
**BOOK REVIEW: ECONOMIC DEVELOPMENT (12TH ED.) BY
MICHAEL P. TODARO AND STEPHEN C. SMITH**

Reviewed by

Marietta M. Musyoka

Tangaza University, Kenya

musyoka.marietta@gmail.com

Publication Date: February 2025

ABSTRACT

This review examines the relevance of chapters 1-3 of the 12th edition of "Economic Development" by Michael P. Todaro and Stephen C. Smith to environmental policies governing water catchment areas in Wote, Makueni, Kenya. The book provides a comprehensive overview of economic development, including the definition of freedom and its relationship with development, problems and policies at the local level, and historical development theories. The authors argue that GDP and GNP are inadequate tools for measuring development, as they do not capture social cohesion, environmental sustainability, or human well-being.

Keywords: *Economic Development, Human Development Index (HDI), Neoclassical Growth Theory, Development Theories, Policy and Governance*

Todaro begins his book by Defining freedom and how it relates with development answering several questions: What is the real meaning of development? Why do some countries develop and others remain poor? What are the sources of development and how do we measure development? Does historical record of development help us understand it better? What are the most influential theories of development and are they compatible? Is development process of developing nations independent or interdependent with that of developed nations? 1950s economic terms, defined development as the capacity of a nation to generate and sustain an annual increase in its GNP of 5% or more. GDP:

is the market value of all final goods and services produced within a country in a given period of time. GNP: is the market value of all final goods and services produced by permanent residents of a country in a given period of time. Therefore, $GNP = GDP + \text{net factor income from abroad}$. However, development cannot be measured by looking at GDP because it is beyond that. GDP and GNP does not tell how much people are earning, it does not define social cohesion, neither can it evaluate the effectiveness of environmental policies on sustainability of water catchment areas. Therefore, GNP and GDP become inadequate tools for measuring development.

Chapter two discusses *Problems and Policies at the Local Level*. After classifying countries as low-income, lower-middle income, upper-middle income, high-income OECD, and other high-income countries, Purchasing Power Parity (PPP) is explained as a tool to make more accurate comparisons between countries based on income level. Todaro also looks at other key development factors like education and gender inequality, through an introduction to the Human Development Index and how it is calculated. Developing countries share ten similarities: Low levels of living and productivity; Low levels of human capital; High levels of income inequality and absolute poverty; High rates of population growth; Social fraternization; Large rural population with rapid rural-urban migration; Low levels of industrialization; Adverse geography; underdeveloped financial systems and markets; Lingering colonial impact and external dependence. Within the discussion of these similarities are highlights of the diversity among developing nations despite their commonalities.

It is evident that developing countries began modern economic growth with initial conditions much different from those of the developed countries. In comparison to the position of the developed countries on the eve of their development, many of today's LDCs have: More limited natural resource endowments; lower per capita incomes; poor climate and unfavorable geographic conditions; larger population sizes and growth rates; fewer migration possibilities, but a larger "brain drain" problem among those who do migrate; fewer growth benefits from international trade; limited scientific and technological research capacity; ineffective domestic institutions. The puzzle is whether living standards in developing and developed nations are starting to converge.

Chapter 3 provides historical overview of the classic development theories that have existed and key features of each theory presented with their major contributions and limitations. Todaro notes that while the theories are often competing in nature, each offers valuable insight into the

development process. The theories discussed are: Rostow's Theory; Harrod-Domar Model; Lewis Model; Structural Change and Patterns of Development; Neoclassical Dependence Model; False Paradigm Model; Dualistic Development Thesis; Neoclassical Market Orientation Model and Neoclassical Growth Theory. However, the chapter finds most approaches used in the explained theories limiting because the developed countries try to replicate what has worked internationally to assume that it can work locally.

The structural change models stress the transformation from a traditional, agricultural economy to a modern, industrial economy. The Lewis model is carefully developed and analyzed as the key theoretical illustration of this approach. Though important for attracting attention to linkages between traditional agriculture and modern industry, it is criticized for assuming that real urban wages will not rise, and that migration and modern sector employment grow proportionately, with assured employment in the urban areas – the fact that such assumptions have worked in developing countries in Latin America does not mean it will work in developing countries in Africa.

The book highlights the importance of considering local context, institutional capacity, and community participation in development planning. The case of Makueni County, where land reform has been slow due to national policies and elite interests, illustrates the need for inclusive and contextualized development approaches. The review concludes that the book provides valuable insights into the complexities of economic development and the need for nuanced and context-specific approaches to address the challenges faced by developing countries, including environmental sustainability and human well-being.

REFERENCE

Todaro, M. P., & Smith, S. C. (2012). *Economic Development* (12th ed.). Pearson Publications. ISBN 978-013-801388-2.