A light blue world map is centered on the slide, showing the continents of North America, South America, Europe, Africa, Asia, and Australia. The map is semi-transparent and serves as a background for the text.

From the Viewpoint of Development Economics

Economists' Reasons for Poverty

(From MDGs to SDGs)

(For GSID I2ID-DE Part I Lecture)

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GSID, Nagoya University

April 2019





**1. “Economic Development”
in “Development”**

For “Poverty” Reduction.....



SUSTAINABLE DEVELOPMENT GOALS



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

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

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)



17世紀以降主要な
奴隷貿易拠点となっ
たエルミナ。

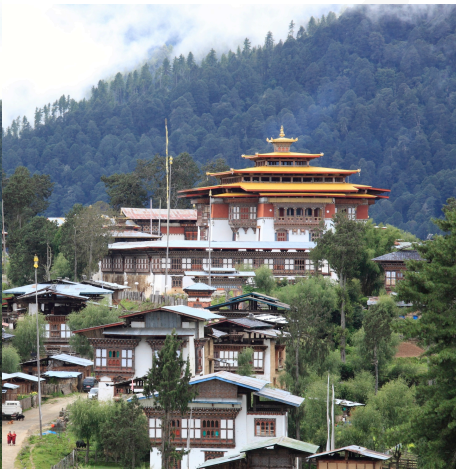
自由な国で続く、
(違法)炭鉱奴隷労働
。

貧しい小規模農家。

Photos: © Shigeru T. Otsubo

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)



国民総幸福の国 ブータン

Road Peopleという「貧困」

Photos:
© Shigeru T. Otsubo

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」

ジェンダー格差と「貧困」

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

(4) 微笑みの国 タイ (東南アジア)



貧しい北東部
雇用確保か環境保全(子供の健康)か



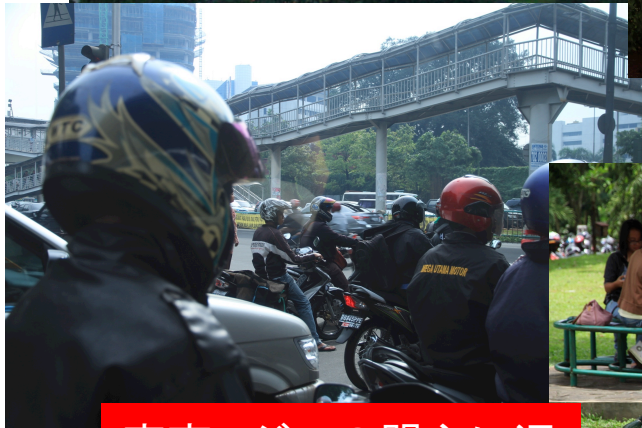
A story without photographs...

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）



東南アジアの盟主に返り咲くインドネシア



National Unity第一の国で広がる格差

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

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)



外資導入で興隆する衣料・縫製産業
と
少女労働



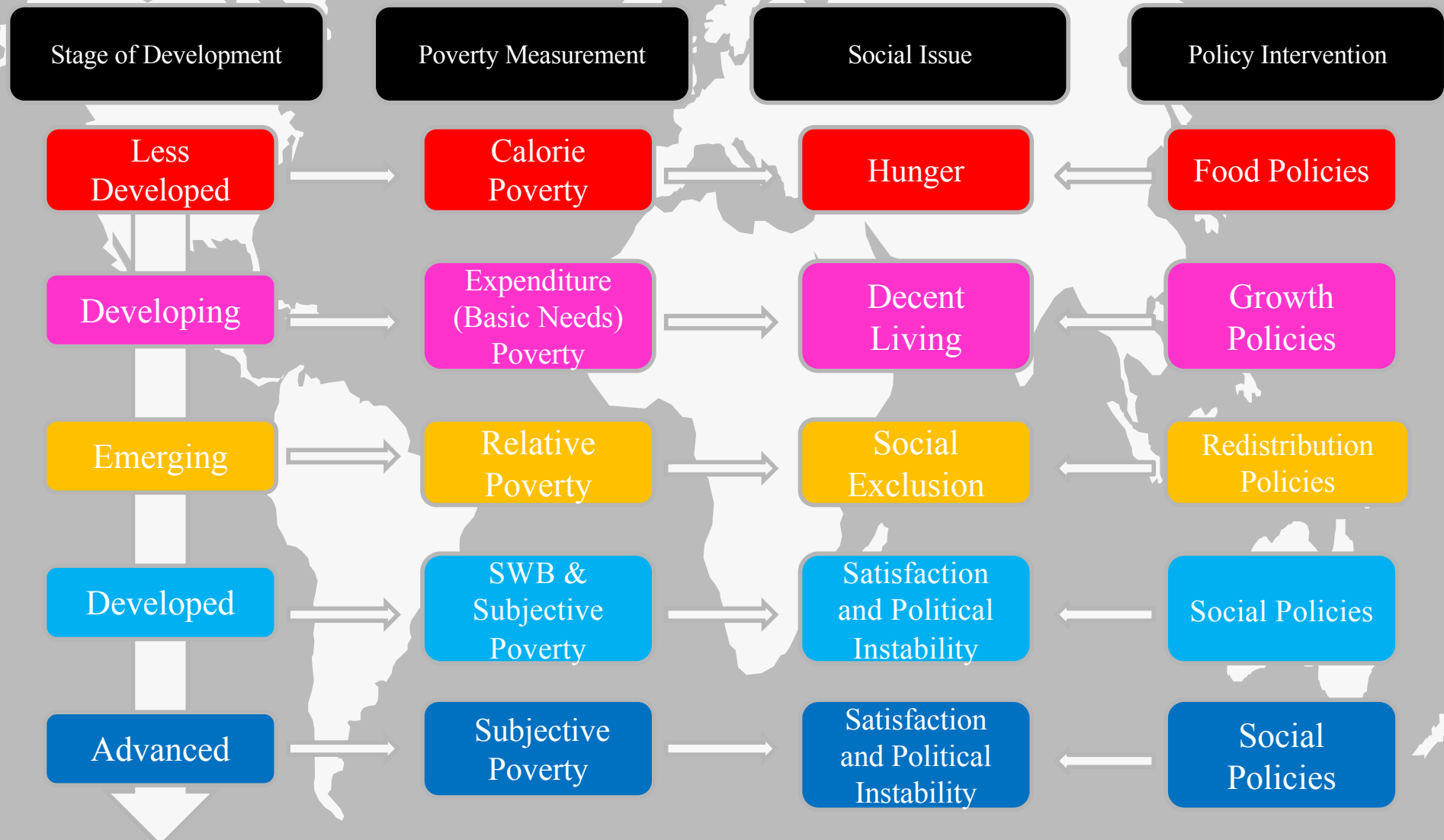
先進国に運ばれてくるのは衣料製品か、
それとも...



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

III.3 Poverty Indicator, Social Issue and Policy Intervention



Source: Authors

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.

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)

P-G-I Triangle

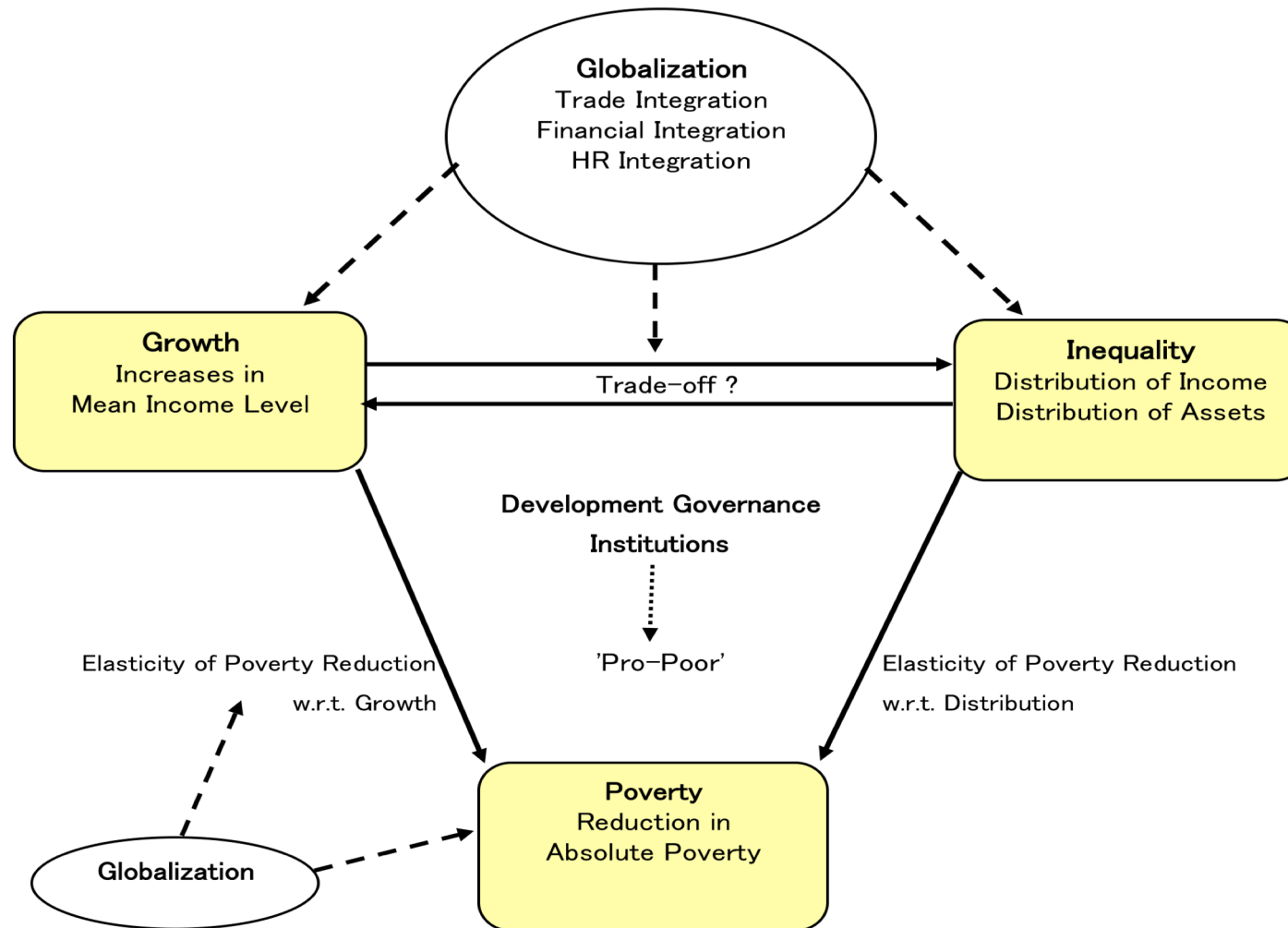


FIGURE 1.2 Poverty-Growth-Inequality Triangle under Globalization
 Source: Authors' construction.



2. The State of the World

Economic Growth

(Changes in per capita Income)

(Changes in Income Disparity)



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

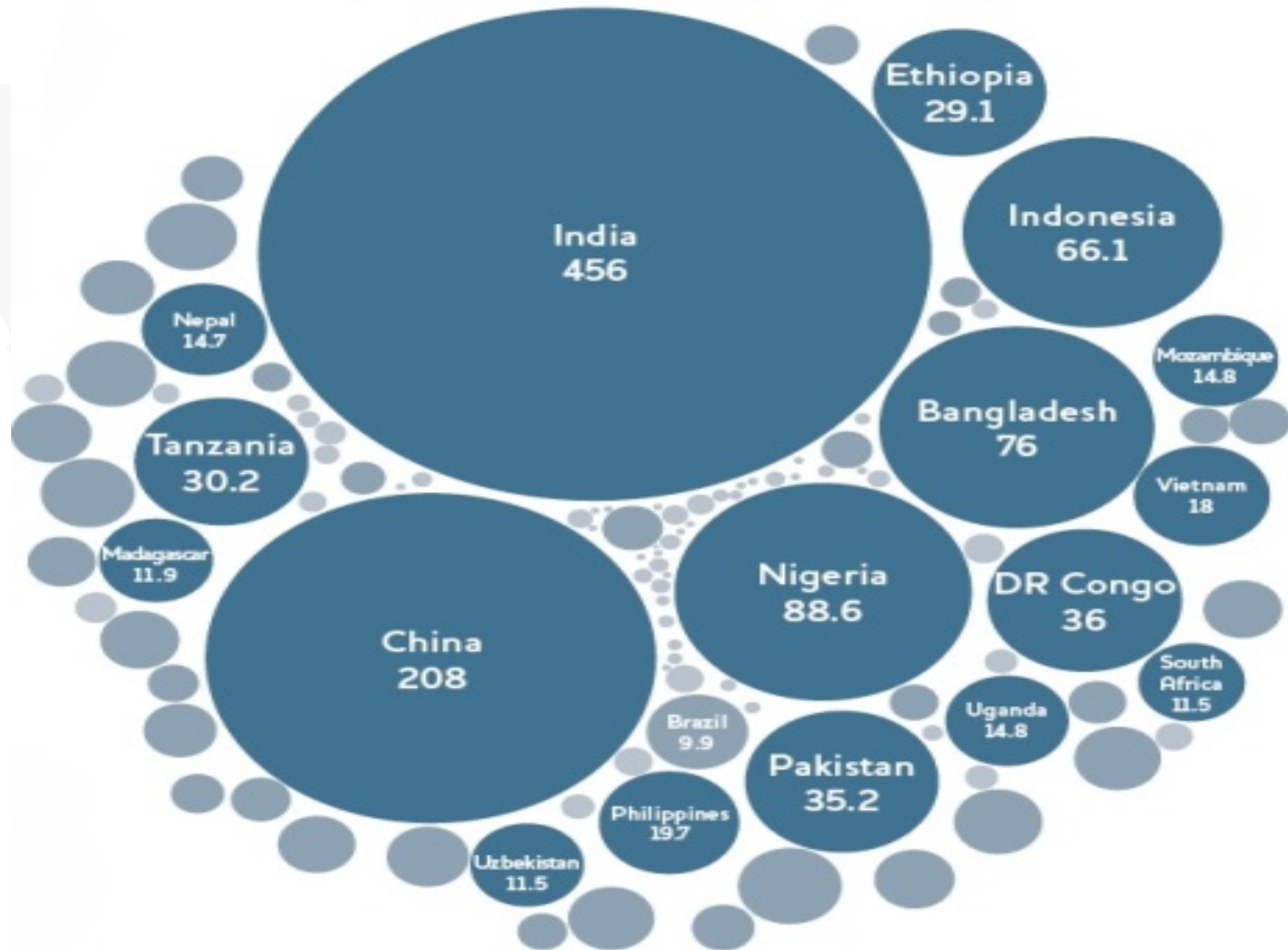
Developing Regions	(a) Changes in Regional Poverty HCR (%)						(b) Changes in Poor Population (million)					
	1990	1999	2005	2011	2013	2015	1990	1999	2005	2011	2013	2015
East Asia & Pacific	61.3	38.5	18.9	8.6	3.6	2.3	1117	781	403	191	81	53
China	66.2	40.2	18.5	7.9	1.9	0.7	751	504	241	106	26	10
Europe & Central Asia	5.2 (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)

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)

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.

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

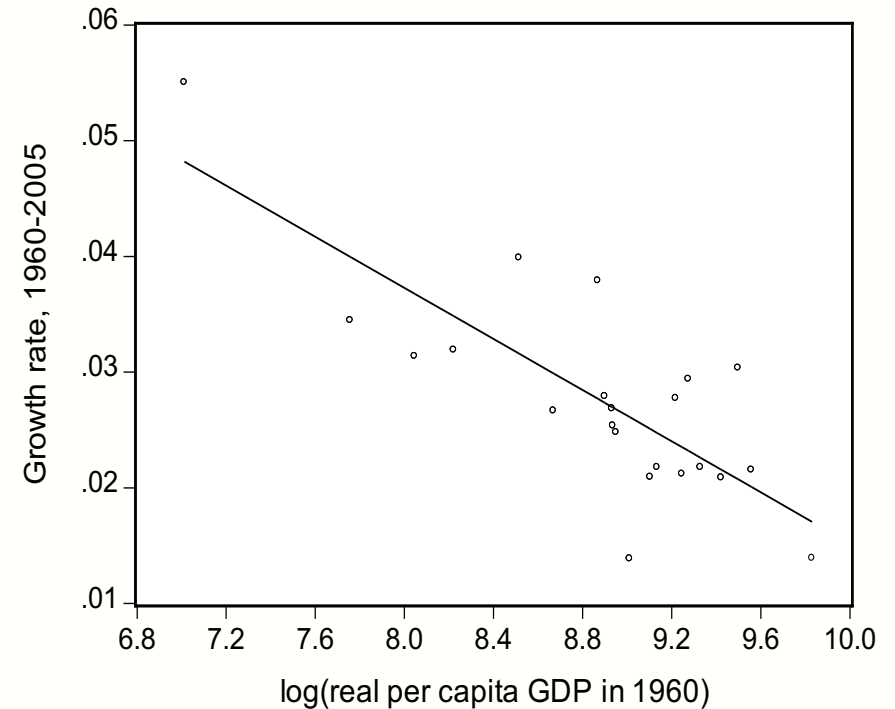
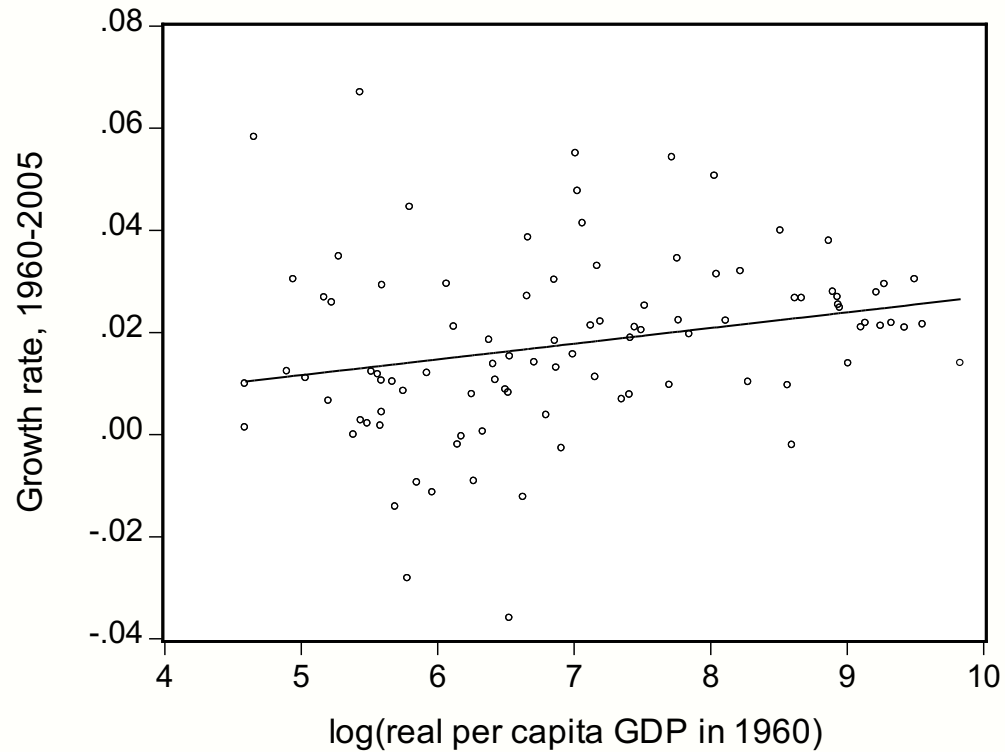
(from Otsubo (2009), *Globalization and Development*)

Income Convergence?

(Absolute β -convergence)

All Countries: 1960-2005

High Income OECD 24 Countries: 1960-2005



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

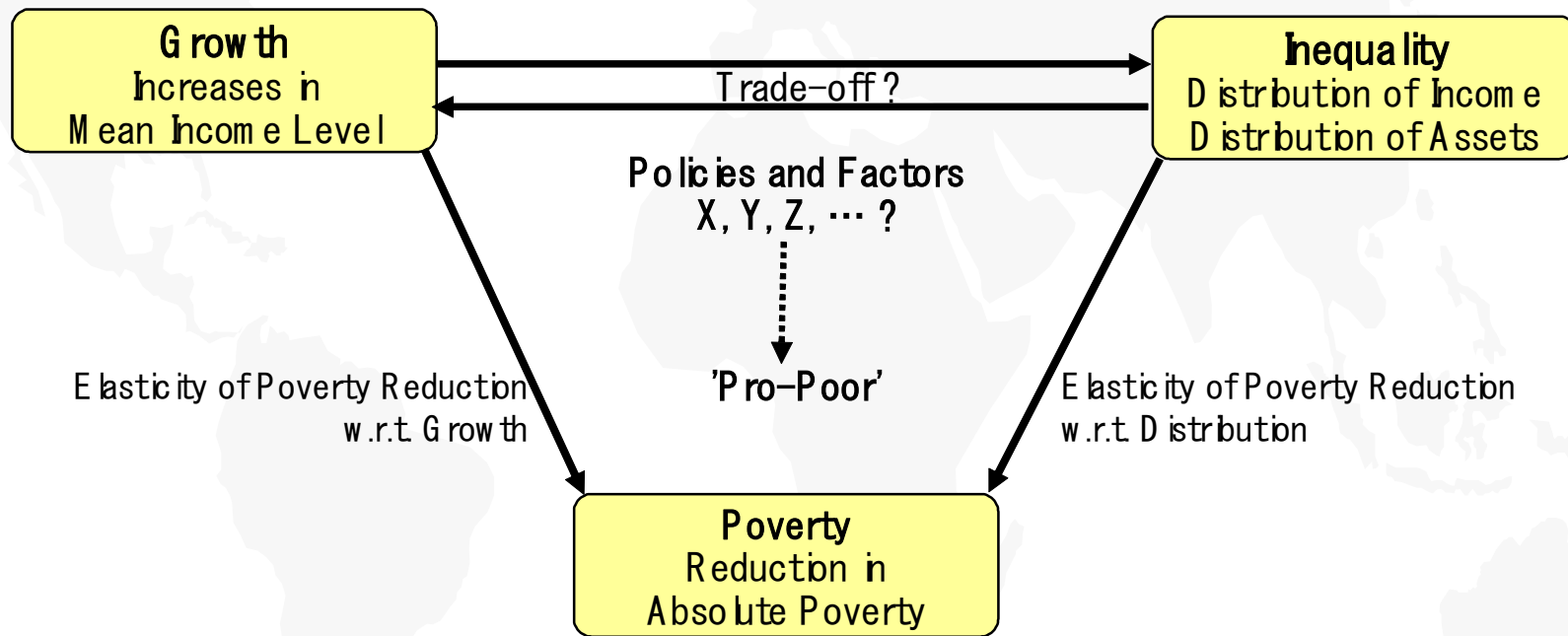
(Barro's Ad Hoc Growth Equation Estimation)

A light blue world map is centered in the background of the slide. The map shows the outlines of the continents in a light blue color against a slightly darker blue background. The text '3. Poverty-Growth-Inequality Triangle' is overlaid on the map in a bold, black, sans-serif font.

3. Poverty-Growth-Inequality Triangle

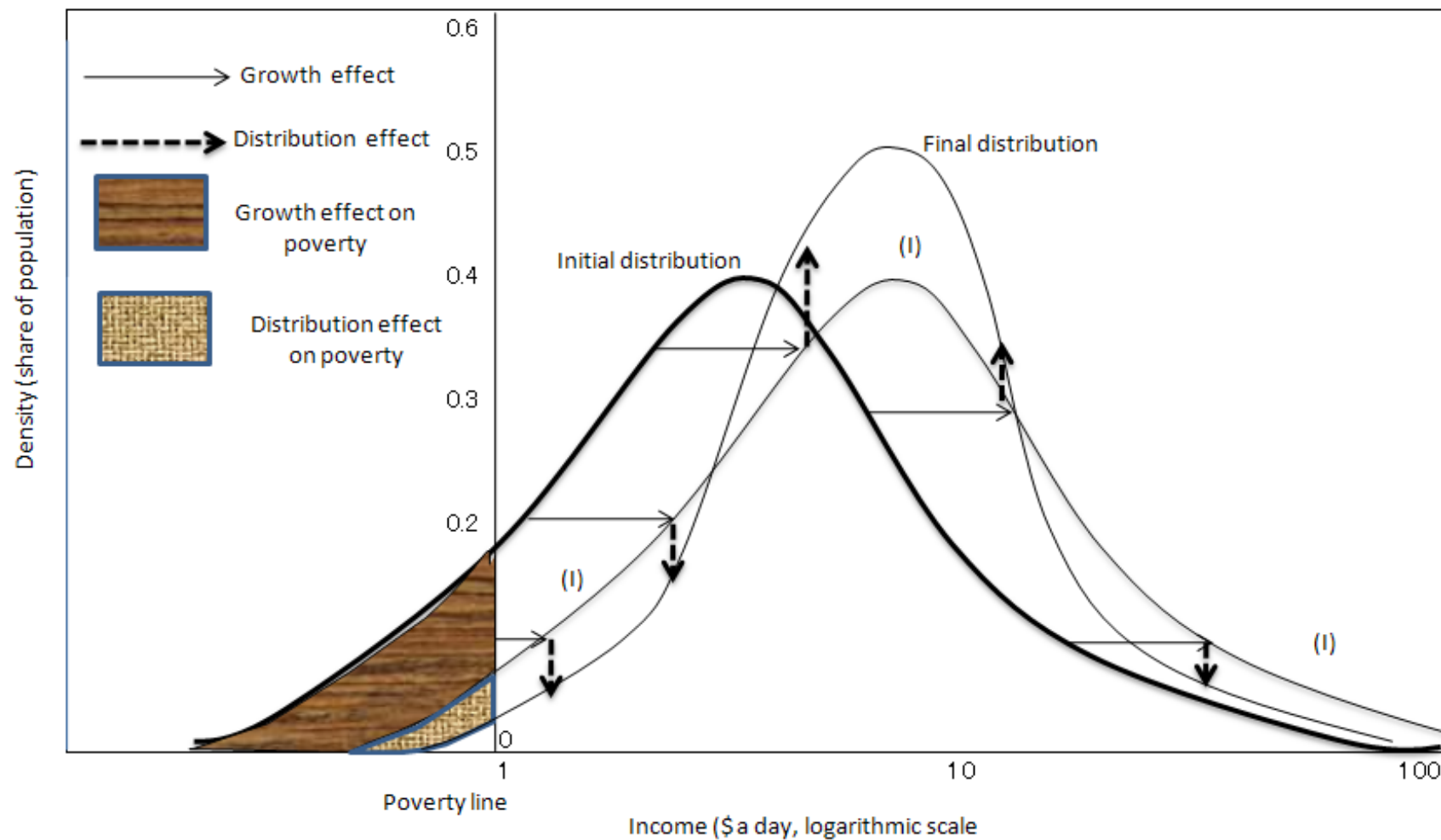


Figure 0: Poverty-Growth-Inequality Triangle



Source: Author

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



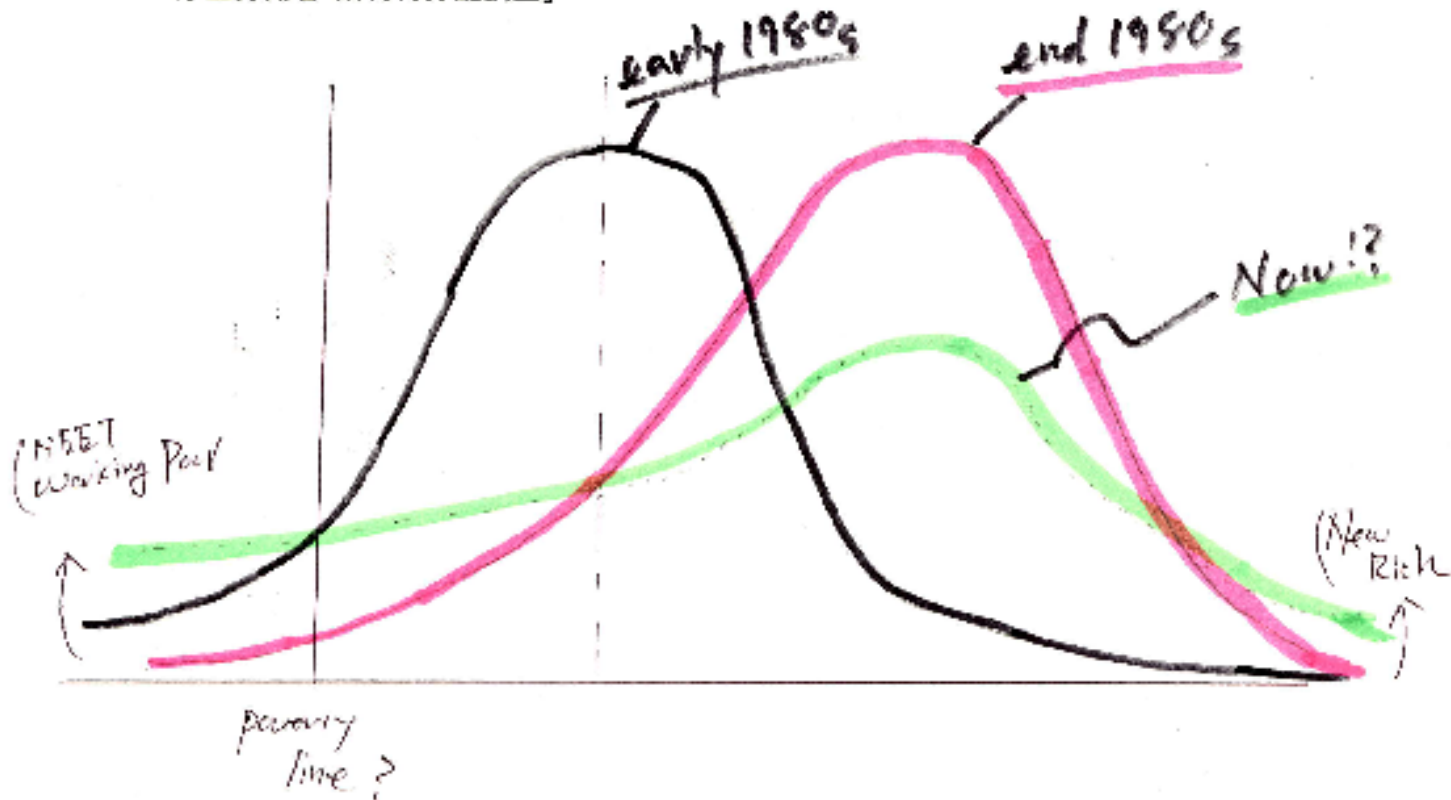
Source: Bourguignon (2003), Figure 1.2; Bourguignon (2004), Figure 1

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

Recent Movements in Japan's Gini Indices

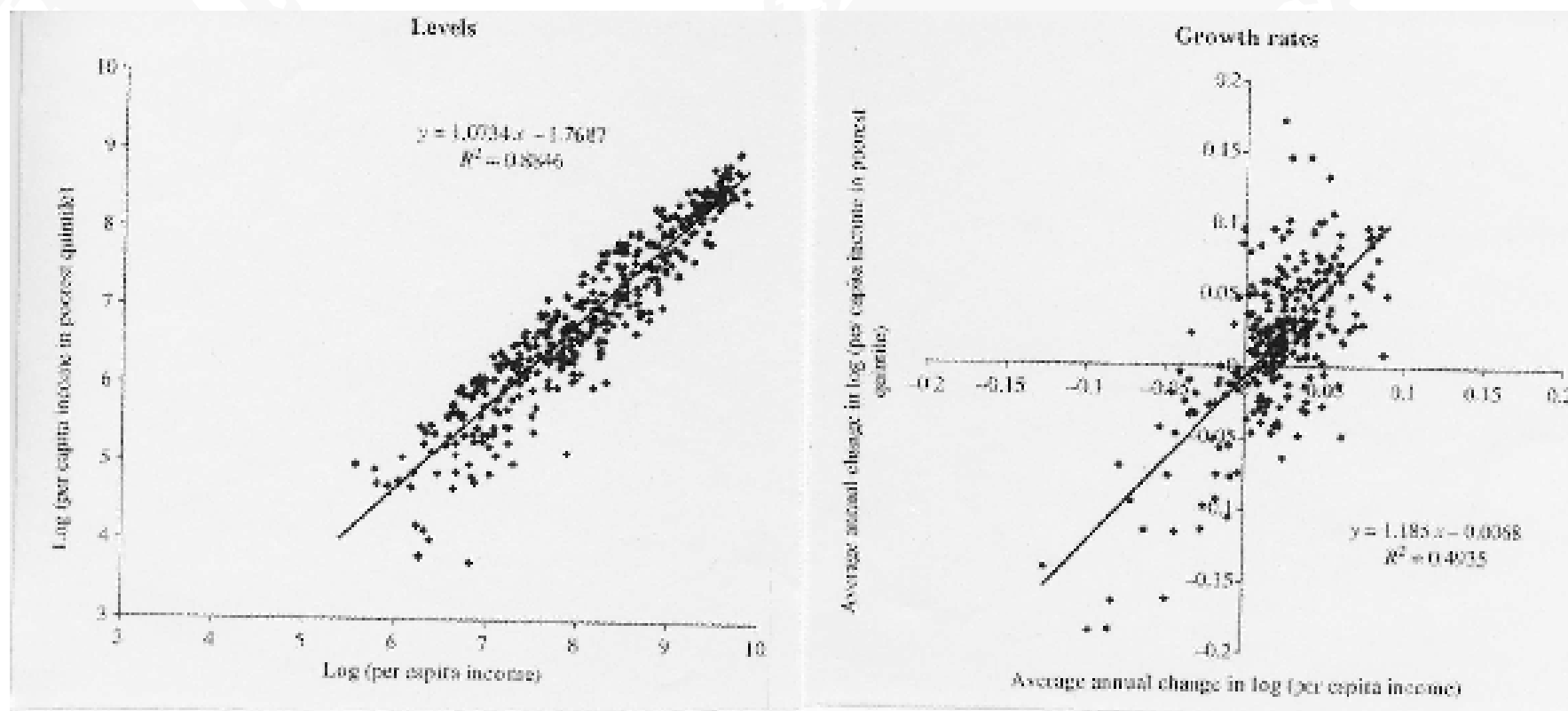
	1981	2005	Changes
Gini Index before Redistribution (当初所得)	0.3491	0.5263	1.51
Gini Index after Redistribution (再分配所得)	0.3143	0.3873	1.23

Source: 厚生労働省「所得再分配調査」



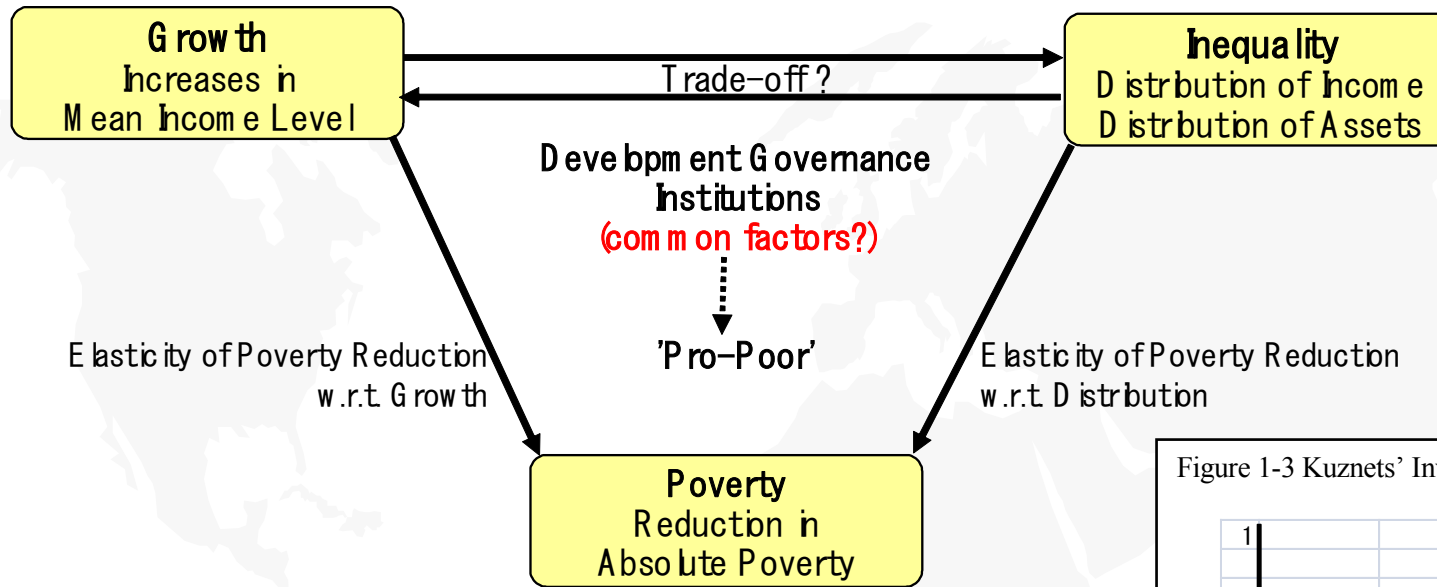
Source : Author's unscientific imagination !?

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



Source: Dollar and Kraay (2007), Figure 1

Figure 1: Poverty-Growth-Inequality Triangle



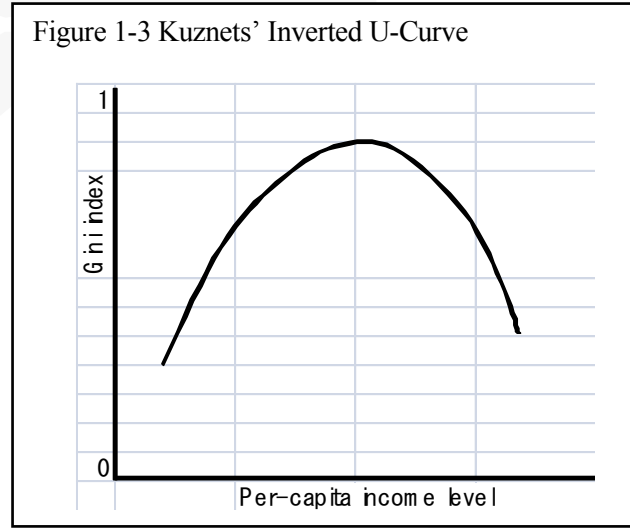
Elasticity of Poverty Reduction w.r.t Growth

Elasticity of Poverty Reduction w.r.t Distribution

Development Governance Institutions
(common factors?)

'Pro-Poor'

Source: Author

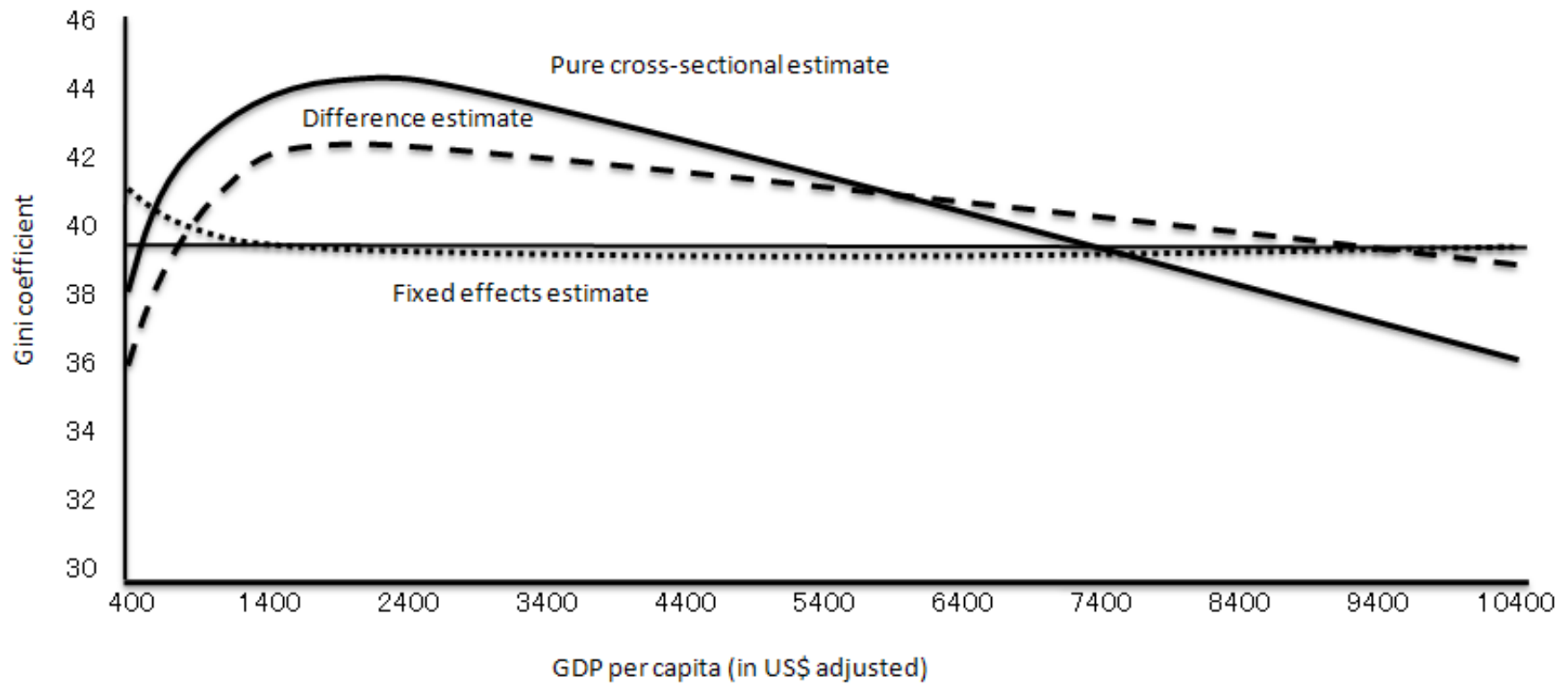


Pro-Poor vs. Pro-Growth



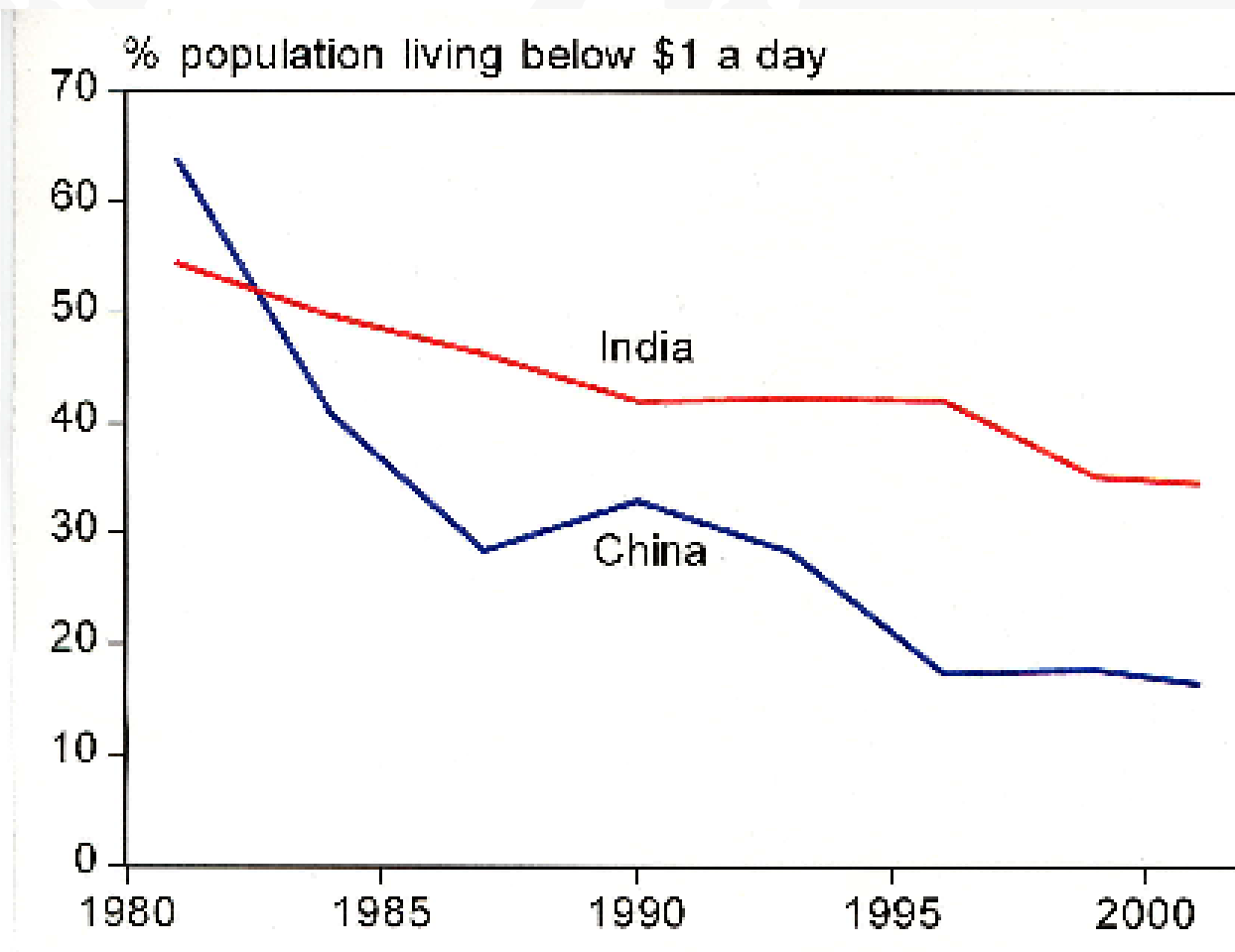
Pro-Poor Growth

Figure 3: Cross-country estimates of the Kuznets curve



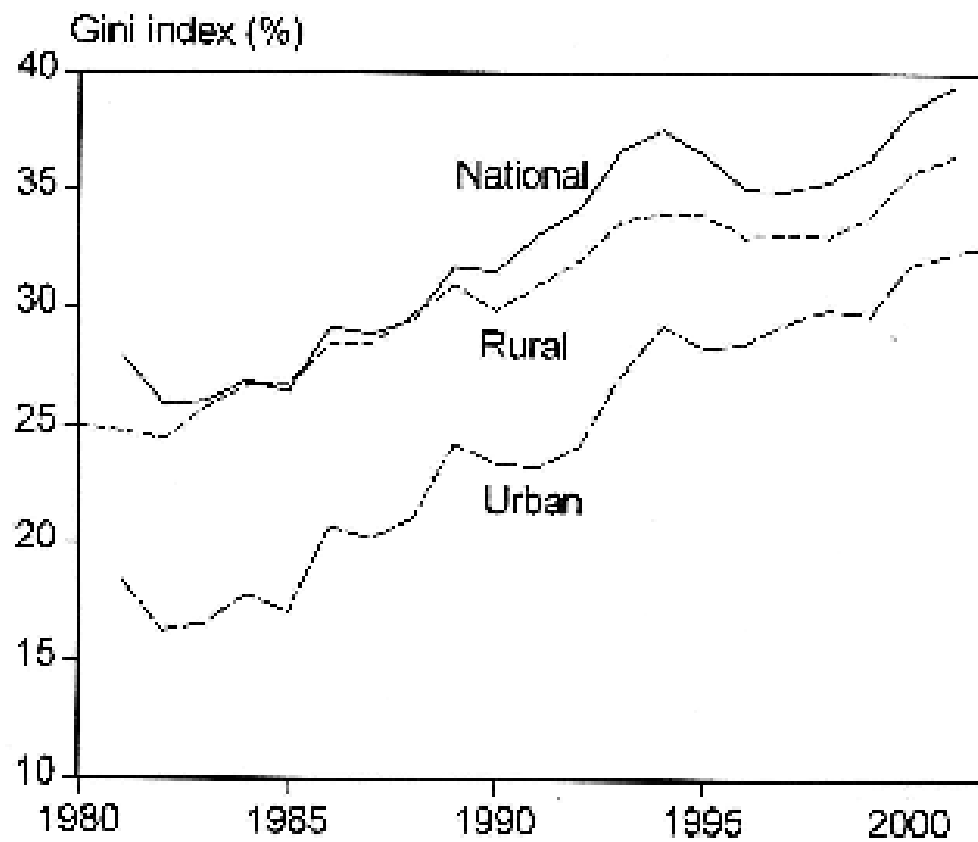
Source: Bourguignon 2004, Figure 5

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



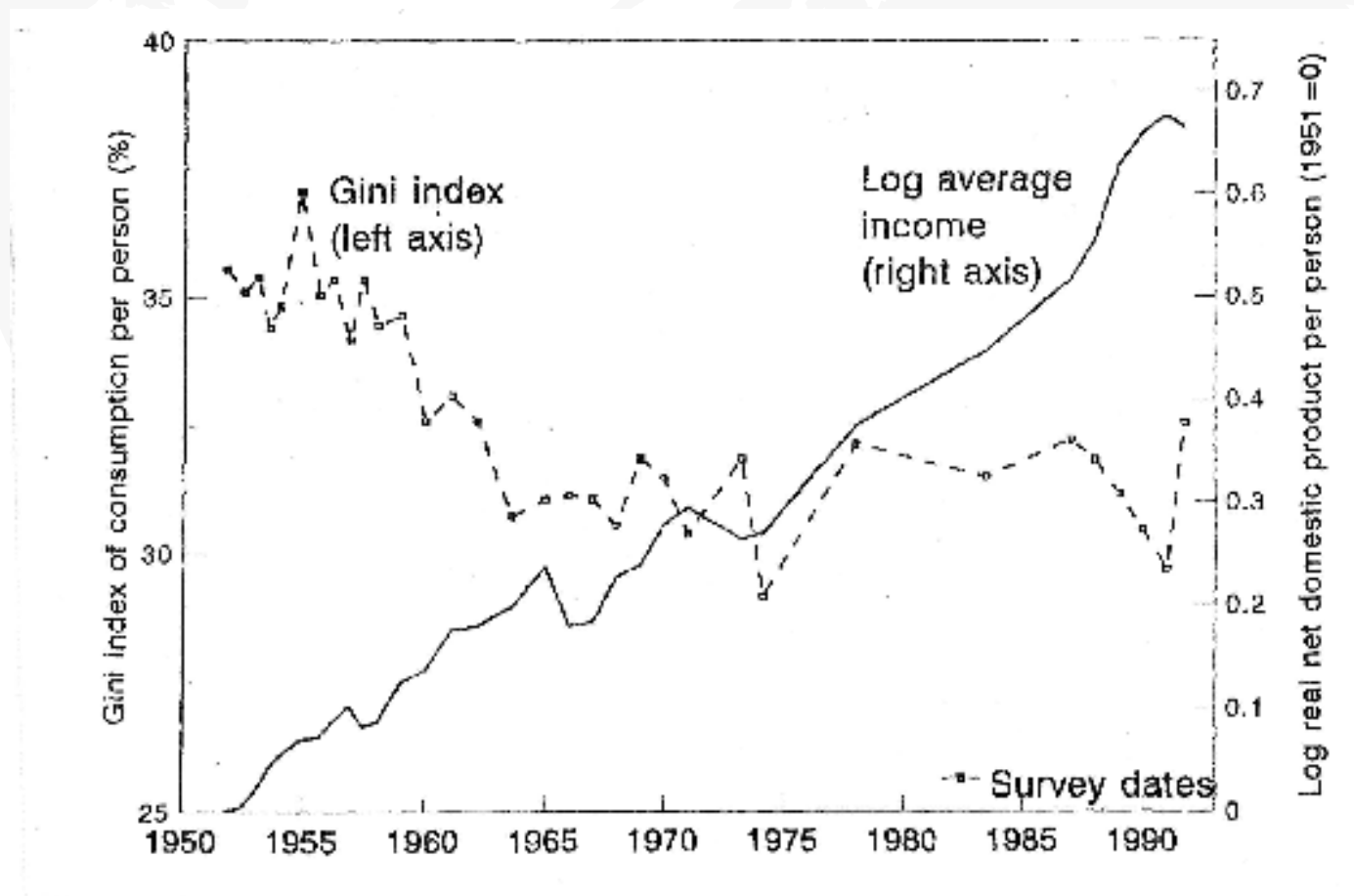
Source : Ravallion (2005), Figure 12

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



Source : Ravallion and Chen (2004), Figure 5

Figure 7 : Inequality and average income in India



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

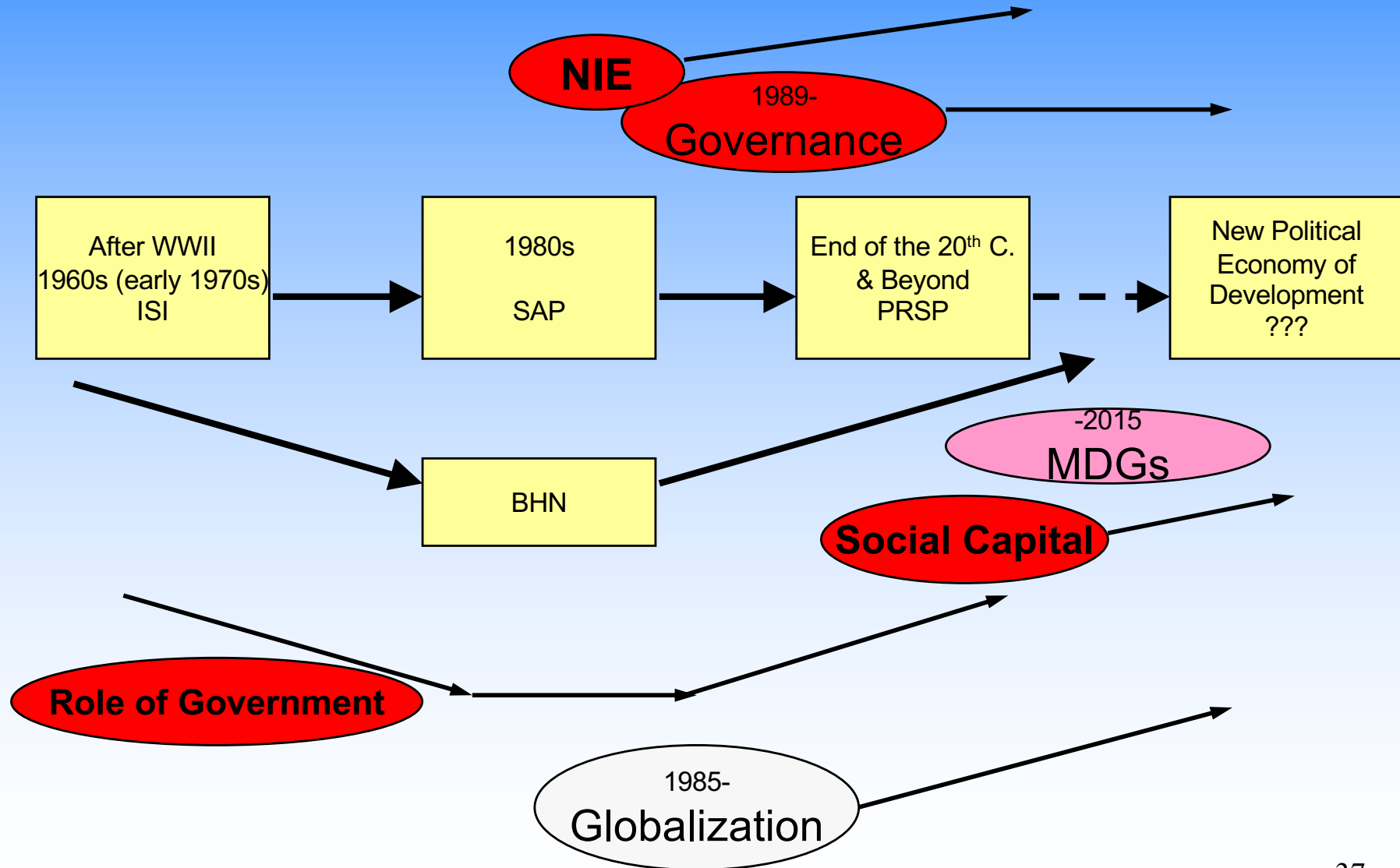
4. Evolution of Development Paradigms.....

Economists' Reasons for Poverty

(Refer to the A3 Table Distributed)



The Evolution of Development Paradigm: A Simplified Review

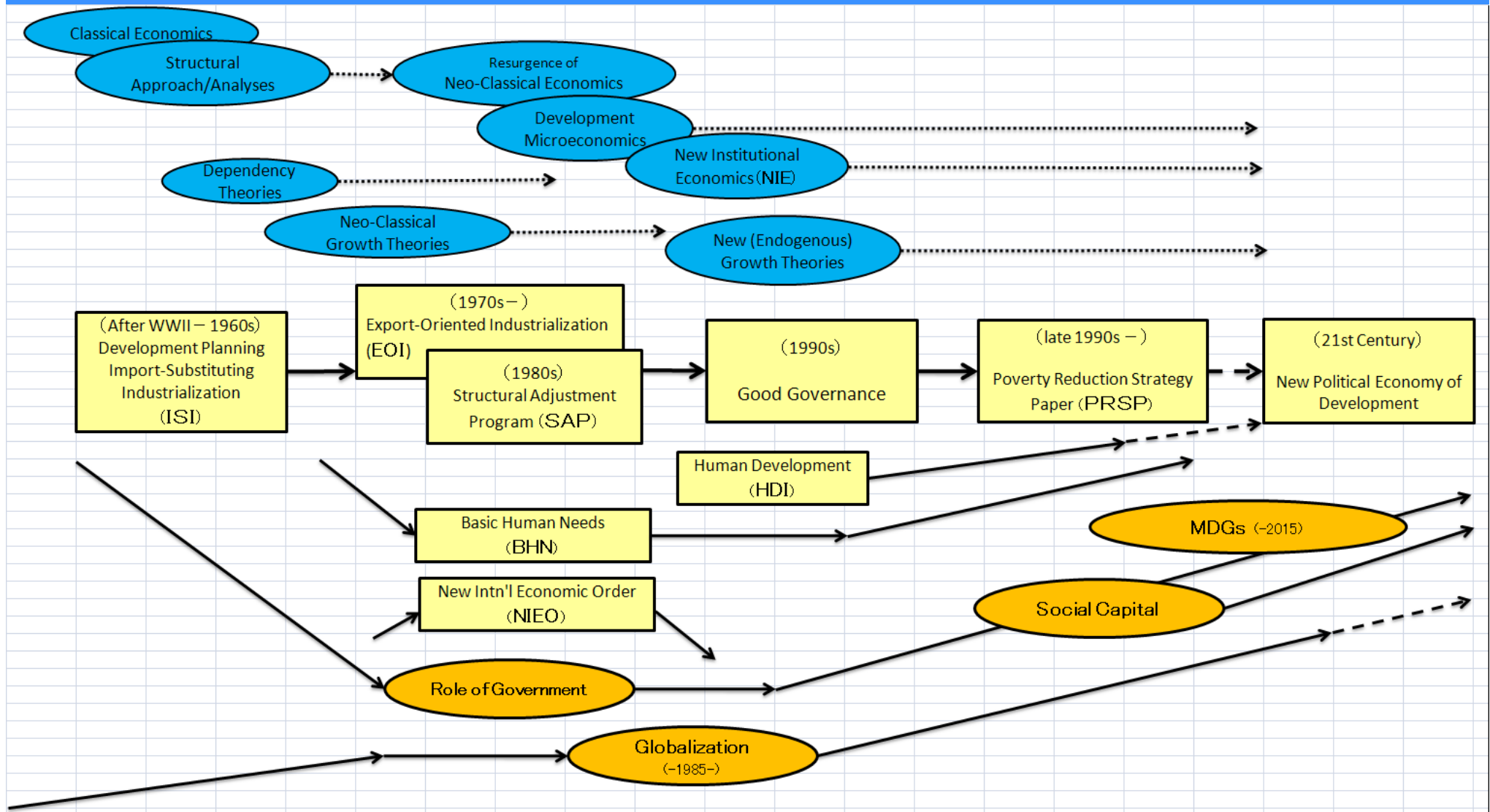


TIME	1940s- 1960s		1970s		1980s		1990s		21st Century
	at the end of WWII and after (1944.7-)		early 1970s	1973-74, 1978-80	early 1980s		end of 1980s to 1997	1997 to end 20th C.	
Global Political /Economic System	Bretton Woods System (BWS) AND Advancement of Globalization at US NH BW representatives from the united nations gathered to build post-war global economic system The 3rd Middle East War (1967.6)		Collapse of the BWS 1) Nixon Shock (1971.8.15) 2) Smithsonian System (1971.12) 3) Fked to Floating Exchange Rate System (1973.2/3)	1st and 2nd Oil Crises 1) The 4th Middle-East War OPEC price increase (1973.10.6: \$2.8/barrel to \$11) 2) Iranian Revolution (end of 1978 - 1979.2 -) OPEC price increases (1979.6: \$14.55/barrel to \$23.5) (1980: more than \$30)	Reaganomics (in search of stronger America) w/ the 40th President Reagan (1981.2-) 1) Stronger private/business sector tax rate ↓ → tax revenue ↑ (?) deregulation & money supply control 2) Stronger \$ by policies for higher interest 3) Stronger military forces defense exp. ↑ → gov. exp. ↑ → gov. deficits ↑ → higher i 4) 2)&3) created trade deficits ↓	Chaotic Adjustments 1) Plaza Accord (1985.9) G5 agreed to further devalue \$. ¥/\$: 240 at 1985.8.9. 200 at 1985.12.160 at 1986.12) 2) Ruble Agreement (1987.2) \$ ↓ → US inflation ↑ → other cos. exports ↓, growth ↓ → reference range, managed float \$ continued to decline. 3) Black Monday (1987.10.19) NY Wall Street ↓ \$508 or 22.6% → global markets ↓ due to the twin deficits in the US	Rapid Globalization 1) US fiscal consolidation 2) Recovery in Latin American economies 3) Collapse of the Berlin Wall (1989.11). Collapse of the Soviet Union (1991.12) and the birth of transitional economies Marketization and integration to the global economy 4) Gulf War (1991.1-2) 5) Fortress Europe (1992) 6) Rise of Asian Growth Model (The East Asian Miracle, 1993) 7) Oslo Accords (1993.9)	Asian Financial Crisis 1) The Myth of Asian Miracle? 2) Current Account crisis to Capital Account crisis. 3) Good Governance? 4) National Policy vs. Global Policy	Uneven and Unstable Process of Globalization? 1) 9/11 terrorist attacks (2001.9.11) 2) Afghanistan War that of 2001.10-) 3) Iraq War that of 2003.3-) 4) Global Financial Crisis (2007-) Toward a new Multi-Polar System?
	In order to avoid the beggar-thy-neighbor strategies that led to W.W.II, institutions were developed to 1) finance reconstruction (BRD 1945-) 2) maintain stable exchange rates among key currencies (MF 1947-), and 3) avoid protectionism (GATT 1948-). Japan: MF & WB, 1952- GATT, 1955- OECD, 1964-		i) US could not maintain \$ value US\$35 (<= gold oz.) and, with depleting stock of gold, stopped \$-gold conversion. ii) G10 to devalue \$ and fixed exchange rates at new levels. (\$1=¥308, 16.88% revaluation) 1972.6 Pound Crisis 1973.2/3 Another \$ Crisis iii) Major developed economies floated their currencies. UN Conference on the Human Environment (Stockholm, 1972)	i) Oil crises created stagflation (stagnation and inflation) in OECD and other oil importing countries. ii) Created 'Oil Dollar', through 'Euro Dollar' market \$ deposits, were then circulated into developing countries as loans. iii) Emergence of Resource Nationalism iv) New International Economic Order (NIEO) declaration (UN, 1974) v) South-South cooperation	i) The US economy suffered stagflation due to the Oil Crises. ii) Heavy borrowing of Euro Dollar by developing countries, with weaker OECD import demand, higher interest rates, and stronger \$, created Debt Crisis . (1982.8 Mexico -) Stabilization → Structural Adjustments Revival of trade liberalization (mid 1980s on)	i) 1) created a surge in FDI ii) Developing countries suffered BO P problems, Debt Crises. → Stabilization → Structural Adjustments Revival of trade liberalization (mid 1980s on)	i) Yen's appreciation (1992-94) → booming Asian exports, → booming FDI to Asia ii) Mexico's Peso Crisis (1994.12.20-) GATT Uruguay Round (1986-94) Establishment of WTO (1995.1.1) Surge of Regional Trade Agreements (1990-) UN Conference on Environment and Development (Rio de Janeiro, 1992.6)	i) Rising resource prices due to high real demand and influx of speculative money ii) Resurgence of Resource Nationalism and Resources Diplomacy iii) Chaotic global financial market due to the US subprime mortgage crisis WTO Doha Round (Development Round) (2001-) Kyoto Protocol (Kyoto: 1997.12)	i) Rising resource prices due to high real demand and influx of speculative money ii) Resurgence of Resource Nationalism and Resources Diplomacy iii) Chaotic global financial market due to the US subprime mortgage crisis WTO Doha Round (Development Round) (2001-) Kyoto Protocol (Kyoto: 1997.12)
	1st Generation		2nd Generation		2nd to the Next		Next Generation		
Development Paradigm	Development Planning and Import Substituting Industrialization (ISI) Lack of markets, private sector Pervasive market failure Capital Fundamentalism: Harrod-Domar growth model Structuralism Two-Sector models Dependency Theories S.D. Prebisch-Singer hypothesis	Agricultural Modernization Lack of Human Capital Slow Growth Accounting/ Growth Model (with exogenous technology)	Toward Export Oriented Industrialization i) Produced efficient SOEs. Expanding BOP deficits "Getting Prices Right" Avoiding price distortions	Resurgence of Neoclassical Economics Basic Human Needs (BHN) approach from the "North" Demand for New International Economic Order (NIEO) from the "South" Export-oriented Industrialization vs. the 2nd Export Pessimism	Resurgence of Neoclassical Economics From aggregate (binary) macro models to technical application of (micro-)economic principles Birth of Development Microeconomics	Structural Adjustments "Getting Policies Right" Rise of Development Microeconomics Risks, Imperfect Information Knowledge Capital	Development Governance "Getting Governance Right" New Institutional Economics (NE) New Growth Theories or Endogenous Growth Theories Globalization and New Liberalism Human Development and Human Security	Quality of Growth "Getting Institutions Right" New Growth Theories or Endogenous Growth Theories Globalization and New Liberalism Human Development and Human Security	Establishing New Political Economy of Development Multipolarization and Diversification Fair Institutions Fair and equitable incentive structure Social Capital and Coordinator's Role of Government
Reason for Poverty	they are irrational	they are rational but Short of Capital	of failure in Excessive Government Policy Intervention	of Poor Policies	of Imperfect Information	of lack of Good Governance	of lack of Institutions	they are not supplied with Incentives to get out of poverty in a fair and equitable manner	

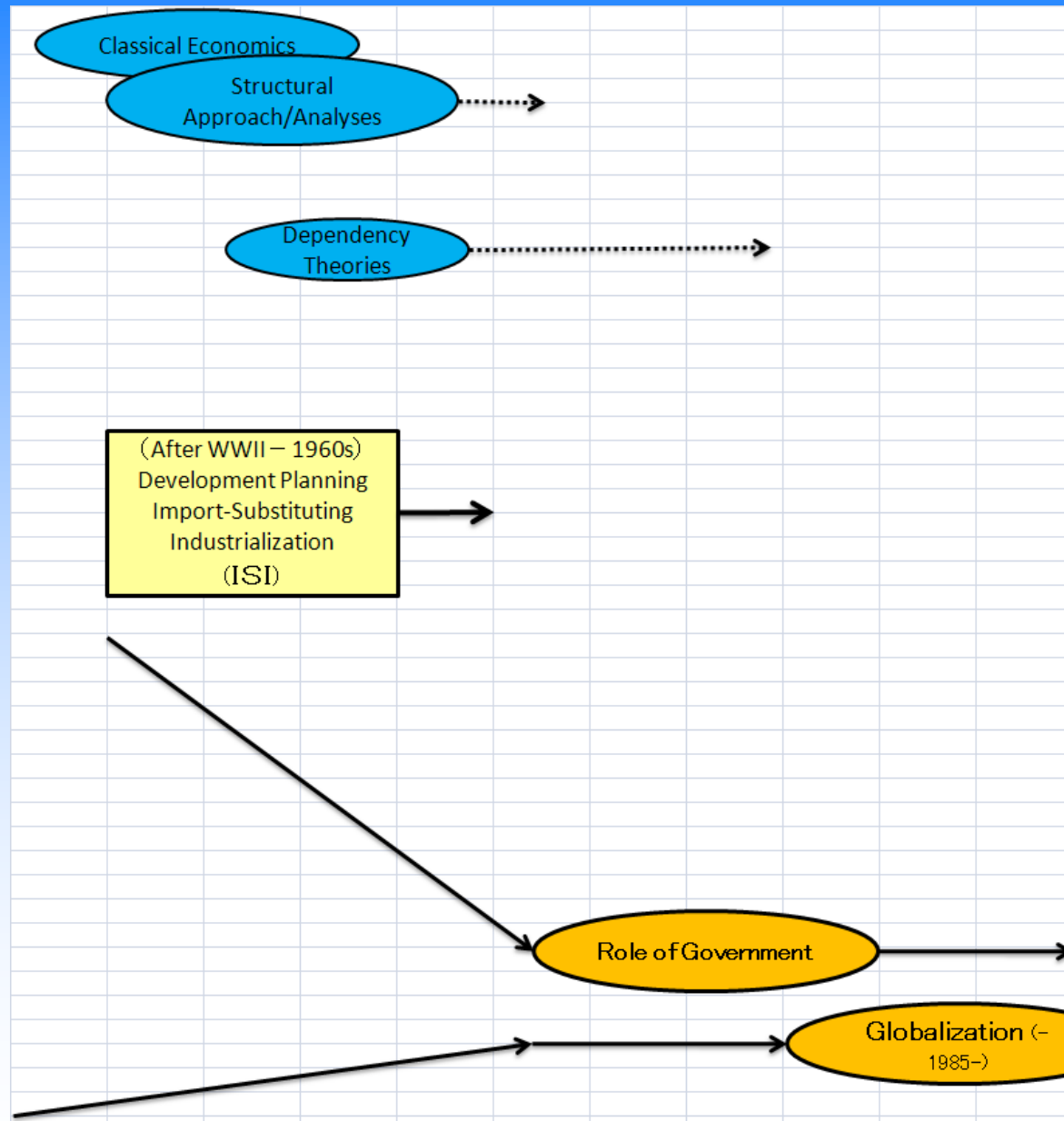
Source: Prof. Shigeru T. Otsubo, I2ID Book Chapter 1; Table 1-3

The Evolution of a Development Paradigm

(Figure 1-1 & Table 1-3 in Chapter 1)

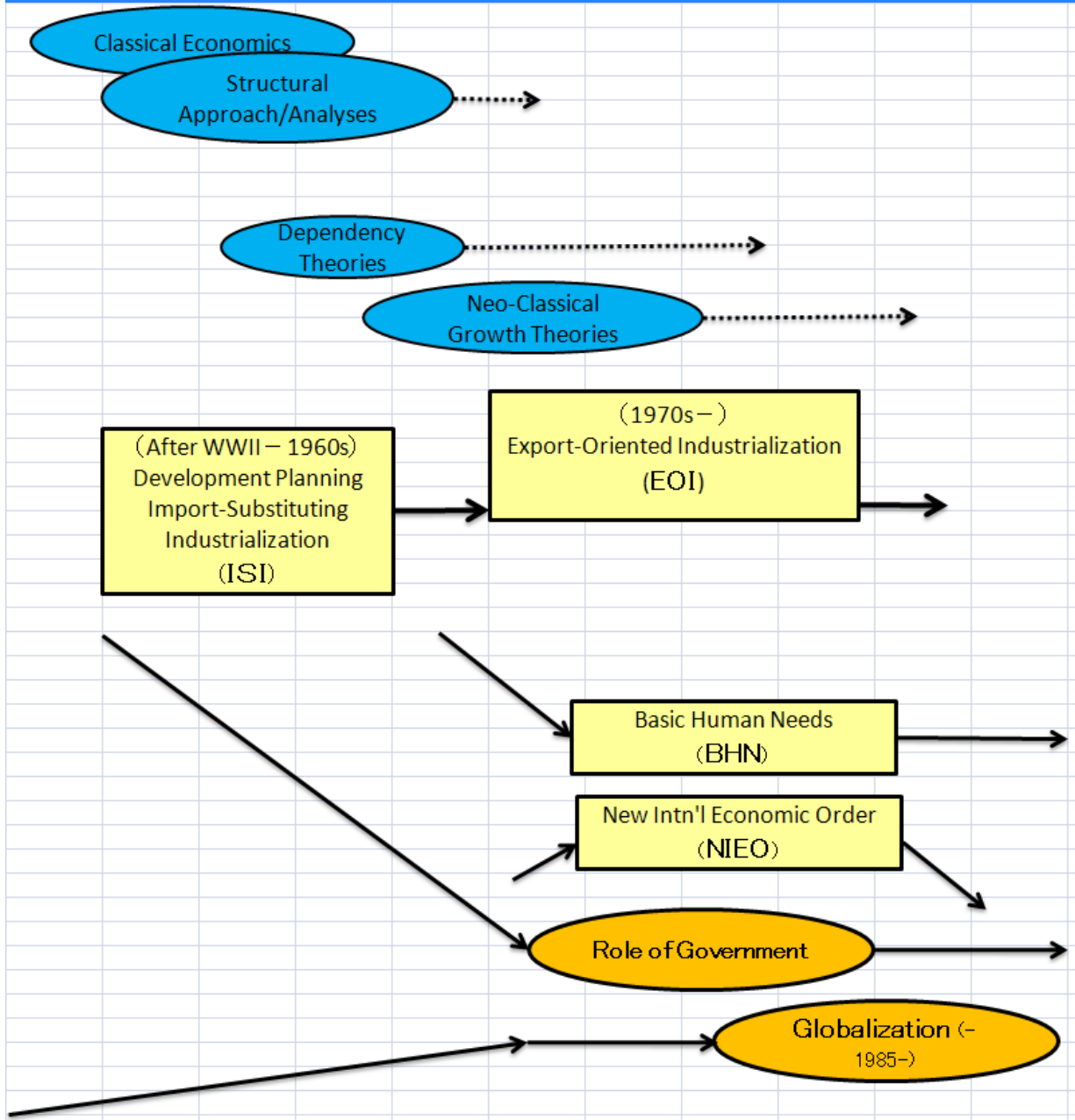


The Evolution: 1940s to 1960s



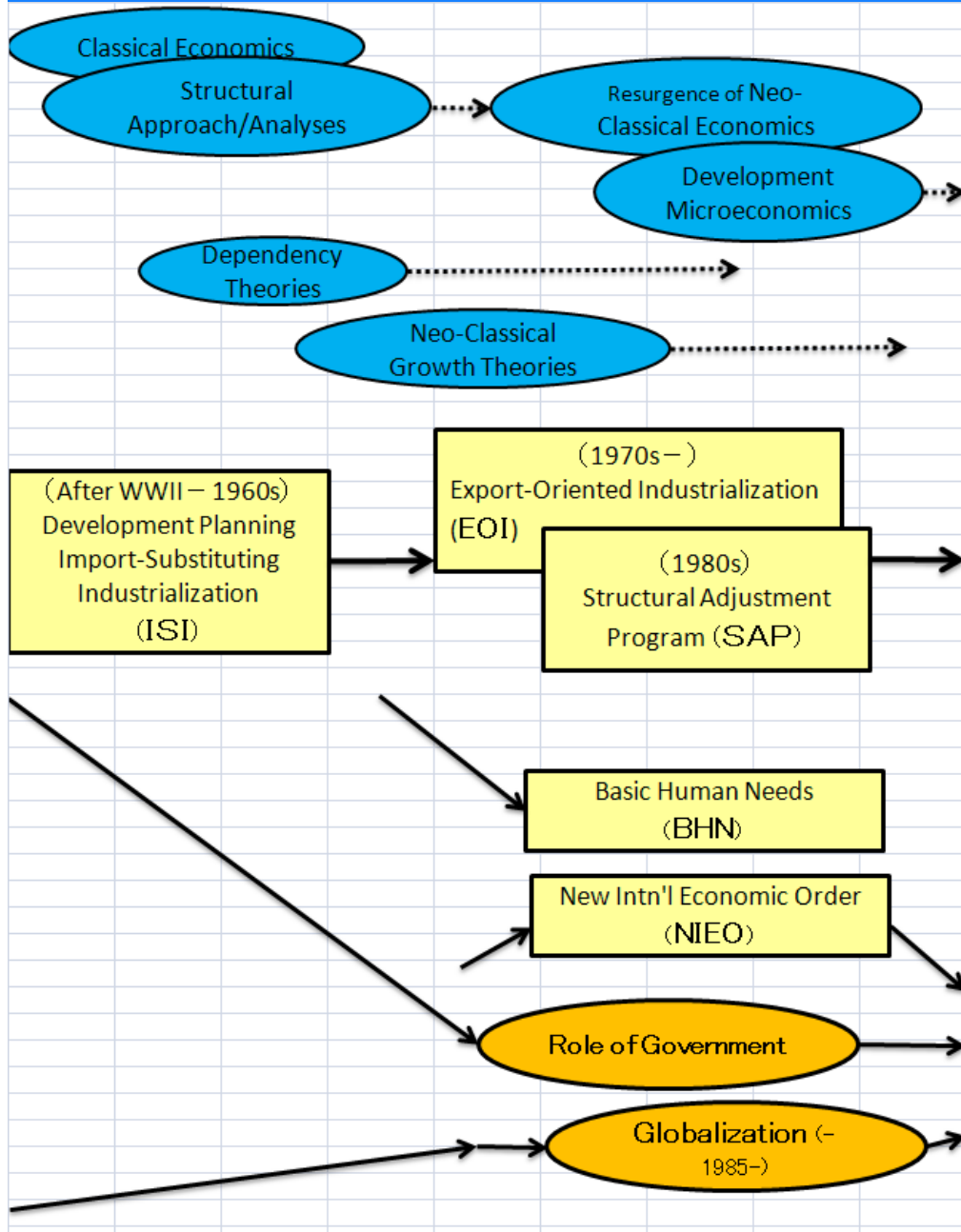
TIME	1940s–1960s	
	at the end of WWII and after (1944.7–)	
Global Political /Economic System	<p>Breton Woods System (BWS) and Advancement of Globalization</p> <p>at US NH BW representatives from the United Nations gathered to build post-war global economic system</p> <p>In order to avoid the beggar-thy-neighbor strategies that led to WWII, institutions were developed to</p> <ol style="list-style-type: none"> 1) finance reconstruction (IBRD 1945–) 2) maintain stable exchange rates among key currencies (IMF 1947–), and 3) avoid protectionism (GATT 1948–). 	
Development Paradigm	<p>1st Generation</p> <p>Development Planning and Import Substituting Industrialization (ISI)</p> <p>Lack of markets, private sector Pervasive market failure</p> <p>Capital Fundamentalism Harrod=Domar growth model</p> <p>Structuralism Two-Sector models</p> <p>Dependency Theories (ISI) Prebisch=Singer hypothesis</p>	<p>Agricultural Modernization</p> <p>lack of Human Capital</p> <p>Solow Growth Accounting/ Growth Model (with exogenous technology)</p>
Reason for Poverty	<p>Why the poor is poor? Because ...</p> <p>they are irrational</p>	<p>they are rational but Short of Capital</p>

The Evolution: 1970s



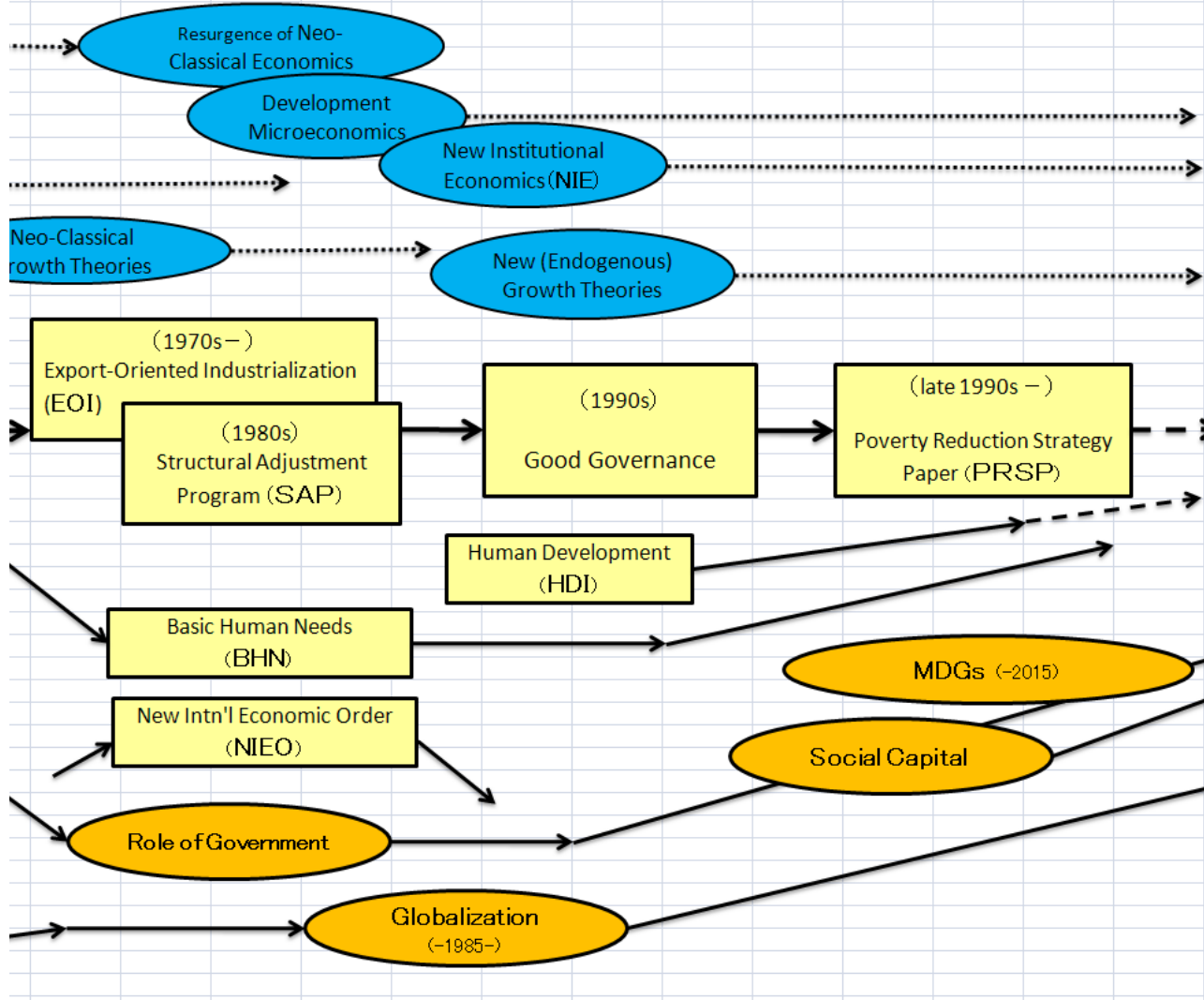
TIME	1970s	
	early 1970s	1973-74, 1978-80
Global Political /Economic System	<p>Collapse of the BWS</p> <p>1) Nixon Shock (1971.8.15)</p> <p>2) Smithsonian System (1971.12)</p> <p>3) Fixed to Floating Exchange Rate System (1973.2/3)</p> <p>i) US could not maintain \$ value (US\$35 < = gold 1 oz.) and, with depleting stock of gold, stopped \$-gold conversion.</p> <p>ii) G10 to devalue \$ and fixed exchange rates at new levels. (\$1=¥308, 16.88% revaluation)</p> <p>1972.6 Pound Crisis 1973.2/3 Another \$ Crisis</p> <p>iii) Major developed economies floated their currencies.</p> <p>UN Conference on the Human Environment (Stockholm, 1972)</p>	<p>1st and 2nd Oil Crises</p> <p>1) The 4th Middle-East War OPEC price increase (1973.10.6; \$2.8/barrel to \$11)</p> <p>2) Iranian Revolution (end of 1978 - 1979.2 -) OPEC price increases</p> <p>i) Oil crises created stagflation (stagnation and inflation) in OECD and other oil importing countries.</p> <p>ii) Created 'Oil Dollar', through 'Euro Dollar' market (\$ deposits), were then circulated into developing countries as loans.</p> <p>iii) Emergence of Resource Nationalism</p> <p>iv) New International Economic Order (NIEO) declaration (UN, 1974)</p> <p>v) South-South cooperation</p> <p>Rising Protectionism</p>
	Development Paradigm	<p>2nd Generation</p> <p>Toward Export Oriented Industrialization</p> <p>ISI produced inefficient SOEs. Expanding BOP deficits</p> <p>"Getting Prices Right" Avoiding price distortions</p> <p>Resurgence of Neoclassical Economics</p> <p>Basic Human Needs (BHN) approach from the "North"</p> <p>Demand for New International Economic Order (NIEO) from the "South"</p> <p>Export-Oriented Industrialization vs. the 2nd Export Pessimism</p>
Reason for Poverty	<p>Why the poor is poor? Because ...</p> <p>of failure in Excessive Government Policy Intervention</p>	

The Evolution: 1980s



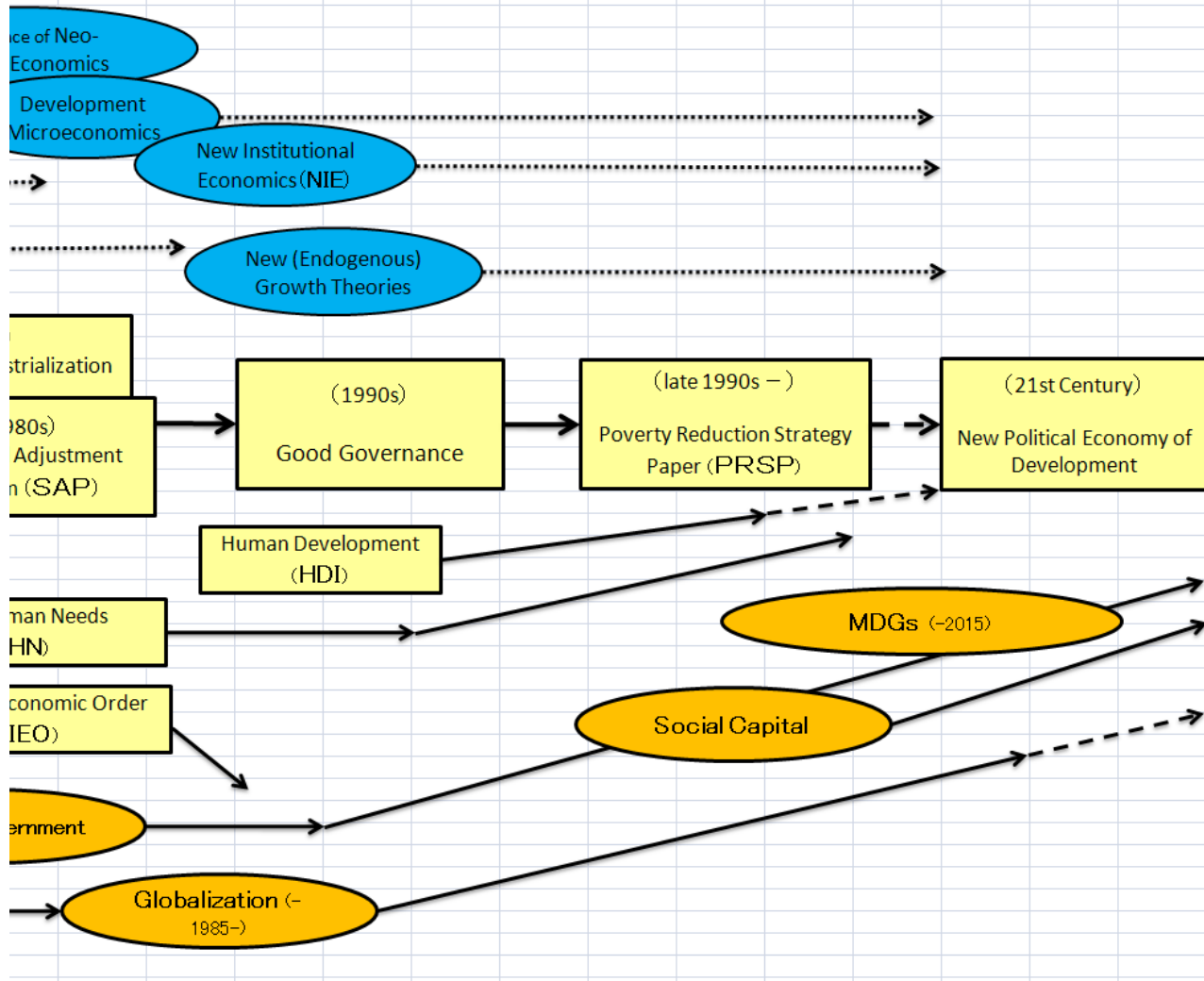
TIME	1980s	
	early 1980s	mid 1980s on
Global Political /Economic System	<p>Reaganomics</p> <p>(in search of stronger America) w/ the 40th President Reagan (1981.2–)</p> <ol style="list-style-type: none"> Stronger private/business sector tax rate ↓ → tax revenue ↑ (?) deregulation & money supply control Stronger \$ by policies for higher interest Stronger military forces defense exp ↑ → gov. exp ↑ → gov. deficits ↑ → higher i 2)&3) created trade deficits ↑ 	<p>Chaotic Adjustments</p> <ol style="list-style-type: none"> Plaza Accord (1985.9) G5 agreed to further devalue \$. (¥/\$: 240 at 1985.8/9, 200 at 1985.12, 160 at 1986.12) Ruble Agreement (1987.2) \$ ↓ → US inflation ↑ → other cos. exports ↓, growth ↓ → reference range, managed float \$ continued to decline. Black Monday (1987.10.19) NY Wall Street ↓ \$508 or 22.6% → global markets ↓ due to the twin deficits in the US
Development Paradigm	<p>i) The US economy suffered stagflation due to the Oil Crises.</p> <p>ii) Heavy borrowing of Euro Dollar by developing countries, with weaker OECD import demand, higher interest rates, and stronger \$, created Debt Crisis. (1982.8 Mexico –)</p>	<p>i) 1) created a surge in FDI.</p> <p>ii) Developing countries suffered BOP problems, Debt Crises.</p> <p>→ Stabilization → Structural Adjustments</p> <p>Revival of trade liberalization (mid 1980s on)</p>
Reason for Poverty	2nd Generation	
	of Poor Policies	of Imperfect Information

The Evolution: 1990s



TIME	1990s	
	end of 1980s to 1997	1997 to end 20th C.
Global Political /Economic System	Rapid Globalization 1) US fiscal consolidation 2) Recovery in Latin American economies 3) Collapse of the Berlin Wall (1989.11). Collapse of the Soviet Union (1991.12) and the birth of transitional economies Marketization and integration to the global economy 4) Gulf War(1991.1-2) 5) Fortress Europe(1992) 6) Rise of Asian Growth Model (<i>The East Asian Miracle</i> , 1993)	Asian Financial Crisis 1) The Myth of Asian Miracle? 2) Current Account crisis to Capital Account crisis. 3) Good Governance? 4) National Policy vs. Global Policy
	i) Yen's appreciation (1992-94) → booming Asian exports, → booming FDI to Asia ii) Mexico's Peso Crisis (1994.12.20-)	Kyoto Protocol (Kyoto; 1997.12)
Development Paradigm	GATT Uruguay Round (1986-94) Establishment of WTO (1995.1.1) Surge of Regional Trade Agreements (1990-)	2nd to the Next
	Development Governance "Getting Governance Right" New Institutional Economics (NIE) New Growth Theories or Endogenous Growth Theories Globalization and New Liberalism Human Development and Human Security	Quality of Growth "Getting Institutions Right"
Reason for Poverty	Why the poor is poor? Because --- of lack of Good Governance	of lack of Institutions

The Evolution: into the 21st Century



TIME	21st Century
Global Political /Economic System	<p>Uneven and Unstable Process of Globalization?</p> <p>1) 9/11 terrorist attacks (2001.9.11)</p> <p>2) Afghanistan War (that of 2001.10-)</p>
	<p>i) Rising resource prices due to high real demand and influx of speculative money</p> <p>ii) Resurgence of Resource Nationalism and Resources Diplomacy</p> <p>ii) Chaotic global financial market due to the US subprime mortgage crisis</p> <p>WTO Doha Round (Development Round) (2001-)</p>
Development Paradigm	<p>Next Generation</p> <p>Establishing New Political Economy of Development</p> <p>Multipolarization and Diversification</p> <p>Fair institutions</p> <p>Fair and equitable incentive structure</p> <p>Social Capital and Coordinator's Role of Government</p>
Reason for Poverty	<p>Why the poor is poor? Because ...</p> <p>they are not supplied with Incentives to get out of poverty in a fair and equitable manner</p>



5. Issues of Major Concern ...



Industrialization in the 21st C.

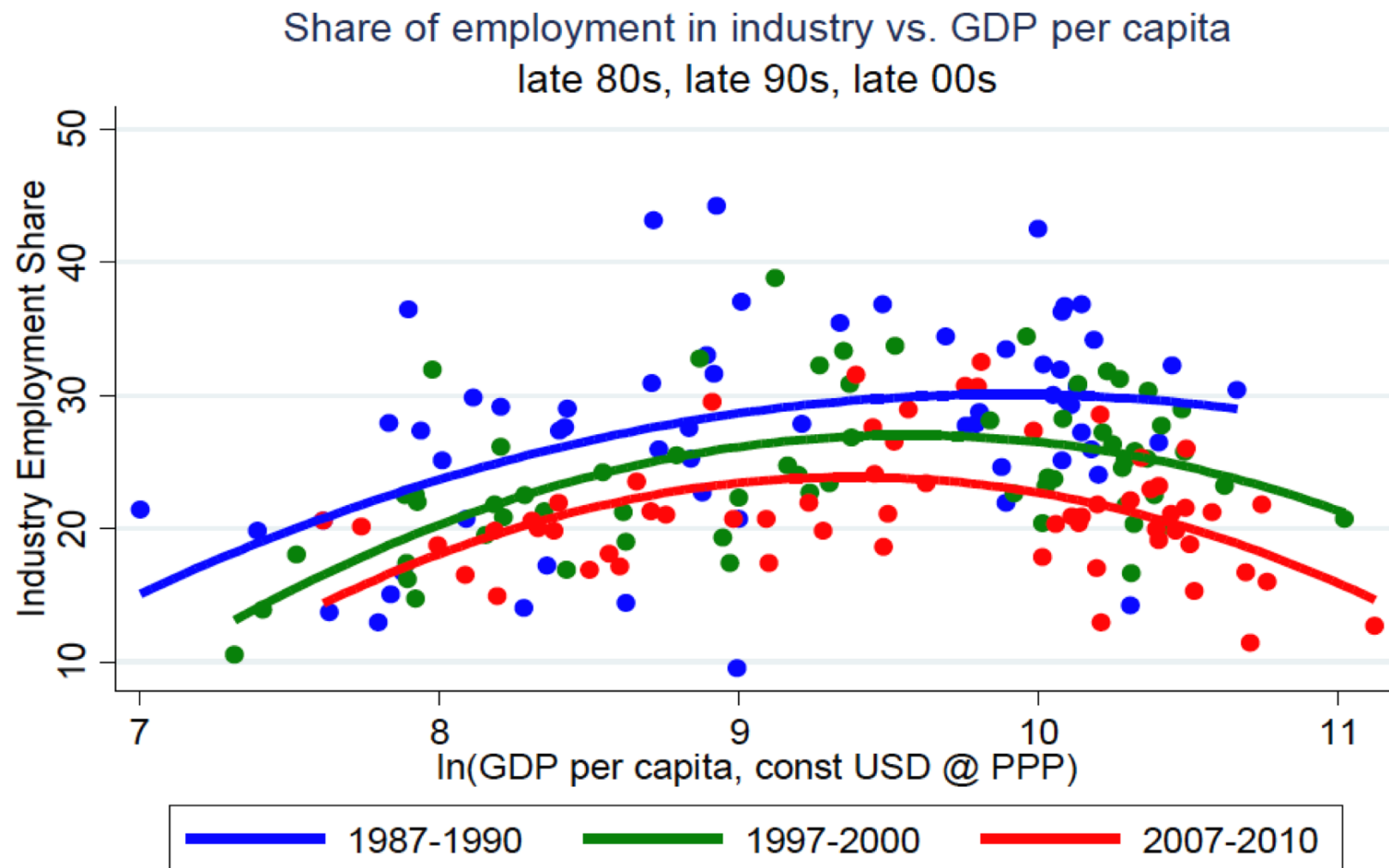
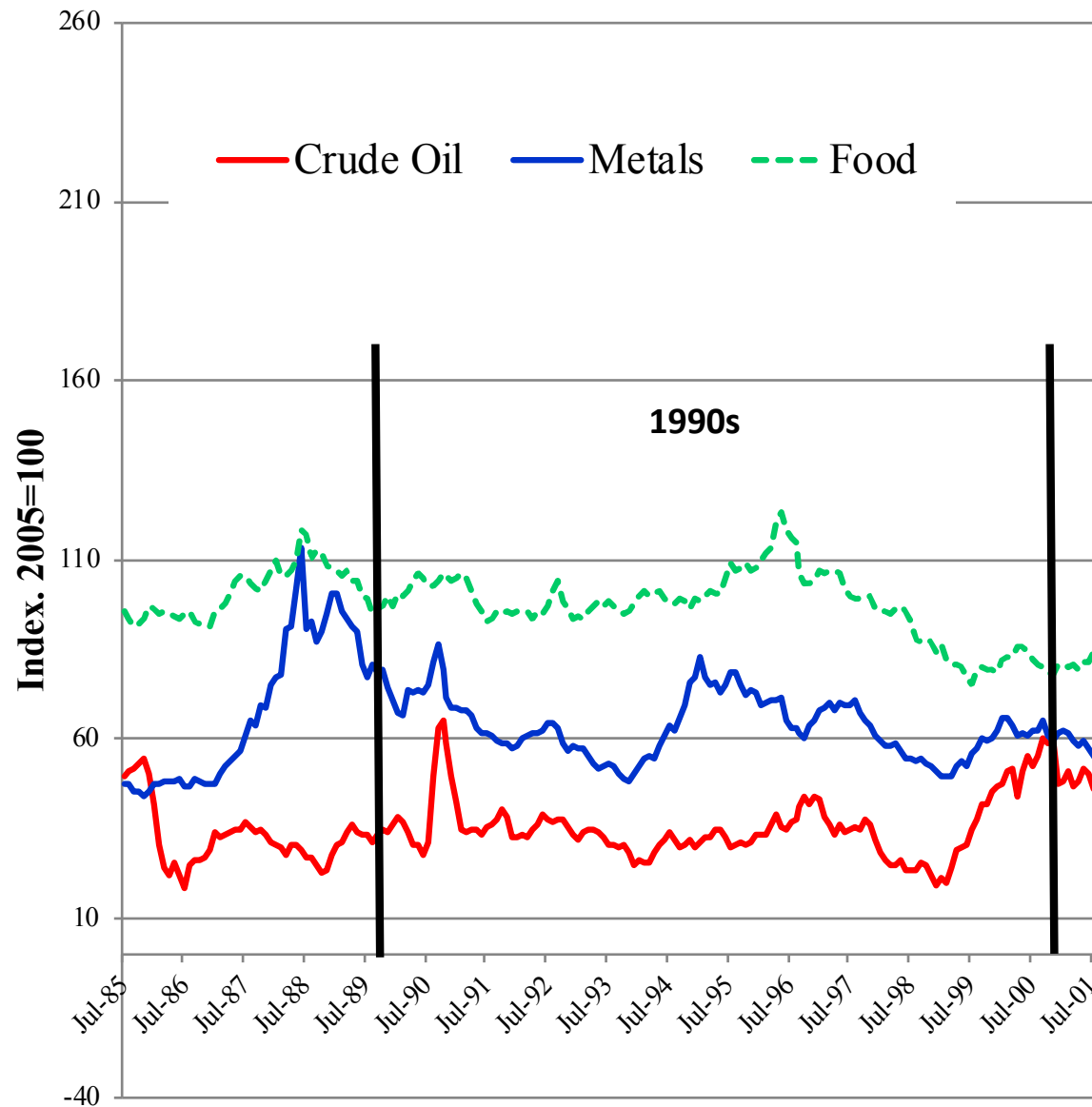


FIGURE 1.2 Share of employment in industry vs. GDP per capita

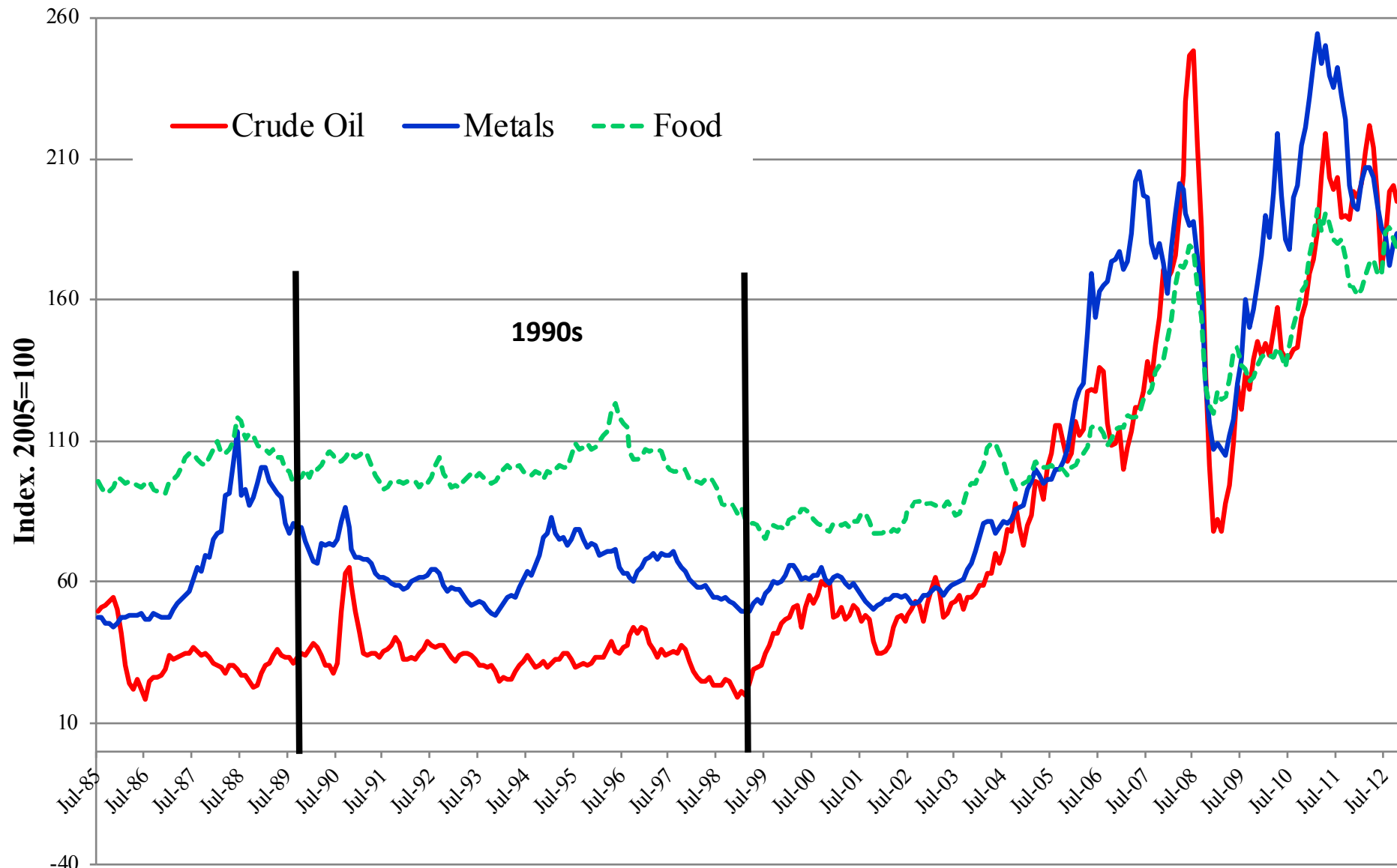
Source: Ghani, E. & O'Connell, S. D. (2014, 12, Figure 7).

Price indices for selected energy and commodity products 1985-2000



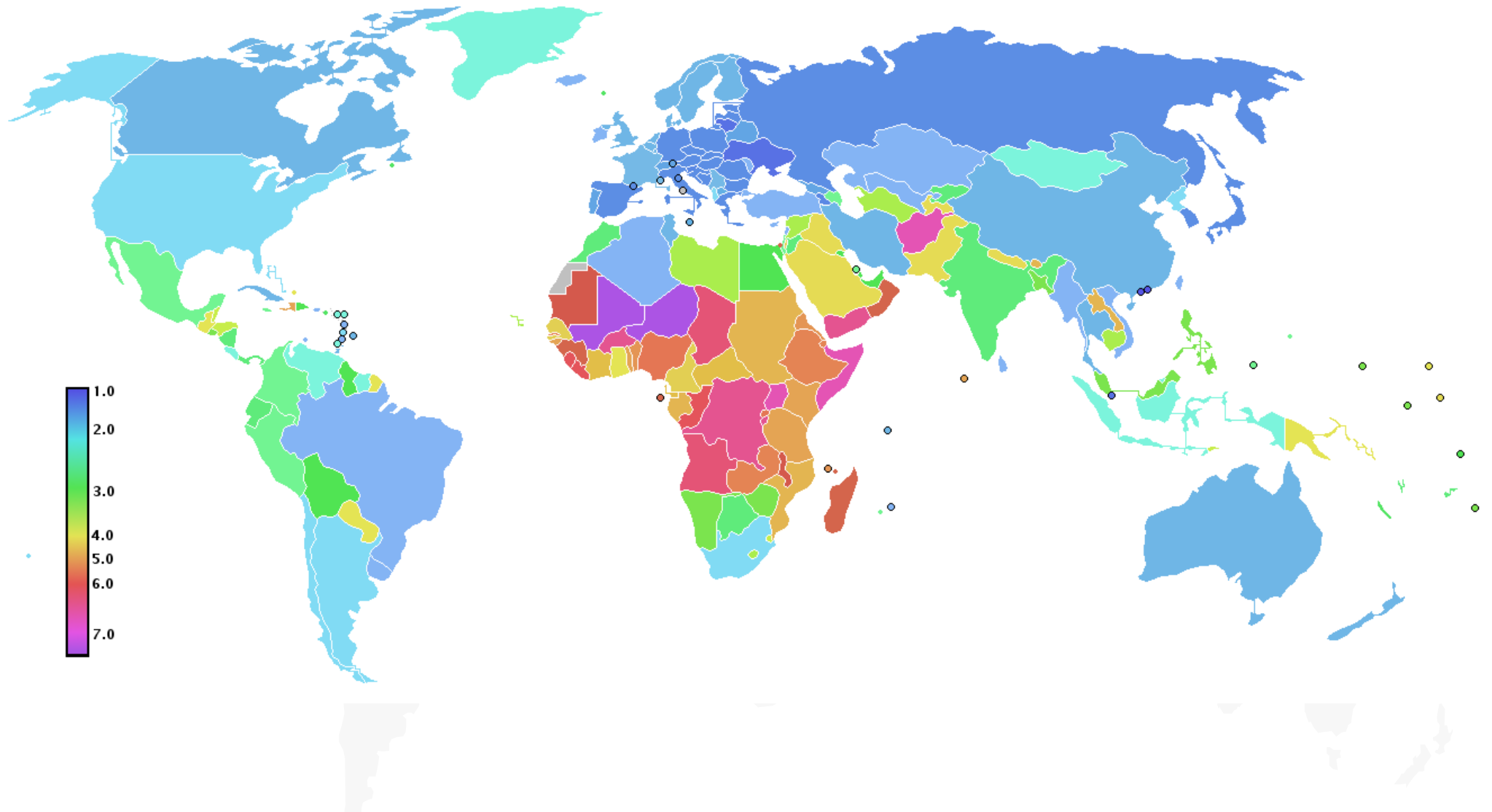
Source: www.indexmundi.com/commodities

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



Source: www.indexmundi.com/commodities

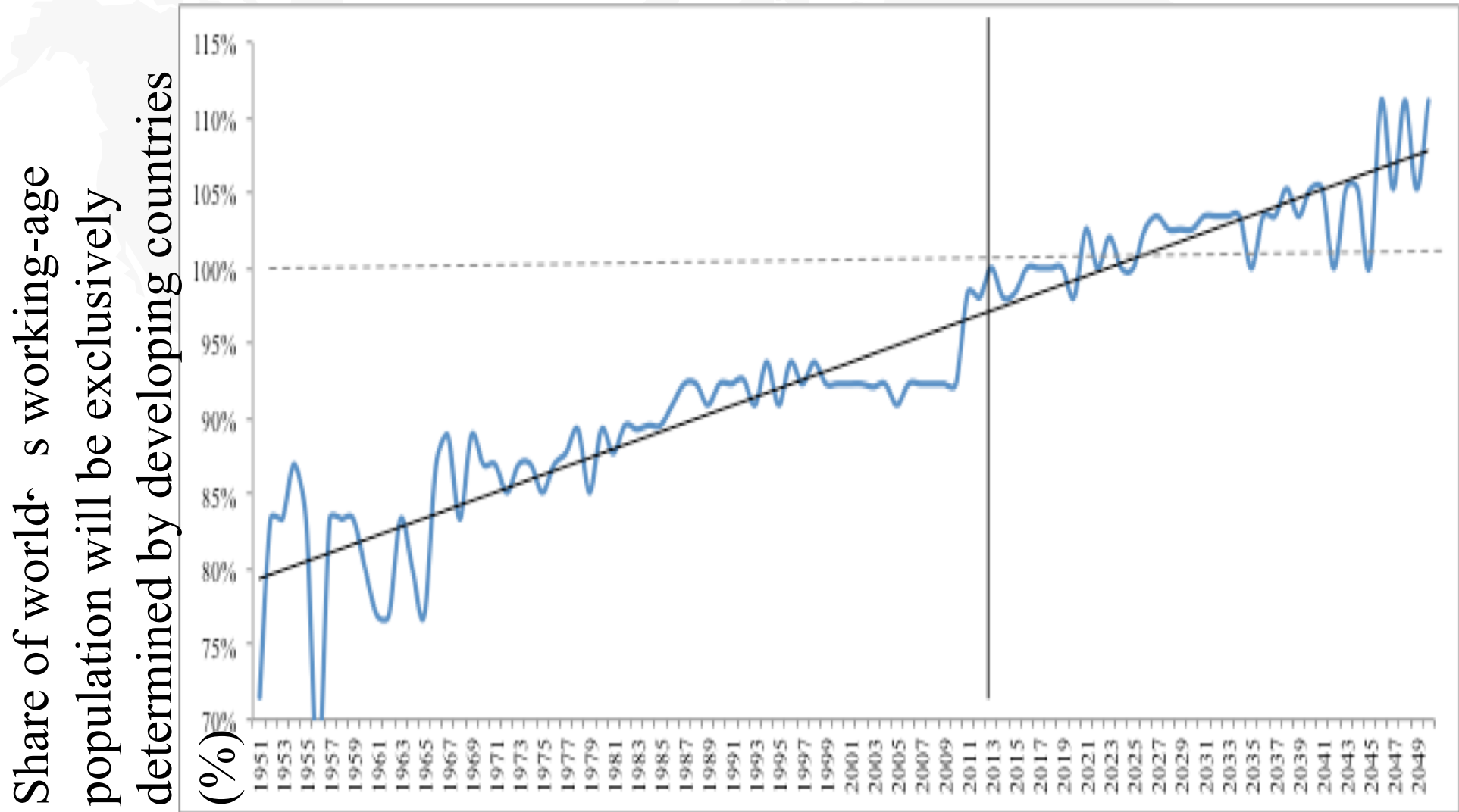
World Total Fertility Rate Map (2006)



**Note: Replacement rates are 2.07-2.08 for developed countries;
2.5-3.3 for developing countries.**

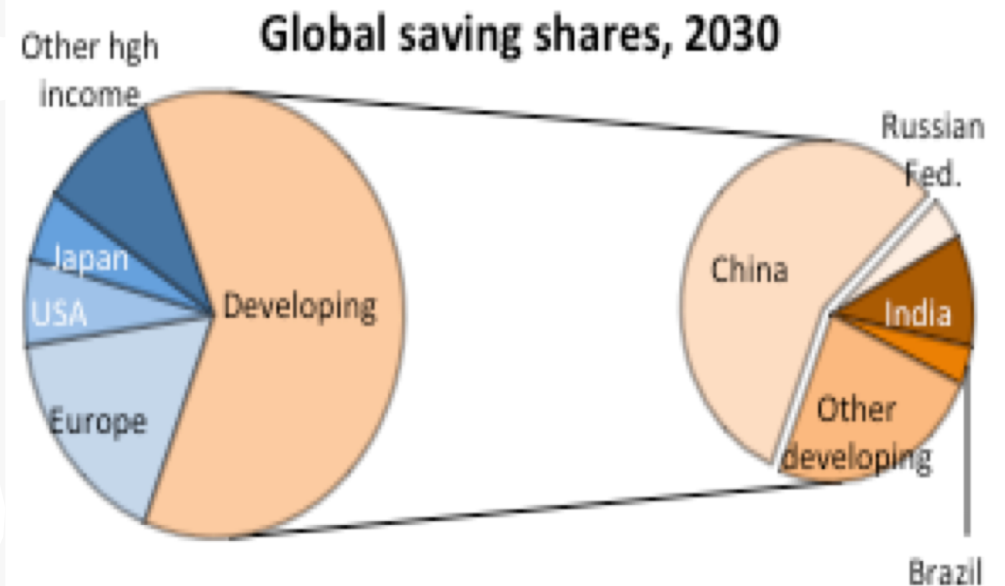
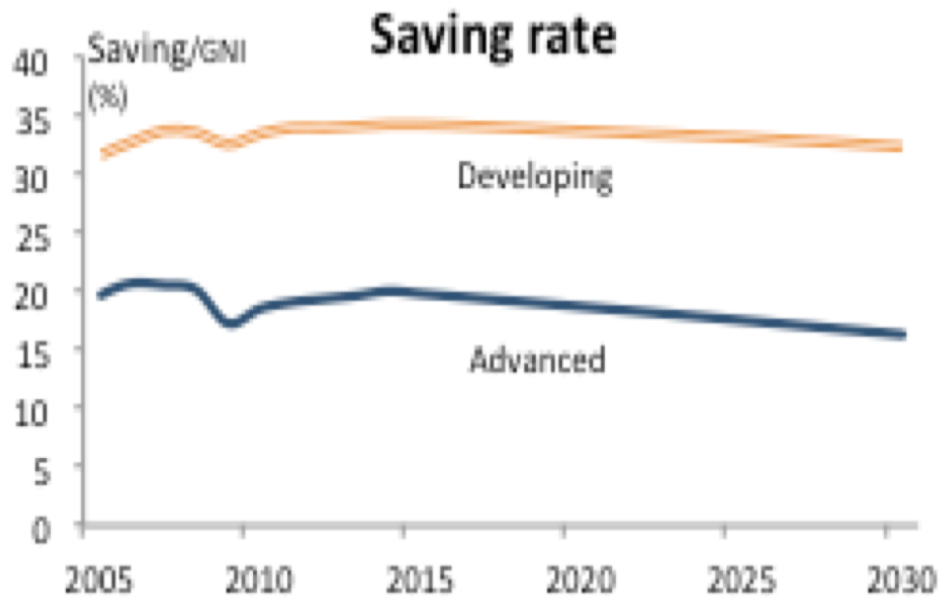
Source: http://en.wikipedia.org/wiki/Image:Fertility_rate_world_map_2.png

By 2020, growth in world's working-age population will be exclusively determined by developing countries



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

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

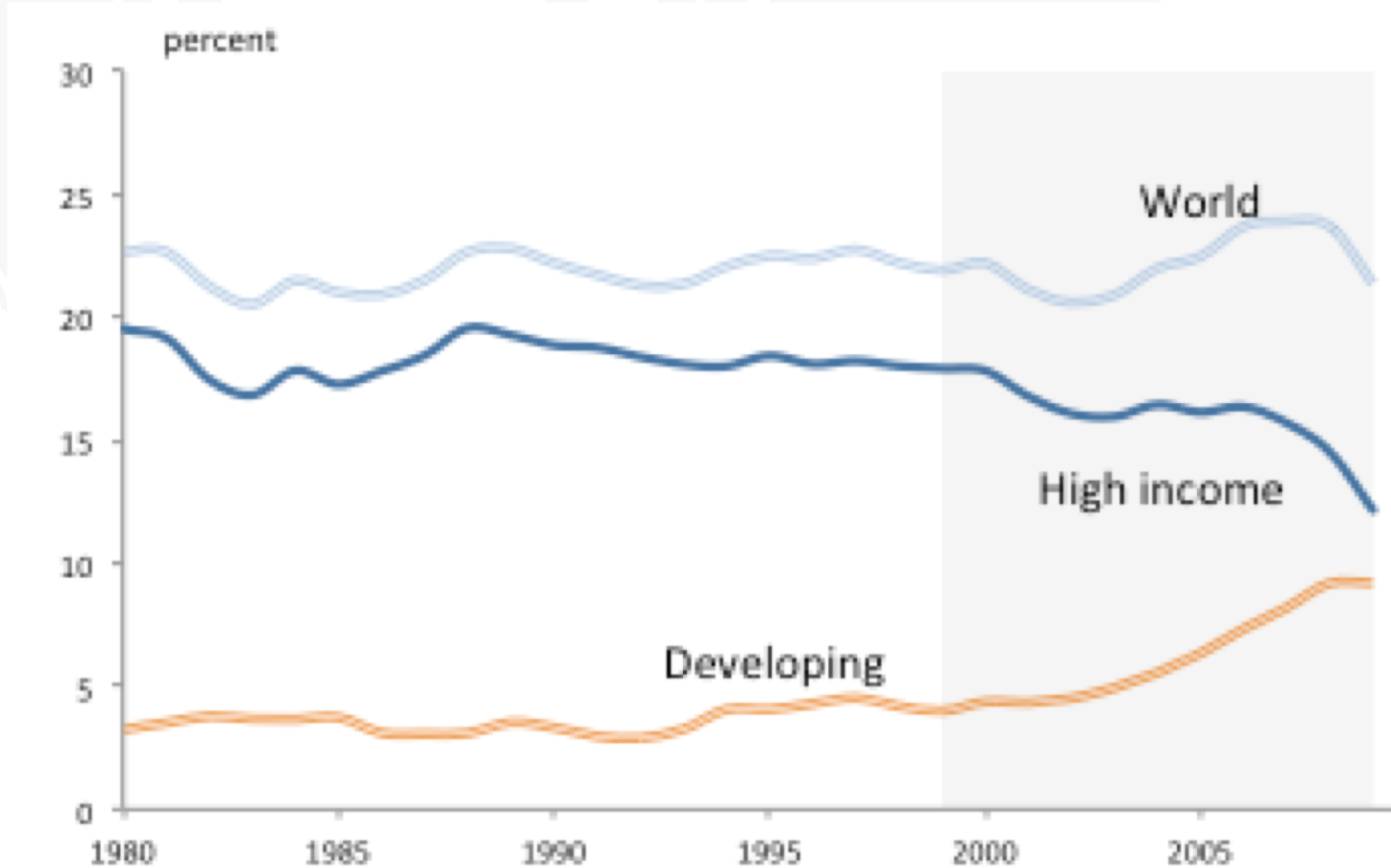


Source: World Bank (2013) Global Development Horizons “Capital for the Future”

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...

National Saving as share of global income (GNI)



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



6. Association with Other Subject Areas

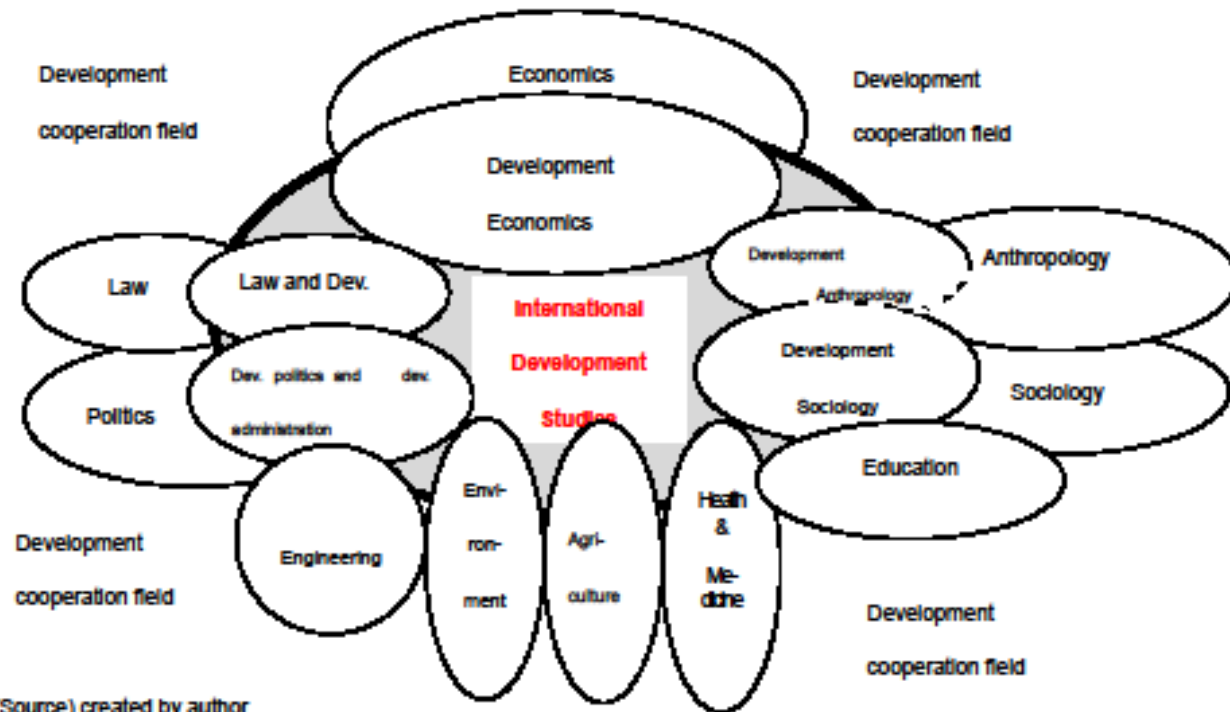
(Human Capital incl. Education,
Governance, Democracy,
Human Development...)



Building 'Interdisciplinary' and 'Active' International Development Studies



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



**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	
	Estimated Coefficients	Standard Error
Explanatory Variables		
<u>Conditional Income Convergence</u>		
(1) Initial level of income (in log)	-0.0254	0.0031
<u>Initial Human Capital</u>		
(2) Male secondary and higher years of schooling (of persons aged 25 and over)	0.0118	0.0025
(3) Life expectancy (in log)	0.0423	0.0137
(4) (1) X (2)	-0.0062	0.0017
<u>Population Pressure</u>		
(5) Fertility rate (in log)	-0.0161	0.0053
<u>Governance - Institutions</u>		
(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
<u>Other Control Variables</u>		
(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.

Money alone is not enough!!

If all Aid had gone into productive investment

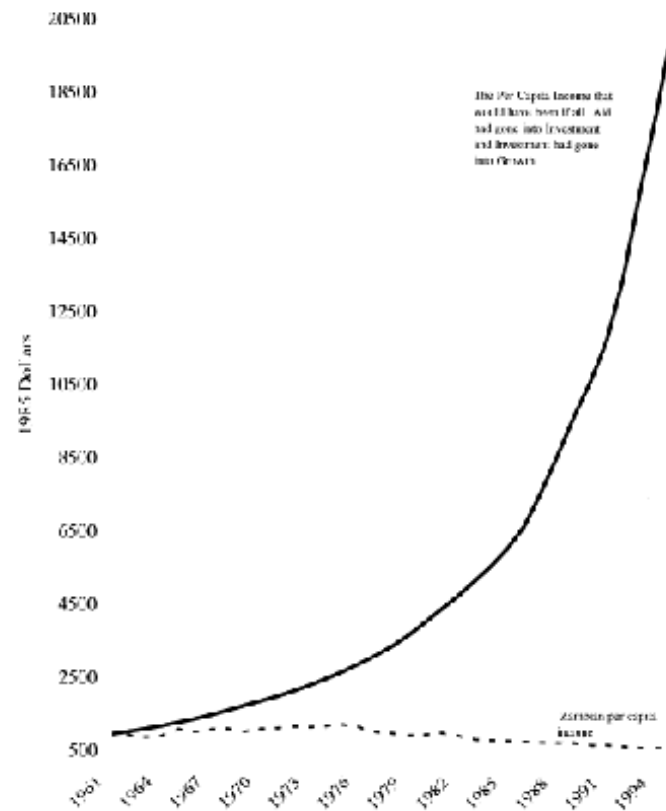


Fig. 1. The gap between the linear aid-investment-growth model and the actual outcome in Zambia.

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)

But if that Money was not available?

Economic Growth and Human Development

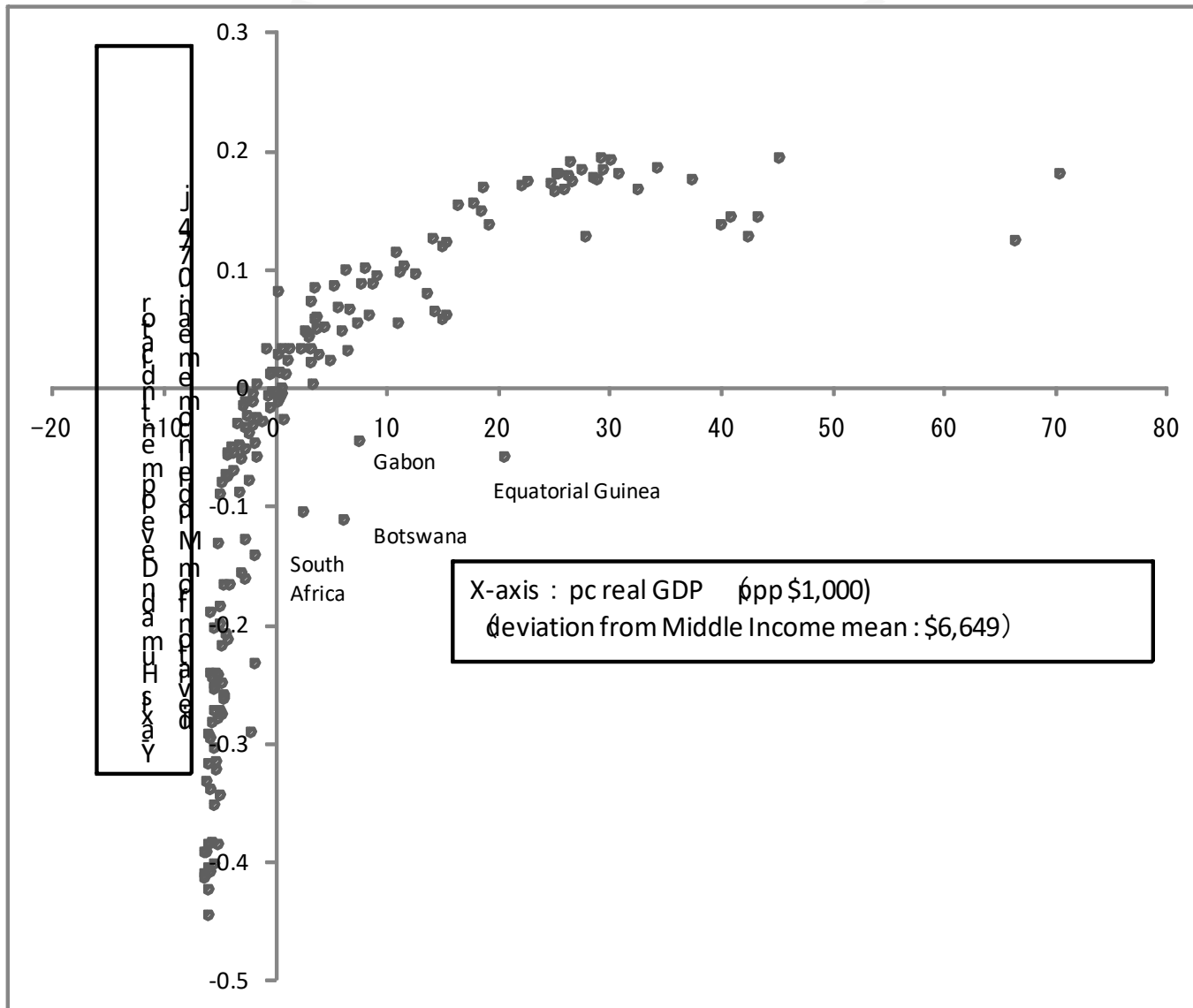


Figure 1-5
Per Capita Income and Human

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/>>.

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.

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’.

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.

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’.



“Poverty never sleeps.....

Thank you

