


The Role of Growth in Development

by
Danny Quah
Economics Department, LSE
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Overseas Development Institute, London



Conclusions

- Quantitative significance of growth
 - Inequality and poverty
- Sources of growth
- Global imbalance
- Tensions and risks

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100 years of world growth

- Six billion humans, 50× increase in world income
- But ...
 - 1993, richest 1% world's humans as much income as poorest 57%
 - ... average income top 5% world population 114× bottom 5%
 - 1988–1993, while average world income increased 6%, average bottom 5% fell one-quarter and average top 5% rose one-eighth

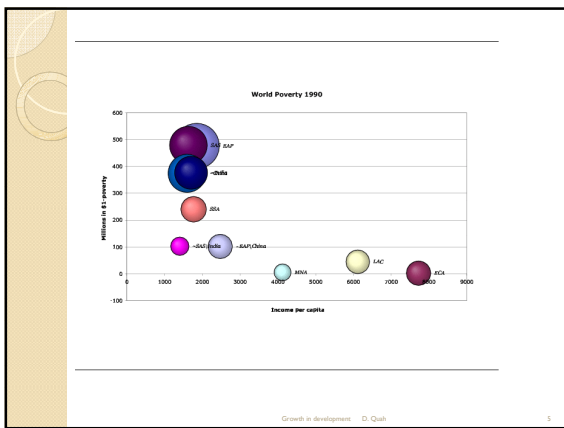
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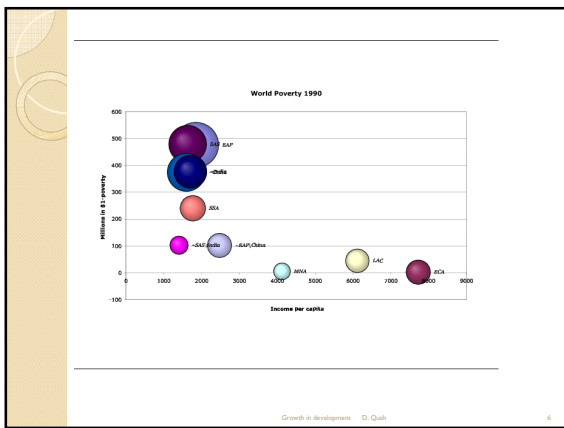
World Poverty

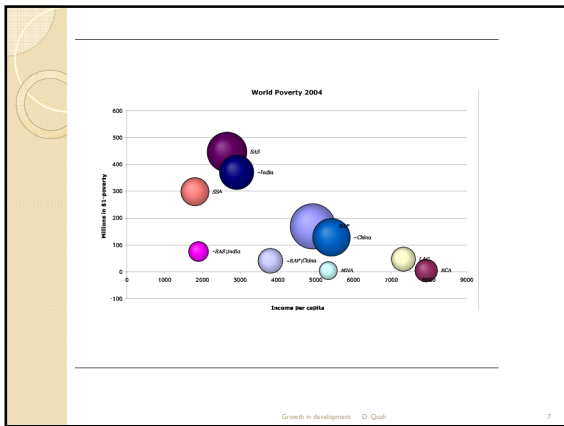
	1981	1990	1999	2004
World GDP 10¹² PPP\$	24	33	43	52
GDP per capita PPP\$	5408	6292	7231	8198
World's poor 10⁶	1470	1247	1109	969
China's poor 10⁶	634	374	223	128
Remainder 10⁶	836	873	886	841

- PPP\$ means constant International Dollars corrected for inflation and Purchasing Power Parity
- Poor means living on less than PPP\$1/day

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Global growth over the last 25 years

- Income more than doubled
- \$1-poverty fell by one-third, more than 500 million people
- ... but poverty *outside China* remained unchanged, or even increased

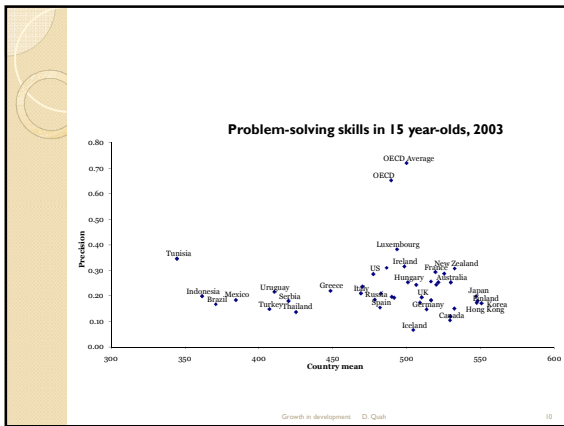
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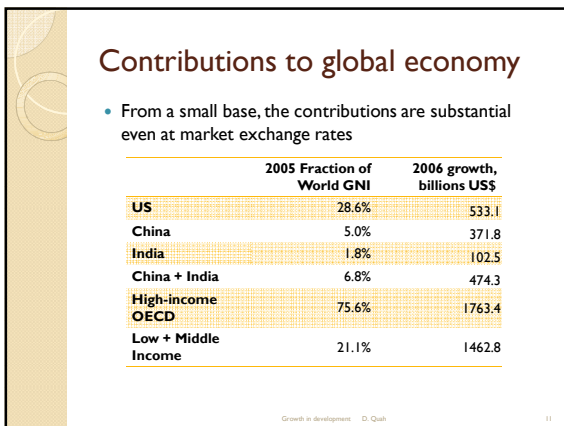
Economic growth

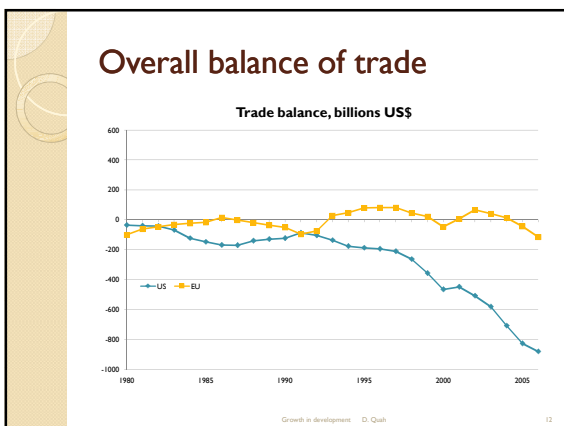
$$Y = F(K, N, A)$$

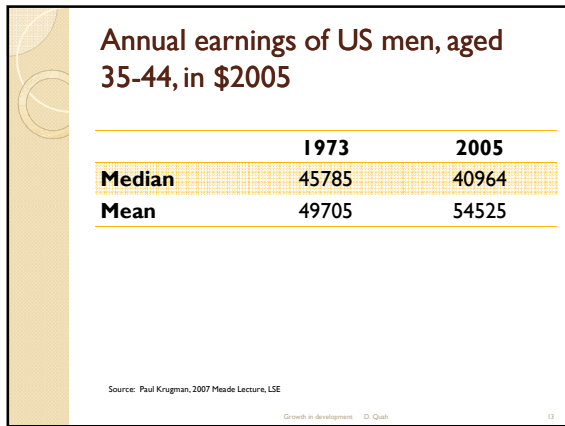
- Openness to trade
- Macroeconomic stability
- Industrial structure
- Governance and transparency
- Enlightened policy: Reallocation, inequality
- Education and human capital. Technology

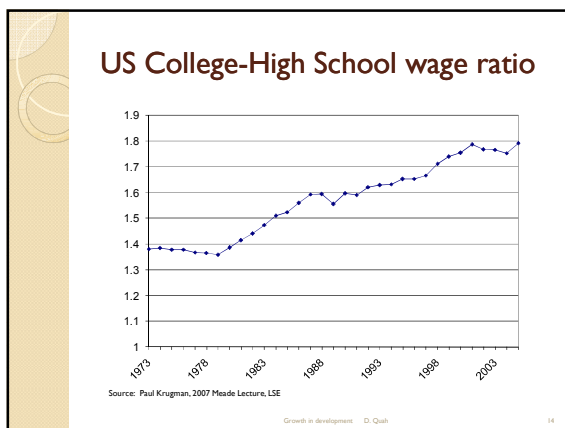
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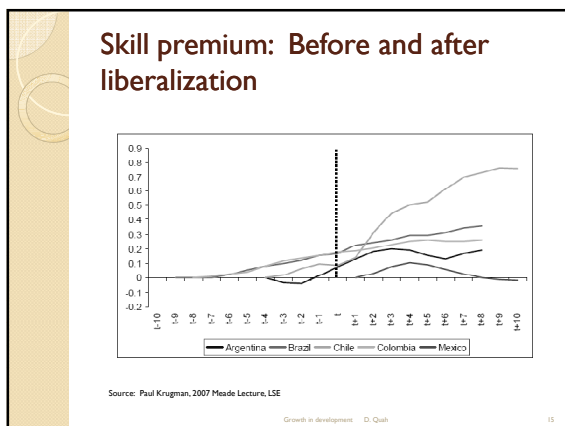


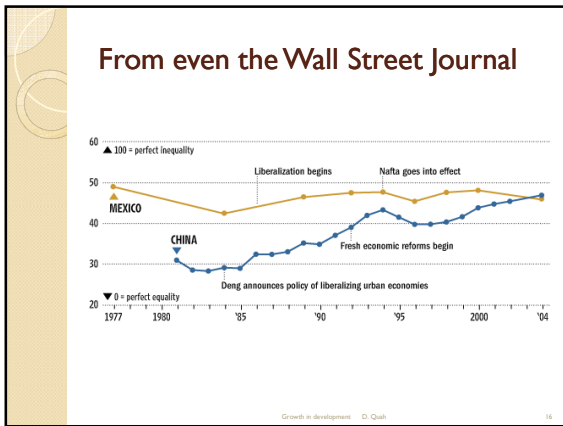










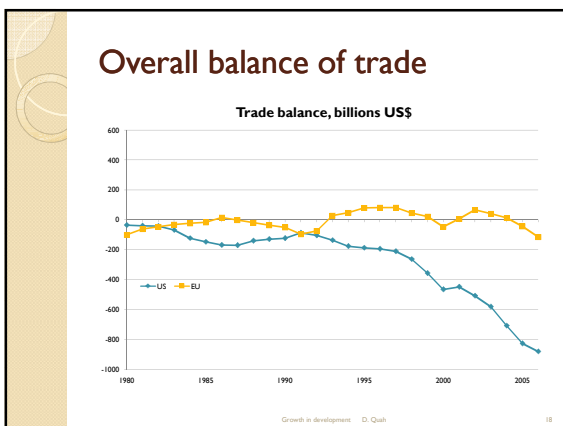


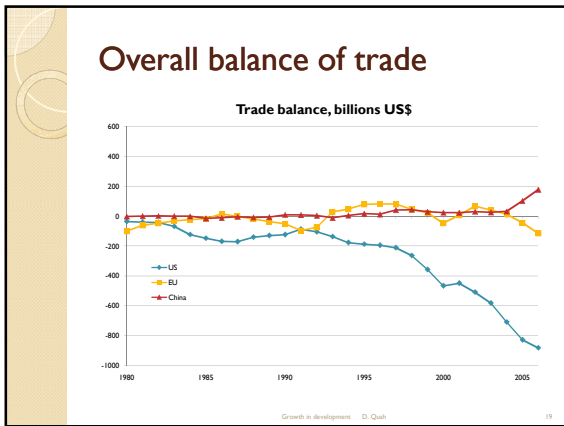
World Poverty

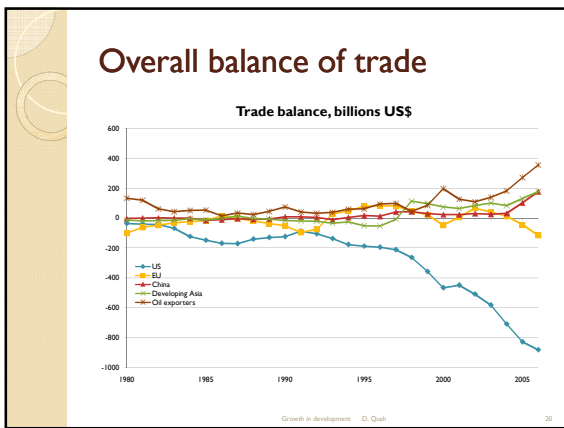
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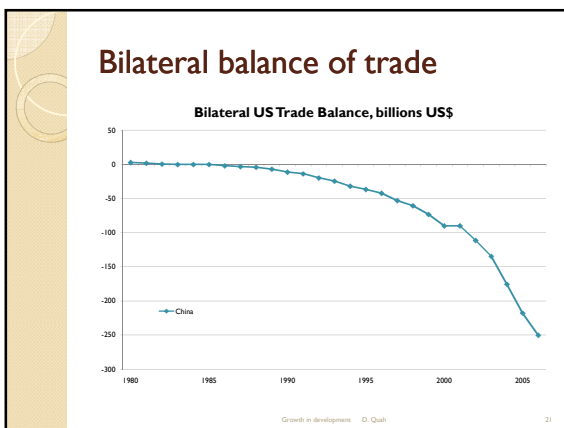
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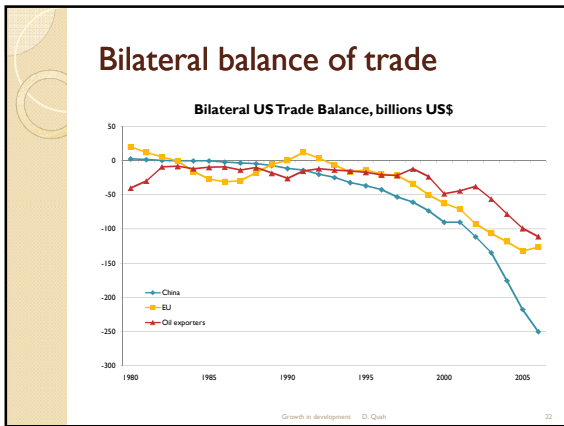
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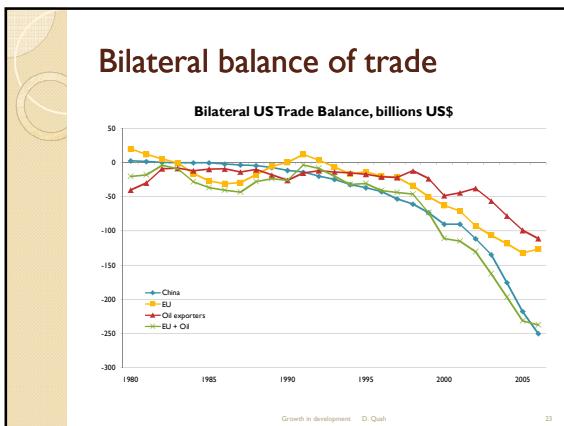












Trade balance: Summary

- Bilateral: US trade balance with China matches that with oil exporters and EU taken together
- Overall: Oil exporters by far the dominant surplus
- Source of global imbalance
 - Whose savings glut?
 - US-specific explanations?

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