education & health

ECONOMIC GROWTH & DEVELOPMENT

11/10/2016.

- Economic growth refers to a steady physical increase in a country's productive capacity which is identifiable by a sustained increase in a country's real output of goods & services or real national income over time.
- This is a ~~qualitativ~~ quantitative concept & may not ~~may~~ be accompanied by an increase in the quality of life.
- Economic development refers to increase in per capita income associated with an improvement in the indicators of the quality of life.
- Examples of indicators of the quality of life include;
  1. Adult literacy.
  2. Infant mortality
  3. Life expectancy..
  4. Population per doctor
- This implies fundamental changes in the economic & ~~structure~~ social structure of a country.
- It is associated with a decline in the share of agricultural sector & corresponding increase in value of manufacturing & service sector
- Economic growth ∴ implies more output where as economic development suggests an increase in output & changes in technical & institutional arrangements by which that output is produced & distributed.

Reasons for Low levels of Economic Growth in Less Developed Countries.

1. High population growth rate.
An increase in population that is equal to increase in NI renders per capita income static because of the significant increases in population growth.

2. Insufficient natural resources.
Where these essential resources are imported, large amounts of scarce foreign currency are used.

3. Inadequate human resources.
People with well developed entreprenual skills, motivated & trained to organise resources for efficient production are lacking.

4. Inadequate infrastructure.

5. Resource underutilization
When wrong products are made or workers are too unmotivated to concentrate on their task.

6. Excessive govt intervention which frustrates growth.

7. Inadequate financial institutions.

Benefits of Economic Growth.

1. Improvement of standards of living.
2. Reduction of poverty.
3. Makes everyone better off without making any one worse off.
4. People are able to afford basic necessities.
5. It brings social stability ie no political unrest.

Cost of Economic Growth.

1. It may lead to exhaustion or depletion of non-renewable natural resources.
2. Growth may be associated with huge opportunity costs eg provision of basic facilities may be sacrificed in the pursuit of industrialization.
3. Negative externalities that are social costs to the community eg pollution, traffic jams etc.
4. Growth leads to adoption of capital intensive production methods that will contribute to technological unemployment.
5. It can lead to increase in the level of public debts esp with capital obtained from external borrowing.

Role of Industrial Development ~~in the~~ in Economic Growth & Development.

1. Major source of govt. revenue through taxation.
Industries pay several taxes including excise duties, corporation taxes etc.

2. They create employment to a majority of the labour force.
This enhances & improves the welfare in the entire economy.

3. Industrial development supports the growth of other sectors including agriculture through establishing effective inter-industry linkages eg farm inputs to the agriculture.

4. Promote economic diversification esp the countrys that rely on agriculture.

5. The industries help the development of new technological methods of production which leads to higher productivity.

6. Export producing industries are a major source of foreign exchange which are a substantial part of the govt revenue.

7. Manufactured products from the industries fetch relatively stable prices compared to agricultural ~~incomes compar~~ products.

Problems Facing Industrial Development.

1. Lack of sufficient capital resource.
Industrial development is highly capital intensive in terms of finance required & capital goods hence limiting the process of industrialization.

2. Unreliable power supply which are characteristic in most developing countries.
This will limit industrial growth since the machineries are power driven.

3. Political instability.
The high incidences of insecurity & crime scares away both local & foreign investors.

4. Lack of adequate raw materials that are necessary for production to occur.

5. Lack of government financial & technical support to the local & foreign investors

6. Lack of skilled man power to run various industrial operations since they are expensive to hire & sustain.

Policies to improve Industrial Development

1. Provision of financial support to industrial investors either directly or indirectly.
2. Establishment of a reliable sys. of infrastructure necessary to support industrial growth.
3. Maintaining political stability & peace so as to attract foreign investors.
4. Expansion of industrial markets through economic integration.
5. Encouragement of the growth of informal, small skill industries.
6. Investing in human resource training so as to improve the quality of industrial labour force.

Factors Responsible for Economic Growth (Increase in National Income).

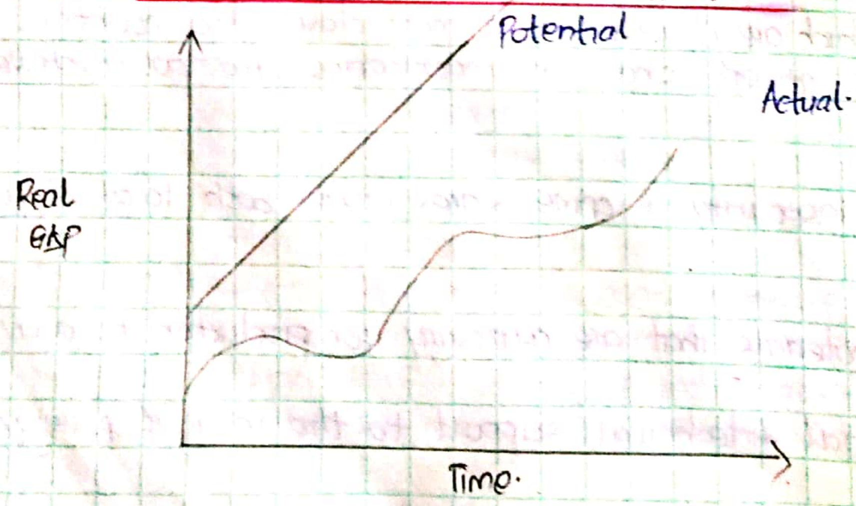
1. Discovery of new resources.
   When there are discoveries of new resources such as mineral deposits then the economy can grow rapidly.

2. State of technology.
   New tech. is more productive & will ∴ lead to higher growth.

3. Quality of the labour force.
   The more educated & trained a workforce is, the more productive it becomes &∴ the better the chances of acheiving growth.

4. Rate at which new products are developed.
   - This is a sign of innovation.

Actual & Potential Economic Growth.



- Actual growth is an annual increase in the country's real economic productivity that keeps on fluctuating according to the b/s cycle.
Potential growth is the annual real rate of economic growth that will occur if all the resources are fully & efficiently utilized.

Development Planning.

May 2016 TC

This is the setting of economic objectives & laid down strategies to facilitate the achievement of the ~~gol~~ goals set eg vision 2030.

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1. Foreign aid.
Having a plan helps a country to mobilize & receive donor funding from the World Bank & the IMF.

2. Market failure.
Planning minimizes market failure & its consequences ie it minimizes shortages & surpluses

3. Attitudinal & Psychological reasons
Planning has psychological benefits such as peace of mind, a sense of purpose & direction.

4. Resource allocation & utilization.
A plan allows resources to be utilized & efficiently allocated.

5. Tool of communication
A plan is a tool of communication to the citizens on what we are planning.

Challenges Encountered in Development Planning.

1. Lack of political will from the political class.
2. Lack of accurate data to work with.
3. Lack of resources ie inadequate resources.
4. Weak institutions. which hinders the implementation of the plans.
5. Political instability.
6. Insecurity.

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Qualities of a Good Development Plan.

1. Achievable
2. Realistic
3. Time bound.
4. Relevant.
5. Acceptable.
6. Sustainable

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Charateristics of Developing countries / Economic objectives.

1. Low per capita income.
2. Reliance on agriculture.
3. Budget deficits
4. High levels of national debts.
5. Poverty.
- Rapid population growth rate.
- High levels of unemployment.

8. High B.O.P deficits.

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