



Translating Economic Growth into Development through Good Governance

Rosa-Mae Whittier

Education & Research Officer

Oilfields Workers' Trade Union

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Economic Growth as a Primary Economic Objective

- The primary objective for most economies is Economic Growth
- TT Budget, economic growth, one of the first items reported on:
 - global projections of 3.4% (2014); 4.0% (2015) [IMF]
 - local: positive growth 2012 to 2014
 - other economic indicators reported on: FDI, BOP
 - title of 2014/2015 Budget Speech ‘Empowering Our People through Sustained Economic Growth and Prosperity’
- IMF Article IV Consultations 2014; press release – economic growth 2.5% (2014) -inflation -fiscal deficit

Economic Growth as a Primary Economic Objective (cont'd)

- BUT Income is not the sum total of human life (UNDP 1990)
- To ensure that living standards are improved other goals must also be pursued -
Development

Economic Growth & Economic Development

- Economic Growth - exclusively considers income
 - widely used measure GDP per capita (PPP)
- Development – broader concept

Three Key Objectives of Development:

- i. Increasing the availability and widening the distribution of basic commodities e.g. food, shelter
- ii. Increasing living standards through higher incomes, greater education and job opportunities
- iii. Increasing the range of economic and social choices available to individuals (Todaro and Smith 2009)

=> Improving human well being is at the centre of the concept of Development

Economic Growth & Economic Development (cont'd)

- Relationship between economic growth and development -> the expansion of output and wealth via economic growth is a **means** through which development and improving human well-being is achieved
- While economic growth is key, this is not sufficient to guarantee improved quality of life; many developing countries with high GNP growth still face high levels of socioeconomic deprivation and inequality
- Therefore, development must also be pursued
- Growth and income considered important prerequisites for development

Translating Economic Growth into Development

- BUT there is no automatic link between economic growth and development
- Questions which arise?
 - How to relate the means (growth) to the end (development)?
 - How can the increased income generated from economic growth be utilised in the interest of the population?
 - What policies and strategies must be implemented to secure improved living standards ?

I.E. How can growth be translated into development?

Translating Economic Growth into Development

- Key in determining how the income earned through economic growth is utilised is **National Policy**
E.g. TT national policy -> fuel subsidy; free tertiary education
- National Policies are determined and implemented by government
- Governments as policymakers are major players in translating economic growth into development and ensuring that the income earned by the country is utilised for the benefit of all citizens
- Prevailing system of governance critical in facilitating the use of national income for development

- Human Development Index (HDI)
 - pioneering and widely used
 - also considered limited/simplistic
 - average of indices for health, education and income

$$\text{HDI} = (H_h + H_e + H_{ls}) * 1/3$$

h: health - life expectancy

e: education - literacy rate; gross enrollment ratio

ls: living standards - GDP per capita

- GDP – income
health & education – quality of life; development
- Gov't major player with respect to access to health and education => gov't key in ensuring that income is spent for national benefit and therefore development

Governance and Development

- Prevailing system of governance influences government's ability to translate growth into development
- Good governance: relatively high ability
Poor governance: relatively low ability
- What is governance? Broad concept with various definitions
“Governance comprises of mechanisms to look into the economic, political and administrative affairs of a country” (UNDP).

- *Good Governance*: Good governance is a result of **effective** performance and **efficient** working of the state machinery (Beacon 2003)
- Graham et al. 2003 note that it is not easy to define universally acceptable codes of good governance
- However, four dimensions of Good Governance are often put forward:
 - i) Rule of Law
 - ii) Political Stability
 - iii) Control of Corruption
 - iv) Voice and Accountability (Zubair and Khan 2014)
- A country which is strong in these aspects would be able to better provide for its people, and therefore attain higher levels of development and a better quality of life for its people

Conclusions

- Growth and other economic indicators are often the main priority for countries
- However increasing income does not always guarantee improved quality of life
- While income is important, human well-being is also a priority
- In addition to pursuing economic growth, development must also be pursued
- Good governance is key in being able to translate growth into development.
- “...governance issues should be prominent in the post 2015 development agenda.” (UNCTAD 2014 dimensions of Good Governance)