

Keio University PCP 2007 Development Economics

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S01



Course Outline

- **Introduction (S01)**
- **Part I –Development Economics (S02 - S08)**
 - **Presentation of term papers by students**
- **Part II – Current Issues on International Development (S08 – S14)**
 - **Presentation of term papers by students**
- **Wrap-up (S15)**
 - **Submission of term papers**



Textbook



Part I –Development
Economics

M.P. Todaro & S.C.
Smith, *Economic
Development*, 9th
Edition, 2006

http://wps.aw.com/aw_todarosmit_econdevlp_9/



Introduction

- Is “development economics” a distinct field of economics?
- Why do we study development economics?
- What do we mean by “development”?
- Globalisation and interdependence



Development economics as a distinct field, rather than an agglomeration of other economics sub-fields

- Do we know how greatly life in the developing world differs from life in the developed world?
- Highly imperfect markets, limited information, major structural changes, the potential for multiple equilibria, rather than a single equilibrium, are common.
- Development economics must encompass the study of institutional and social, as well as economic, mechanisms for modernizing an economy while eliminating absolute poverty.



Why Study Development Economics?

- How can different economic concepts and theories contribute to a better understanding of the *development* process?
- What can be learned from the historical record of economic progress in different groups of countries?
- How can the extremes between rich and poor countries be so very great?
- Why do some countries make rapid progress toward development while many others remain poor?



Why Study Development Economics? (Cont.)

- How is *globalisation* affecting the developing countries?
- Should exports of primary products be promoted, or should all developing countries attempt to industrialize by developing their own manufacturing industries as rapidly as possible?
- Should MNEs be encouraged to invest in poor countries?
- What is the impact of foreign economic aid from rich countries? Should developing countries continue to seek such aid?



What do we mean by development?

- “Underdevelopment is a real fact of life for more than 3 billion people in the world – a state of mind as much as a state of national poverty” (p.17).
- Alternative meanings of development are discussed, starting with the ability to achieve sustained increases in GNI, and expanding to include other indicators of the quality of life, including absolute poverty, inequality, freedom, and self-esteem.
- “Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of poverty” (p.17).



The Three Objectives of Development

1. To increase the availability and widen the distribution of basic life-sustaining goods, such as food, shelter, health and protection;
 2. To raise levels of living, including, in addition to higher incomes, the provision of more jobs, better education and greater attention to cultural and human values;
 3. To expand the range of economic and social choices available to individuals and nations
- > UN, Millennium Development Goals (Sep. 2000), p.24



The growing interdependence between the developed and developing countries

- The oil price shocks of the 1970s
- The foreign-debt crisis of the 1980s
- The economic globalisation and environmental concerns of the 1990s
- The tragedy and aftermath of September 11, 2001
- Actions taken in the developed world can have a profound impact, for better or worse, on the developing world (> policy coherence for development).



Part I – An Introduction to Development Economics

02	Comparative Development (Ch 2)
03	Presentation by Students and Discussion
04	Different Theories of Development (Ch 3-4)
05	Presentation by Students and Discussion
06	Trade and Development (Ch 12-13)
07	Presentation by Students and Discussion
08	Foreign Finance, Investment and Aid (Ch 15)



Part II – Current Issues on International Development

09	Policy Coherence for Development
10	Presentation by Students and Discussion
11	DDA and “Aid for Trade”
12	Presentation by Students and Discussion
13	The Rise of China
14	Presentation by Students and Discussion
15	Wrap-up



About PCP Students

- What has brought you to PCP?
- What do you expect from this course?
- What do I expect from PCP students?
 - P for Participation
 - C for Communication
 - P for Promotion



Summary Table: Term Papers

CH	U3	M+	Total	CH	U3	M+	Total
2	11	4	15	12	7	5	12
3	5	5	10	13	5	3	8
4	3	2	5	15	5	1	6
	19	11	30		17	9	26

Note: U3=13, M+=9



Suggested Presentation of Term Papers

- **Chapter 2 presentation: led by**
Fukuyama and Mori + U3 volunteers
- **Chapters 3-4 presentation: led by**
Osano and Tani + U3 volunteers
- **Chapters 12-13: Presentation is led by**
Mo and Uchida + U3 volunteers



Suggested Presentation of Term Papers (Cont.)

- **Policy Coherence for Development**
Led by Kuno (Ch 13, Q8) + U3 volunteers
- **DDA and “Aid for Trade”**
Led by Uchida (Ch 15, Q5) + U3 volunteers
- **The Rise of China**
Led by Tani (Ch 12, Q 5) + U3 volunteers



The OECD and Development

- What is the OECD?
- How is the OECD working on development?
- What are main OECD Activities on Development?



What is the OECD?

- An International Organisation of 30 member countries committed to democracy and the market economy
- A provider of comparative data, analysis and forecasts
- Working for (and with) governments so they can:
 - compare policy experiences
 - seek answers to common problems
 - identify good practices
 - co-ordinate policies



History of the OECD

- “Marshall Plan” Speech (5 June 1947)
 - Europe's requirements for the next years of foreign food and other essential products are so much greater than her present ability to pay that she must have substantial additional help
- Conference for European Economic Co-operation (12 July 1947)
- Organisation for European Economic Co-operation (OEEC), 1948



Responding to Changes 1961-1962

- European recovery
- Cold War (economic counterpart to NATO)
- OEEC turns into OECD
- Expanded OECD Membership
- Independence of former colonies
- OECD Development Centre established in 1962 as a bridge to the developing world

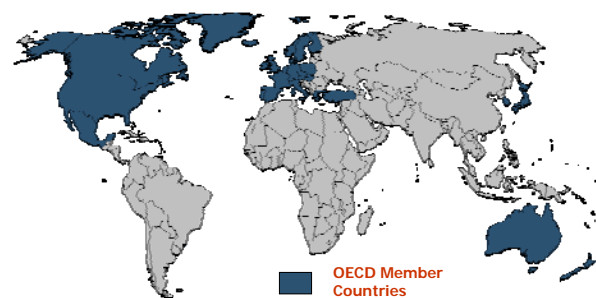


The OECD's Growing Membership

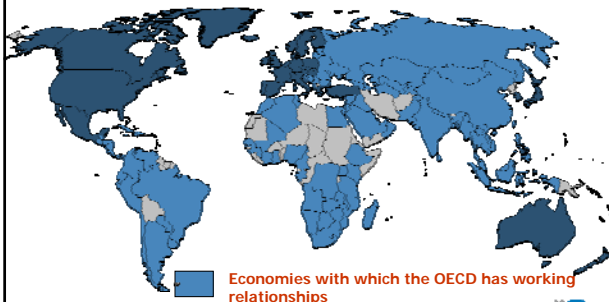
- 30 “likeminded” market democracies:
 - 1960: Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States
 - 1964: Japan
 - 1969: Finland
 - 1971: Australia
 - 1973: New Zealand
 - 1994: Mexico
 - 1995: Czech Republic
 - 1996: Hungary, Korea, Poland
 - 2000: Slovak Republic
- 2007 Ministerial Council Meetings:
 - Membership is now open for Chile, Estonia, Israel, Russia and Slovenia.
 - Enhanced engagement with Brazil, China, India, Indonesia and South Africa



An organisation with a global reach



Working with countries around the world



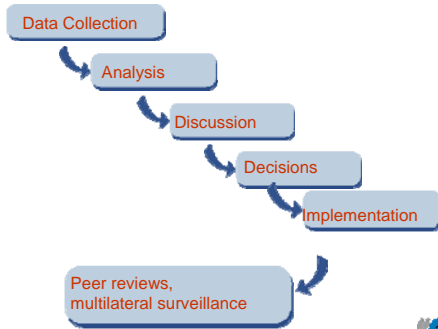
OECD's Mission

Article 1 of the OECD Convention

- Support economic growth
- Boost employment
- Raise living standards
- Maintain financial stability
- Foster world trade
- Assist other countries' economic development



OECD's Way of Working



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OECD

OECD's Way of Working

Data Collection

For Example:

- OECD Main Economic Indicators
- Employment Statistics
- Data on Official Development Assistance (ODA)

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OECD's Way of Working

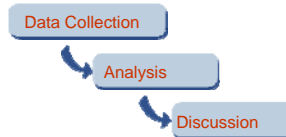


For Example:

- OECD Economic Outlook
- OECD Employment Outlook
- African Economic Outlook
- PISA Study

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OECD's Way of Working



For Example:

- OECD Ministerial Council
- OECD Forum
- 9 Thematic Forums (e.g.)
 - Sustainable Development
 - Development

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OECD's Way of Working

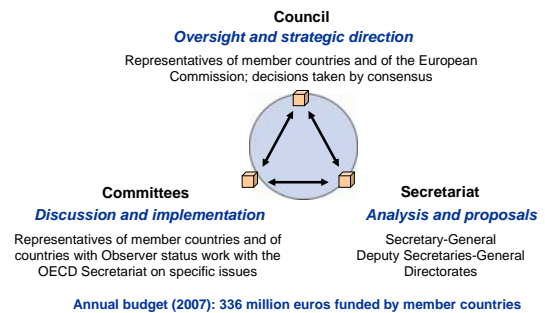


For Example:

- Principles of Corporate Governance
- Anti Bribery Convention
- Model Tax Convention
- Paris Declaration on Aid Effectiveness

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Who drives the OECD work?



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Member Contributions

Country	% of Budget	Cum %	Country	% of Budget	Cum %
United States	24,975	24,975	Austria	1,151	91,219
Japan	16,656	41,631	Norway	1,088	92,307
Germany	9,265	50,896	Denmark	0,965	93,272
United Kingdom	7,236	58,132	Poland	0,892	94,164
France	6,756	64,888	Turkey	0,851	95,015
Italy	5,595	70,483	Greece	0,838	95,853
Spain	3,466	73,949	Finland	0,783	96,636
Canada	3,364	77,313	Portugal	0,709	97,345
Korea	2,297	79,61	Ireland	0,669	98,014
Netherlands	2,096	81,706	Czech Republic	0,479	98,493
Mexico	2,09	83,796	New Zealand	0,442	98,935
Australia	2,067	85,863	Hungary	0,424	99,359
Switzerland	1,5	87,363	Slovak Republic	0,253	99,612
Belgium	1,402	88,765	Luxembourg	0,216	99,828
Sweden	1,303	90,068	Iceland	0,172	100



The OECD Secretariat

- Two official languages: English and French
- Staff members are international civil servants
- No quota system for national representation
- 2300 staff mostly at Paris HQs



Some OECD Achievements

- Anti-Bribery Convention
- Polluter-Pays Principle
- Principles of Corporate Governance
- Guidelines for Multinational Enterprises
- Co-operation programmes with China, Russia and Brazil
- MENA Initiative on Governance and Investment for Development in the Middle East and North Africa
- Export Credit Arrangement
- Model Tax Convention

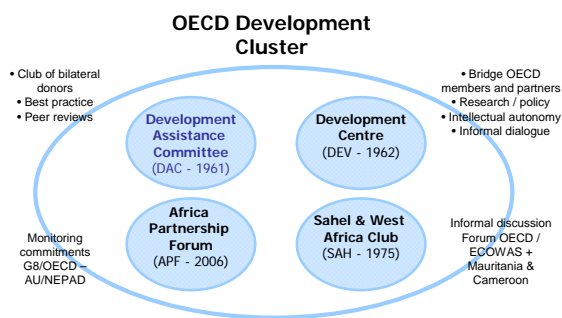


What it works on (ex.)

- Economics
- Education
- Employment, Labour and Social Affairs
- Environment
- Financial and Corporate Affairs
- Governance
- Trade and Agriculture
- Science & Technology
- Tax Policy and Administration
- Nuclear Energy
- Development Co-operation



What is the Development Cluster?



The Development Assistance Committee (DAC)

The DAC offers a forum for bilateral donors to:

- Collect statistics on development co-operation (CRS Database, Development Co-operation Report)
- Produce guidelines for improving aid effectiveness (e.g. poverty reduction)
- Monitor DAC members aid policies through peer reviews



The Development Assistance Committee (DAC)

Principal subsidiary bodies:

- Working Party on Aid Effectiveness and Donor Practices
- Working Party on Statistics (WP-STAT)
- Network on Conflict, Peace and Development Co-operation (CPDC)
- Network on Development Evaluation
- Network on Environment and Development Co-operation
- Network on Gender Equality
- Network on Governance
- Network on Poverty Reduction



OECD Development Centre

<The OECD's Knowledge Centre on Development>

The Development Centre provides a bridge between:

- **OECD member and partner countries**
Governing Board open to non-OECD countries: South Africa, Brazil, Chile, India, Romania, and Thailand are members
- **Research and Policy**
Intellectual autonomy, no obligation of consensus
- **Policy Communities**
All development policies, not just aid
- **Different Actors**
Informal dialogue between public and private actors



The Development Centre's Output

- **Annual reports**
 - Financing Development
 - Business for Development
 - Policy Coherence for Development and Human Security
 - Regional Reports: Africa, Latin America, Black Sea and Central Asia
- **Policy-oriented publications**
 - Working Papers
 - Development Centre Studies
 - Policy Briefs
 - Policy Insights
- **International conferences and seminars**
 - Experts' Meetings
 - High-level Policy Meetings
 - International Forums



For more info:

www.oecd.org

www.sourceoecd.org

www.oecd.org/dev

