
Preface

Development economics is a very large and growing subdiscipline or field of economics. Since it is concerned with the economic problems of economies which have been variously defined as underdeveloped, less-developed or developing, and where most of the poor and the underprivileged people of the world live, it is also arguably one of the most important – if not the most important – field of economics. It is also a complex field which has been approached by scholars using different approaches, involving different definitions of development, different methods of analysis, different views of how economies function, and different recipes of what should be done to bring about development. In the course of the evolution of the field, even if one focuses only on its evolution since the end of World War II, some approaches have enjoyed greater popularity at certain times, when others have lost ground, with role reversals later on.

The field's size, complexity and transformations make it a difficult business to represent it with a handbook, especially when some excellent ones already exist. But these same features of the field provided us with some reasons to take on the task. It has been some years since some of the earlier handbooks were published. To the extent that handbooks survey recent literatures, they become outdated. Moreover, it can be argued that some of the earlier efforts did not sufficiently take into account the great diversity of approaches in the field and arguably stressed some approaches more popular at the time.

In line with our goals, we approached scholars who were experts in their area to participate in this project. We asked them to discuss what they believed to be some of the key issues concerning their topic, and of the major contributions to it, rather than writing exhaustive surveys. Moreover, we asked the contributors to examine analytical contributions, as well as the relation between these contributions and real-world and policy issues, although inviting them to choose the precise balance between these. We also asked contributors to attempt to cover contributions from alternative theoretical perspectives. To further have different views represented, especially views under-represented in mainstream development economics, we approached scholars using a variety of different approaches and devoted an entire section of the *Handbook* (Part II) to the discussion of alternative approaches.

The *Handbook* is divided into nine parts. Part I, which is introductory, discusses the meaning and measurement of economic development, historical

and interdisciplinary perspectives on development, empirical regularities in development, and data problems and empirical modeling in developing economies.

Part II, as mentioned earlier, deals with alternative approaches. It starts with earlier contributions to development economics, then discusses classical development theory of the early days after World War II, and then turns to different approaches to development economics, that is, the dependency and structuralist approaches, the Marxist approach, the institutionalist approach and the neoclassical approach. The different approaches can be characterized in different ways, and our contributors have chosen their own characterizations.

Part III examines the macroeconomics of growth and development. It starts with a discussion of general long-run approaches to growth from a theoretical perspective, and then discusses new growth theory in more detail. Then it turns to short-run macroeconomic issues. Next it turns to sectoral interactions, focusing on the interaction between agriculture and industry, and to general open economic issues in development.

Part IV discusses factors in development, not only in the narrow sense of inputs such as capital, labor and natural resources, but also in the broader sense which includes entrepreneurship, the environment and technological change. On capital, one entry examines savings, investment and capital accumulation in general, another entry focuses on finance and credit, and yet another discusses physical infrastructure. On labor, there are entries on population, labor markets, education and human capital formation, and health and nutrition. Next it turns to the role of entrepreneurship, and natural resources are then discussed. The environment is addressed next, not just as a factor of production, but also in terms of its sustainability. A final entry addresses technological issues, focusing on technical choice and technological change.

Part V examines specific sectors in development. On agriculture, there are entries on agricultural factor markets and institutions and on the so-called Green Revolution, which addresses the issue of technological change in the sector. Next, the discussion turns to the industrial sector, the informal sector, and services. Finally, there is an entry on urbanization and intersectoral migration.

Part VI turns to international issues. On international trade, it starts with a discussion of how free trade affects developing countries, then examines the role of the terms of trade, which has received much attention in the development literature, and then turns to trade policy, especially to the debate between import-substitution and export-promotion policies. On international capital flows, it examines direct foreign investment, debt and portfolio flows and addresses the issue of the volatility of capital flows, and then turns

to foreign aid. Next, international migration and the brain drain are examined. International technology transfers are addressed by focusing on one of the major modes of such transfers, foreign direct investment. The role played by international institutions in development is addressed by examining the Bretton Woods institutions and the World Trade Organization. This part ends with an examination of the relation between rich and poor countries, or what is usually referred to as North–South issues.

Part VII examines distributional issues. It first discusses the measurement and determination of income inequality, addressing how development affects inequality. It then turns to how income distribution affects growth and development. The measurement and determinants of poverty are addressed in the next entry, examining poverty in a narrow way as well as a broader, multidimensional way. Issues concerning gender are examined in the next entry which considers how the fruits of development are shared between the sexes and whether improving gender distribution and development are positively related. The economic conditions of children and the impact of growth of children's welfare are examined next. Finally, this part examines the measurement and conceptual issues relating to ethnic inequality, and discusses the relation between ethnic inequality and economic growth.

Part VIII examines the role of the state and other institutions in development. It commences with a general discussion of the two main institutions emphasized in economics, the state and the market. It next examines different aspects of government policy, that is, monetary policy, fiscal policy, stabilization policy and structural adjustment, planning and project appraisal, and state-owned enterprises and privatization. This is followed by a discussion of corruption. The role of law and legal institutions is examined next, followed by a discussion of the institution of property rights. Broader issues regarding culture and development are considered next. The part concludes with a discussion of the causes and consequences of wars, especially civil wars, in less-developed countries.

Finally, Part IX provides a review of the main issues concerning recent actual development experience. It opens with an overall discussion of development in less-developed regions from an international perspective. It then examines in turn Latin America and the Caribbean, sub-Saharan Africa, North Africa and the Middle East, China, South Asia, the East Asian newly industrialized countries, and the post-socialist transitional economies. The inclusion of the final region is explained both because these are often considered to be less-developed countries, and because their experience has important lessons for development.

The chapters just described, numbering 71, have been written by 90 contributors, who live in (or are from) all five continents. This – in addition to

the fact that it covers development issues relating to, and the experience of, countries all around the less-developed world – makes the *Handbook* truly international in scope.

A work such as this could not have been completed without the hard work of a large number of people. As editors, we would like to thank all the contributors, who have graciously devoted time and contributed their expertise to this project. We would also like to thank some other individuals for their comments and/or suggestions, including Chris Barrett, Kaushik Basu, Jagdish Bhagwati and Michael Ellerman. A few people whose work was to be included here – Sanjaya Lall, David Pierce and Richard Sabot – have passed away. We are grateful for their willingness to contribute and deeply saddened by their deaths.

The Editors