INTRODUCTION

Since the end of World War II, historic events have changed social, political, and economic landscapes around the globe. One of these historic events was the end of colonialism. The creation of a large number of newly independent countries reflected the declining influence and power of former European colonial nations relative to the rest of the world. Initially, the United States was not much affected, but as newly independent countries, particularly in Asia, successfully transformed their economies, the U.S. also lost some of its economic clout, at least in relative terms.

The urbanization of developing countries is another paramount historical change. England in the mid-19\textsuperscript{th} century was the first country in the world to become majority urban. The United States and Western Europe experienced the forces of industrialization and associated urbanization later and changed from rural agrarian to predominantly urban industrial countries at various times over the course of the 20\textsuperscript{th} century (Jefferson, 1931; Williams, 1973). While Europe and the United States became urban societies with advanced industrial economies a long time ago, the world as a whole became majority urban only very recently, in 2009 (United Nations, 2010). As in Europe and the United States, urbanization and industrialization also worked in tandem in other parts of the world. Although the most advanced countries had ceased being agrarian societies a long time ago, the industrialization and urbanization occurring elsewhere in the world nevertheless had a profound impact on them (Clark, 1998). In particular, markets for their industrialized goods and services grew, and new markets developed. However, new competitors also emerged, particularly as former colonial powers were losing their privileged access to markets and goods in overseas territories. The share of the world’s GDP tells how much the center of the world economy has shifted from North America and Europe to the rest of the world, and from north to south. In 1969, North America accounted for 33.41\% of the world’s GDP; by 2011, this share had dropped to 28.54\%. Europe’s share, inclusive of the former Warsaw Pact countries but without the economies of the former Soviet Union, dropped from 33.94\% to 27.33\%. By contrast, the share contributed by Asia and Oceania went from 17.10\% to 28.37\%. Latin America, defined as all of the Americas south of the United States, grew from 5.94\% to 6.80\%. Even the poorest continent, Africa, though it struggled at times and saw its share of world GDP drop from 2.13\% in 1969 to a low of 1.96\% in 1994, recovered and ended 2011 with a share of 2.46\%.

Many of these changes have taken place quickly and public perception has not yet fully caught up to the new reality. Public opinion often lags behind current developments, sometimes by many years and the perception of the “third world” as economically backward is a case in point. While poverty is still
widespread, there are many instances of growing and increasingly successful economies, not just those of China, India, and Brazil. In 2005, for example, the Seychelles Islands were ranked among the countries having achieved “high human development” as well as a relatively high per capita Gross Domestic Product (GDP) of $16,106 (in Purchasing Power Parity or PPP). Botswana, with a per capita GDP of $12,387, and South Africa, with a per capita GDP of $11,100 are other examples of countries on the world’s poorest continent that have achieved relatively high economic success and “medium human development.” These, and other countries, have a per capita GDP in PPP higher than those of China, India, or Brazil. A more differentiated look also reveals that within most countries there are emerging middle classes although, at the same time, large segments of the population remain in poverty.

Growth and development raise hope. However, when its benefits are very unevenly distributed, the process can challenge a country’s social cohesion. Even if growth eventually reaches every corner of an economy, the development process is uneven and, therefore, inherently challenging for governments trying to find a balance between efficiency and equity. Thus, as countries are emerging from poverty, insights into the dynamics of these often young nations should be of interest to many scholars in economics and applied econometrics, business, economic development planning and policy, regional analysis, and politics as they provide general lessons that are valid in many places and circumstances. Therefore, this book presents a collection of essays highlighting some of the most important challenges and opportunities. Each essay also illustrates approaches and methods for analyzing issues in economic development and draws conclusions relevant to the design of economic and, perhaps, also social policies.

The essays in this book are organized into four sections, each representing a particular class of policy issues. The focus of Section 1, “Employment, Economic Growth, and Inflation,” is on macroeconomic and especially monetary policy issues. Economic development creates new jobs, but it also destroys some of the traditional jobs. Not everyone who loses a job under these conditions has the skills to take advantage of newly created alternative employment opportunities. In addition to requiring a different skill-mix, the new employment is often located elsewhere from the jobs it renders obsolete. In addition, there also exists a tradeoff between policies promoting economic growth and development and controlling inflation. Chapter 1 takes an in-depth look at the adjustment process between economic development and employment. The empirical results indicate asymmetric adjustment, that is, when employment grows beyond long-term equilibrium employment, adjustment is through a drop in GDP, while there is no adjustment if employment is below its long-term equilibrium. This finding has important implications for macroeconomic employment policy-making.

Chapter 2 deals with the tradeoff between inflation and economic performance while Chapter 3 studies the tradeoff between inflation and employment. The empirical analysis in Chapter 2 is of particular interest because it analyses the independent member states of the CFA (Communauté Financière d’Afrique) zone whose currency used to be pegged to the French Franc. The CFA zone consists of two distinct geographical units each with its own currency, namely the West Africa Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CEMAC). Although technically the two regions have different currencies, the exchange rate between them is equal to one. The empirical results indicate similarities as well as differences between WAEMU and CEMAC, with implications for economic policy.
Section 2, “Development and Equity,” consists of four chapters dedicated to analyzing different aspects of equity concerns. Chapter 4 studies the income distribution of Tanzania, using household-level data. The empirical analysis is of special interest because it includes a time period during which Tanzania’s economic system and policies changed from a socialist managed economy toward a market economy. When measuring income inequality using the Gini coefficient, the data reveals no significant changes of the course of the study, whereas other inequality measures reveal increased polarization within the population as well as between different regions of Tanzania.

The data used in Chapter 5 is from household surveys in Nigeria. The empirical results show greater income inequality in rural than in urban areas. They also point to somewhat different factors that contribute to increased inequality. In rural areas agricultural and wage incomes were the largest contributors to inequality while in urban areas it was wage and non-farm incomes. Chapter 6 has a theoretical focus and presents an index of inequality based on and extending the Gini coefficient. The author illustrates the application of the generalized Gini coefficient using data for Cameroon.

The final two chapters in this section deal with two important equity issues. First, Chapter 7 studies demand for health care services. The data is from a survey conducted by one of the authors of this chapter in a slum in Nairobi, Kenya. The econometric study provides insight into factors affecting demand for health care services. The results reveal interesting differences between public and private health care providers. Second, Chapter 8 is related to land use and ownership. Because land records are sketchy in many countries, the historic record of working the land may not suffice to establish legal land ownership. When multinational foreign corporations purchase land, historic claims may not be recognized. Additionally, regardless of ownership disputes, economic and social impacts of foreign land investments depend on the use of the land before the foreign investment has occurred. The land use after the investment determines the number and types of new jobs.

Section 3 addresses a different type of unequal development, one based on regions. The title of this section is “Regional Impacts,” and it consists of two chapters. In Chapter 9, two experts in impact and Input-Output (IO) analysis introduce a model for Simulating Impacts on Regional Economies (SIRE). The SIRE model combines advantages of IO models with greater behavioral detail. While the focus is on the model and theory, the authors discuss an Australian application of such a model to illustrate the capabilities of this approach.

Chapter 10 complements the preceding chapter by focusing on the relationship between regional industrial structure and economic development. As part of the analysis, the author discusses the delineation of regions to ensure that they are appropriate geographical units of analysis. It is sometimes overlooked how important such a discussion is in the current environment where economic and social changes also alter the nature of many regions (e.g., Schaeffer, Kahsai, and Jackson, 2013). The practical applications are illustrated using data for the United States and the concept of β-convergence and another convergence concept based on dynamic panel analysis.

The final section of the book is also its largest and consists of five chapters. Section 4 carries the title “Technology, Natural Resources, Energy, and Growth.” Chapter 11 studies the nexus between population and economic growth and energy consumption. An important question in this context is that of causality. Does (a larger, more reliable, more modern) energy supply stimulate economic growth or does causality run from development to energy consumption? The author addresses this question, using Kenya as his
geographical unit of analysis. One of the interesting characteristics of the Kenyan energy system is the large contribution of hydropower, which generates approximately one-third of the country’s electricity. Kenya also has significant potentials for clean renewable energy so that it not only serves as a good case study, but will continue to be an interesting growing energy market.

Chapter 12 presents a method for analyzing an economy that undergoes technological change. The ability to account for technological change is particularly important for estimating the economic impact of rapid industrialization. The method is based on IO analysis. Since IO analysis is already the most widely used approach for economic impact assessment this should facilitate the process of learning and applying this still novel tool.

The next two chapters address issues related to natural resources. Africa, in particular, still has natural resources not yet developed, which explains the increased interest in this continent over the last two decades by foreign governments and private business. It is therefore fitting that Chapter 13 presents a survey, review, and assessment of natural resource management approaches. Experience has taught us that gains from natural resources are often very unevenly distributed, and some of the benefits are negated by environmental damages in the course of resource exploitation. Therefore, Chapter 14’s study of the Resource Curse complements Chapter 13. Resource curse describes the common negative effect of rich natural resources on levels of education, development of other industries, and, therefore, economic growth in general.

Chapter 15 concludes this book with an analysis of the relationship between availability of and access to modern information technology and the relationship between governance and investment. The discussion is supported by empirical data from Sub-Saharan Africa (SSA) whose economies provide a laboratory for studying these relationships. The empirical results indicate the importance of investing in information technology while the results concerning governance are more ambiguous.

Collectively, the chapters in this book provide analytical tools and methods for a great variety of questions concerning economic development and the contributors and editors believe that it will prove useful.

Peter V. Schaeffer
West Virginia University, USA

Eugene Kouassi
Université Félix Houphouët-Boigny, Côte d’Ivoire & University of Namibia, Namibia

REFERENCES


**ENDNOTES**

1 The line separating economic and social policy is often fuzzy.