

Edexcel (A) Economics A-level

Theme 4: A Global Perspective

4.3 Emerging and Developing Economies

Limits to growth and development application points

Notes



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>)

