# Contents

**Preface**

International Development Resources on the Internet

## PART ONE

**Development and Growth**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Patterns of Development</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Measuring Economic Growth and Development</td>
<td>23</td>
</tr>
<tr>
<td>3</td>
<td>Economic Growth: Concepts and Patterns</td>
<td>55</td>
</tr>
</tbody>
</table>
INSTITUTIONS, GOVERNANCE, AND GROWTH 80 | 4. Favorable Environment for Private Enterprise 82 | 5. Trade, Openness, and Growth 83 | 6. Favorable Geography 84 | Summary 87

4 Theories of Economic Growth


5 States and Markets


PART TWO

Distribution and Human Resources

6 Inequality and Poverty

WHY SHOULD DEVELOPMENT STRATEGIES HAVE A POVERTY FOCUS? 202

Improving Opportunities for the Poor 205

Income Transfers and Safety Nets 206

Global Inequality and the End of Poverty 208

Summary 214

Population

217

A Brief History of World Population 218

The Demographic Transition 220

The Demographic Situation Today 224

Total Fertility Rates 225

The Demographic Future 227

Population Momentum 229

The Causes of Population Growth 231

Thomas Malthus, Population Pessimist 232

Why Birth Rates Decline 233

Population Growth and Economic Development 236

Population and Accumulation 237

Population Growth, Age Structure, and Dependency Ratios 239

Population and Productivity 241

Population and Market Failures 243

Population Policy 245

Family Planning 246

Authoritarian Approaches 249

Missing Girls, Missing Women 251

Population Issues for the Twenty-First Century 253

Summary 254

Education

257

Trends and Patterns 258

Stocks and Flows 259

Boys versus Girls 263

Schooling versus Education 264

Education as an Investment 267

The Rate of Return to Schooling 269

Estimated Rates of Return 272

First-Generation Estimates 273

Estimating Rates of Return from Wage Equations 275

Second-Generation Estimates 276

Puzzles 278

Returns to Schooling and Income Opportunities 279

Making Schooling More Productive 281

Underinvestment 282

Misallocation 282

Improving Schools 286

Reducing the Costs of Going to School 287

Mexico's PROGRESA 288

Inefficient Use of Resources 290

It is about More than the Money 293

Combating Teacher Absence 294

Summary 298

Health

299

What Is Health? 302

Life Expectancy 305

Transitions in Global Health 307

The Epidemiologic Transition 308

The Determinants of Improved Health 310

Health, Income, and Growth 313

Income and Health 314

How Beneficent is the Market? A Look at the Modern History of Mortality 318

Health and Productivity 319

Health and Investment 320

Three Critical Diseases 321

Malaria, Yellow Fever, and the Panama Canal 322

HIV/AIDS 323

HIV/AIDS, Malaria, and Tuberculosis: Some Basics 324

Malaria 329

Making Markets for Vaccines 330

Tuberculosis 333

What Works? Some Successes in Global Health 335

Preventing HIV/AIDS in Thailand 336

Controlling Tuberculosis in China 336

Eradicating Smallpox 337

Eliminating Polio in Latin America 338

Preventing Deaths from Diarrheal Disease 340

Lessons Learned 342

Health Challenges 343

Summary 344
PART THREE
Macroeconomic Policies for Development

10 Investment and Savings


11 Fiscal Policy


12 Financial Development and Inflation

13 Foreign Debt and Financial Crises

Advantages and Disadvantages of Foreign Borrowing 458 | Debt Sustainability 459 | Debt Indicators 460 | From Distress to Default 463 | A SHORT HISTORY OF SOVEREIGN LENDING DEFAULT 465 | The 1980s Debt Crisis 466 | Causes of the Crisis 467 | Impact on the Borrowers 469 | Escape from the Crisis, for Some Countries 470 | The Debt Crisis in Low-Income Countries 473 | Debt Reduction in Low-Income Countries 474 | The Heavily Indebted Poor Country Initiative 475 | ODOUS DEBT 476 | DEBT RELIEF IN UGANDA 479 | Emerging Market Financial Crises 480 | Domestic Economic Weaknesses 482 | Short-Term Capital Flows 484 | Creditor Panic 486 | MODEL OF SELF-FULFILLING CREDITOR PANICS 486 | Stopping Panics 489 | Lessons from the Crises 494 | Summary 496

14 Foreign Aid


15 Managing Short-Run Crises in an Open Economy

PART FOUR

Agriculture, Trade, and Sustainability

16 Agriculture and Development 583


17 Agricultural Development: Technology, Policies, and Institutions 619


18 Trade and Development 665

## 19 Trade Policy

- Import Substitution 711
- Protective Tariffs 713
- Import Quotas 714
- Effective Rates of Protection 715
- Trade Protection and Politics 718
- The Two-Country Model with a Tariff 719
- Production Subsidies 720
- Exchange-Rate Management 722
- Outcomes of Import Substitution 724
- Export Orientation 725
- Removing the Bias against Exports 727
- Favoring Exports 728
- Building Export Platforms 730
- Is China's Exchange-Rate Policy Unfair? 731
- Trade Strategy and Industrial Policy 734
- Trade, Growth, and Poverty Alleviation 736
- Trade Reforms and Poverty Alleviation 739
- Key Issues on the Global Trade Agenda 741
- Increased Global Competition and the Rise of China (and India) 741
- Does Outward Orientation Create Sweatshops? 743
- Labor Activists and Labor Outcomes in Indonesia 746
- Export Orientation 747
- Multilateral Trade Negotiations and the WTO 750
- Temporary Migration: Another Dimension of International Trade 753
- Summary 755

## 20 Sustainable Development

- Will Economic Growth Save or Destroy the Environment? 759
- Concept and Measurement of Sustainable Development 761
- Saving for a Sustainable Future 765
- The Malthusian Effect of Population Growth on Adjusted Net Savings in Ghana 768
- Market Failures 769
- Externalities and the Commons 770
- Policy Solutions 773
- Property Rights 773
- Government Regulation 774
- Taxes, Subsidies, and Payments for Environmental Services 776
- Taxing Water Pollution in Colombia 777
- Marketable Permits 779
- Informal Regulation 781
- Policy Failures 782
- Policy Failures and Deforestation in Indonesia 783
- Poverty-Environment Linkages 785
- Global Climate Change 792
- Summary 800

Index 803