



(online) = ISSN 2285 – 3642

ISSN-L = 2285 – 3642

Journal of Economic Development, Environment and People

Volume 1, Issue 2, 2012

URL: <http://jedep.spiruharet.ro>

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E.Wayne Nafziger - ECONOMIC DEVELOPMENT, 5TH Edition, Cambridge University Press, UK, 2012

Book review by Manuela Epure, Professor PhD

Interested readers can take a look inside of the book at:

http://books.google.ro/books?id=bGxVzEdae7UC&printsec=frontcover&dq=Economic+Development,+Nafziger&source=bl&ots=qKaeX4Krqa&sig=2wpgv971lgh0DUJrcz4EH--TzXE&hl=ro&sa=X&ei=TGVIUJdGzdmvBv2_gdAl&ved

Economic development has been a challenging topic for a wide range of scholars. Nevertheless, poverty and unequal income distribution around the globe show us today the “ugly” truth: the rich countries become richer and the poor countries are struggling more than ever with poverty. Does it have to be a reason for this? Is Globalization to blame?

The book author starts by raising a quite pertinent question: How the other two-thirds live? Are we aware about the real “picture”? Economic development is the field of social sciences which analyses the causes of poverty and low income around the world and examines the progress made in elaborating strategies that could help people, regions and countries to achieve greater economic prosperity.

In order to make it crystal clear, the book starts by defining the concept of “economic development” that helps beginners understand the concept and provides the basis for a better understanding of the main issues developed in the core chapters of the book. Drawing the picture frame, the author is portraying the economic development from a historical perspective, being aware that one can predict the future only if they completely understand the past and the present. I confess that reading this chapter, I realize how many different approaches of economic development mankind has witnessed. I strongly recommend our readers to explore this particular chapter seeing the origins of modern economic growth, surfing the world leaders in gross domestic product per capita in the last 150 years and looking at the growth models and approaches in the recent history along with the economic development of Europe and Japan after World War II and, of course, a brief review on the recent economic growth in developing countries.

The author is paying a special attention to the economic development theories; one can compare theories in terms of specificity, looking also at the context in what each theory appeared and at its major critics. From the first two classical English models to their foremost critic Karl Marx, developed in the 19th century, going through Walter Rostow's model – written as an alternative to Marx's theory and vicious circle theory – focusing on LDC low savings rates, the factual presentation is catching and makes the people reflect on the concepts and theories' evolution.

If the first part of the book is exclusively theoretical, in the second, the author shows us the reality of poverty, malnutrition and income inequality stating that economic growth is the most important factor contributing to poverty reduction. Nevertheless, the lack of reliable information on the real situation at regional and global scales generates difficulties in the development of anti-poverty programs; the solution is to ensure minimal standards for data admissibility, such as: the database must be based on actual household surveys or census; it should cover all income, including non-wage income; the data should include local price information; the data must have a national coverage; they should be disaggregated to pinpoint poverty reduction programs; they should avoid lags between collection and publication and long term gaps between survey rounds; they must compare, across time, surveys and measures; the income concept and recipient unit must be constant.

In less developed countries (LDC), 3,3 billion people (58%) and 500 million poor people live in rural areas, the rural poor population representing 50 - 70% of 1\$/day poverty in the LDCs. In late 1980's, for the first time in world history, most workforce is hired outside agriculture. Still, the agriculture is the most important component of the LDC economies, 60% of the labor force in the LDC is employed in agriculture, so the obvious conclusion the author suggests is that any approach to reduce poverty should emphasize rural development and income distribution, including increasing the productivity and income of the rural population.

After portraying the cruel reality in LDC, in the third part of the book the author is focusing on the factors of growth. He is analyzing the population / development interdependence, especially on how fertility affects labor force participation and development. Undoubtly, population can be seen as a key factor of development, thus it's important to examine the factors that affect the labor skills and discuss about entrepreneurship, as a production resource coordinating labor, capital, natural resources and technology.

For the JEDEP readers, I find particularly interesting chapter 13 – Is Economic Growth Sustainable? Natural resources and the Environment. Why? you may ask. It is just because it legitimates the editors' work to publish high quality articles examining the relationship between Economic Development, Environment and People. The chapter addresses the effects of climate shocks on the economic activity. For example, the author demonstrates that high temperatures in a given year reduce the growth rate of GDP per capita, only in poor countries. In this respect, the author believes that economists should be interested in impossibility theorems – namely US style consumption standard for a world of 7 billion people is impossible. Intending to give readers an accurate response to the question in the chapter title, the author defines sustainable development as the progress that meets the needs of the present without compromising the ability of the future generations to meet their own needs. The chapter analyses natural resources and the environment within LDCs and whether development is sustainable, given resource scarcity and environmental damage (see modern China's economic growth related to environmental damage).

Part 4 of the book is dedicated to macroeconomics and international economics of development and analyses monetary, fiscal and income policies and inflation. The governments of developed countries (DCs) use monetary and fiscal policies to achieve goals in terms of output, employment and price stability; meanwhile LDCs face greater limitations in achieving monetary and fiscal macroeconomic goals and the author explains, in a comparative manner, how these mechanisms are working.

At the end of the book, in Part 5, the author proposes Five Development Strategies that are addressing key regions of the world. The transition to liberalization and economic reform is a quite suitable strategy for Eastern Europe, the Former Soviet Union and China while Stabilisation and Adjustment and Reform seem more suitable for other countries.

The study of economic development should become a long run “journey”, going on established “theoretical” paths but looking around to different landscapes, identifying what is representative for each region you cross and also noticing the influential factors that could affect and even stop you from going further. It is supposed to be not the “journey” of one generation, we shouldn’t think only to our own needs but also to the next generations.

I strongly recommend the book to economists, social scientists, and students and of course politicians and policy makers if we really want to understand the world where we live in. I promised myself to come back regularly and to study different parts of the book just because I haven’t succeeded in going deeply into the logic and diversity of the author’s idea.

Enjoy it! It is worth it!

Manuela Epure, Professor PhD