

Gerald M. Meier

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For David, Daniel, Jeremy, Andrew —Once more, thirty years later

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PREFACE

Two centuries after the Industrial Revolution, most of the world still has to contend with the daily pain of poverty. Why is this so? And what can be done about it?

This book concentrates on the latest thinking about policies to raise the standard of living for 80 percent of the world's population—the poverty-ridden peoples in less developed countries (LDCs). Over the past three decades—since the first edition of this book—there have been extraordinary changes in the development experience. This sixth edition is extensively revised in response to changes in the subject matter of development economics and new problems confronting the development community. Attention is now given to new growth theory, new institutional economics and problems of imperfect information and incomplete markets, new trade theory, models of household behavior, applied microeconomic studies, issues of gender, the environment, recent experience with policy reform, and political economy as related to governance.

I have, however, avoided writing the ordinary type of textbook, in favor of a distinctive kind of coursebook to illuminate the leading issues of economic development from a variety of viewpoints and different perspectives. Although ordinary textbooks in the subject now exist, I still doubt that a standard type of textbook can capture the range of thought and applications that are necessary to understand the problems and policies of development. Only by culling the most insightful readings from the diffuse field of development and bringing them into conceptual order can this be done. Interpreting development as a problem-solving and policy-oriented subject, I believe this eclectic approach best serves the student's needs.

Accordingly, the organization of this book presents material that combines the best analytical thought alongside instructive application. Unlike the organization of an ordinary book of readings, I want to emphasize the importance of the interrelatedness of the selected readings on each issue—taken as a set—rather than any one particular reading. This is especially necessary for appreciating the relationships among the various materials that deal with analysis, policy implications, and the lessons of development experience. The section “Using This Book” (p. vii) describes the combination of Selected Readings and my Notes, Comments, and Exhibits.

Many of the Selected Readings are new, and there are new or revised Notes, Comments, and Exhibits. Throughout, the emphasis is on fundamental analytical principles and on empirical relationships within the main theme of how to improve the future quality of development policy making—both national and international.

I wish to express my appreciation to the authors and publishers who have granted permission to use excerpts from publications for which copyrights exist. Specific acknowledgment is given with each selection. Some parts of the original versions of the selected materials have been omitted out of consideration for relevance and to avoid repetition. In some instances, tables and diagrams have been renumbered, the footnotes have been deleted or renumbered. Some of the selections from an earlier (unenlightened) age fail to be gender-neutral; although I have not changed their original language, I do apologize for any male bias of other authors. Abstract male pronouns should be read in a gender-neutral sense.

Many revisions in this edition have been inspired by students at Stanford University and by lecture audiences in developing countries. The book is designed for them, and their appreciation means much to me. I hope this volume will prove of value to yet another generation of students concerned with the future of the developing world.

An extensive critique of the fifth edition by Professor Jere Behrman of the University of Pennsylvania has been helpful for my revision of this new edition. Three other anonymous readers also provided numerous and valuable suggestions.

For easing the laborious library process of preparing this edition, I am grateful to librarians at Stanford and Oxford, and for the assistance of Martin Gonzalez, Roberto Garcia, Elizabeth MacLean, and Gyoung-Gyu Choi. Ellen Kitamura inherited a disorganized manuscript that needed completion of several chapters and revisions. With exceptional efficiency—and good humor—she speedily processed the final typescript. Members of the World Bank, International Monetary Fund, and UNICEF have been generous in providing data, but are not responsible for my interpretation.

As previously, Herbert Addison has again been the most responsive and considerate of editors, while all others at Oxford University Press continue to make the thirty-year association an author's wish. Finally, I am grateful to the entire profession of development economists whose writings provide the foundation for this volume—especially the newer generation who have in this edition extended my own education in development.

Stanford
April 1994

G.M.M.

USING THIS BOOK

The materials in this book are designed to provide maximum flexibility of use for instructors and students. The subject of economic development is so large, and even controversial, that it cannot be encapsulated in an ordinary type of textbook. The different sections in the chapters therefore explore a variety of perspectives on issues of fundamental importance to developing nations.

Each chapter includes the following sections:

Chapter openings A short introductory statement of the major themes of the chapter and a guide to the selections included.

Readings Edited selections that present in succinct form the major contributions by development economists and practitioners on the central issues in economic development.

Notes Connecting text that integrates or supplements the selections.

Comments Further explanation of special topics and recommended readings.

Exhibits Tables and charts drawn from research studies that provide empirical illustrations and data on topics under discussion.

Each section acquires added significance through its contextual position, and taken together within a chapter, the materials form a whole. Each chapter is self-contained, and the contents are designed to allow individual freedom of choice in deciding what chapters and selections to read and in what sequence.

ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
CACM	Central American Common Market
DRC	Domestic Resource Cost
DUP	Directly Unproductive, Profit-Seeking Activities
ECLAC	Economic Commission for Latin America and the Caribbean
EER	Effective Exchange Rate
ERP	Effective Rate of Protection
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GNP	Gross National Product
HDI	Human Development Index
HPAEs	High-Performing Asian Economies
IBRD	International Bank for Reconstruction and Development (World Bank)
ICOR	Incremental Capital–Output Ratio
ICP	International Comparison Project (Purchasing Power Parities)
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
ISI	Import-Substitution Industrialization
LAFTA	Latin American Free Trade Association
LDCs	Less Developed Countries
MDCs	More Developed Countries
MNE	Multinational Enterprise
MSC	Marginal Social Cost
MSV	Marginal Social Value
NGO	Nongovernmental Organization
NICs	Newly Industrializing Countries
NIEO	New International Economic Order
NPV	Net Present Value
NSB	Net Social Benefit
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries

xx ABBREVIATIONS

PPP	Purchasing Power Parity
PSV	Present Social Value
SDRs	Special Drawing Rights
SITC	Standard International Trade Classification
SOEs	State-Owned Enterprises
TFP	Total Factor Productivity
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WHO	World Health Organization
WIDER	World Institute for Development Economics Research

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