

MICHAEL P. TODARO STEPHEN C. SMITH

## ECONOMIC DEVELOPMENT



THIRTEENTH EDITION

## **Contents**



Case Studies and Boxes xv Figures and Tables xvii Preface xxi

1	Introducing Economic Development: A Global Perspective	1
	1.1 Introduction to Some of the World's Biggest Questions	1
	1.2 How Living Levels Differ Around the World	2
	1.3 How Countries Are Classified by Their Average Levels of Development: A First Look	7
	1.4 Economics and Development Studies	8
	1.4.1 Wider Scope of Study 8 1.4.2 The Central Role of Women 10	
	1.5 The Meaning of Development: Amartya Sen's "Capability" Approach	10
	1.6 Happiness and Development	13
	1.7 The Sustainable Development Goals: A Shared Development Mission	15
	<ul> <li>1.7.1 Seventeen Goals 15</li> <li>1.7.2 The Millennium Development Goals, 2000–2015 16</li> <li>1.7.3 Implementing the Sustainable Development Goals 19</li> </ul>	
	1.8 Some Critical Questions for the Study of Development Economics	21
	Case Study 1: Comparative Economic Development: Pakistan and Bangladesh	24
2	Comparative Economic Development	35
	2.1 An Introduction	35
	2.2 What is the Developing World? Classifying Levels of National	
	Economic Development	37
	2.2.1 Conventional Comparisons of Average National Income 37 2.2.2 Adjusting for Purchasing Power Parity 43	
	2.2.3 Other Common Country Classifications 45	
	2.3 Comparing Countries by Health and Education, and the Human	
	Development Index	46
	2.3.1 Comparing Health and Education Levels 46	
	2.3.3 Human Development Index Ranking: How Does it Differ from Income Rankings? 49	
	2.3.2 Introducing the Human Development Index 46	

vi Contents

2.4 Key Similarities and Differences Among Developing Countries	54
2.4.1 Levels of Income and Productivity 54	
2.4.2 Human Capital Attainments 55	
2.4.3 Inequality and Absolute Poverty 57	
2.4.4 Population Growth and Age Structure 58	
2.4.5 Rural Economy and Rural-to-Urban Migration 59	
2.4.6 Social Fractionalisation 59	
2.4.7 Level of Industrialisation and Manufactured Exports 61	
2.4.8 Geography and Natural Resource Endowments 61	
2.4.9 Extent of Financial and Other Market Development 62 2.4.10 Quality of Institutions and External Dependence 63	
2.5 Are Living Standards of Developing and Developed Nations Converging?	67
	07
2.5.1 The Great Divergence 67	
2.5.2 Two Major Reasons to Expect Convergence 69 2.5.3 Perspectives on Income Convergence 70	
	74
2.6 Long-Run Causes of Comparative Development	
2.7 Concluding Observations	82
■ Case Study 2: Institutions, Colonial Legacies, and Economic Development: Ghana and Côte d'Ivoire	84
Appendix 2.1 The Traditional Human Development Index (HDI)	102
Appendix 2.2 How Low-Income Countries Today Differ from Developed Countries	
in Their Earlier Stages	108
Classic Theories of Economic Crowth and Dovelonment	116
3 Classic Theories of Economic Growth and Development	
3.1 Classic Theories of Economic Development: Four Approaches	116
3.2 Development as Growth and the Linear-Stages Theories	117
3.2.1 Rostow's Stages of Growth 118	
3.2.2 The Harrod-Domar Growth Model 118	
3.2.3 Obstacles and Constraints 121	
3.2.4 Necessary Versus Sufficient Conditions: Some Criticisms of the Stages Model 122	100
3.3 Structural-Change Models	122
3.3.1 The Lewis Theory of Economic Development 122	
3.3.2 Structural Change and Patterns of Development 127	
3.3.3 Conclusions and Implications 128	129
3.4 The International-Dependence Revolution	129
3.4.1 The Neocolonial Dependence Model 130	
3.4.2 The False-Paradigm Model 131 3.4.3 The Dualistic-Development Thesis 131	
3.4.4 Conclusions and Implications 132	
3.5 The Neoclassical Counter-Revolution: Market Fundamentalism	133
	100
3.5.1 Challenging the Statist Model: Free Markets, Public Choice, and Market-Friendly Approaches 133	
3.5.2 Traditional Neoclassical Growth Theory 135	
3.5.3 Conclusions and Implications 137	
3.6 Classic Theories of Development: Reconciling the Differences	138
■ Case Study 3: Classic Schools of Thought in Context: South Korea and Argentina	140
Appendix 3.1 Components of Economic Growth	147

Contents	1717
Comens	VII

A	Appendix 3.2 The Solow Neoclassical Growth Model	153
A	Appendix 3.3 Endogenous Growth Theory	158
4	Contemporary Models of Development and Underdevelopment	164
	4.1 Underdevelopment as a Coordination Failure	165
	4.2 Multiple Equilibria: A Diagrammatic Approach	168
	4.3 Starting Economic Development: The Big Push	174
	<ul> <li>4.3.1 The Big Push: A Graphical Model 175</li> <li>4.3.2 Other Cases in Which a Big Push May Be Necessary 180</li> <li>4.3.3 Why the Problem Cannot Be Solved by a Super-Entrepreneur 181</li> </ul>	
	4.4 Further Problems of Multiple Equilibria	183
	4.4.1 Inefficient Advantages of Incumbency 183	
	4.4.2 Behaviour and Norms 183 4.4.3 Linkages 184	
	4.4.4 Inequality, Multiple Equilibria, and Growth 185	
	4.5 Michael Kremer's O-Ring Theory of Economic Development	186
	4.5.1 The O-Ring Model 186	
	4.5.2 Implications of the O-Ring Theory 189	404
	4.6 Economic Development as Self-Discovery	191
	4.7 The Hausmann-Rodrik-Velasco Growth Diagnostics Framework	192
7.1	4.8 Conclusions	199
	Case Study 4: China: Understanding a Development "Miracle"	202
5	Poverty, Inequality, and Development	220
	5.1 Measuring Inequality	222
	5.1.1 Size Distributions 222	
	5.1.2 Lorenz Curves 224	
	5.1.3 Gini Coefficients and Aggregate Measures of Inequality 5.1.4 The Ahluwalia-Chenery Welfare Index (ACWI) 228	
	5.2 Measuring Absolute Poverty	228
	5.2.1 Income Poverty 228	
	5.2.2 Multidimensional Poverty Measurement 233	
	5.3 Poverty, Inequality, and Social Welfare	233
	<ul> <li>5.3.1 What is it About Extreme Inequality That's So Harmful to Economic Development?</li> <li>5.3.2 Dualistic Development and Shifting Lorenz Curves: Some Stylised Typologies</li> <li>5.3.3 Kuznets's Inverted-U Hypothesis</li> <li>5.3.4 Growth and Inequality</li> <li>243</li> </ul>	
	5.4 Absolute Poverty: Extent and Magnitude	244
	5.4.1 The Multidimensional Poverty Index (MPI) 246	
	5.5 Economic Characteristics of High-Poverty Groups	251
	5.5.1 Children and Poverty 252	
	5.5.2 Women and Poverty 252 5.5.3 Ethnic Minorities, Indigenous Populations, and Poverty 255	
	5.6 Growth and Poverty	257
	A STATE OF THE STA	

viii Contents

5.7 Labour, the Functional Distribution of Income, and Inclusive Development	258
5.7.1 The Functional Distribution 258	
5.7.2 Labour and Inclusive Development 260	
<ul> <li>5.8 Policy Options on Income Inequality and Poverty: Some Basic Considerations</li> <li>5.8.1 Areas of Intervention 262</li> <li>5.8.2 Altering the Functional Distribution of Income Through Relative Factor Prices: Minimum Wage and Capital Subsidy Debates 263</li> <li>5.8.3 Modifying the Size Distribution Through Increasing Assets of the Poor 264</li> <li>5.8.4 Progressive Income and Wealth Taxes 265</li> <li>5.8.5 Direct Transfer Payments and the Public Provision of Goods and Services 266</li> <li>5.8.6 Applying Insights from Behavioural Economics to Address Poverty 268</li> </ul>	262
5.9 Summary and Conclusions: The Need for a Package of Policies	270
Case Study 5: India: Complex Challenges and Compelling Opportunities	272
Appendix 5.1 Appropriate Technology and Employment Generation: The Price Incentive Model	281
Appendix 5.2 The Ahluwalia-Chenery Welfare Index	284
6 Population Growth and Economic Development: Causes,	
Consequences, and Controversies	293
6.1 The Basic Issue: Population Growth and the Quality of Life	293
<ul> <li>6.2 Population Growth: Past, Present, and Future</li> <li>6.2.1 World Population Growth Throughout History 294</li> <li>6.2.2 Structure of the World's Population 296</li> <li>6.2.3 Demographic Structure and the Hidden Momentum of Population Growth 299</li> </ul>	294
6.3 Demographic Structure and the Demographic Transition	303
6.4 The Causes of High Fertility in Developing Countries:	
The Malthusian and Household Models  6.4.1 The Malthusian Population Trap 305  6.4.2 Criticisms of the Malthusian Model 309  6.4.3 The Microeconomic Household Theory of Fertility 311  6.4.4 The Demand for Children in Developing Countries 314  6.4.5 Implications for Development and Fertility 315	305
6.5 The Consequences of High Fertility: Some Conflicting Perspectives 6.5.1 It's Not a Real Problem 317 6.5.2 It's a Deliberately Contrived False Issue 318 6.5.3 It's a Desirable Phenomenon 318 6.5.4 It Is a Real Problem 320 6.5.5 Goals and Objectives: Toward a Consensus 324	316
6.6 Some Policy Approaches  6.6.1 What Developing Countries Can Do 326  6.6.2 What the Developed Countries Can Do 329  6.6.3 How Developed Countries Can Help Developing Countries with Their Population Programmes 330  6.6.4 Policy for Still-Developing Countries Facing Population Declines 330	326
Case Study 6: "Twins" Growing Apart: Burundi and Rwanda	332

Contents ix

7	Urbanisation and Rural-Urban Migration: Theory and Policy	340
	7.1 Urbanisation: Trends and Living Conditions	341
	7.2 The Role of Cities	349
	7.2.1 Industrial Districts 349	
	7.2.2 Efficient Urban Scale 353	
	7.3 Understanding Urban Giants: Causes and Consequences	354
	7.3.1 First-City Bias 355	
	7.3.2 The Political Economy of Urban Giants 356 7.4 The Urban Informal Sector	358
	7.4.1 Policies for the Urban Informal Sector 359	330
	7.4.2 Women in the Informal Sector 362	
	7.5 Migration and Development	363
	7.6 Toward an Economic Theory of Rural-Urban Migration	366
	7.6.1 A Verbal Description of the Todaro Model 366	
	7.6.2 A Diagrammatic Presentation 368	
	7.6.3 Policy Implications 370	200
_	7.7 Conclusion: A Comprehensive Urbanisation, Migration, and Employment Strategy	373
	Case Study 7: Rural–Urban Migration and Urbanisation in Developing Countries: India and Botswana	377
A	ppendix 7.1 A Mathematical Formulation of the Todaro Migration Model	382
8	Human Capital: Education and Health in Economic Development	390
	8.1 The Central Roles of Education and Health	390
	8.1.1 Education and Health as Joint Investments for Development 392	
	8.1.2 Improving Health and Education: Why Increasing Income Is Not Sufficient 393 8.2 Investing in Education and Health: The Human Capital Approach	396
	8.2.1 Social Versus Private Benefits and Costs 399	390
	8.3 Child Labour	401
	8.4 The Gender Gap: Discrimination in Education and Health	407
	8.4.1 Education and Gender 407	201
	8.4.2 Health and Gender 408	
	8.4.3 Consequences of Gender Bias in Health and Education 409	
	8.5 Educational Systems and Development	411
	8.5.1 The Political Economy of Educational Supply and Demand: The Relationship Between	
	Employment Opportunities and Educational Demands 411 8.5.2 Distribution of Education 413	
	8.6 Health Measurement and Disease Burden	416
	8.6.1 HIV/AIDS 421	
	8.6.2 Malaria 424	
	8.6.3 Parasitic Worms and Other "Neglected Tropical Diseases" 426	400
	8.7 Behavioural Economics Insights for Designing Health Policies and Programmes	428
	8.8 Health, Productivity, and Policy	429
	8.8.1 Productivity 429 8.8.2 Health Systems Policy 430	
	Case Study 8: Pathways Out of Poverty: Progresa/Oportunidades in Mexico	434
100	A committee of the control of the co	

x Contents

9	Ag	pricultural Transformation and Rural Development	447
	9.1	The Imperative of Agricultural Progress and Rural Development	447
		Agricultural Growth: Past Progress and Current Challenges	450
		9.2.1 Trends in Agricultural Productivity 450 9.2.2 Market Failures and the Need for Government Policy 456 9.2.3 Agricultural Extension 458	
	9.3	The Structure of Agrarian Systems in the Developing World	459
		<ul> <li>9.3.1 Three Systems of Agriculture 459</li> <li>9.3.2 Traditional and Peasant Agriculture in Latin America, Asia, and Africa 462</li> <li>9.3.3 Agrarian Patterns in Latin America: Progress and Remaining Poverty Challenges 462</li> <li>9.3.4 Transforming Economies: Problems of Fragmentation and Subdivision of Peasant Land in Asia 465</li> </ul>	
	0.4	9.3.5 Subsistence Agriculture and Extensive Cultivation in Africa 468  The Important Pole of Women	470
		The Important Role of Women	470
		The Microeconomics of Farmer Behaviour and Agricultural Development  9.5.1 The Transition from Traditional Subsistence to Specialised Commercial Farming  473  9.5.2 Subsistence Farming: Risk Aversion, Uncertainty, and Survival  474  9.5.3 The Economics of Sharecropping and Interlocking Factor Markets  477  9.5.4 Intermediate Steps to Mixed or Diversified Farming  480  9.5.5 From Divergence to Specialisation: Modern Commercial Farming  481	473
	9.6	Core Requirements of a Strategy of Agricultural and Rural	
	Cas	9.6.1 Improving Small-Scale Agriculture 483 9.6.2 Institutional and Pricing Policies: Providing the Necessary Economic Incentives 484 9.6.3 Conditions for Rural Development 486 se Study 9: The Need to Improve Agricultural Extension for Women Farmers:	483
Ī		ya and Uganda	489
10	Th	e Environment and Development	503
	10.1	1 Environment and Development: The Basic Issues	503
		10.1.1 Economics and the Environment 503 10.1.2 Sustainable Development and Environmental Accounting 505 10.1.3 Environment Relationships to Population, Poverty, and Economic Growth 506 10.1.4 Environment and Rural and Urban Development 508 10.1.5 The Global Environment and Economy 509	
		<ul> <li>10.1.6 Natural Resource–Based Livelihoods as a Pathway Out of Poverty: Promise and Limitations 510</li> <li>10.1.7 The Scope of Domestic-Origin Environmental Degradation 511</li> <li>10.1.8 Rural Development and the Environment: A Tale of Two Villages 513</li> <li>10.1.9 Environmental Deterioration in Villages 514</li> </ul>	
		2 Global Warming and Climate Change: Scope, Mitigation, and Adaptation 10.2.1 Scope of the Problem 515 10.2.2 Mitigation 518 10.2.3 Adaptation 519	515
	10.3	3 Economic Models of Environmental Issues	521
		10.3.1 Privately Owned Resources 521	

Contents xi

	10.3.3 Public Goods and Bads: Regional Environmental Degradation and the Free-Rider	
10.4		521
10.4		531
10.5		536
10.6	Policy Options in Developing and Developed Countries	539
	The state of the s	
	10.6.2 How Developed Countries Can Help Developing Countries 541	
	10.6.3 What Developed Countries Can Do for the Global Environment 545	
Case	2 Study 10: A World of Contrasts on One Island: Haiti and the Dominican Republic	548
Dev	velopment Policymaking and the Roles of Market,	
		557
		557
11.4	Service of the servic	558
	11.2.3 Planning in Mixed Developing Economies 559	
	11.2.4 The Rationale for Development Planning 560	
11.3	The Development Planning Process: Some Basic Models	562
	11.3.1 Three Stages of Planning 562	
	를 잃었다면 보고 있다면 하다 사람이 아이트를 하면 하다 사람들이 되었다면 하면 있다면 하면 되었다. 이번 사람들이 되었다면 하는 사람들이 되었다면	
11.4		570
11.1	PROCESSING THE CALLET CONTRACT ON A STATE OF STA	370
	11.4.3 Government Failure 573	
11.5	The Market Economy	574
	11.5.1 Sociocultural Preconditions and Economic Requirements 574	
11.6	The Washington Consensus on the Role of the State in Development	
	and Its Subsequent Evolution	575
	11.6.1 Toward a New Consensus 577	
11.7	Development Political Economy: Theories of Policy Formulation and Reform	578
	11.7.1 Understanding Voting Patterns on Policy Reform 580	
11.8		585
11.5		593
Case		599
	10.5 10.6 Case Sta 11.1 11.2 11.3 11.4 11.5 11.6 11.7	Problem 528  10.3.4 Limitations of the Public-Good Framework 530  10.4 Urban Development and the Environment  10.4.1 Environmental Problems of Urban Slums 531  10.4.2 Industrialisation and Urban Air Pollution 532  10.4.3 Problems of Congestion, Clean Water, and Sanitation 535  10.5 The Local and Global Costs of Rain Forest Destruction  10.6 Policy Options in Developing and Developed Countries  10.6.1 What Developing Countries Can Do 539  10.6.2 How Developed Countries Can De for the Global Environment 545  Case Study 10: A World of Contrasts on One Island: Haiti and the Dominican Republic  Development Policymaking and the Roles of Market,  State, and Civil Society  11.1 A Question of Balance  11.2.1 The Planning Wystique 558  11.2.2 The Nature of Development Planning 558  11.2.3 Planning in Mixed Developing Economies 559  11.2.4 The Rationale for Development Planning 560  11.3 The Development Planning Process: Some Basic Models  11.3.1 Three Stages of Planning 562  11.3.2 Aggregate Growth Models: Projecting Macro Variables 563  11.3.3 Multisector Models and Sectoral Projections 565  11.3.4 Project Appraisal and Social Cost-Benefit Analysis 566  11.4 Government Failure and Preferences for Markets Over Planning  11.4.1 Problems of Plan Implementation and Plan Failure 570  11.4.2 The 1980s Policy Shift Toward Free Markets 572  11.4.3 Government Failure 373  11.5 The Market Economy  11.5.1 Sociocultural Preconditions and Economic Requirements 574  11.6 The Washington Consensus on the Role of the State in Development and Its Subsequent Evolution  11.6.1 Toward a New Consensus 577  11.7 Development Political Economy: Theories of Policy Formulation and Reform

xii Contents

12 Inte	ernational Trade Theory and Development Strategy	615
12.1	Economic Globalisation: Meaning, Extent, and Limitations	615
12.2	International Trade: Some Key Issues	618
	12.2.1 Five Basic Questions about Trade and Development 621 12.2.2 Importance of Exports to Different Developing Nations 623 12.2.3 Demand Elasticities and Export Earnings Instability 625	
12.3	12.2.4 The Terms of Trade and the Prebisch-Singer Hypothesis 626  The Traditional Theory of International Trade	628
	<ul> <li>12.3.1 Comparative Advantage 628</li> <li>12.3.2 Relative Factor Endowments and International Specialisation: The Neoclassical Model 629</li> <li>12.3.3 Trade Theory and Development: The Traditional Arguments 634</li> </ul>	020
12.4	The Critique of Traditional Free-Trade Theory in the Context of	
	Developing-Country Experience	634
	12.4.1 Fixed Resources, Full Employment, and the International Immobility of Capital and Skilled Labour 635	
	<ul> <li>12.4.2 Fixed, Freely Available Technology and Consumer Sovereignty 638</li> <li>12.4.3 Internal Factor Mobility, Perfect Competition, and Uncertainty: Increasing Returns, Imperfect Competition, and Issues in Specialisation 639</li> </ul>	
	12.4.4 The Absence of National Governments in Trading Relations 641	
	12.4.5 Balanced Trade and International Price Adjustments 642	
	12.4.6 Trade Gains Accruing to Nationals 642 12.4.7 Some Conclusions on Trade Theory and Economic Development Strategy 643	
12.5	Traditional Trade Strategies and Policy Mechanisms for Development:	
Land	Export Promotion Versus Import Substitution	645
	12.5.1 Export Promotion: Looking Outward and Seeing Trade Barriers 647 12.5.2 Import Substitution: Looking Inward but Still Paying Outward 651 12.5.3 Tariffs, Infant Industries, and the Theory of Protection 652 12.5.4 The IS Industrialisation Strategy and Results 654 12.5.5 Foreign-Exchange Rates, Exchange Controls, and the Devaluation Decision 659	043
	12.5.6 Trade Optimists and Trade Pessimists: Summarising the Traditional Debate 663	222
12.6	The Industrialisation Strategy Approach to Export Policy	666
	12.6.1 Export-Oriented Industrialisation Strategy 666	
10.7	12.6.2 The New Firm-Level International Trade Research and the Developing Countries 670	677
1.2.7	South-South Trade and Economic Integration	672
	12.7.1 Economic Integration and Development Strategy 672 12.7.2 Regional Trading Blocs and Prospects for South-South Cooperation 674	
Case	Study 12: Pioneers in Development Success through Trade and Industrialisation Strategy:	
	Norea and Taiwan in Comparative Perspective	676
Dout	A Note and Talwar in Comparative I dispective	070
10 D I		
	ance of Payments, Debt, Financial Crises, and Sustainable	20.0
Rec	overy: Principles, Cases and Policies	697
13.1	Introduction	697
13.2	The Balance of Payments Account	698
	13.2.1 General Considerations 698	
	13.2.2 A Hypothetical Illustration: Deficits and Debts 700	

		Contents	xiii
	10.0	The Leave of Bernard Deficite	704
	13.3	The Issue of Payments Deficits	704
		13.3.1 Some Initial Policy Issues 704	
	12.4	13.3.2 Trends in the Balance of Payments 708  Accumulation of Debt and Developing-Country Crises:	
	13,4		710
		The 1980s Debt Crisis, and its Resolutions and Repercussions  13.4.1 External Debt Accumulation and Crisis: The Basic Transfer Framework  710	710
		13.4.2 The 1980s Crisis: Background and Analysis 712	
		13.4.3 Attempts at Alleviation: Classic IMF Stabilisation Policies, and Strategies for Debt	
		Relief 714	
	13.5	The 2000s Global Financial Crisis: Economic Development Impacts and Lessons	725
		13.5.1 Causes of the Crisis and Challenges to Lasting Recovery 725	
		13.5.2 Economic Impacts on Developing Countries 728	
		13.5.3 Differing Impacts across Regions and Developing Country Groups 732	
		13.5.4 Conditions Affecting Prospects for Stability and Growth 735	
	Case	Study 13: Brazil: Meaningful Development or Middle-Income Trap?	737
14	For	eign Finance, Investment, Aid, and Conflict: Controversies and	
	Op	portunities	749
	14.1	The International Flow of Financial Resources	749
		Private Foreign Direct Investment and The Multinational Corporation	750
	To de	14.2.1 Private Foreign Investment: Some Pros and Cons for Development 754	700
		14.2.2 Private Portfolio Investment: Benefits and Risks 761	
	14.3	The Role and Growth of Remittances	762
		Foreign Aid: The Development Assistance Debate	765
	11.1	14.4.1 Conceptual and Measurement Problems 765	7 00
		14.4.2 Amounts and Allocations: Public Aid 766	
		14.4.3 Why Donors Give Aid 768	
		14.4.4 Why Recipient Countries Accept Aid 772	
		14.4.5 The Role of Nongovernmental Organisations in Aid 773	
		14.4.6 The Effects of Aid 774	
	14.5	Conflict and Development	775
		14.5.1 The Scope of Violent Conflict and Conflict Risks 775	
		14.5.2 The Consequences of Armed Conflict 776	
		14.5.3 The Causes of Armed Conflict and Risk Factors for Conflict 779  14.5.4 The Resolution and Prevention of Armed Conflict 781	
	Case	Study 14: The Roots of Divergence Among Developing	
_		tries: Costa Rica, Guatemala, and Honduras	785
	Coun	ares. Cosa reca, Guaternaia, and Floridatas	700
15	Fin	ance and Fiscal Policy for Development	800
	15.1	The Role of the Financial System in Economic Development	800
		15.1.1 Differences Between Developed- and Developing-Country Financial Systems 802	
	15.2	The Role of Central Banks and Alternative Arrangements	806
		15.2.1 Functions of a Fully-Fledged Central Bank 806	
		15.2.2 The Role of Development Banking 809	
	15.3	Informal Finance and the Rise of Microfinance	810

15.3.1 Traditional Informal Finance 810

xiv Contents

	15.3.2 Microfinance Institutions: How They Work 813 15.3.3 MFIs: Three Current Policy Debates 815	
15.4	15.3.4 Potential Limitations of Microfinance as a Development Strategy 817  Formal Financial Systems and Reforms	818
	15.4.1 Financial Liberalisation, Real Interest Rates, Savings, and Investment 818 15.4.2 Financial Policy and the Role of the State 820 15.4.3 Debate on the Role of Stock Markets 822	
15.5	Fiscal Policy for Development	824
	15.5.1 Macrostability and Resource Mobilisation 824 15.5.2 Taxation: Direct and Indirect 824	
15.6	State-Owned Enterprises and Privatisation	829
	15.6.1 The Nature and Scope of SOEs 829 15.6.2 Improving the Performance of SOEs 830 15.6.3 Privatisation: Theory and Experience 831	
15.7	Public Administration: The Scarcest Resource	834
Case	Study 15: How Two African Success Stories Have Addressed Challenges: Botswana and Mauritius	836

Glossary 850 Name Index 862 Subject Index 868