

Essentials *of*
Development
Economics

*This was probably the best textbook
I have ever read and probably the ONLY
textbook that I have read completely.*

—Maybo Li, UC Davis student

Essentials *of*
Development
Economics

■ ■ ■

J. EDWARD TAYLOR

with Travis Lybbert



Berkeley, California

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Contents

<i>Preface</i>	i
1. What Development Economics Is All About	1
2. Income	29
3. Poverty	47
4. Inequality	63
5. Human Development	77
6. Growth	89
7. Agriculture	115
8. Transformation	145
9. Markets, Information, and Trade	175
10. Credit and Risk	209
11. What Works and What Doesn't?	237

Preface

It was Winter Quarter 2012. The memory of pepper spray still permeated the air above the UC Davis quad. I gritted my teeth and told the campus bookstore to order up 125 copies of an undergraduate econometrics textbook at \$150 a shot. (That's a gross of \$18,750 just from my class.)

Over dinner that night, my 20-year-old son, Sebastian, just back from occupying the Port of Oakland, said he spent \$180 on a new edition calculus text required for his course. My 16-year-old son, Julian, exclaimed: "That's obscene." Sebastian responded, "You're right. Basic calculus hasn't changed in decades. You don't need new editions to learn calculus."

Before dinner was over, my two kids ambushed me and made me promise never, ever, to assign an expensive textbook to my students again.

"So, what do you want me to do then, write one?" I asked them.

"Exactly," they answered in unison.

"And get a good title for it," my wife, Peri, added.

The next day, RebelText was born. Its first creation was *RebelText: Essentials of Econometrics*. That seemed like a big enough project, but then Rich Sexton, my department chair, assigned me to teach our enormous undergraduate development economics course. Naturally, I had to write a book for that one, too. That's how *RebelText: Essentials of Development Economics* became the second member of the RebelText line.

What's RebelText?

First, it's affordable. It costs as little as one-fifth the price of a normal textbook. Second, it's concise. It covers what I can hope to get through in a quarter-long course (but wish I had a semester to do). Third, it's compact. Being both affordable and compact, you can carry it around with you. Write in it. Don't worry about keeping the pages clean, because

at this price there's no need to resell it after the class is through (or worry about whether there will still be a market for your edition).

The price of a RebelText covers the costs of printing and student assistants and research to keep the series going. That's why it's so low. No mega-profits for presses, always pushing for a new edition to spoil the resale market. This RebelText will naturally evolve as needed to keep pace with the field, but there will never, ever, be a new edition just for profits' sake.

Who Should Have this Book?

When I sat down to write *Essentials of Development Economics*, I wanted a compact book for an upper-division undergraduate development economics class. That is primarily what this is. The undergraduate development textbooks out there not only are very expensive; I have found them not to be particularly good teaching tools. They tend to be a smorgasbord of topics instead of providing students with the essential idea and tool kit for doing development economics. Every year students complain about this in their evaluations. The knowledge in this book should poise any undergraduate for further study or to venture out into the real world with the essential economic development concepts and tools under her belt, and then some.

There's a striking disconnect between development textbooks and journal articles. Specialized journal articles really are what shape the way we think about development economics problems and research. They were not written for undergraduate courses. Nevertheless, the topics they cover, research approaches they use, and critical findings they present are essential to understanding development economics, and they *can* be made accessible. Journal articles are highlighted in boxes throughout this book.

QR (Quick Reference) codes link readers with online materials, including images and video clips of some of the most influential leaders in development economics presenting their ideas about material in

the book. You will find several of these scattered throughout the book. If you do not have a tablet or smart phone, don't worry—the links are also available as urls in the “Resources” area of rebeltext.org.



As the book took shape my vision for it got bigger. I found myself wishing I'd had something like it while I was a graduate student, to put all those journal articles into perspective. Writing *RebelText* forced me to sit down and think hard about what the *essentials* of development economics are. This is much harder to do for development economics than, say, econometrics, in which a single general model (the classical regression model) is the launching pad for a whole course.

That's where Travis came in.

Travis is a quickly rising star in the development economics world. Less than a decade out of graduate school, he has research projects underway on three continents, dozens of publications that include top economics and development economics journals, and numerous awards, including the best article of the year in the *American Journal of Agricultural Economics* and teaching awards at both UC Davis and Cornell. In short, Travis is out there reshaping the field, and he knows how to teach it.

The result of all this hard thinking is a more structured and comprehensive approach as well as a fresh take on what development economics is about. *RebelText: Essentials of Development Economics* takes the most exciting discoveries and critical methods in the field and makes them accessible to students in a way that they have not been before.

How to Use RebelText

RebelText was created to make learning and teaching as efficient as possible. Students need to learn the essentials of the subject. They do not want to wade through thick textbooks in order to locate what they need, constantly wondering what will and won't be on the next test. Because it is so concise, there is no reason not to read and study every word of

RebelText: Essentials of Development Economics. All of it could be on the test. Master it, and you will be well positioned to go out and do development work in the real world. You can think of this book as presenting the “best practices” and state-of-the-art methods for doing development economics. By mastering it, you’ll also have the conceptual and intuitive grounding you need in order to move on to higher-level development economics courses. You’ll probably find yourself referring back to it from time to time, so keep it on your shelf!

RebelText comes with its own “living” website: rebeltext.org. There, you’ll find data sets included in this book, interesting links, and other items of interest. Updated homework questions often are used as an excuse for printing new editions of textbooks. The way we see it, that’s what websites are for. When my colleagues and I use RebelText, this website becomes a center of class activity.

If you are teaching with RebelText, consider contributing your ideas about novel uses of our book and website, interesting data sets, programs, and projects. To find out how, visit rebeltext.org and click on “contributing to RebelText.”

About the Authors

Ed loves teaching economics, especially microeconomics, econometrics, and economic development. He’s been doing it for about 25 years now at UC Davis, where he is a professor in the Agricultural and Resource Economics Department. He’s also done a lot of economics research; at last count he had published about 136 articles, book chapters, and books on topics ranging from international trade reforms to ecotourism, immigration, and rural poverty. He’s in *Who’s Who in Economics*, the list of the world’s most cited economists, and he is editor of the *American Journal of Agricultural Economics*. He has worked on projects with the United Nations, the World Bank, the Organization for Economic Cooperation and Development, and the Inter-American Development

Bank, as well as with foreign governments, including those of Mexico, Honduras, Canada, and China. He is working on a book called *Beyond Experiments: Simulation Methods for Impact Evaluation*, which will present a new approach to doing impact evaluation and cost-benefit analysis. You can learn more about Ed at his website: jetaylor.ucdavis.edu.

Travis Lybbert was initially torn between Environmental Studies and Landscape Architecture as an undergraduate major at Utah State University. A class on Environmental and Resource Economics convinced him that economics offered a powerful lens through which to understand social problems, dilemmas and potential solutions. After graduating with an Economics major (and French and Environmental Studies minors), he lived in Morocco for a year as a Fulbright student. The experience prompted him to pursue graduate work in economic development at Cornell University. After teaching for two years at the Honors College at Florida Atlantic University, he arrived at UC Davis where he is currently Associate Professor in the Agricultural and Resource Economics Department. Travis has worked in Africa, India, and at the World Trade Organization. His current projects include: assessing drought risk, coping and vulnerability in Morocco and Burkina Faso; risk and poverty dynamics among Kenyan pastoralists; micronutrient supplements and household welfare in Malawi, Burkina Faso and Ghana; and cell phones and adult literacy in Niger. Travis teaches both graduate and undergraduate courses in economic development and applied economics. To learn more about him, visit his faculty website: tlybbert.ucdavis.edu.

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-J. Edward Taylor
Berkeley, California
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