Global Economic Development

- Uneven allocation
  - Technology
  - Capital
  - Labor
- What is Development?
Technology

- Why does a chapter on economic development begin with technology?
- How is technology measured?
- Book takes a punt
  - Uses energy use, vehicles?
  - What else might be relevant?
Development

- Four Components
  - Population
  - Culture
  - Technology
  - Energy and Resources
- Interrelated
- All are necessary
Rostow Model of Development

- Stages of Growth – Preindustrial, preconditions for takeoff, takeoff, drive to maturity and mass consumption
- Process is the same for all place, only the timing is different
Development in neo-classical economics

- Constant returns to scale
- Comparative Advantage
- These two lead to trade
- Scale economies in transportation -> cities
- Export – base theory
- Further growth driven by technology
- Technology left unexplained
- Theoretically leads to equality between regions
- Mixed evidence for convergence
Core-Periphery Model

- **Core Regions – Urban.** Potential for innovation and growth
- **Upward-transition Regions –** Intensifying use of resources. Typically have high immigration. Guangdong, Sao Paolo
- **Resource-frontier Regions –** North Slope of Alaska, Siberia
- **Downward-transition Regions –** Stagnant or declining economies
Myrdal's spread-backwash model

- Market forces tend to increase regional differentiation
- Spread effects
  - Increased Demand for goods
  - Diffusion of technology
- Backwash effects
  - Promote further development in home region
  - Cheap Goods, Brain Drain
- Myrdal maintained that forces rarely balance
  - Cumulative upward or downward growth
Circular and Cumulative Causation

- Emphasis on “backwash”
- Not only do large cities grow larger, but they grow larger faster
- The existence of an industry increase the likelihood new and increased industry
- Path-dependence
- Outcomes a are self-reinforcing
  - Silicon Valley
  - Detroit
  - Georgia Carpet Industry
Growth Pole Theory

- Growing regions attract more growth
- Regions often have a “key industry” that drives growth
- Growth is not limited to “key” industry
- Much of the effect is psychological (perhaps “irrational exuberance”)
- Lagging regions may experience “trickle-down” growth if they are strongly connected to the growth pole
Porter's Competitive Advantage of Nations

- Places compete competitively just as do firms
- Each place has its own competitive advantage
- All places have equal opportunity
- Created a cottage industry of consultants trained in finding out regional/community strengths
- Local entrepreneurial activity makes regions stronger, and promotes national economic growth
- Question: What is the role of government in this worldview?