



Preface

Audience

This book is designed for use in courses that focus on the economics of development in Africa, Asia, and Latin America, as well as the “transition” countries of East Europe and the former Soviet Union now classified as developing countries. It is structured and written both for students who have had some basic training in economics and for those with little or no formal economics background. For both groups, essential principles and concepts of economics that are particularly relevant for understanding development problems are highlighted in boldface and explained at appropriate points throughout the text. They are also defined in a detailed glossary. Thus the book should be of special value in undergraduate development courses that attract students from a variety of disciplines. Yet the material is sufficiently broad in scope and rigorous in coverage to satisfy any undergraduate and some graduate economics requirements in the field of development.

Approach

Economic Development, Eighth Edition, resulted from Professor Todaro’s five years of living and teaching in Africa as well as two decades of extensive travel throughout Latin America and Asia, first as a director of the Rockefeller Foundation and then as a professor of economics at New York University. These experiences have helped shape and refine a book that is unique among development texts in approach, organization, and pedagogy. Among its most significant innovations are the following:

1. It teaches economic development within the context of a *major set of problems*, such as poverty, inequality, unemployment, population growth, environmental decay, and rural stagnation. Formal, abstract models and concepts are used to elucidate real-world development problems rather than being presented in isolation from case study illustrations.

2. It adopts a *problem- and policy-oriented approach* to the teaching of development economics on the assumption that a central objective of any development economics course should be the fostering of a student's ability to understand contemporary economic problems of developing countries and to reach independent and informed judgments and policy conclusions about their possible resolution.
3. It approaches development problems systematically by following a *standard pedagogic procedure* with regard to their analysis and exposition. Each chapter begins by stating the general nature of a problem, its principal issues, and how it is manifested empirically in various developing countries. The chapter then presents main goals and possible objectives, the role of economic analysis in illuminating the problem, and some possible policy alternatives and their likely consequences. This approach not only helps students think systematically about major current development issues but, even more important, provides them with a methodology and an operating procedure for analyzing and reaching policy conclusions about other contemporary and future development problems.
4. It starts from the premise that it is possible to design and structure a broadly based development economics textbook that simultaneously uses the *best available cross-sectional data* from Africa, Asia, and Latin America and *appropriate theoretical tools* to illuminate common developing country problems. Although these problems will of course differ in both scope and magnitude when we deal with such diverse countries as India, Bangladesh, Kenya, Egypt, Nigeria, Brazil, Mexico, and Guatemala, the fact remains that most face similar development problems: widespread poverty and large income and asset inequalities, rapid population growth, low levels of literacy and health, high levels of urban unemployment and underemployment, and chronic balance of payments and foreign-debt burdens, to name just a few.
5. It focuses on a wide range of developing countries not only as *independent nation-states* but also in relation to one another and in their *interactions with rich nations in a global economy*.
6. It recognizes the necessity of treating the problems of development and underdevelopment from an *institutional* and *structural* (noneconomic) as well as an economic perspective, with appropriate modifications of received general economic principles, theories, and policies. It thus attempts to combine relevant theory with realistic institutional analyses.
7. It views development and underdevelopment in both domestic and international contexts, stressing the *increasing interdependence of the world economy* in areas such as food, energy, natural resources, technology, information, and financial flows.
8. It considers the many economic, social, and institutional problems of underdevelopment as closely interrelated and requiring *simultaneous and coordinated approaches* to their solution at both the national and international levels.

Organization and Orientation

The book is organized into four parts. Part One focuses on the nature and meaning of development and underdevelopment and its various manifestations in developing nations. After examining the historical growth experience of now developed countries, and ascertaining the degree to which this experience is relevant to contemporary developing nations, four classic theories of development are reviewed, followed by an examination of recent development models.

Parts Two and Three form the core of the book, focusing on major development problems and policies, both domestic and international. Topics of analysis and review include economic growth, poverty and income distribution, population, migration, urbanization, technology, agricultural and rural development, the environment, education, health, international trade and finance, foreign aid, private foreign investment, and debt crises. Finally, Part Four reviews the possibilities and prospects for development. After discussing the theory, practice, and failures of development planning and policymaking and the role and limitations of financial and fiscal policy in the development process, it analyzes the rapid spread of market economies in the 1990s and the place of less developed nations in an increasingly interdependent but highly unequal global system.

All four parts of the book ask fundamental questions: What kind of development is most desirable? And how can developing nations best achieve these economic and social objectives either individually or, better, in cooperation with one another and, it is to be hoped, with appropriate and meaningful assistance from the more developed countries of the world?

Case Studies

In order to provide students with up-to-date case study materials, there are 17 in-text *country case studies*, which appear at the ends of chapters, as well as 4 *comparative case studies*, one at the conclusion of each of the four parts. The companion website, at www.aw.com/todaro, offers additional country and topical case studies. Each country case study provides a two- to three-page descriptive analysis of the major economic features and critical problems faced by a leading developing country. Featured are such countries as Brazil, India, Kenya, Nigeria, Mexico, China, South Africa, the Philippines, and South Korea. The purpose of each country profile is to familiarize students with the basic economic features of important developing economies and thus provide them with the kind of applied material that is often absent from development texts. Furthermore, each country case study is chosen to reflect and illustrate the specific problem analyzed in the chapter to which it is appended—for example, China for population, India for poverty, Bangladesh for agriculture, Pakistan for the environment, South Korea for international trade, and Venezuela for foreign debt.

Each comparative case study contrasts two developing countries, one relatively successful and the other less so in dealing with one or more of the critical issues

or problem areas discussed in the preceding chapters. For example, at the end of Part One, “Principles and Concepts,” is a comparison of Argentina and South Korea intended to illustrate how four different development approaches discussed in Chapter 4, “Classic Theories of Development,” have been successfully or otherwise pursued in these two countries. At the end of Part Two is a comparison of the relative effectiveness of poverty policies in Bangladesh and Nigeria. And so on for Parts Three and Four, where trade policies in Thailand and the Philippines and privatization strategies in Chile and Poland, respectively, are compared and evaluated.

Changes for the Eighth Edition

The Eighth Edition represents the most thorough updating of the text ever. First, Chapter 1 describes Sen’s influential “capabilities” approach to poverty and the meaning of development. Chapter 2 follows up with a full examination of the Human Development Index (HDI), introduced as a means of measuring levels of living holistically. In previous editions a briefer discussion of the HDI appeared as part of an appendix that also discussed the Physical Quality of Life Index. The latter discussion is now moved to the companion website at www.aw.com/todaro.

The order of Chapters 3 and 4 have been reversed for better flow. A new section on the debate over convergence or divergence of incomes per capita across countries has been added to Chapter 3, “Historic Growth and Contemporary Development: Lessons and Controversies” (formerly Chapter 4). An updated version of the former Chapter 3 (“Theories of Development: A Comparative Analysis”) is now found as Chapter 4, “Classic Theories of Economic Development: A Comparative Analysis.” Chapter 4 contains a new appendix with a more thorough treatment of the Solow growth model. The section on endogenous growth formerly found in Chapter 4 has been expanded and moved to the new Chapter 5.

We have added a new Chapter 5 on “Contemporary Models of Development and Underdevelopment” to the Eighth Edition. The chapter offers accessible in-depth coverage of coordination failure problems and multiple equilibria, and includes a discussion of Paul Krugman’s graphical version of the Murphy-Schliefer-Vishny Big Push model, the main ideas of Michael Kremer’s O-ring model, and other influential ideas in the development economics of complementarities and underdevelopment traps. Although the level of presentation is not advanced, some sections of this chapter contain somewhat complex ideas and may not be suitable for some courses with many non-economics majors.

Chapter 6 on poverty and inequality, which includes material previously in Chapter 5, offers expanded and updated coverage on measures of poverty, the impact of inequality on growth and development, and the nature of poverty traps. Coverage of current micropolicies, including microcredit, incentives for child schooling, and integrated health, education, and income generation programs is also introduced. The Ahluwalia-Chenery Welfare Index has been moved to

Appendix 6.2. The price incentive model from the former Chapter 7 now appears in Appendix 6.1. Chapter 8 presents new material on urban policy, the informal sector, and emerging ideas on the role of cities in development.

The Eighth Edition also offers a new Chapter 9 on “Human Capital: Education and Health in Economic Development” with complete coverage of both health (featuring coverage of AIDS and other critical problems) and education as providing vital contributions to growth and as key development objectives in their own right. The chapter stresses the vital interrelationships between investments in health and education. Chapter 10 features an expanded section on the economics of sharecropping.

A new introduction to Part III presents coverage of recent debates on globalization and its implications for developing countries, which is expanded on in the subsequent chapters.

Chapter 16 introduces the new political economy of development policymaking and the state, including issues in governance, corruption, and decentralization. The chapter also features a new section on “development participation” and strategies for making it work better in the field. Chapter 17 features an expanded section on the role of financial markets in economic development, including coverage of recent debates on the potential role of stock markets. Most of the other chapters include new discussions of the results of recent research. All of the case studies have been updated to reflect the latest available data and local developments. Throughout all of these updates, the text retains its hallmark accessibility to those with limited training in economics, without sacrificing depth.

Supplementary Materials

The Eighth Edition comes with a comprehensive course companion website with content by Michael A. McPherson of the University of North Texas and Philip King of San Francisco State University. Available at <http://www.aw.com/todaro>, this site offers an online Student Study Guide, including, for each chapter, multiple-choice quizzes and sets of quantitative and graphing exercises. In addition, Internet exercises allow students to explore the countries highlighted in the country case studies in more depth. A Recommended Readings section provides links to and questions about additional development resources. A message board enables students of economic development from all over the world to exchange ideas.

The website also contains material for the instructor, including PowerPoint slides for each chapter. Also featured on this site is the updated text of *Case Studies in Economic Development*, which provides numerous additional case studies for students and instructors to draw upon.

To make room in the Eighth Edition for exciting new materials without eliminating important coverage from past editions, we have made the following revised and updated material available online: Appendix 2.1: Early Alternative Measures of Development: Precursors of the HDI; the Case Study on Cuba (to accompany Chapter 9); and, in addition, Chapter 18, Critical Issues for the Twenty-First

Century: Globalization, the Environment, Africa, and International Economic Reform, has been revised and updated and now also appears online, with its Case Study on Uganda.

The text is further supplemented by an Instructor's Manual by Nora Underwood of the University of California, Davis. It has been thoroughly revised and updated to reflect changes to the Eighth Edition.

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U.S. Reviewers

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Sylvain H. Boko, WAKE FOREST UNIVERSITY

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Nora Underwood, UNIVERSITY OF CALIFORNIA, DAVIS

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Printam Singh, OXFORD BROOKES UNIVERSITY
Shindi Thandi, UNIVERSITY OF COVENTRY
Alex Cunliffe, UNIVERSITY OF PLYMOUTH

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Michael P. Todaro
Stephen C. Smith