

# GLOBALIZATION



- integration of national economies into the global economy
- increasing interdependence of world economies

## ECONOMIC GROWTH

- rise in national/per capita income
- measured in GDP/GNP/GNI



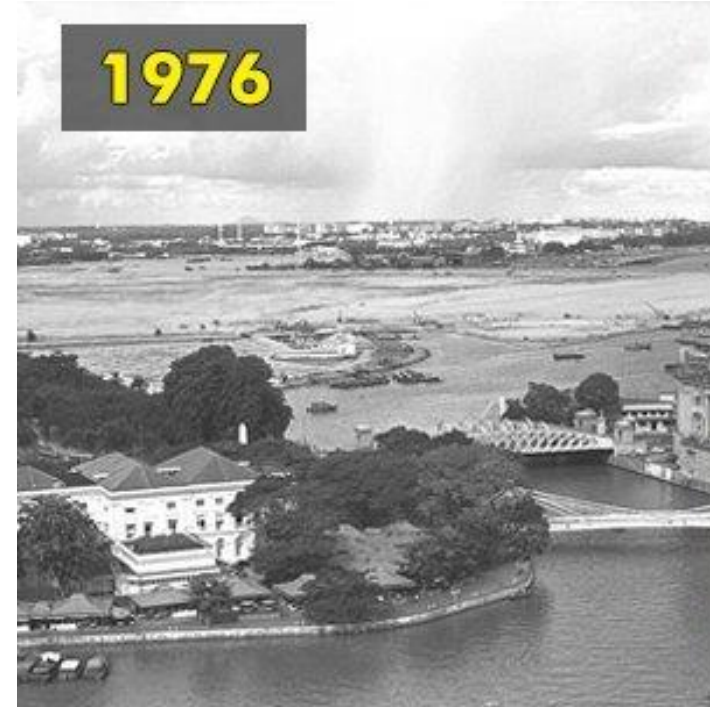
## ECONOMIC DEVELOPMENT

- economic growth + human well being
- equity in distribution of income: Gini coefficient, Lorenz curve, frequency distribution

## GOING TO THE NEXT LEVEL

- To develop from low-income to a high-income status, a country should be able to sustain economic growth for a long period of time, accompanied by structural change

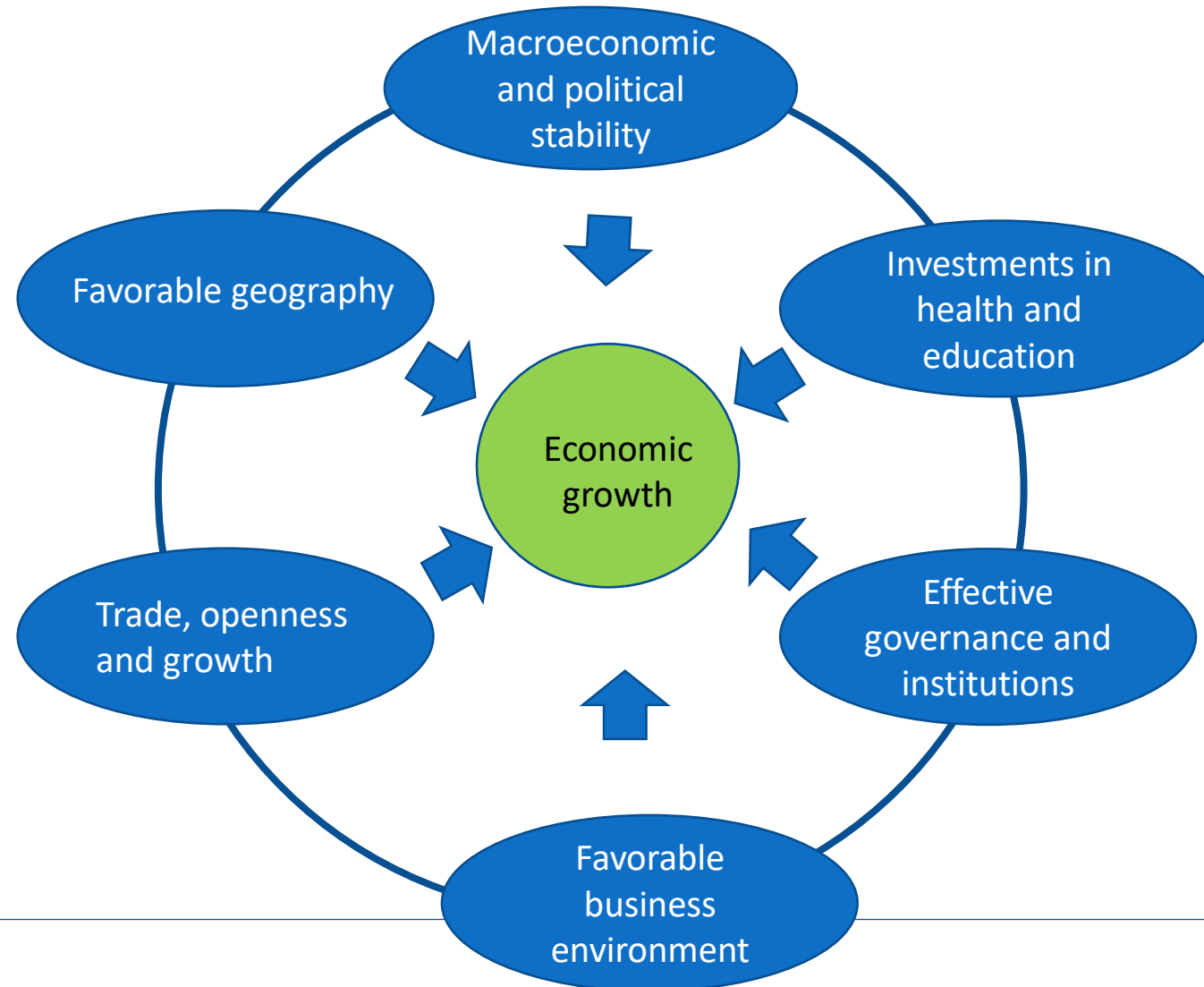
1976



2015



# DETERMINANTS OF ECONOMIC GROWTH



# LIMITS TO GROWTH

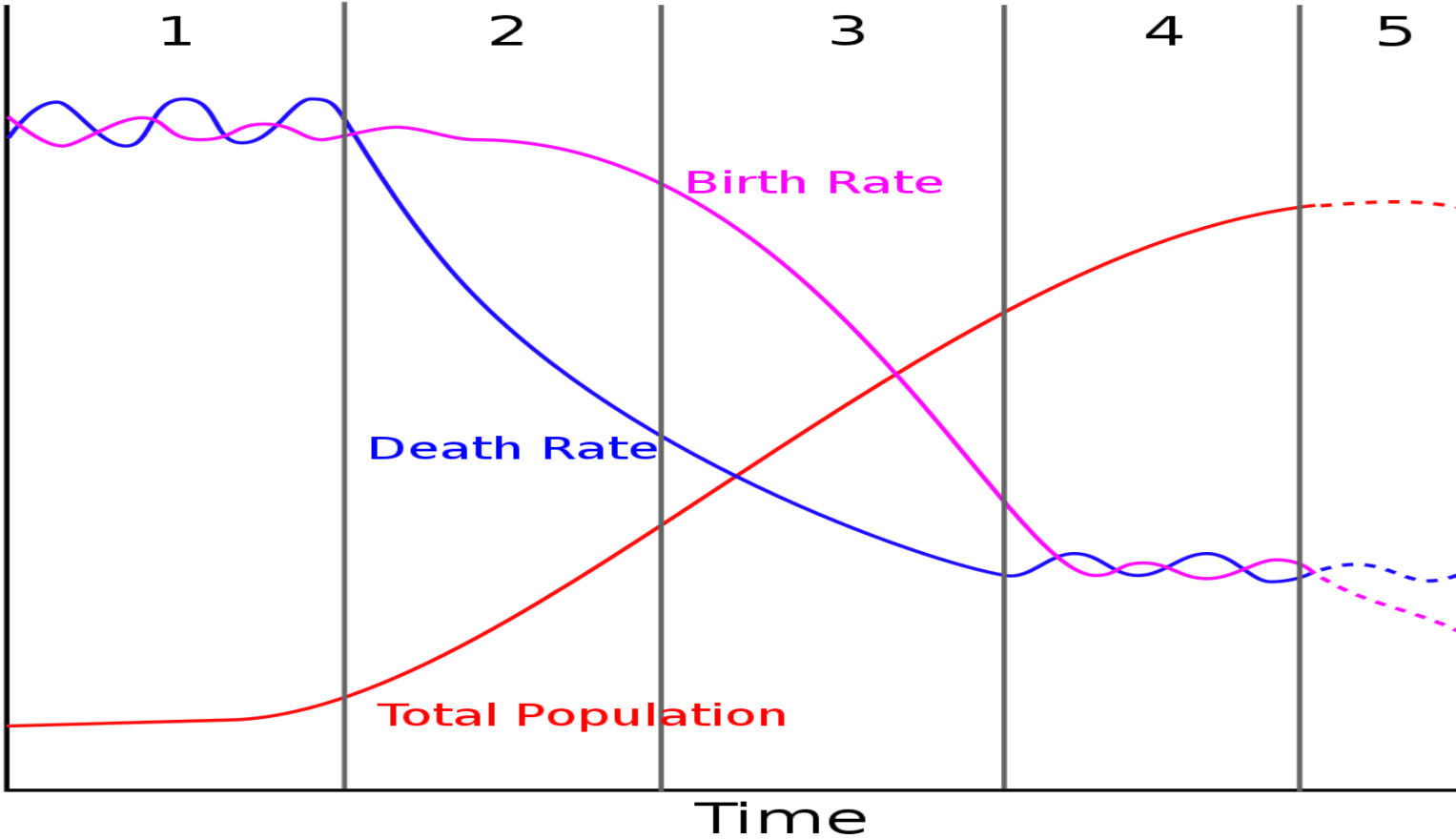
- Once an economy reaches its long run potential economic growth, sustained increase in income is unlikely
- Introduction of technological change increases productivity and expands production function

# STATES AND MARKETS

- The role of the states and markets has been a central focus of debate; changing roles over time
- Ideally markets work best in allocating resources in society
- However there are externalities and market failures that can only be addressed through government intervention
- This will require strong institutions, rule of law and good governance

# DEMOGRAPHICS

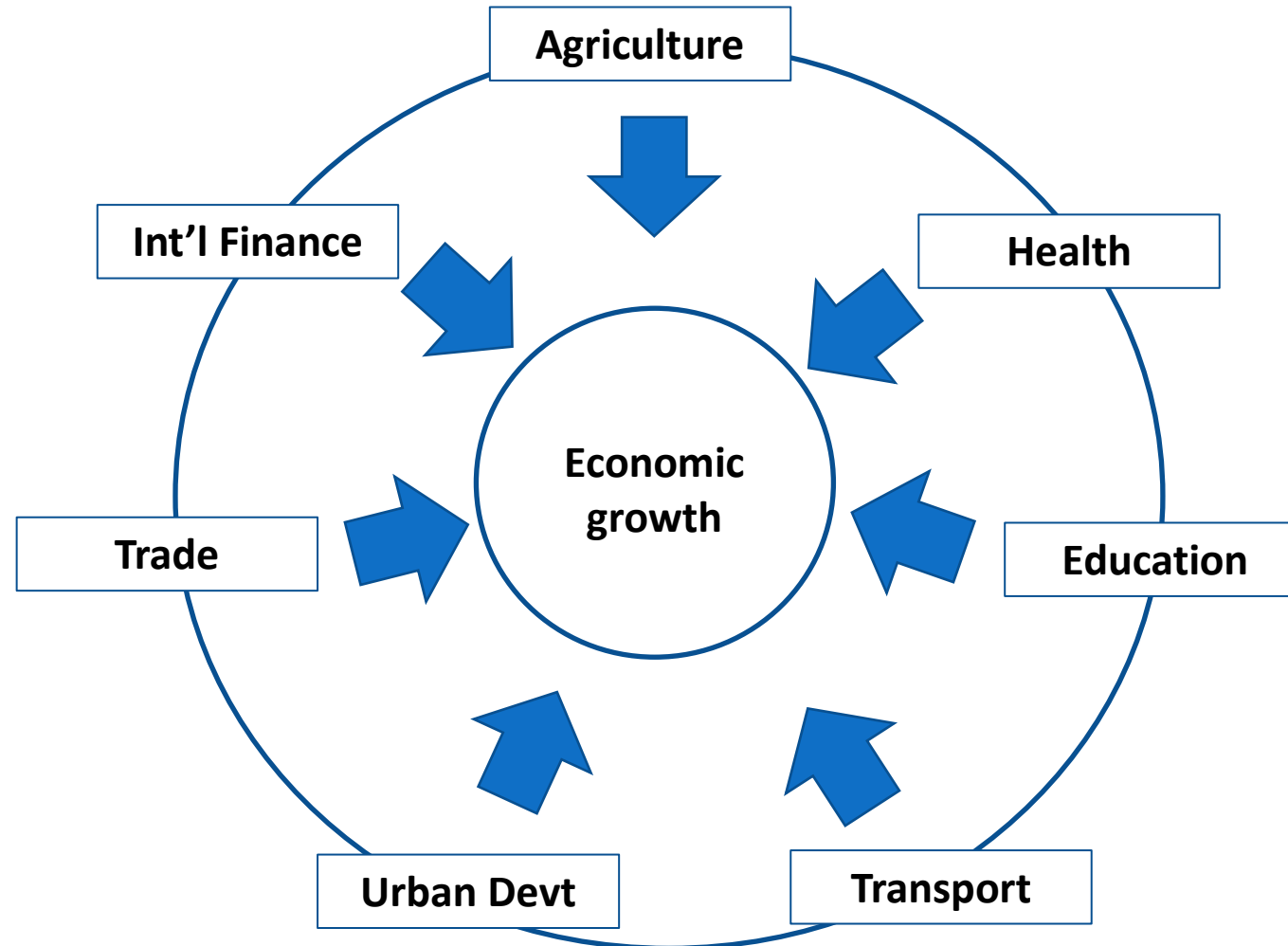
- Population conditions tell a lot about a country's development stage



# POVERTY AND INEQUALITY

- Poverty worldwide has been decreasing; however the number of absolute poverty remain high
- Measures of inequality: Gini coefficient, Lorentz curve and frequency distributions
- Strategies to reduce poverty: promote market-oriented growth; ensure macroeconomic stability; facilitate open trade and investments; increase investments in infrastructure; improve credit markets

# KEY SECTORS IN THE ECONOMY



# CROSS CUTTING THEMES

| Sector        | Environment | Climate Change | Gender | Governance |
|---------------|-------------|----------------|--------|------------|
| Agriculture   |             |                |        |            |
| Health        |             |                |        |            |
| Education     |             |                |        |            |
| Transport     |             |                |        |            |
| Urban Dev't   |             |                |        |            |
| Trade         |             |                |        |            |
| Int'l Finance |             |                |        |            |

# SECTOR SUMMARY: AGRICULTURE

- Agriculture is a dominant sector in a country's economy
- In most developing countries, productivity is low; most farming is subsistence
- Structural transformation: systemic changes in sector proportions as economies grow; output increase, surplus, market linkage, integration
- Important milestones: land reform, green revolution, global food crisis
- Policies to improve agricultural production: price regulation, subsidies, provide basic infrastructure, institutional support

# SECTOR SUMMARY: EDUCATION

- Education (together with health) is a basic objective of development and fundamental in expanding human capabilities and capital
- Education improves returns to investment in health for example basic health skills learned at school, sanitation and hygiene and education of health personnel
- In general more people worldwide are getting more education; primary education is almost universal
- Educational attainment worldwide and within countries is uneven

# SECTOR SUMMARY: HEALTH

- Dramatic improvements in life expectancy and reductions in infant and child mortality have occurred during the past century
- Epidemiologic transition: as societies age and health improves, the pattern of disease and causes of death shift in a predictable pattern
- Improving health and rising levels of per capita income are strongly correlated. Access to clean water and sanitation, vaccination programs, and awareness education programs for women, significantly improve public health

# SECTOR SUMMARY: URBAN DEVELOPMENT

- Cities are centers of innovation, finance, administration, culture and education
- Cities provide economies of scale and agglomeration; and cost advantages to producers and consumers
- Cities face challenges as demand increases for urban infrastructure, services and transportation
- Good urban planning, management, governance as well as inclusiveness are critical to sustainable urban development

# SMALL TOWNS AND RURAL-URBAN LINKAGES

- As transportation improves and remote areas become more accessible, non farm employment is created and rural population becomes more mobile
- This causes social change and raises expectations for improvements; social values and norms also change
- Rural land use is gradually transformed to urban land use; migration occurs, leading to urbanization and intensified rural-urban linkages
- Rural-urban linkages: begins with surplus production, investments in agriculture and increased production, diversification of rural employment and integration with urban areas
- Small towns: serve as demand markets for agricultural goods; links supply to the wider region and serve as centers of production and distribution for their surrounding areas

# SUSTAINABLE DEVELOPMENT

- Sustainable development addresses issues of intergenerational equity, whereby the well-being of future generations should not be compromised
- Humans depend on the environment; however human activities often end up destructing the very resources they need to survive
- Policy solutions to address the problem of negative externalities include the creation of property rights, government regulation, taxation, and creation of marketable permits

# CLIMATE CHANGE

- Global warming creates extreme weather conditions and patterns which adversely affect human habitation and long term effects known as climate change
- Climate change mitigation: actions or efforts taken to reduce or prevent the long-term risks of climate change on human life and property
- Climate change adaptation: adjustments in ecological, social or economic systems in response to actual or expected climatic effects

# GENDER

- Promoting women's roles in development is important not only for equity and social justice, but also because it makes economic sense and is good development practice
- This includes expanding women's economic opportunities, increasing their incomes and promoting improvements in health and education
- Gender representation looks at both men and women as potential beneficiaries and addresses women's participation in the labor force and in decision making processes
- Gender mainstreaming: the integration of gender perspectives into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and spending programs

# INTERNATIONAL TRADE

- Trade is important because no nation is self-sufficient, the world is increasingly linked; nations need to trade, sell, and acquire what they need; and trade can help a country to achieve its development objectives
- A bulk of world trade occurs among developed countries
- Less developed countries rely mostly on primary commodity exports
- Benefits of trade: generates economic growth and reduces poverty

# INTERNATIONAL TRADE

- Costs of trade: falling prices or other events beyond exporters' control; cheap imports force domestic producers out of business
- Free trade is not always “free” and “equal”; there are winners and losers in international trade
- Several common issues in international trade: competition; currency manipulation; excessive subsidies; Dutch disease

# INTERNATIONAL CAPITAL FLOWS

## Foreign aid

assistance from  
bilateral or  
multilateral sources  
to recipient  
governments

## Private foreign investments

Investments  
through  
companies/firms  
from abroad

## Remittances

earnings by  
international  
migrants or foreign  
workers to their  
home country

## Military aid

government-to  
government  
arrangements for  
defense and military  
purposes

# PRIVATE FOREIGN INVESTMENTS

## Foreign Direct Investment

Investments by large multinational corporations such as Exxon, Toyota, Hyundai, Coca Cola and



## Foreign Portfolio Investment

Investments in the form of stocks, bonds in developing countries' credit and equity markets



# BILATERAL AND MULTILATERAL AID

- **Bilateral aid:** assistance directly from one country to another; government-to-government
- **Multilateral aid** is assistance from international institutions which have pooled financial sources provided by their member countries