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0521817633 - The Dynamics of Socio-Economic Development: An Introduction

Adam Szirmai

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## The Dynamics of Socio-Economic Development

### An Introduction

Why are poor countries poor and rich countries rich? How are wealth and poverty related to changes in nutrition, health, life expectancy, education, population growth and politics? This modern, non-technical introduction to development studies explores the dynamics of socio-economic development and stagnation in developing countries. Taking a quantitative and comparative approach to contemporary debates within their broader context, Szirmai examines historical, institutional, demographic, sociological, political and cultural factors. Key chapters focus on economic growth, technological change, industrialisation and agricultural development, and consider social dimensions such as population growth, health and education. Each chapter contains comparative statistics on trends from a sample of twenty-nine developing countries. This rich statistical database allows students to strengthen their understanding of comparative development experiences. Assuming no prior knowledge of economics, the book is suited for use in interdisciplinary development studies programmes as well as economics courses, and will also interest practitioners pursuing careers in developing countries.

ADAM SZIRMAI is Professor of Technology and Development Studies at Eindhoven University of Technology, the Netherlands, and one of the founders of the Eindhoven Centre for Innovation Studies.

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# Contents

<i>List of figures</i>	<i>xvii</i>
<i>List of tables</i>	<i>xix</i>
<i>List of boxes</i>	<i>xxiii</i>
<i>Preface</i>	<i>xxv</i>
<i>List of abbreviations</i>	<i>xxix</i>
<i>Acknowledgements</i>	<i>xxxii</i>

<b>Chapter 1</b>	<b>Developing countries and the concept of development</b>	<b>1</b>
1.1	Approaches to development	2
1.2	The development debate	4
1.3	Growth and development	6
1.4	Are growth and development desirable?	9
1.5	Development and Westernisation	11
1.6	Indicators of growth and development	12
1.7	Does the ‘third world’ exist?	16
1.8	What do developing countries have in common?	28
<b>Chapter 2</b>	<b>Development of the international economic order, 1450–2000</b>	<b>35</b>
2.1	International economic order	36
2.2	Economic breakthrough and external expansion from Western Europe	36
2.3	Why expansion from Europe instead of from China?	39
2.4	European expansion in the world	43
2.4.1	Types of international economic orders	45
2.4.2	The first wave of expansion, 1400–1815	47
2.4.3	The first wave of decolonisation	50
2.4.4	The second phase of European expansion, 1815–1913	51
2.4.5	The period 1870–1913	53
2.4.6	Migration flows	54
2.4.7	Non-colonised areas	59
2.4.8	Latecomers in the process of economic development	60
2.4.9	The period 1913–1950	60
2.4.10	The period after World War II	61

- 2.5 Two perspectives on developments in the world economy; 1500–2000 63
- 2.6 Key issues in development 64
  
- Chapter 3 Growth and stagnation: theories and experiences 68**
- 3.1 What are the basic sources of growth?  
How do economies grow and societies become more prosperous? 69
- 3.2 Classical thinking about growth, development and stagnation 70
  - 3.2.1 Adam Smith 71
  - 3.2.2 The classical economists Ricardo, Malthus and Mill 71
  - 3.2.3 Friedrich List 72
  - 3.2.4 Classical sociologists: Spencer, Tönnies and Durkheim 72
  - 3.2.5 Karl Marx 74
  - 3.2.6 Imperialism 75
  - 3.2.7 Max Weber and Joseph Schumpeter 76
- 3.3 Internal and external approaches 78
- 3.4 Explanations of economic backwardness 79
  - 3.4.1 Rostow's theory of the stages of economic growth 79
  - 3.4.2 Kuznets's preconditions for industrialisation 81
  - 3.4.3 Advantages of backwardness 82
  - 3.4.4 Neoclassical theories of growth 83
  - 3.4.5 Evolutionary theories of economic change 87
  - 3.4.6 North and Thomas: efficient institutions 88
  - 3.4.7 Myrdal: Institutional reforms 89
- 3.5 Explanations of underdevelopment 90
  - 3.5.1 Neo-Marxist theories of underdevelopment 91
  - 3.5.2 Structuralism and theories of unequal exchange 94
  - 3.5.3 Underdevelopment theories: a preliminary evaluation 96
- 3.6 Empirical study of development experiences 97
  - 3.6.1 Growth of income per capita: can developing countries grow? 98
  - 3.6.2 Investment: how important is capital? 102
  - 3.6.3 Export performance 104
  - 3.6.4 External finance: does money flow from poor to rich countries? 106
  - 3.6.5 Are developing countries capable of structural change? 109
  - 3.6.6 How unequal is the income distribution? 112

<b>Chapter 4</b>	<b>Technology and development</b>	<b>117</b>
4.1	The role of technology	117
4.2	The technology race	118
4.3	Technological change and increases in productive capacity	121
4.3.1	How to increase labour productivity?	121
4.3.2	Investing in technological change	123
4.3.3	Diffusion of technology and technological and social capabilities	124
4.3.4	Technology, productivity and competitiveness	125
4.4	Economic theories about the role of technological change	126
4.4.1	Solow	126
4.4.2	Advantages of backwardness	127
4.4.3	Endogenous and evolutionary growth theories	127
4.5	Consequences of the acceleration of technological development for developing countries	129
4.5.1	Acceleration of global technological change	129
4.5.2	Knowledge gaps	130
4.5.3	New opportunities offered by technological development	131
4.5.4	New threats	132
4.6	International technology transfer and technology diffusion	133
4.6.1	Intellectual property rights	134
4.6.2	Technological capabilities	135
4.6.3	National innovation systems	136
4.7	Biotechnology	137
4.8	Information and communication technology	137
4.9	National and international policy	138
<b>Chapter 5</b>	<b>Population and development</b>	<b>141</b>
5.1	Introduction	142
5.2	Perspectives on population growth	142
5.3	Growth of world population	143
5.4	The demographic transition	145
5.5	Demographic developments in developing countries	147
5.6	Socio-economic consequences of population growth	151
5.6.1	Pessimistic and optimistic perspectives	151
5.6.2	Malthusian analyses	152
5.6.3	The neo-Malthusian trap	152
5.6.4	Growth of national income, growth of per capita income and the dependency ratio	154
5.6.5	Dependency ratio and savings	154

5.6.6	Population growth and investment	155
5.6.7	Population growth, education and health care	156
5.6.8	Employment, income distribution and poverty	156
5.6.9	Population growth and the environment	159
5.6.10	Population growth and technological progress	163
5.6.11	Consequences of population growth: concluding remarks	165
5.7	Why do people in developing countries have so many children?	165
5.7.1	Introduction	165
5.7.2	Intermediate determinants of fertility: the Bongaarts model	166
5.7.3	Economic explanations of fertility	168
5.7.4	Cultural and institutional explanations of fertility	169
5.8	Policy	171
<b>Chapter 6 Health, health care and development 177</b>		
6.1	The state of health in developing countries	178
6.1.1	Quantitative indicators of the state of health	178
6.1.2	Infant and child mortality	179
6.1.3	Life expectancy	181
6.1.4	Patterns of disease and health	183
6.1.5	Common infectious and parasitic diseases in developing countries	186
6.1.6	Epidemiological transition	190
6.2	Theoretical explanations of changes in health and morbidity	192
6.2.1	Factors affecting the state of health	192
6.2.2	Preston: per capita income and life expectancy	193
6.2.3	McKeown: the importance of nutrition	194
6.2.4	Preston and McKeown	195
6.2.5	The Mosley model and the importance of education	196
6.2.6	Caldwell: the importance of health-care policy	199
6.2.7	Standards of living, education, medical technology and health-care systems: a synthesis	202
6.3	Health and economic development	204
6.4	Health-care policy	206
<b>Chapter 7 Education and development 213</b>		
7.1	Theories of the contribution of education to economic development	214
7.1.1	'Human capital' theory	214
7.1.2	Criticisms of human capital theory	218

- 7.1.3 Screening theory 219
- 7.1.4 Criticisms of screening theory 220
- 7.1.5 An evaluation of the human capital debate 220
- 7.1.6 Education as a necessary but not sufficient condition for development 222
- 7.2 Indicators of educational development 225
  - 7.2.1 Indicators of educational enrolment 225
  - 7.2.2 Educational Attainments 226
  - 7.2.3 Financial indicators 227
  - 7.2.4 Physical indicators 227
  - 7.2.5 Literacy 227
- 7.3 Educational performance in developing countries 228
  - 7.3.1 The initial situation after World War II 228
  - 7.3.2 Increases in educational enrolment 229
  - 7.3.3 Education completed 232
  - 7.3.4 Years of education per member of the labour force 233
  - 7.3.5 Educational expenditures 234
  - 7.3.6 Non-formal and informal education 237
  - 7.3.7 Summary: comparison with developments in more developed countries 238
- 7.4 Problems 239
  - 7.4.1 Discrepancies between educational needs and financial resources 239
  - 7.4.2 The quality of education 240
  - 7.4.3 Lack of relevance 241
  - 7.4.4 Unequal access to education 242
  - 7.4.5 Mismatch between education and the labour market 243
- 7.5 Literacy 245
- 7.6 Nation building 248
- 7.7 Policy 250

## Chapter 8 Economic development, structural transformation and primary exports 255

- 8.1 Capital accumulation and industrialisation 256
- 8.2 Economic development and structural transformation 258
  - 8.2.1 Definitions of economic sectors 258
  - 8.2.2 Structural change 260
  - 8.2.3 Arguments in favour of industrialisation 262
  - 8.2.4 The prestige of industrialisation 266
- 8.3 Accumulation of industrial capital in open and closed models of the economy 266
  - 8.3.1 Open and closed models of the economy: early and late stages of development 266



- 8.3.2 Is the agricultural sector a stagnant or a dynamic sector? 269
- 8.3.3 What about the service sector? 271
- 8.4 The development of agriculture as a prerequisite for industrialisation 272
  - 8.4.1 The role of agriculture in early stages of development 272
  - 8.4.2 Historical examples of relationships between agriculture and industry 274
  - 8.4.3 Conclusion 275
- 8.5 Open model: are primary exports an engine of growth and structural transformation? 276
  - 8.5.1 Introduction 276
  - 8.5.2 Comparative advantage and the role of trade in development 276
  - 8.5.3 Primary exports as an engine of growth between 1817 and 1913: vent for surplus 278
  - 8.5.4 Why disappointing industrialisation? 280
  - 8.5.5 Can primary exports function as the engine of growth? 281
  - 8.5.6 Export pessimism 283
  - 8.5.7 Export pessimism and policy 288
  - 8.5.8 Finding an appropriate balance between primary exports and industrialisation 288
- 8.6 Closed model: interactions between agriculture and industry in later stages of development and structural change 294
  - 8.6.1 Introduction: import-substituting industrialisation in the closed model 294
  - 8.6.2 Transfer mechanisms 295
  - 8.6.3 Towards a balance between agriculture and industry 295
  - 8.6.4 The mix of negative and positive incentives in a balanced growth path 298
- 8.7 Closed and open models and industrialisation 301
- Chapter 9 Industrial development 303**
  - 9.1 Introduction 304
  - 9.2 Large-scale industrialisation and balanced growth strategies 306
    - 9.2.1 Economic development with unlimited supplies of labour 306
    - 9.2.2 Capital-output ratio 309
    - 9.2.3 Shortage of capital as the key bottleneck in economic development 310

9.2.4	Does economic development result in increasing income inequality?	310
9.2.5	The two-gap model of foreign finance: the role of financial flows from abroad	312
9.2.6	Big is beautiful: large-scale investment, government planning and import substitution	313
9.3	Criticisms of orthodox industrialisation strategies	318
9.3.1	Shortcomings of the Lewis model	319
9.3.2	Is capital really so important?	321
9.3.3	How important is the scale of investment?	321
9.3.4	Protection breeds inefficiency	323
9.3.5	Urban industrial bias	324
9.3.6	Alternative industrialisation strategies	326
9.4	Unbalanced growth	326
9.4.1	The function of dynamic imbalances	326
9.4.2	Backward and forward linkages	327
9.4.3	Shift to the market	329
9.5	Balanced growth path	330
9.6	Medium and small-scale enterprises and the urban informal sector	331
9.7	Export-oriented industrialisation	334
9.7.1	The shift from import substitution to export orientation	334
9.7.2	Globalisation, foreign direct investment and the role of multinational companies in development	340
9.8	Liberalisation, deregulation and the debate on industrial policy: neoliberals versus interventionists	343
9.9	Outcomes of industrialisation strategies	345
9.10	Conclusion	351
<b>Chapter 10</b>	<b>Agricultural development and rural development</b>	<b>354</b>
10.1	Is there enough food to feed the world population?	355
10.2	What are the sources of growth of agricultural production?	361
10.2.1	How much land is still left for cultivation?	361
10.2.2	Intensification of land use	367
10.2.3	Increasing yields per harvest	372
10.2.4	Models of agricultural development	375
10.2.5	The green revolution: increase in yields per harvest	380
10.2.6	The green revolution continued: biotechnology and genetically modified crops	386
10.2.7	Summary and prospects	388

10.3	Food consumption and nutrition	390
10.4	Rural development versus agricultural development	396
10.4.1	Changes in rural societies	399
10.4.2	Three perspectives on rural development	400
10.4.3	The peasant economy and peasant households	404
10.4.4	Rationality, risk and survival strategies in peasant societies	409
10.5	Land reform	414
10.6	Collectivisation and decollectivisation	419
10.7	Non-agrarian activities and integrated rural development	421
<b>Chapter 11</b>	<b>State formation and political aspects of development</b>	<b>426</b>
11.1	Concepts	427
11.2	Marxist and Weberian perspectives on the state	431
11.3	Processes of state formation in Europe	433
11.4	State formation in developing countries	438
11.4.1	The importance of external penetration in processes of state formation	439
11.4.2	Internal political instability	443
11.4.3	External political interference as a destabilising factor	445
11.4.4	The role of the military in politics	451
11.4.5	One-party states	455
11.4.6	Is there a resurgence of democracy in developing countries?	457
11.4.7	Rapid growth of the public sector since 1945	459
11.4.8	'Soft states' and the political economy of rent seeking	459
11.5	The role of government in economic development	462
11.5.1	The role of the state in economic development: five examples	463
11.6	Interactions between political and economic developments	472
11.6.1	Political instability as a source of economic stagnation	472
11.6.2	Economic development and political stability	474
11.6.3	Is there a relationship between democracy and economic development?	476
11.6.4	Good governance and economic development	478
11.7	The predatory state as an obstacle to economic development in Sub-Saharan Africa	480
11.8	Concluding remarks	483

<b>Chapter 12 Cultural dimensions of development</b>	<b>486</b>
12.1 Introduction	487
12.1.1 Concepts	487
12.1.2 How important is culture?	487
12.2 The Protestant ethic and the rise of capitalism	489
12.3 Efficient institutions	491
12.4 Traditional versus modern cultures	493
12.4.1 Modernisation theory	493
12.4.2 Towards a more differentiated approach to the opposition between traditional and modern	495
12.5 Are there cultural obstacles to economic development?	497
12.5.1 The caste system	498
12.5.2 The low status of physical work and effort	499
12.5.3 Social obligations in African cultures	500
12.5.4 Gender discrimination	501
12.5.5 The importance of trust in market relationships	501
12.5.6 The mysterious role of ethnic minorities in economic development	502
12.5.7 Cultural differences between North and Latin America	502
12.5.8 The Soviet legacy	503
12.5.9 Asian values and the Confucian ethic	503
12.6 Civic culture	506
12.7 Cultural consequences of and reactions to Western penetration	507
12.7.1 Cultural consequences	507
12.7.2 Reactions to Western penetration and cultural disruption	508
12.8 Interactions between culture, technology and economics at micro-level	511
 <b>Chapter 13 The international economic and political order since 1945</b>	 <b>515</b>
13.1 Characteristics of international relations since 1945	516
13.1.1 Economic aspects	516
13.1.2 Political aspects	521
13.2 Institutions and institutional change since 1945: a chronological overview	526
13.2.1 Free trade versus international regulation	531
13.2.2 The financial institutions	531
13.2.3 The UN family of institutions and the call for a new international economic order	534
13.2.4 Responses to the new international economic order	535

	13.2.5	The debt crisis and the rise of the Washington consensus	536
	13.2.6	The Asian crisis and the debate on the architecture of the international order	538
	13.2.7	Environment	539
13.3		The call for a new international order in the 1960s and 1970s	539
	13.3.1	Criticisms of the liberal international order	539
	13.3.2	Lomé agreements	542
	13.3.3	Criticisms of the new international order	542
13.4		The debt crisis	546
	13.4.1	What is wrong with debt?	546
	13.4.2	What caused the 1982 debt crisis?	547
	13.4.3	Quantitative data on debt and financial flows in developing countries	549
	13.4.4	How to deal with debt?	558
13.5		Structural adjustment policies	563
	13.5.1	Neoliberalism versus structuralism	563
	13.5.2	Structural adjustment, IMF and the World Bank	564
	13.5.3	Stabilisation and structural adjustment	565
	13.5.4	The effectiveness of structural adjustment programmes	568
13.6		The Asian crisis and the renewed debate on globalisation	573
	<b>Chapter 14</b>	<b>Foreign aid and development</b>	<b>580</b>
	14.1	Why foreign aid?	581
	14.2	The emergence of foreign aid	585
	14.3	Development aid: sources and categories	588
	14.4	Quantitative data on aid flows	591
	14.4.1	Long-term trends in the magnitude and geographical distribution of aid flows	591
	14.4.2	Development aid in proportion to total resource flows	594
	14.4.3	Net development assistance as a percentage of gross domestic product	598
	14.4.4	Reduction of the real value of aid by tying	600
	14.4.5	Conclusion: the volume of aid is not negligible	601
14.5		Theories of development and objectives of aid	601
	14.5.1	Aid as a source of investment, capital accumulation and growth	601
	14.5.2	Aid, growth and poverty reduction	604
	14.5.3	Technical assistance, human capital theory and growth	606

Cambridge University Press

0521817633 - The Dynamics of Socio-Economic Development: An Introduction

Adam Szirmai

Frontmatter

[More information](#)

14.5.4	Policy dialogue and programme aid: policy reform and improvements in governance and institutions	607
14.6	Does aid work? Different perspectives on the effectiveness of development aid	609
14.6.1	Does aid contribute to welfare and socio-economic dynamism?	609
14.6.2	Radical criticisms of development aid	611
14.6.3	Neoliberal criticism of development aid	614
14.6.4	Criticism of development projects	617
14.6.5	Empirical debates about aid effectiveness and proposals for reform	618
14.6.6	Epilogue: an attempt at evaluation	628
	<i>Bibliography</i>	633
	<i>Author index</i>	688
	<i>Subject index</i>	698

## Figures

4.1	Convergence and divergence in manufacturing productivity, 1960–1998.	<i>page</i> 120
5.1	Population growth, 1950–2050	145
5.2	The demographic transition	146
5.3	The neo-Malthusian trap	153
5.4	Determinants of fertility	166
6.1	Life expectancy at birth, 1900, 1930 and 1960	194
6.2	Intermediate factors influencing child mortality	197
9.1	Economic development with unlimited supplies of labour	308
10.1	Cereals production per capita, 1961–2001	359

## Tables

1.1	Population, GNP per head and growth in the world economy	<i>page</i> 17
1.2	Inequality in the world economy	27
1.3	World poverty: population living below poverty lines, 1987 and 1998	30
2.1	Slave imports into the Americas, 1451–1870	55
2.2	Slave exports from Africa to the Americas, by region of origin, 1500–1870	56
3.1	Growth of GDP per capita, 1870–2000	99
3.2	Growth of GDP per capita, 1973–2000	101
3.3	Gross domestic investment as percentage of GDP	103
3.4	Export performance, 1870–1998	104
3.5	Manufactured exports as percentage of total merchandise exports	105
3.6	External finance as percentage of GDP, 1950–2000	106
3.7	Gross value of foreign capital in developing countries, 1870–1998	108
3.8	Structure of employment by sector 1950–2000	110
3.9	Structure of production, 1950–2000	111
3.10	Distribution of income or consumption, 1980–2000	114
4.1	US patent activity, 1870–2001	129
4.2	R&D efforts	131
4.3	ICT indicators	131
5.1	Growth of world population	144
5.2	Population growth in selected developing countries 1820–2000	148
5.3	Indicators of demographic changes, 1950–2000, by region	149
5.4	Unemployment and informal employment in selected countries 1990–2000	157
5.5	Government policies and birth control	173
6.1	Infant and child mortality, 1950–2000	180
6.2	Life expectancy at birth in selected developing countries, 1920–2000	182
6.3	Life expectancy at birth per region, 1950–2005	183
6.4	Causes of death by region, 1980–2000	185
6.5	Prevalence of HIV/AIDS in developing countries, 2001	188
6.6	Comparisons of levels of per capita income, infant mortality and life expectancy at birth in 2000	201
7.1	Gross enrolment ratios by educational level, country and region, 1960–2000	230



xx	<i>List of tables</i>	
7.2	Net enrolment ratios by region, 1960–2000	231
7.3	Highest diploma obtained in selected countries, 1980–2000	232
7.4	Mean years of schooling per member of the labour force in fourteen developing countries between 1960 and 1980	234
7.5	Government expenditure per pupil in selected countries, 1965–1996	235
7.6	Government expenditure as a percentage of gross national product, 1960–2000	236
7.7	Illiterates as a percentage of the population of 15 years and over	248
8.1	Sectoral distinctions	259
8.2	Industrialisation and per capita gross national product in 2000	264
8.3	Advantages of international trade	277
8.4	Net barter terms of trade, selected countries, 1950–2000	291
8.5	Income terms of trade, selected countries, 1950–2000	292
9.1	Capital–output ratios	310
9.2	Growth of manufactured exports, 1960–2000	335
9.3	Manufactured exports as percentage of GDP, 1960–2000	336
9.4	FDI as percentage of GDP and total fixed capital formation, selected countries, 1960–2000	341
9.5	Growth of manufacturing GDP, 1950–2000	346
9.6	Aggregate growth in industry and manufacturing, 1960–2000	347
9.7	Share of developing countries in world manufacturing value added 1960–1996	348
9.8	Share of developing countries in world manufactured exports, 1963–2000	349
10.1	Indices of agricultural production, 1934–2002	356
10.2	Cultivated area, potential agricultural land, pastures, woodlands	362
10.3	Arable land in use as percentage of potential arable land (1979–1999)	363
10.4	Deforestation, 1980–2000, regional aggregates and selected developing countries	365
10.5	Systems of supply for vegetable food	366
10.6	Cropping intensity in developing countries, 1974–2030	372
10.7	Irrigated area in developing countries	373
10.8	Sources of growth of crop production, 1961–2030	389
10.9	Average availability of calories, 1964–2015	392
10.10	Undernourishment in developing countries, 1969–2000	393
10.11	Share of rural population, agricultural labour force and agricultural production, 1950–2000	397
11.1	Wars and war casualties, 1945–2003	448
11.2	Political regime in developing countries	452
11.3	Successful coups in developing countries, 1945–2002	455
13.1	Growth rate of world exports	517
13.2	Developing countries with heavy debt burdens, 1982–2001	550

Cambridge University Press

0521817633 - The Dynamics of Socio-Economic Development: An Introduction

Adam Szirmai

Frontmatter

[More information](#)*List of tables* xxi

13.3 Debts, foreign investment and financial flows in developing countries, 1970–2002	553
13.4 Net transfers with respect to foreign debt and foreign investment selected countries, 1970–2001	554
13.5 The Asian crisis: GDP growth 1995–2001	574
14.1 Net receipts of development assistance by income level and region, 1960–2001	592
14.2 Distribution of net official development assistance from OECD countries by region	593
14.3 Country contributions to aid, 1985–2001	593
14.4 Net development aid as a percentage of the total net inflow of financial resources by income and region, 1960–2001	595
14.5 Net official development assistance and net total resource flows in selected countries, 1960–2001	597
14.6 Net official development assistance as a percentage of net total resource flows in selected developing countries, 1960–2001	598
14.7 Net development assistance as a percentage of gross domestic product in selected developing countries, 1960–2000	599

## Boxes

1.1 Untenable generalisations about development	page 5
1.2 Modernisation ideals	8
1.3 Technical problems in the measurement of economic growth	13
1.4 Differences between developing countries	25
1.5 Common characteristics of developing countries	29
2.1 Characteristics of international economic orders	36
2.2 Western expansion and contraction	44
2.3 Types of international economic orders	45
3.1 Sources of growth of GDP per capita	69
3.2 Characteristics of dependent development	91
4.1 Sources of increase in labour productivity	122
4.2 Mechanisms of technology transfer	133
5.1 Relationships between population change and economic development	142
5.2 Demographic characteristics of developing countries	151
7.1 Education, productivity and economic development	217
7.2 Criticisms of human capital theory	218
7.3 Key elements of screening theory	221
7.4 Shortcomings of indicators of educational enrolment	226
7.5 Lessons of the experimental world literacy programme	246
8.1 Arguments for industrialisation	263
8.2 Primary exports as an engine of growth	282
8.3 Export pessimist arguments	283
9.1 Aims of industrial protection	318
9.2 Shortcomings of import substitution	323
9.3 Urban industrial bias	325
10.1 Three ways to expand agricultural production	361
10.2 Functions of fallowing	368
10.3 Lessons from the Boserupian analysis	370
10.4 Characteristics of the green revolution	381
10.5 Varieties of land reform	415
11.1 State formation and external political interference	445
11.2 Explanations for the emergence of One-Party Rule in Africa	456
11.3 Characteristics of personal rule	481
12.1 Characteristics of the Protestant ethic	490

Cambridge University Press

0521817633 - The Dynamics of Socio-Economic Development: An Introduction

Adam Szirmai

Frontmatter

[More information](#)

xxiv

*List of boxes*

12.2	Modernisation theory: dichotomies between modern and traditional societies	493
12.3	Changes affecting traditional communities and cultures	509
13.1	Characteristics of the post-war economic order	516
13.2	Important international organisations, treaties and conferences, 1944–2003	527
13.3	GATT principles	532
13.4	Principal organs of the United Nations	534
13.5	Criticisms of the liberal international order in the 1960s	540
13.6	Elements of the new international economic order	540
13.7	Objectives of structural adjustment policies	563
13.8	Stabilisation measures	566
13.9	Structural adjustment policy measures	567
14.1	The case for foreign aid	584
14.2	Sources of development aid	588
14.3	Examples of project shortcomings	617

## Preface

The aim of this book is to provide a general introduction to the dynamics of socio-economic development and to the study of the problems of developing countries. It is a reflection of multidisciplinary courses on 'development', which I have been teaching since 1987 at the University of Groningen and the Eindhoven University of Technology. The book was written for students of universities and other institutions of higher education, who encounter the problems of developing countries in the course of their own disciplinary studies and who are in need of a general introduction to this field. It is also intended for people pursuing a professional career in developing countries and readers with a general interest in development. The text can be read as an introduction by students with no prior knowledge of development. It also can be used at a more advanced level as a handbook, providing an overview of current theoretical and empirical debates and controversies in the field of development studies. The book provides non-economists with a non-technical introduction to economic perspectives on development, while introducing economists to a broader socio-economic view of development.

The central issue in development, as approached in this book, lies in low levels of per capita income and low standards of living among the mass of the population in the so-called developing countries. The key elements in the book are trends in per capita income and changes in standards of living and welfare, and the factors that affect economic development or economic stagnation in the long term. The core of development is thus defined in economic terms. However, the explanatory factors are not limited to economic ones. Historical, institutional, cultural, demographic, political, social and ecological factors are all of great importance for the analysis of economic development. They will receive ample attention in the book.

It needs to be emphasised that the concept of development is much broader than that of economic development alone. Development involves a wide range of changes in a variety of social indicators such as health, education, technology or life expectancy, which are directly or indirectly linked to economic changes, but which need to be studied in their own right. This is reflected in the title of the book, which refers to socio-economic development.

The structure of the book takes the key factors distinguished in economic theories of growth – labour, capital and land and technological change – as its main point of departure. However, in line with the interdisciplinary nature of the book, these factors are interpreted in broad fashion. Technological change

lies at the heart of growth and economic development. Two main issues discussed in chapter 4 are the role of technological change in development, and the consequences of accelerating technological change for developing countries. The treatment of the primary production factor 'labour' is couched in terms of a more general discussion of demographic and human factors in development. These include population growth and the interrelationships between population growth and economic development (Chapter 5), topics such as health, disease, mortality and life expectancy (Chapter 6) and education, human capital and literacy (Chapter 7). I argue that health and education are important as independent aspects of development in their own right. But the state of health and levels of education also influence the quality of the labour force, the productivity of labour and the socio-economic dynamics of a country.

Modern economic growth is historically associated with massive capital accumulation in the industrial sector and a structural transformation of agrarian societies into societies in which industry and services become more and more important. Structural change and the shift to industry are discussed in Chapter 8, which also deals with the role of primary exports in these transformations. Capital accumulation is discussed in Chapter 9 in the context of the overall process of industrialisation. This chapter also pays attention to the different industrialisation strategies that developing countries have followed over time, including import substitution, balanced growth, labour intensive export orientation, promotion of the informal sector and technological upgrading.

The discussion of the production factor 'land' is broadened to include the whole issue of agricultural and rural development. The role of the agricultural sector in the wider process of development is examined in Chapter 8, which makes a case for the continued importance of agriculture in developing countries. In Chapter 10, the development of agricultural production and productivity is discussed against the background of social changes in rural communities and rural areas. This chapter also presents data on trends in food consumption and an overview of the recent debates on modern biotechnology.

The discussion of economic development in Chapters 4 to 10, is preceded and followed by chapters which place development in an historical and international perspective. Chapter 2 focuses on the development of the international economic and political order since the fifteenth century. Chapter 3 deals with the theories and empirics of growth and stagnation. The approach in these chapters is historical and comparative. Chapter 11 focuses on the political aspects of development and the interrelations between state formation, democratic rule and economic growth. Chapter 12 introduces the cultural context of development and discusses the dynamic relationships between cultural change and economic development. Changes in the international political and economic order since World War II are reviewed in Chapter 13. In this chapter, attention is paid to the evolution of international institutions and organisations on the one hand, and the implications of the international division of labour and free trade for developing countries on the other. This chapter includes a discussion of developing country debt, the emergence of structural

adjustment policies and the recent debates on globalisation and the architecture of the international financial system. The final chapter (Chapter 14) focuses on the role of foreign aid in development. Foreign aid is seen as part of international resource flows. It is discussed in the context of theories of development and the many different factors influencing development in the long run. Every chapter ends with questions for review and suggestions for further readings.

Empirical data have an important place in this book. It is my conviction that a serious debate of development issues should be grounded in sound empirical information. Throughout the book, I present empirical data on long-run economic, social and political trends for a sample of twenty-nine developing countries, representing Asia, Latin America and Africa. These twenty-nine countries represent more than three-quarters of the total population of developing countries in the year 2000. The same set of countries is used throughout the book, providing an empirical basis for the discussion of theories, patterns and trends in development. The book contains over seventy tables, usually covering the period from 1950 to the present and sometimes going back to the pre-war period. The country data are supplemented by aggregate statistics for different regions and continents.

This book is accompanied by a website, which presents the detailed worksheets underlying the tables in the book. These worksheets show how the tables in the book have been put together from a variety of sources. The address of this website is: <http://www.dynamicsofdevelopment.com>. We hope this website will serve as an important didactic tool for the empirical study of development. It will introduce students to the increasing wealth of international comparative statistics on all dimensions of development. More and more data are accessible in electronic form on websites of research institutions and international organisations. Our website will provide links and references to the most important international sources of data on development, serving as a structured portal for statistics on development. A second function of the website is to foster a more critical attitude towards the use of statistics. Statistical tables are constructs, which depend on assumptions, models, concepts, decisions about what data to use, how to combine data from different sources, what years to compare, how to link data for different years in a consistent fashion and so forth. It is important to be clear about how the data have been collected and organised, what assumptions and choices have been made and what sources have been used. If such information is not provided – as is too often the case – the statistics cannot be trusted. Examination of the worksheets on the website will help readers to formulate their own conclusions, which may well differ from those of this author. They will come to understand that tables should be seen as working hypotheses, rather than final statements. Finally, the website allows us to provide more detail than is possible in the tables in the book. It will also allow for updating on a continuous basis, so the statistics remain up to date.

Despite its considerable length this book has no pretensions to completeness. The attempt to synthesise a very wide range of subjects in a single book will

inevitably leave specialists on different topics unsatisfied. Also, the book is written as an introduction to the ongoing debate on development, rather than a final summary of our knowledge of all different aspects of it. In the choice of subjects, the emphasis has been on the long-run dynamics of development and the factors that play a role in these dynamics.

This book has a long history. A first version was published in Dutch in 1993. An English translation was published in 1997 by Prentice Hall under the title *Social and Economic Development: Trends, Problems Policies*. However, both the real world and our thinking about development are changing so rapidly that a mere revision was not sufficient. All chapters have been fundamentally rewritten and expanded, the analysis has changed in the light of new insights, new chapters have been added on technology and culture, and new statistics and materials have been incorporated. This has resulted in what amounts to a new textbook, under a new title and with a new publisher. I am grateful to Cambridge University Press for allowing me to undertake this task.

I could not have written this book without the support of numerous colleagues and ex-colleagues. They generously let me profit from their knowledge of and insights into the various aspects of development. I have made extensive use of their advice, their publications, and their empirical research. I have both learned from and enjoyed years of fruitful and intensive discussions with them. I would like to thank the following persons for their advice and stimulating comments on previous drafts of the manuscript: Bart van Ark, Carolina Castaldi, Peter Druifjen, Pierre van der Eng, Jacob de Haan, Hal Hill, Niels Hermes, Jojo Jacob, Hans-Paul Klijnsma, Jos Koetsier, Remco Kouwenhoven, Paul Lapperre, Robert Lensink, Angus Maddison, Kees van der Meer, Nanno Mulder, Alessandro Nuvolari, Howard Pack, Dirk Pilat, Gé Prince, Henny Romijn, Johan Schot, Jan Stel, Ida Terluin, Marcel Timmer, Harry van Vianen, Geert Verbong and Bart Verspagen. As always, the responsibility for the book and its shortcomings rests with the author alone. A special word of thanks is due to Paul Lapperre for his help designing the cover and selecting the illustrations.

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Adam Szirmai  
Eindhoven

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## Abbreviations

ACER	age-specific enrolment rate
ACP	Asian, Caribbean and Pacific Countries
ADB	Asian Development Bank
ASEAN	Association of South East Asian Nations
BMR	basal metabolic rate
CFCs	chlorofluorocarbons
CGIAR	Consultative Group on International Agricultural Research
CIF	cost, insurance and freight included
CIMMYT	Centro Internacional de Mejoramiento de Maiz y Trigo (International Maize and Wheat Improvement Centre)
CMEA	Council for Mutual Economic Assistance
CPI	Corruption Perceptions Index
DAC	Development Assistance Committee (OECD)
DALYs	disability-adjusted life years
DRS	Debt Reporting System (World Bank)
ECLA	United Nations Economic Commission for Latin America
ECOSOC	Economic and Social Council of the UN
EEC	European Economic Community
EC	European Community
ECLA	United Nations Commission for Latin America
ESAF	Enhanced Structural Fund Facility (IMF)
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
EWLP	Experimental World Literacy Programme
FAO	United Nations Food and Agriculture Organisation
FDI	foreign direct investment
FLN	Front de la libération nationale (national liberation front, Algeria)
fob	free on board
GATT	General Agreement on Tariffs and Trade
GDFP	Geographical Distribution of Financial Flows to Developing Countries
GDP	gross domestic product
GFCF	gross fixed capital formation
GGDC	Groningen Growth and Development Centre
GNP	gross national product

GSP	Generalised System of Preferences
HALE	healthy life expectancy
HDR	Human Development Report
HIPCs	heavily indebted poor countries
IADB	Inter-American Development Bank
IBPGR	International Board for Plant Genetic Resources
IBRD	International Bank for Reconstruction and Development (World Bank)
ICC	International Criminal Court
ICRASAT	Research Institute for Crops in the Semi-arid Tropics
ICT	Information and Communication Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IPPC	Intergovernmental Panel on Climate Change
IRRI	International Rice Research Institute
ISI	import-substituting industrialisation
ISIC	International Standard Industrial Classification
ITO	International Trade Organisation
LAFTA	Latin American Free Trade Association
LDCs	least developed countries
LEISA	low external input and sustainable agriculture
LMICs	lower-middle-income countries
MICs	moderately indebted countries/middle-income countries
MITI	Ministry of Industry and Trade (Japan)
MNCs	multinational companies
MPS	material product system
N ach	need for achievement
NAFTA	North American Free Trade Association
NATO	North Atlantic Treaty Organisation
NFDI	net foreign direct investment
NGO	Non Governmental Organisation
NICs	newly industrialising countries
NIEO	New International Economic Order
NTod	net transfers on debt
OA	Other Assistance
OUA	Organisation of African Unity
OAS	Organisation of American States
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OEM	original equipment manufacturing
OFID	OPEC Fund for International Development
OPEC	Organisation of Petroleum Exporting Countries

PPPs	purchasing power parities
PRI	Institutional Revolutionary Party
PRS	poverty reduction strategy
QUALYs	quality-adjusted life years
RAUI	'risk aversion causes underinvestment'
R&D	research and development
SAL	Structural Adjustment Loan (World Bank)
SAF	Structural Adjustment Facility (IMF)
SECAL	Sectoral Adjustment Loan (World Bank)
SICs	semi-industrialised countries: or severely indebted countries
SNA	System of National Accounts
TNCs	transnational companies
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TVEs	township and village enterprises
UIA	Union of International Associations
UMICs	upper-middle-income-countries
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNEPTA	United Nations Extended Program of Technical Assistance
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children Fund
UNIDO	United Nations Industrial Development Organisation
UNITAR	United Nations Institute for Training and Research
UNPF	United Nations Population Fund
USAID	United States Agency for International Development
USSR	Union of Socialist Soviet Republics
WB	World Bank (see IBRD)
WDI	World Development Indicators (World Bank)
WDR	World Development Report (World Bank)
WDT	World Debt Tables (World Bank)
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organisation
WRI	World Resources Institute
WT	World Tables (World Bank)
WTO	World Trade Organisation
WWI	World Watch Institute

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