Edexcel Economics (A) A-level

Theme 4: A Global Perspective

4.3 Emerging and Developing Economies

Summary Notes

4.3.1 Measures of development

The three dimensions of the Human Development Index (HDI)

The components of HDI are education, life expectancy and standard of living, measured by real GNI at purchasing power parity (PPP) per capita.

It measures economic and social welfare of countries over time.

The education component combines the statistics of the mean number of years of schooling and the expected years of schooling.

The life expectancy component uses a life expectancy range of 25 to 85 years.

The standard of living component measures GNI adjusted to PPP per capita. GDP was used instead of GNI, but to account for remittances and foreign aid, GNI is now used, since it reflects average income per person.

The average world HDI rose from 0.48 in 1970 to 0.68 in 2010. This was mainly due to the growth of East Asia, the Pacific and South Asia.

A value close to 1 is indicative of a high level of economic development. A value close to 0 suggests a low level of development.

The advantages and limitations of using the HDI to compare levels of development between countries and over time

- HDI does not consider how free people are politically, their human rights, gender equality or people's cultural identity.
- HDI does not take the environment into account. It could be argued that this should be included to focus on human development more.
- HDI does not consider the distribution of income. A country could have a high HDI but be very unequal. This can mean many people might still be in poverty.
- HDI does allow for comparisons between countries to be made, based upon which countries are generally more developed than other countries.
- It provides a much broader comparison between countries than GDP does.

- Education and health are important development factors to consider, and it can provide information about the country's infrastructure and opportunities. It also shows how successful government policies have been.

Other indicators of development

- **Human Poverty Index (HPI):** measures life expectancy, education and the ability of citizens to meet basic needs. There are two types: HPI-1 and HPI-2. The former measures poverty in developing countries and the latter measures poverty in developed countries.

  In HPI-1, the longevity part of the index measures the probability of living to the age of 40. The education component considers the adult literacy rate. The ability of citizens to meet basic needs is measured by the percentage of underweight children and the percentage of people not using improved water sources.

  For HPI-2, the probability of not surviving to at least the age of 60 is used. The percentage of adults which do not have literacy skills is calculated, and poverty is calculated by those living below the poverty line. This is below 50% of median income.

- **Gender-related Development Index (GDI):** measures the relative inequality between men and women. It combines HDI with a consideration of gender. For example, it will consider differences in life expectancies, income and education between genders.

4.3.2 Factors influencing growth and development

Impact of economic and non-economic factors in different countries

Primary product dependency

Primary products are raw materials in industries such as agriculture, mining and forestry. For countries whose main exports are primary products, their ability to pay foreign debts and for imports relies on this.

Several developing countries rely on these primary products as a significant part of their economy. One issue with this is the v**olatility of commodity prices** that can make it hard for workers to plan for the future, and it means incomes of farmers are fickle and hard to predict.

A fall in the price leads to a fall in export incomes, which can make it hard to fund their infrastructure and education. Moreover, relying on primary products is not necessarily sustainable, since they could be over extracted and run out.

Savings gap: Harrod-Domar model

In many developing countries, there is only limited wealth, which means money cannot be put aside for the future, and they can only afford to spend in the short run. Consumers have to focus on their immediate needs, including food and safe water, to ensure they can survive. Without sufficient savings, there is inadequate capital accumulation.

Africa's saving rate is around 17%, whilst the average for middle income countries is around 31%. This makes it more expensive for the African public and private sectors to get funds since they have higher borrowing costs. This impedes capital investment.

The Harrod-Domar model states that investment, saving and technological change are required in an economy for economic growth. The rate of growth increases if the savings ratio increases. This leads to increased investment and technological progress, which leads to higher productivity.

The rate of growth is calculated by the savings ratio / capital output ratio in the Harrod-Domar model. Growth increases with more saving or a small capital output ratio.

The limitations of the model are that there is a low marginal propensity to save in some countries, or that there might be a poor financial system. Funds might not lead to borrowing and investment. There could also be inefficiency in the workforce.

Moreover, the paradox of thrift could be considered. An increase in savings could lead to an increase in investment. However, an increase in savings means there is a reduction in spending, which leads to a fall AD.

- **Foreign currency gap**

A foreign currency gap exists when the country is not attracting sufficient capital flows to make up for a deficit in the capital account on the balance of payments. In other words, the value of the current account deficit is larger than the value of capital inflows.

- **Capital flight**

This is when capital and money leave the economy through investment in foreign economies.

It is triggered by an economic threat, such as hyperinflation or rising tax rates. It can worsen an economic crisis and cause a currency to depreciate.

- **Demographic factors**

The population can impact the growth and development of a country. There is a link between keeping birth rates down and fighting hunger, poverty and environmental damage. Rapid population growth has complicated efforts to reduce poverty and eliminate hunger in Africa.

- **Debt**

The debt crisis emerging in the developing world threatens the fight against poverty and inequality.

- **Access to credit and banking**

Without a safe, secure and stable banking system, there is unlikely to be a lot of saving in a country. This makes investment difficult.

- **Infrastructure**

Poor infrastructure discourages MNCs from setting up premises in the country. This is since production costs increase where basic infrastructure, such as a continuous supply of electricity, is not available.

- **Education/skills**

This is important for developing human capital. Adequate human capital ensures the economy can be productive and produce goods and services of a high quality. It helps generate employment and raise standards of living.

- **Absence of property rights**

  Weak or absent property rights mean entrepreneurs cannot protect their ideas, so do not have an incentive to innovate.

- **Corruption**

  In sub-Saharan Africa, the money lost from corruption could pay for the education of 10 million children per year in developing countries.

- **Poor governance/civil war**

  This could hold back infrastructure development and is a constraint on future economic development. It could destroy current infrastructure and force people into poverty.

- **Vulnerability to external shocks**

  For example, an earthquake prone country is likely to find it hard to develop their infrastructure, and people might be pushed into poverty. Nepal was already one of the poorest countries in the world, but the Nepal earthquake in 2015 pushed more people into poverty.

Synoptic point

Some of these factors are microeconomic factors, whilst others are macroeconomic factors. However, they all have macroeconomic impacts i.e. limiting development and growth.

Development has microeconomic impacts since it leads to improvements in conditions for individuals, as they have higher income and higher conditions. Firms may also benefit from development.

4.3.3 Strategies influencing growth and development

Market-orientated strategies

These are measures which make the economy more free, with minimum government intervention.

- **Trade liberalisation**

  Free trade is the act of trading between nations without protectionist barriers, such as tariffs, quotas or regulations. World GDP can be increased using free trade, since output increases when countries specialise. Therefore, living standards might increase and there could be more economic growth. It will allow firms to grow as they can export more. However, if firms are unable to compete globally, they will collapse. This will cause a loss of jobs and limit development and growth.
  Therefore, the impact depends on whether the firms are able to compete internationally or not.

- **Promotion of FDI**

  FDI is the flow of capital from one country to another, in order to gain a lasting interest in an enterprise in the foreign country.
  FDI can help create employment, encourage the innovation of technology and help promote long term sustainable growth. It provides LEDCs with funds to invest and develop, helping to overcome the savings gap. It allows a transfer of knowledge, bringing production and management techniques which help to improve labour productivity.
  However, they often repatriate their profits and exploit the workers, by paying low wages and offering poor conditions. The country may suffer from externalities.

- **Removal of government subsidies**

  Government subsidies could distort price signals by distorting the free market mechanism. A free market economist would argue that this could lead to government failure. There could be an inefficient allocation of resources because the market mechanism is not able to act freely. It also has a negative effect on the government budget and could cause excessive debts.

However, they can be an effective way to minimise absolute poverty and ensure a minimum standard of living. Removing the subsidies can be politically unpopular and some governments have even been thrown out for attempting to do so.

- **Floating exchange rate systems**

  The value of the exchange rate in a floating system is determined by the forces of supply and demand. The government does not have to worry about gold and foreign currency reserves.

  However, the currency will be volatile and this will make it difficult for importers and exporters.

- **Microfinance schemes**

  Microfinance involves borrowing small amounts of money from lenders to finance enterprises. It increases the incomes of those who borrow, and can reduce their dependency on primary products. There could be a multiplier effect from the investment of the loan.

  They are small loans for usually unbankable people. It allows them to break away from aid and gives borrowers financial independence. Many borrowers are women. Microfinance loans detach the poor from high interest, exploitative loan sharks. They could help businesses to be set up, reducing the issue of the savings gap.

  However, money is often not spent on sustainable methods of development and simply increases the informal economy. Most people are unable to pay their loans back, relying on new loans to repay old ones.

- **Privatisation**

  This means that assets are transferred from the public sector to the private sector. The government sells a firm so that it is no longer in their control. Free market economists will argue that the private sector gives firms incentives to operate efficiently, which increases economic welfare. This is because firms operating on the free market have a profit incentive, whilst nationalised firms do not. Firms have to produce the goods and services consumers want as they are on the free market. This increases allocative efficiency and might mean goods and services are of a higher quality. By selling the asset, revenue is raised for the government.

However, this is only a one-off payment. It is important that it is not privatised as a monopoly.

Interventionist strategies

The government intervenes in the market to try and influence growth and development using interventionist strategies.

- **Development of human capital**

  By developing human capital, the skills base in the economy would improve. This would improve productivity and allow more advanced technology to be used, since workers will have the necessary skills. Businesses struggle to expand where there are skills shortages. It also limits innovation. By developing human capital, the country can move their production up the supply chain from primary products, to manufactured goods and to services, which can earn them more. Better education also improves quality of life.

  This can be difficult to do and is expensive.

- **Protectionism**

  Protectionism can help reduce a trade deficit. This is because they will be importing less due to tariffs and quotas on imports. This will help to increase AD. It can protect infant industries and allow them to develop. It can create jobs in the short run.

  However, protectionism could distort the market and lead to a loss of allocative efficiency. It prevents industries from competing in a competitive market and there is a loss of consumer welfare. Consumers face higher prices and less variety. By not competing in a competitive market, firms have little or no incentive to lower their costs of production. Tariffs are regressive and are most damaging to those on low and fixed incomes. There is also the risk of retaliation from other countries, so countries might become hostile.

- **Managed exchange rates**
  Managed exchange rate systems combine the characteristics of fixed and floating exchange rate systems. The currency fluctuates, but it does not float on a fully free market. This is when the exchange rate floats on the market, but the central bank of the country buys and sells currencies to try and influence their exchange rate. It provides more stability than a floating system but requires less intervention.

- **Infrastructure development**
  Examples of physical infrastructure include transport, energy, water and telecommunications. Higher supply costs delay businesses and it reduces the mobility of labour. Infrastructure has many positive social benefits, and so the government should provide it.
  However, they may not have the funds to provide infrastructure and projects often suffer from bribery and corruption. The project may cause environmental damage.
  Some argue that intermediate technology, which uses local materials and can be fixed locally, is better than large scale infrastructure.

- **Promoting joint ventures with global companies**
  This occurs when a partnership is formed between two firms based in multiple countries.
  Joint ventures open up new markets for small firms, so they can distribute their products to customers. This saves them time and funds. It also spreads their risk, which is important in industries where developing a product is expensive. They have all the benefits of FDI, without the negatives of exploitation and some of the profits remain in the country.

- **Buffer stock schemes**

  In the agriculture market, governments might intervene with a buffer stock system to reduce price volatility. Governments buy up harvests during surpluses and then sell the goods onto the market when supplies are low. However, historically, these have been unsuccessful.

  It helps incomes of farmers to remain stable, because fluctuations in the market are reduced and it increases consumer welfare by ensuring prices are not in excess.

  However, governments might not have the financial resources to buy up the stock. Moreover, storage is difficult and expensive, since agricultural goods do not last long, and there are administrative costs. It can cause inefficiency, as suppliers produce as much as they want since they know the government will buy it at whatever price.

Other strategies

- **Industrialisation: the Lewis model**

  The Lewis model is an explanation of how a developing country which focuses on agriculture could move towards manufacturing.

  It is based on the assumption that in agriculture, there is a surplus of unproductive labour in developing economies. The model assumes that in the manufacturing sector, wages are fixed. Workers from agriculture are attracted to the higher wages in the manufacturing sector.

  In the manufacturing sector, entrepreneurs charge prices above the wage rate, which allows them to make profits. It is assumed these profits are invested into more fixed capital for the business.

  The demand for labour increases since the productive capacity of firms has increased. Since there is surplus labour in the agricultural sector, this labour is employed in the manufacturing sector.

  This grows the manufacturing sector to the extent that the economy moves from agriculture to manufacturing. This is from a traditional state to an industrialised state.

However, in reality, profits might not be reinvested into the firm. Moreover, the capital investment might replace labour, so the demand for labour could fall instead. Also, it is not always easy for labour in the agricultural sector to move to the manufacturing sector. There could be urban poverty, if there are not enough jobs in the cities.

- **Development of tourism**

  Tourism can create thousands of jobs and help shift a developing country away from dependency on primary products. Developing countries tend to have a high marginal propensity to consume, which could create a multiplier effect. It helps to diversify the economy and it could make the country more attractive to FDI, as well as developing their infrastructure. Tourism can also be a way of earning foreign currency for developing countries. The low technology and labour intensive work in tourism is suited to LEDCs.

  However, little revenue is retained in the country, since travel agents and hotel owners are likely to repatriate their profits. Moreover, there is the issue of overcrowding and the loss of habitats. Income from tourism is likely to be unstable, since it relies heavily on the business cycle in developed countries. Locals could feel stigmatised by tourism, especially if they cannot afford the luxuries that the tourists have. There could also be some environmental damage, such as pollution.

- **Development of primary industries:**

  Some developing countries have an abundance of raw materials, so some governments might choose to exploit this advantage and develop the industry so the country can have a comparative advantage in its production. Moreover, primary industries, especially those allied to farming, form the livelihoods of the bulk of the population. It is sometimes the only source of income for most families. Therefore, it is important that the industry is supported.

  However, there are issues involving primary product dependency.

- **Fairtrade schemes**

  Fairtrade schemes ensure that farmers can receive a fair price for their goods. Supermarkets buy a guaranteed quantity at a price above the market equilibrium. This helps farmers since they have a guaranteed income and certainty about their sales, so they can plan for the future.

  Fairtrade can help support community development and social projects, as well as ensuring working conditions meet a minimum standard. It encourages sustainable production, promotes environmental protection, and stops the use of child labour.

  Critics say the impact of Fairtrade schemes is insignificant. It could distract from other policies and development, and it could make producers not part of Fairtrade worse off. This is since it divides the market into Fairtrade and non-Fairtrade markets. It could be argued that by distorting price signals, Fairtrade is less efficient.

  Fairtrade could make farmers reliant on the sale of their produce, but it promotes self-sufficiency and encourages them to be independent. It has its limitations, but it provides a sense of community, working with farmers, rather than for them.

- **Aid**

  Consumers in LEDCs have a lower propensity to consume than save, due to their limited incomes. Capital inflows, including those in the form of aid, can help fill this savings gap.

  Aid provides temporary assistance to a country, such as humanitarian aid offered to countries after conflicts or natural disasters. Aid could also be a grant for a project that a country might not have the funds for.

  Aid could be used to reduce human capital inadequacies or to pay off debt. It can improve infrastructure, which can help make the country more productive.

  However, the benefits of aid are limited by corrupt leaders, the size of the aid payment and the potential for the recipient country to become dependent on aid.

- **Debt relief**

  Debt relief is the partial or total forgiveness of debt. In developing countries, debt is considered to be a principal cause of poverty, since it causes human suffering and misery, and it hampers development. With high levels of debt, financial resources are diverted from infrastructure, education and healthcare. Debt forgiveness can allow a country to import more and increase the population's standard of living. It improves government finances, so public services could be funded instead.

  However, if debt is forgiven, it could encourage more borrowing in the future. Moreover, there could be corruption.

Synoptic point:

Like the factors of development, some of these are microeconomic strategies and some are macroeconomic strategies. Most of them have both microeconomic and macroeconomic effects, but their main aim is a macroeconomic one: to bring about growth and development.

The role of international institutions and non-government organisations (NGOs)

The World Bank and IMF are sometimes called the Bretton Woods Institutions. They aim to provide structure and stability to the world's economic and financial systems. Almost every country is a member of both institutions. The governments of each member nations own and direct the institutions.

The World Bank mainly focuses on development. The IMF tries to keep payments and receipts between countries logical and ordered.

- **World Bank**

  The World Bank can loan funds to member countries, and its aim is to promote economic and social progress by raising productivity and reducing poverty.

  The World Bank is involved in several projects globally, such as providing microcredit, supporting education, and helping the rebuilding of countries after earthquakes.

- **International Monetary Fund (IMF)**

  The IMF aims to promote monetary cooperation between nations, and monetary problems can be consulted in the institution.

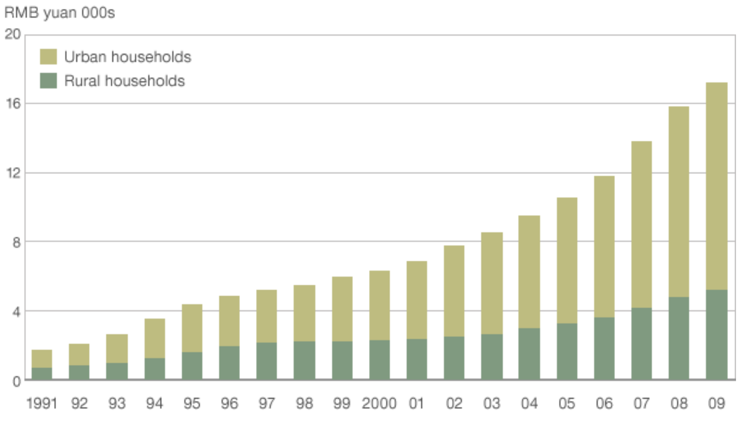
  It also aims to help free trade globally, so jobs are supported. The IMF promotes exchange rate stability, and tries to avoid competitive depreciations in the currency.

  Members can also borrow from the IMF, such as if they need to correct an imbalance in the balance of payments or to pay off national debt. In order to gain loans, countries have to promise to undertake reform, including reducing imports and government spending. These aim to ensure the country does not face similar problems in the future.

- **NGOs:**

  NGOs could be funded by governments, firms or private individuals, but they are not part of governments or for-profit businesses. They are voluntary groups which aim to raise the voices of ordinary citizens. Usually, they focus on particular issues such as human rights, healthcare or the environment. They can lobby the government to make changes, raise funds and undertake projects in developing countries, such as the establishment of schools.

China Country Profile



Source: Starmass

China overtook Japan in 2011 to become the world's second-largest economy. It is the world's fastest-growing economy but problems such as growing inequality, pollution, rural poverty, an inefficient state sector and low domestic consumption still exist. There needs to be investment in social services, pensions, and healthcare, since the population is ageing.

Trade:

China is one of the world's top exporters and attracts huge amounts of foreign investment. It also invests billions of dollars abroad. Initially, the financial crisis of 2009 and the collapse in international export markets that accompanied it damaged China's exports, but the economy quickly returned to growth. However, the debt crisis in the Eurozone, which is one of the biggest markets for Chinese goods, hindered China's growth by early 2012.

Since China is a member of the WTO, they can gains the benefits of getting access to foreign markets. However, China's relations with trading partners have been strained because of China's trade surplus and the piracy of goods.

China's main exports are manufactured goods, including textiles, garments, electronics and arms.

During the 1990s, economic expansion rose because of mass privatisation and because China opened up to inward FDI. Firms built factories in China and took advantage of the low labour costs. However, some people fear that private enterprises, rather than state-owned, carry social costs such as unemployment and instability.

Cheap labour has reduced prices for many manufactured goods. China is now the biggest investor in Africa, promising to shift the continent's focus away from Europe and the US for the first time in two centuries. China is also the biggest foreign holder of US government debt.

China is now Japan's main trading partner and is increasingly important to companies such as Sony, Honda and Toyota. The yen has been strengthening against other currencies, and the fear is that this might hurt foreign demand for Japanese products.

Chinese demand has caused increases in prices for commodities like copper, for cables in rapidly growing cities and infrastructure. There is demand for Europe's luxury goods makers like Louis Vuitton and Hermes in China's gift-giving culture. Higher standards of living are causing more exports.

Currency:

China’s trade surplus has led to demands for Beijing to raise the value of the Renminbi. This would make the export of Chinese goods more expensive, potentially reducing them. Beijing responded by easing restrictions on trading in the renminbi.

Inequality:

There is an economic disparity between urban and rural citizens, which is among the largest in the world. Recently, many impoverished rural dwellers moved to the cities which have enjoyed a construction boom. By 2012, those in the city appeared to outnumber the rural population for the first time.

High growth has increased the overall wealth of the population. This is especially in cities where factory worker’s wages have risen, so they have more disposable income. Earnings of those in the countryside have not risen as quickly, although there has still been an increase in their disposable income.

Pollution:

Fast economic growth led to a rise in demand for energy. China is the largest oil consumer after the US, and the world's biggest producer and consumer of coal. It spends billions of dollars for foreign energy supplies. They have invested heavily in hydro-power, such as on the $25bn Three Gorges Dam project.

However, there is poor environmental policy. There has been no promise of tough powers for China's environmental authorities. Officials have only promised to reduce pollution.

However, reducing pollution might mean imposing costs on industries that have to become greener. Some of these industries are state owned and are politically influential. Those which are private firms face huge competition and can’t afford the extra costs. With higher costs, they might reduce the size of their workforce, which is politically difficult for Xi Jinping. The Party’s policies revolve more around rapid economic growth than the environment.

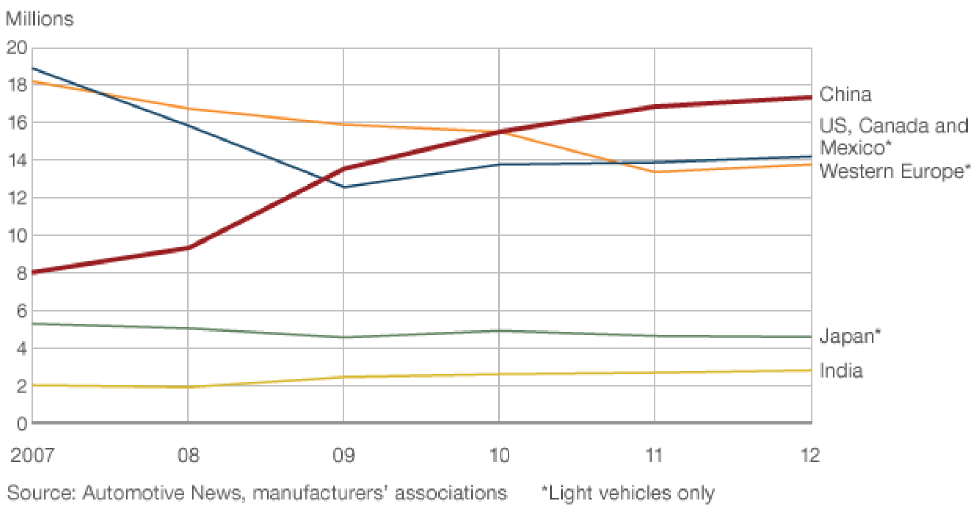
The country has built thousands of extra power stations to provide electricity for all the new factories and growing in cities. This has caused higher pollution levels, especially from the country's numerous coal-fired power stations.

Rapid industrialisation and a building boom saw China overtake the US as the world's biggest emitter of greenhouse gases in 2007. Every year, pollution causes 500,000 to 750,000 premature deaths. Airborne pollution including mercury and lead is carried across borders into neighbouring countries and across the Pacific where it falls on the US West Coast.

Corruption:

As China's economy grew, corruption has become the biggest source of anger against the Party. Measuring its scale is impossible, but corrupt officials are thought to have smuggled $120bn out of the country since the mid-1990s. There is also resentment against perks of office like banquets, expense accounts and lavish gifts which have become an important extra source of income.

Standard of Living:



Graph shows car ownership.

A car is a symbol of status in developing countries. As incomes rise, more people own cars.

The consumption of pork has been limited by the weak spending power of the population. As people's incomes have risen, since the 1990s, the amount of pork purchased has soared.

China is now home to 460m pigs, half the world's total. There is a shortage of land so it is hard to feed them. Farmers have resorted to importing up to 60% of the world's soya bean exports, which raises prices for the rest of the world, and raises fears over the industry's environmental impact.

In the future, there will be more pressure because China will need to feed 21% of the world's population with only 9% of its cultivated land. There are likely to be higher food prices, and more Chinese farmers might buy overseas land.

China's tourists are now the world's third biggest spenders, behind those from Germany and the US, and 70m Chinese travelled overseas in 2011, compared to 4.5m in 1995. Each year about 300,000 Chinese students head abroad, especially to universities in the US and Australia. The wealth that has been created inside China has surged around the world.

Money spent on China's projects might be better spent on welfare for the poor. Despite the fast growth, 200 million people still don't have access to safe water. According to the World Bank, nearly 500 million Chinese people still live on less than $2 (£1.40) a day. The rural poor have not felt the benefits from China's economic expansion.

Growth:

There is uncertainty over the economy can keep growing at the same rate as in the past. Some analysts expect it to slow from 10% a year to 6-7%, but they argue that deep reforms are needed if China is to become a rich rather than middle-income country.

Growth should help create the world's biggest middle class, eager to enjoy creature comforts like cars and air conditioning, whatever the environmental cost.

Foreign Aid:

China has also developed a new international aid policy which means they will become a more prominent player in aid relationships across the developing world. This will be evident across Africa where China has foreign policy interests. China sees Africa as an alternative source of energy and raw materials that are essential to the continuation of China's economic modernisation process. Chinese FDI into the African continent will grow. This might generate domestic political controversies concerning the returns to local communities from large-scale mining development. Providing aid might also form a new trade link with Africa.

Sources:

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Limits to Growth and Development

- **Poor Infrastructure:** Latin America's efforts to manage its fresh water supplies are being frustrated by poor infrastructure (http://www.theguardian.com/global-development/2014/nov/06/latin-america-water-access-karl-lippert-sabmiller); The development of infrastructure needed to provide improved quality of life, employment and security has lagged behind demand. In fact, such infrastructure limitations are partly responsible for the **slowing rate of urbanisation** in many part of Africa (http://www.aljazeera.com/indepth/opinion/2014/08/africa-ebola-outbreak-how-do-pre-20148138355590807.html)

- **Human capital inadequacies:** "Inadequacies in the key areas of research and innovation have also had a negative effect on efforts to support industrial and employment growth policies," (South Africa) (http://www.engineeringnews.co.za/article/motlanthe-concedes-inadequacies-of-sa-human-resource-development-launches-plan-2014-03-05)

- **Primary product dependencies:** Mining accounts for a little bit over 60% of South Africa's exports. So, when a big part of the mining industry is not working, it means South Africa's ability to pay its foreign debts and to pay for its imports are compromised. So, it has a huge impact on the economy. (http://www.bbc.co.uk/news/business-19632504)

- **Savings gap (inadequate capital accumulation):** In Africa for example, savings rates of around 17 percent of GDP compare to 31 percent on average for middle income countries. Low savings rates and poorly developed or malfunctioning financial markets make it more expensive for African public and private sectors to get funds for investment. Higher borrowing costs impede capital investment. (http://www.tutor2u.net/economics/revision-notes/a2-macro-economic-growth-constraints.html)

- **Capital flight:** According to figures from Global Financial Integrity, developing countries lost $5.86 trillion in 2001-2010 to illicit financial flows; A spur in saving leads to an initial increase in growth, but the growth rates return to pre-transition levels after a short period (Rodrik, 2000); (http://www.tutor2u.net/economics/revision-notes/a2-macro-economic-growth-constraints.html); (http://www.peri.umass.edu/fileadmin/pdf/working_papers/working_papers_351-400/WP353.pdf) (http://beforeitsnews.com/economy/2014/08/savings-capital-flight-and-african-development-part-1-2649428.html)

- **Corruption:** The extent of corruption in Europe is "breathtaking" and it costs the EU economy at least 120bn euros (£99bn) annually (http://www.bbc.co.uk/news/world-europe-26014387); "Up to 3.6 million lives could be saved if we end the web of secrecy that helps the criminal and corrupt. When governments are deprived of their own resources to invest in the essentials – like nurses and teachers – the human cost is devastating." In sub-Saharan Africa alone, it says, the money recovered would pay for the education of 10 million children a year; cover the cost of 500,000 primary school teachers; provide antiretroviral drugs for more than 11 million people with HIV and Aids, and buy almost 165m vaccines.

(http://www.theguardian.com/global-development/2014/sep/03/one-g20-cracking-down-corruption) (http://www.transparency.org.uk/corruption/statistics-and-quotes/cost-for-developing-countries)

- **Population issues:** That new Brazilian fertility rate is below the level at which a population replaces itself (http://ngm.nationalgeographic.com/2011/09/girl-power/gorney-text); The infographics make it clear that there's a vital link between keeping birth rates falling and fighting hunger,poverty and environmental damage. Rapid population growth has already complicated efforts to reduce poverty and eliminate hunger in Africa, whose population of 1.1 billion is expected to more than double by 2050. (http://www.triplepundit.com/2014/07/world-population-human-rights-issue/)

- **Debt:** Household debt in South Korea is rising at its fastest pace in seven years, driven by government efforts to help prop up the economy. Outstanding household debt grew between 7% and 10% year-on-year in recent months, according to a South Korean government official. That's the quickest clip since the end of 2007, when debt grew at close to 10%. (http://blogs.wsj.com/economics/2014/11/21/south-korean-debt-expands-at-7-year-high/); "There is a real risk that today's lending boom is sowing the seeds of a new debt crisis in the developing world, threatening to reverse recent gains in the fight against poverty and inequality," said Sarah-Jayne Clifton, director of the Jubilee Debt Campaign. (http://www.theguardian.com/business/2014/oct/10/poor-nations-debt-crisis-developing-countries)

- **Poor governance/ civil war:** In other words, weak governance holds back infrastructure development much more in Asia than elsewhere—a critical constraint to future development.; A recent example of the cost of conflict comes from the Ivory Coast. After a disputed presidential election in late 2010 violence erupted and the country descended into a four-month civil war that killed an estimated 3000 and displaced around a million people. The war could only be ended by a French intervention in April 2011. Since then the new government under President Ouattara has struggled to re-establish security but raids against army and policy installations still threaten stability. **Corruption** has long been a barrier to sustained growth and development in Africa. **Conflict** has had terrible consequences; over one third of economies in Africa have suffered some kind of warfare from Rwanda, Sierra Leone, Eritrea, Uganda, and Somalia. (http://www.imf.org/external/pubs/ft/fandd/2014/06/jha.htm) (http://www.tutor2u.net/economics/revision-notes/a2-macro-economic-growth-constraints.html)