Section 4: Development economies

Syllabus item: 170 Weight: 3

4.3 The role of domestic factors

170. Domestic factors

Institutional factors affecting development

✧ Education

- Improves the role of women in society

→High correlations between women's education and child survival rates and fertility rates

- Improves levels of health

→Communication: become more aware of the hazards which face them

→Reading: be informed about the dangers of such as HIV/AIDS, or enables to find out about possibilities of such things as inoculations and water filtering

HOWEVER…

- Requires vast funding
- Large disparities in the provision of education
- Family economic conditions preventing children from attending to school ("child labours")

- In almost all regions of the world, the net enrolment ratio in 2006 was over 90 percent
- HOWEVER, certain areas like Sub-Saharan Africa and Southern Asia, there still need to be improvement in provision of primary education

✧ Health care

- Health care×life expectancy×HDI figures
- Higher proportion of GDP on health care tend to have a higher life expectancy

Country (HDI rank)	Health expenditure (Public) percentage of GDP	Life Expectancy Index	Education Index	Population (million
Australia (3)	17.2	0.940	0.993	20.9
Slovakia (42)	13.8	0.827	0.928	5.4
Syrian A.R. (107)	5.9	0.818	0.773	20.5
Niger (182)	10.6	0.431	0.282	14.1

→ Higher health expenditure in Australia causes the life expectancy figure to be higher too, compared to Syria with a similar population

- Huge progress in terms of the training of doctors and nurses, the building of hospitals and clinics, and the provision of public health services
- Nevertheless, disparities still exist (immunization of children, drinking water sources, sanitation facilities etc.)

✧ Financial system, credit, and micro-finance

- In order to achieve both economic development and growth, developed and independent financial institutions are essential
- Most developing countries have **'dual financial markets' (leading + borrowing)**
- Saving ← necessary for making funds available for investment ← necessary for economic growth
- Financial services are necessary if low-income people are to be able to manage their assets and to allow them to increase in value, thus enabling them to then invest in things that will lead to their economic development, such as health care, shelter and education
- **Micro-finance:** a type of financial service that is geared specifically to the poor, providing such as small loans, saving accounts, insurance etc.
- **Micro-credit:** the provision of small loans to individuals who have no access to traditional sources
- **Micro-enterprises:** small-scale businesses such as roadside kiosks, bicycle repair services, market stalls, rice wine making, knitting and woodworking.

  → It is thought that women are a better credit risk – they are more likely to pay back loans

✧ The use of appropriate technology

- Production: in years gone by developing countries were urged to modernize and industrialize their output
- Surplus of labour → 'appropriate' technology use would be technology that makes use of the abundant labour supply (e.g. Nut sheller)
- Equipment that is cheap to make, have a long-life and has a one-to-one capital to labour ratio is demanded
- Consumption: e.g. Solar cooker

  → Very cheap to purchase, requires sunshine to operate

  → Since there is no loss of wood, it eliminates the daily search for firewood which frees up time for other activities, improving the position of women

✧ The empowerment of women

Improvement the welfare of women not only lead to economic growth but:

- The well-being of their families is improved, especially in terms of the health of their children
- The education of children in the family group improves
- Because of the two points above, the quality of workforce in the country will, over time, improve, with significant effects upon growth and development
- Women earn more money
- With better education and social standing women have more control over contraception, marry later, and so tend to have smaller families, thus lowering the rate of population growth

✧ Income distribution

- High income inequality can be a barrier to growth and development:

1. Low saving → low investment → low growth
2. Since the rich dominate both politics and the economy and this tends to mean that policies are followed that are more in favour for them and so we do not have pro-poor growth
3. Rich moves large amount of funds out of the economy, in the form of capital flight. Also, large proportion of the goods purchased by the rich are foreign produced and so their consumption does not really help the domestic economy

IB Question

- With reference to a specific developing economy, and using appropriate diagrams where relevant, examine how the following factors contribute to economic development.

a.) Education and health b.) The use of appropriate technology c.) Access to credit and micro-credit

d.)The empowerment of women e.) Income distribution.