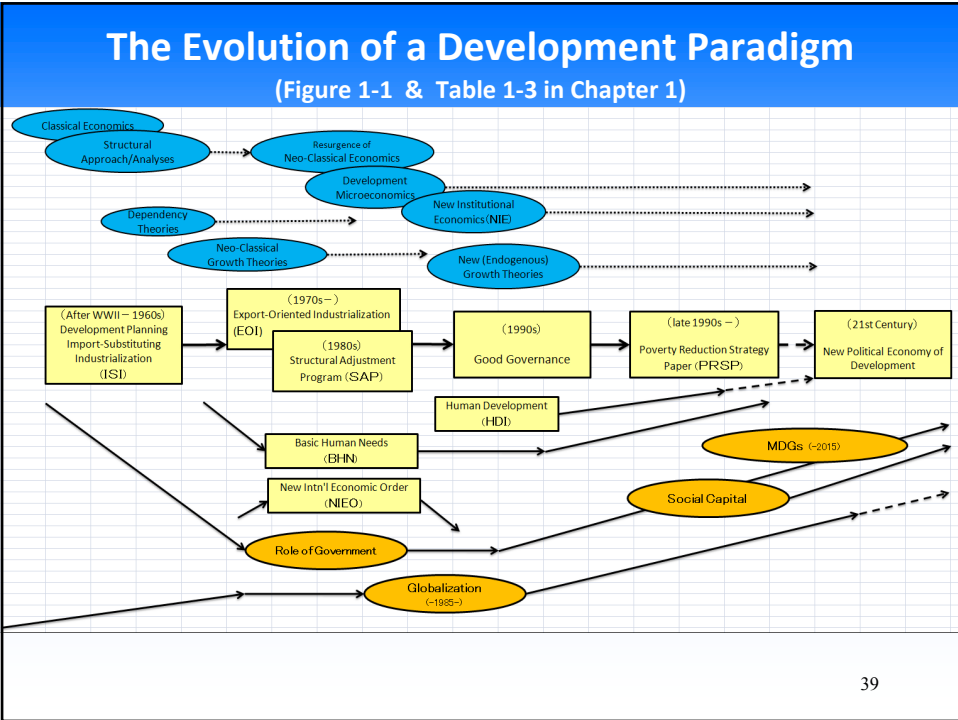


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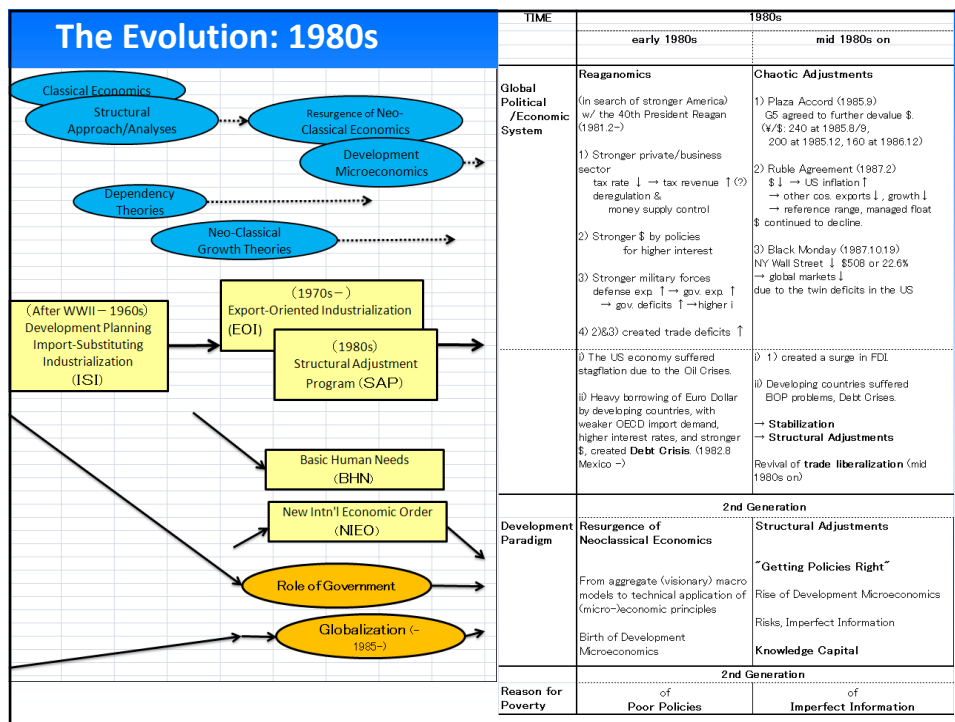
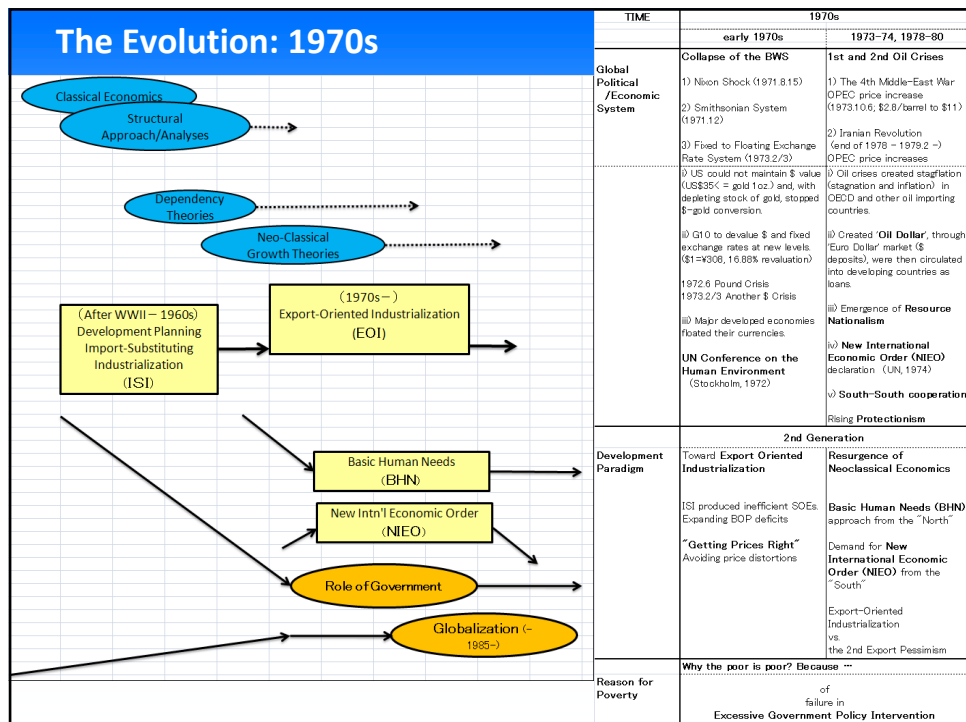
TIME	1940s-1960s at the end of WWII and after (1945-)	1970s early 1970s 1975-79, 1979-89	1980s early 1980s	1990s end of 1990s to 1997 1997 to end 20th C.	21st Century
Global Political /Economic System	<p>Western World System (WWS) 1945</p> <p>Advancement of Globalization at US NW BR representatives from the united nations gathered to build post-war global economic system</p> <p>The 2nd World War (1945)</p>	<p>1) The 4th World War (1945-1949) 2) The Korean War (1950-1953) 3) The Sino-Soviet Split (1959-1960) 4) The Cuban Revolution (1959-1960) 5) The Sino-Soviet Split (1959-1960) 6) The Sino-Soviet Split (1959-1960) 7) The Sino-Soviet Split (1959-1960) 8) The Sino-Soviet Split (1959-1960) 9) The Sino-Soviet Split (1959-1960) 10) The Sino-Soviet Split (1959-1960)</p>	<p>1) The 4th World War (1945-1949) 2) The Korean War (1950-1953) 3) The Sino-Soviet Split (1959-1960) 4) The Cuban Revolution (1959-1960) 5) The Sino-Soviet Split (1959-1960) 6) The Sino-Soviet Split (1959-1960) 7) The Sino-Soviet Split (1959-1960) 8) The Sino-Soviet Split (1959-1960) 9) The Sino-Soviet Split (1959-1960) 10) The Sino-Soviet Split (1959-1960)</p>	<p>1) The 4th World War (1945-1949) 2) The Korean War (1950-1953) 3) The Sino-Soviet Split (1959-1960) 4) The Cuban Revolution (1959-1960) 5) The Sino-Soviet Split (1959-1960) 6) The Sino-Soviet Split (1959-1960) 7) The Sino-Soviet Split (1959-1960) 8) The Sino-Soviet Split (1959-1960) 9) The Sino-Soviet Split (1959-1960) 10) The Sino-Soviet Split (1959-1960)</p>	<p>1) The 4th World War (1945-1949) 2) The Korean War (1950-1953) 3) The Sino-Soviet Split (1959-1960) 4) The Cuban Revolution (1959-1960) 5) The Sino-Soviet Split (1959-1960) 6) The Sino-Soviet Split (1959-1960) 7) The Sino-Soviet Split (1959-1960) 8) The Sino-Soviet Split (1959-1960) 9) The Sino-Soviet Split (1959-1960) 10) The Sino-Soviet Split (1959-1960)</p>
Development Paradigm	<p>1st Generation</p> <p>Development Planning Import Substitution Industrialization (ISI)</p> <p>Capital Fundamentals Basic Human Needs (BHN)</p>	<p>2nd Generation</p> <p>Export Oriented Industrialization (EOI)</p> <p>Basic Human Needs (BHN)</p>	<p>3rd Generation</p> <p>Export Oriented Industrialization (EOI)</p> <p>Basic Human Needs (BHN)</p>	<p>4th Generation</p> <p>Export Oriented Industrialization (EOI)</p> <p>Basic Human Needs (BHN)</p>	<p>5th Generation</p> <p>Export Oriented Industrialization (EOI)</p> <p>Basic Human Needs (BHN)</p>
Reason for Poverty	<p>1) They are irrational</p> <p>2) They are not rational</p> <p>3) They are not rational</p>	<p>1) They are irrational</p> <p>2) They are not rational</p> <p>3) They are not rational</p>	<p>1) They are irrational</p> <p>2) They are not rational</p> <p>3) They are not rational</p>	<p>1) They are irrational</p> <p>2) They are not rational</p> <p>3) They are not rational</p>	<p>1) They are irrational</p> <p>2) They are not rational</p> <p>3) They are not rational</p>

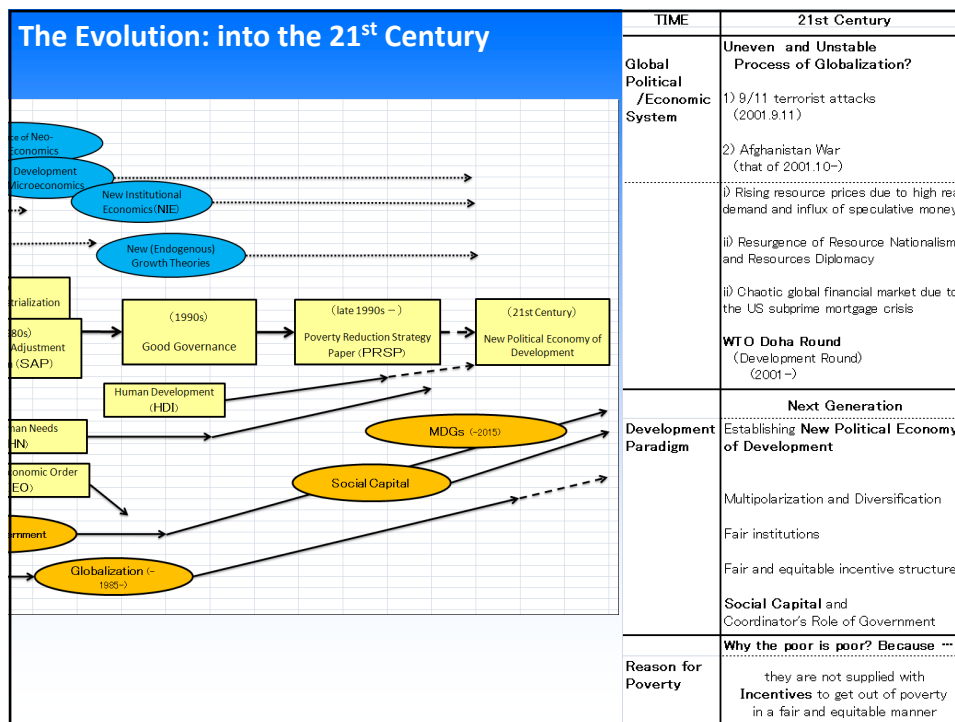
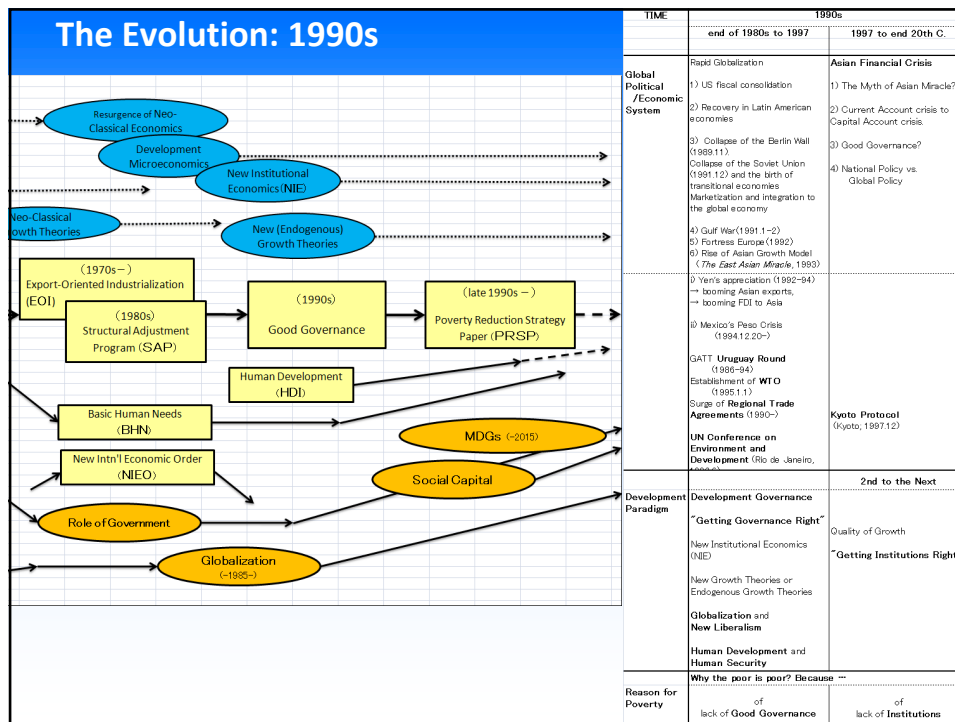
Source: Prof. Shigeru T. Otsu, IJID Book Chapter 1, Table 1-3

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The Evolution: 1940s to 1960s																									
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5. Issues of Major Concern ...

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Industrialization in the 21st C.

Share of employment in industry vs. GDP per capita
late 80s, late 90s, late 00s

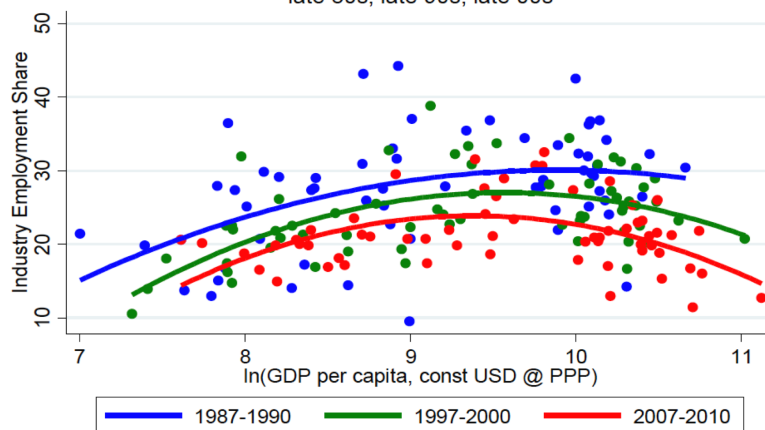
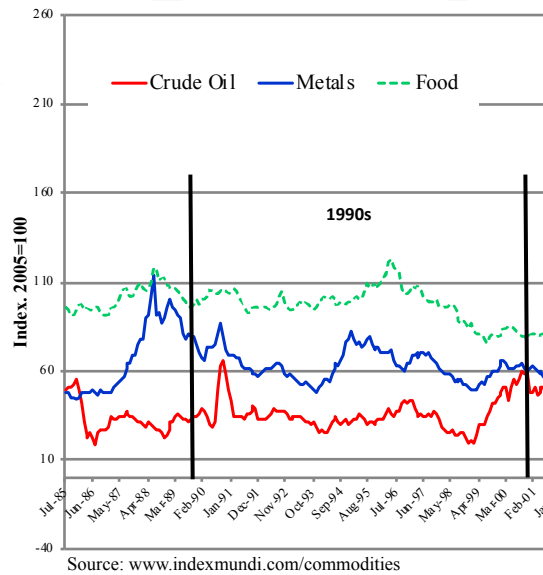


FIGURE 1.2 Share of employment in industry vs. GDP per capita

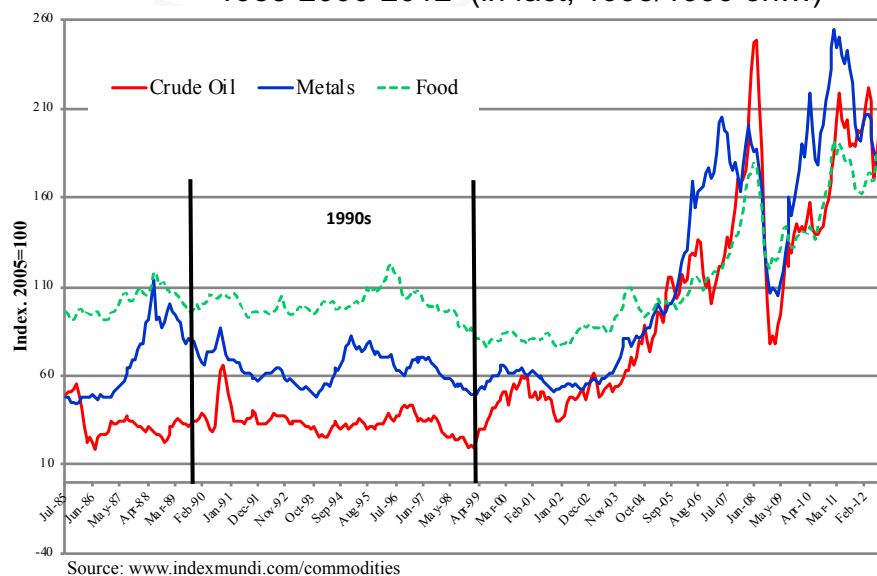
Source: Ghani, E. & O'Connell, S. D. (2014, 12, Figure 7).

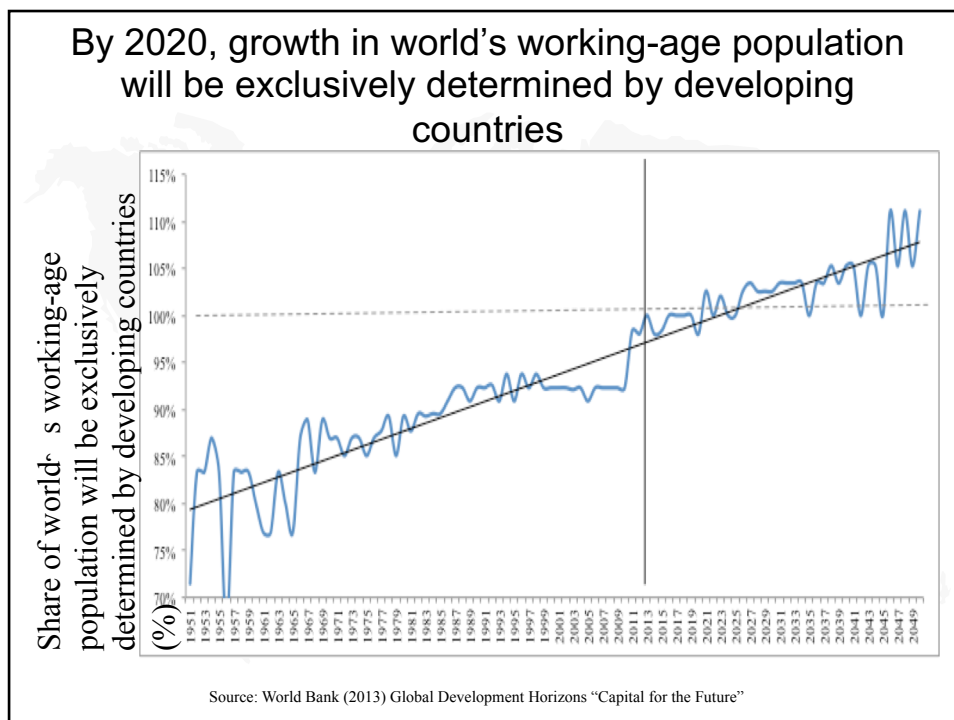
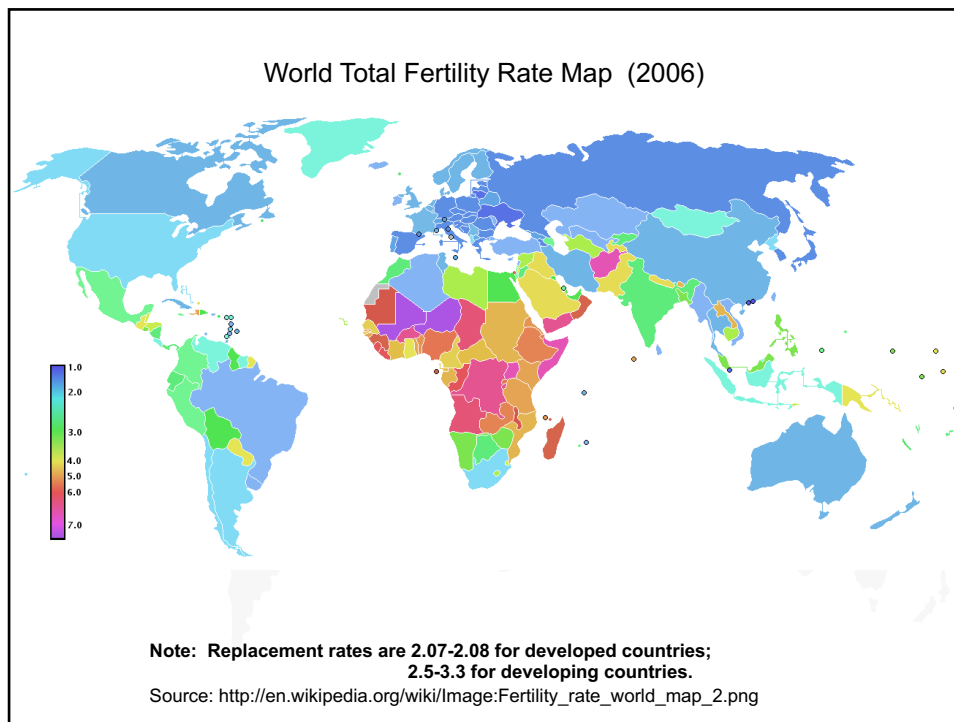
5

Price indices for selected energy and commodity products 1985-2000

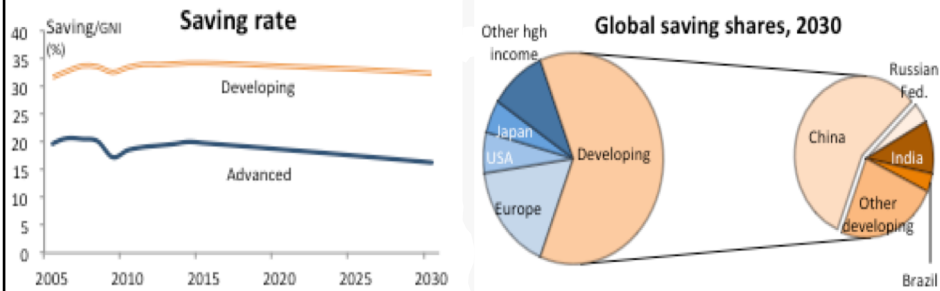


Price indices for selected energy and commodity products 1985-2000-2012 (in fact, 1998/1999 on...)





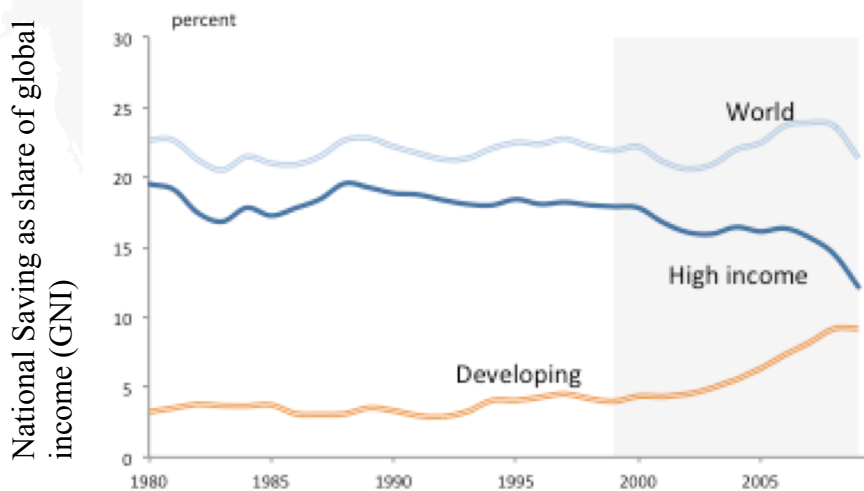
Saving rates will decline more slowly in developing countries...



Source: World Bank (2013) Global Development Horizons "Capital for the Future"

By 2030, those countries will account for two-thirds of global savings...

Developing countries have accounted for a growing share of global savings since around 2000...



Source: World Bank (2013) Global Development Horizons "Capital for the Future"

6. Association with Other Subject Areas

(Human Capital incl. Education, Governance, Democracy, Human Development...)

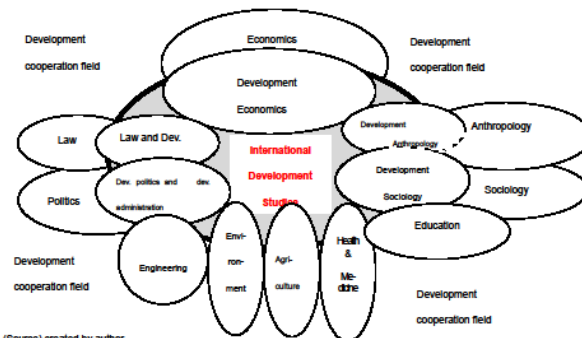
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Building 'Interdisciplinary' and 'Active' International Development Studies



Figure 0-1 Relationship of the interdisciplinary international development studies and other related academic fields



(Source) created by author

**Given issues/problems in the field:
we are in need of Multidisciplinary Network Studies**

Factors for Higher Income Growth & Catch-Up?

Dependent Variable	Period-Average Growth Rate of Mean Real Per-Capita Income	
Explanatory Variables	Estimated Coefficients	Standard Error
Conditional Income Convergence		
(1) Initial level of income (n lg)	-0.0254	0.0031
Initial Human Capital		
(2) Male secondary and higher years of schooling (of persons aged 25 and over)	0.0118	0.0025
(3) Life expectancy (n lg)	0.0423	0.0137
(4) (1) X (2)	-0.0062	0.0017
Population Pressure		
(5) Fertility rate (n lg)	-0.0161	0.0053
Governance Institutions		
(6) Government consumption to GDP ratio (excl. spending on education and defense)	-0.136	0.026
(7) Rule of law index (subjective composite indicator)	0.0293	0.0054
(8) Democracy index (index of political rights)	0.090	0.027
(9) Democracy index squared	-0.088	0.024
(10) Inflation rate (economic governance/management)	-0.043	0.008
Other Control Variables		
(11) Terms of trade change (changes in export price/import price ratio)	0.137	0.030
R ² for each period	.58 .52 .42	
No. of observations for each period	80 87 84	

Table 1-4
Estimated Ad Hoc Growth Equation
(Human Capital, Governance, Institutions and Economic Growth)

Note: Dependent variables are the growth rates of real per capita GDP for 1965-75, 1975-85, and 1985-90. Estimation is carried out by three-stage least-squares (with different instrumental variables used for each period/equation). *p* value for joint significance of two democracy variables (items (8) and (9)) is 0.0006 (i.e. jointly significant). Dependent variables are classified by this author in order to facilitate readers' understanding of the estimated results.
Source: Barro (1997), Table 1.1, simplified and re-categorized by this author.

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If all Aid had gone into productive investment

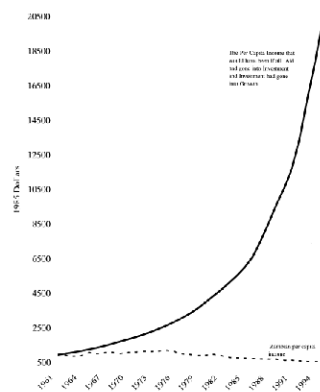


Fig. 1. The gap between the linear aid-investment-growth model and the actual outcome in Zambia.

Predictions by a financial gap model. Minimum Standard Model (MSM), Revised MSM (RMSM) built on Two-Gap (resource-gap) model and the Harrod-Domar growth model.

Source: Figure 1 in William Easterly, "The Ghost of Financing Gap: Testing the Growth Model of the International Financial Institutions," *Journal of Development Economics*, Vol. 60, No. 2 (December 1999)

Money alone is not enough!!

But if that Money was not available?

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Economic Growth and Human Development

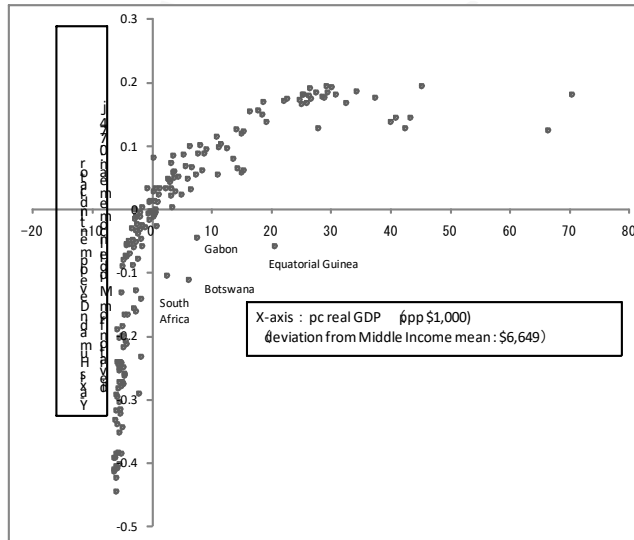


Figure 1-5
Per Capita Income and Human

Note: Horizontal axis: per capita income levels in the year 2006 (in 2005-based PPP\$) shown in deviations from the mean income of Middle-Income countries (ppp\$6,649). Vertical axis: human development indicators in the year 2006 shown in deviations from the mean value of the Middle-Income countries (0.774).
Source: Author's own compilation using the original data set on the Human Development Data Site of the United Nations Development Program (UNDP) < <http://hdr.undp.org/en/statistics/data/> >.

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What is Development? 1

Introduction to International Development Studies:

An Interdisciplinary Approach

co-editors: Prof. S. Otsubo, development economist
Prof. H. Kimura, political scientist,
Prof. S. Ito, development sociologist

In this book, we define 'development' as the reform of the whole structural system that produces material as well as non-material poverty.

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What is Development? 2

When 'proper incentives to get out of poverty' so defined by a development economist are given to the 'structural poor', if they are equipped with 'capabilities' and 'adaptability' to respond, those who cannot easily benefit from 'trickle-down' may rise to their feet and overcome poverty by themselves.

The 'potential poor' who may easily fall into poverty given external economic/social/natural shocks are equipped with resilience supported by social capital including social safety nets, they may not have to fall into poverty repeatedly.

The poor have to be treated as active participants to development. For that end, people have to be 'empowered'.

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What is Development? 3

The state of 'development' should be the situation where people are empowered and a country is full of empowered human beings.

'International development' should be the international cooperation/collaboration heading for this end.

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Three Pillars of Poverty Reduction

Therefore, we set the three pillars of poverty reduction as follows:

1. Attainment of 'pro-poor' growth (the **growth engine** has to be running),
2. Adoption of **proper public policies**, incl. exercising **good governance** and building institutions, and
3. **Empowerment** of the 'structural poor' and the 'potential poor'.

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"Poverty never sleeps....."

Thank you

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