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Sustainable Development and International Development Cooperation
No. 6

Part 2: Development and Environment in Developing Countries

1. Economy and Society of Developing Countries

Extreme (Absolute) poverty: less than 1.25 USD/head/day in PPP

Median (Relative) poverty: less than 2 USD/head/day in PPP

・Research question 1: What is poverty ? What are the causes of poverty?

・Research question 2: relationship between poverty and development?

・Research question 3: relationship between poverty and environment?

Macroeconomic Balance

  Aggregated Supply: $Y = C + S$

  Aggregated Demand: $Y = C + I$

  I (Investment) =S (saving) $\leftarrow$ ODA, OOF, FDI, FIDI

The Harrod-Domar Growth Model

  Increase of Capital Stock (K) $\rightarrow$ Increase of National Income (Y)

  Capital・Output Ratio: $k = K/Y = \Delta k/ \Delta y$

  In case of $\Delta k = 3$, $\Delta y = 1$ $\rightarrow$ $\Delta k/ \Delta y = 3/1 = 3$

  Saving Ratio; $s = 6\%$

  $\Delta y/ Y = s/k = 0.06/3 = 0.02 = 2\%$

 $S = sY$

 $I = \Delta k$

 $K/Y = k$

 $\Delta k/ \Delta y = k$

 $\Delta k = k \Delta y$

 Then, S= I (Macro balance)

 $I = \Delta k = k \Delta y$

 $S = sY = I = \Delta k = k \Delta y$

 $sY = k \Delta y$

 $\rightarrow \Delta y/Y = s/k$

2.   Dual Society and Two Sector Development Model

2 Sector Development model: Lewis Model, Traditional sector and Modern sector

・Main Characteristics of Developing Economy: Labor surplus and lack of capital

・Traditional Sector: Work at Marginal Productivity＝0 ：Hidden Unemployment

  Institutional Wage ：0S1＝L3q''/0L3, Labor (L2L3) transfer to Modern Sector

$\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad$ → 0S2: Increase of Wage

・Modern Sector: 0W＞0S, Expansion of Production in Modern Sector → Increase of Employment

・Traditional sector and Modern sector

 Turning Point: N4、w4 ：Technical Innovation in Modern Sector (Capital Intensive) 、

$\qquad\qquad\qquad\qquad$ Modernization of Traditional Sector

$\qquad\qquad\qquad\qquad$ Wage; w = Marginal Productivity (MP) of Agricultural Sector

$\qquad\qquad\qquad\quad$ γ ＝ w /MP

$\qquad\qquad\qquad$ Increase Ratio of Labor Supply in Modern Sector; G（Lm）

$\qquad\qquad\qquad$ Increase Ration of Wage in Modern Sector; G(Wm)

$\qquad\qquad\qquad$ η ＝G（Lm）/G（Lm）

3. References

Todaro, M. and S. Smith (2008), *Economic Development*, Longman

4. Schedule of Course Work

1. Introduction 9/27

Part 1: History, Concept, and Theory of Sustainable Development (SD)

2. History and concept of SD   10/6

3. Theory of SD: Carrying Capacity and MSY   10/13

4. Measuring and Indicators of SD   10/20

5. * Students make a short report and presentation about your definition and measuring of SD 10/27

Part 2: Development and Environment in Developing Countries

6. Development issues: Poverty Trap and Big push 11/10

7. Economy and society of developing countries: Dual society and two sector development model 11/17

8. Development strategy: import substitution and export oriented 11/24

9. Development strategy and environment 12/1

10. * Students make a short report and presentation about development issues in selected countries. 12/8

Part 3: Theory and Practice of International Cooperation

11. History and theory of international development cooperation 12/15

12. PRSP, MDGs, and Paris Declaration 12/22

13. Assessing Aid and environment 1/12

14. * Students make a short report and presentation about aid and development in selected cases. 1/19

Part 4: Toward a Sustainable Global Society (governance)

15. Sustainable global society, global governance and concluding remarks 1/26