

11.167 Economic Development & Technical Capabilities

Lecture 1

Looked at syllabus, briefly discuss overview of course.

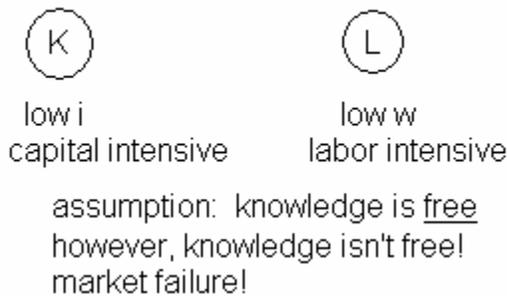
Talked about the Middle East/Africa – Undeveloped because of lack of knowledge.

Technology now taught is very different from 10/15 years ago.

Introduction to Economic history.

- Adam Smith – Thought of technology as perfectly available – i.e. a free good.
 - The example of the pin factory, and that if anyone just looked in they could figure out how to do it.
 - Division of labor is limited by the size of the market.
 - Division of labor becomes amazingly important in the context of economic development
 - Labor changes from: single person doing everything => multiple people working on separate portions => mechanization

Types of economies



- David Ricardo
 - Wanted income redistribution from agriculture to industry
 - Also wanted to trade with Portugal, and saw the benefits of such trade, as depicted below:

Circled products show comparative advantage

	Portugal	UK
cloth	①	3
wine	1	②

This model for comparative advantage assumes full employment in every country!

- Types of developing countries
 - Labor scarce
 - Labor abundant
 - Peasant export economies
 - Regions of recent settlement

Labor Scarce Countries

- Africa is a prime example – rich natural resources but not enough people, as a result labor costs rise

- Became poor because of imperialism, weren't poor before imperialism
- When imperialists came, first thing they did was impose a hut tax, which was paid in foreign currency
- As a result, people were forced to work in mines or to produce cash crops and eliminating their self-sufficiency.

Labor Abundant Countries

- Age old empires (China, India, Egypt, Turkey)
- Produced a lot of silk and textiles to sustain economy
- Large markets, viable to be tapped.
- To be continued next lecture . . .