

The role of government in economic development



Using national and internationally examples critically assess the role of government in the management of the economy and the economic development.

Government plays an important role in keeping the economy stable.

Economic during extreme regression such as World War II force governments to take part in rehabilitating the economy. During 1980s, the growth of many developing countries faced a serious down turn (Adelman, 1999). However, many Asian countries assisted by their government are able to maintain or even improve the economic development. Their government found their way out by avoiding deflation and restriction of import and wage. Instead, they promoted their export capacity which allows foreign country to trade and invest in their market.

The US federal government is another example of government managed economy. By adjusting the tax, money supply, or the wages, the governments are capable of controlling the rate of economic growth in which affect the amount of employment and price, in turn affect demand and supply. During the Great Depression, in the period of 1930s, government faced economic recessions (Government's Role, 2010). By concerning about slow growth rate, the government treated this situation as the most "serious". They greatly reduced taxes rate and funded the money supply themselves. Later in 1970s, the government faced against another problem, the inflation. To deal with inflation, government leaders controlled the situation by restricting the rate of demand, avoiding "tax cut", and maintaining the growth in money supply.

For decades, Thai government has focus mainly on industrialization policy along its economic situation. To stabilize economic development, they improvise industrial market to be their priority. First, the government allowed the private sector to support the industrial development. Then they would avoid forming any investment that might compete with the industry's private support. These strategies are used to support the private sector, providing government's support, and promote people to compete. However, to be able to take part in international competitive market, the government would have to enhance their productivity rate in both quality and quantity. Therefore, the government reinforces skilled labor and more advance technology to assist industries to increase the standard of their products. With government assistance, we were able to cooperate with Indochina countries in their international trade and investment(Adelman, 1999).

Q3. Think about the connection between food production and climate. Write an essay which covers a list of the various ways that production, distribution, and consumption contribute or neutralize effects on the climate.

One of the main factors regarding agriculture is climate. As climate change, it causes serious damage on soil, crops, livestock, pest, or even diseases. Therefore, we human tried to find solutions that could neutralize these damages.

Policies are made to solve problem from climate changes. First the policy called " Agricultural subsidy and trade policies"(Antle, 2010). This method was established since 1930; it promote farmer to grow funded crop rather than trying to adapt to climate change. This policy controls the farmer's

activity. It eventually twisted international market. The second policy or, "Production and income insurance policies and disaster assistance"(Antle, 2010) is a long term method that insurance disasters. This policy insures that farmer will receiver partial payment in return if their farms are damage but natural disaster. The third policy is called " Soil and water conservation policies and ecosystem services" (Antle, 2010). This policy protects the fertility of soil and water in a certain area. Crop are ordered to be taken out and replaced by trees. However, this policy do not granted the wish to adapt to climate change even though it promotes " environmental value" (Antle, 2010). The next policy is " Tax policies" (Antle, 2010). Because taxation affects almost everything, it gain control of adaptation by speed up the " depreciation of assets" or promote investment that are eco-friendly. However, taxes can only assist agriculture indirectly. It is more effective in other area in economy, so this policy is often neglected. The fifth policy is the " Energy policies" (Antle, 2010). We became more and more concern about our climate condition. Therefore, we are more interest in " non-fossil-based energy" (Antle, 2010). Food production can help fix this problem too. Crops or waste product could be turned into energy. The cost of this method is also very low. " Environmental policies and agricultural land use" is another policy that contribute to climate change(Antle, 2010). This policy manages the amount of land used since climate change varies in different areas. For example, animal waste has been placed together in a specific site so that the place can be used later.

Unknowingly, food production or agriculture could be useful in helping the environment. Since climate changes could not be avoided, every available

resource is used to delay it. From animal waste to taxation, they all have their own values to adapt against climate changes.

Q4. Where is the future demand for energy likely to be the greatest and why? What sources of energy are likely to dominate in the short run future? In the longer run? Should we be optimistic or pessimistic about the short-run and long-run prospects for energy?

India is a home to over 15 % of the world population (India Energy Data, 2010). With high growing economic rate, they consume high amount of energy resources equal to developed countries such as US or Japan. In future, the demand tends to increase due to higher rate of population and vehicle. As the world 5th largest energy consumer, India used 3. 7% of the world's commercial energy (Shanker, n. d.). In contrast, the availability of resources is low; it is likely that someday resources will be insufficient.

According to statistics, 8 percent growth of DGP rate would also require higher commercial energy, such as coal, from 3. 7% to 6. 1% and primary energy supply, such fossil fuel, from 2. 2% to 5. 1% (Shanker, n. d.).

However, every resource is limited especially for coal. Not only they are shortage in the amount, but they also provide low quality of energy including the damage to the surrounding environment.

Knowing that someday we will use up all these nonrenewable resources, we also discovered other source of reliable energy such as solar energy. Many scientists assure that in short future, solar energy can be No. 1 energy source (What will solar energy need to dominate in future, 2010). With unlimited amount of energy, the sun has a potential of creating solar power enough to fill the need of every single human being. Moreover, energy <https://assignbuster.com/the-role-of-government-in-economic-development/>

provided by the sun is acceptably clean and it does not require any maintenance (Future Uses of Solar Energy, 2009). However, this energy resource is still incomplete. Solar energy does not have the power to compete with fossil fuel. It also is costly to obtain this energy and it still requires farther research. Despite the incomplete factors of solar energy, this type of energy is likely to dominate the short run future.

Nuclear power is the second to nothing in creating energy. Like solar energy, nuclear energy leaves no trace of carbon behind (Liptak, 2009). The amount of energy it is capable is extremely high. However, nuclear energy has its own disadvantages. Start off with the unstable cost of uranium. The amount nuclear power plant requires could be estimated around four million tons. Calculating from today uranium price (\$50/lb) it could, one day, suddenly raise up to twice its original cost (Liptak, 2009). The other disadvantage would be its risk factors. Nuclear power is dangerous, and its toxic waste is highly contaminated. Scientist still has to do research no how to keep it safe. But the usage today is already abundant; it supplies energy for over 7.5% of total consumptions (Liptak, 2009). So it is now slowly crawling to the peak of long term energy.

Both solar and nuclear energy are to be look forward to. I believed they are capable of replacing existing nonrenewable resources like fossil fuel. Future science and technology would be able to reduce the cost of these energies. Finally, it will be both worthy and safe.

Q5. “ Regionalization verses Globalization”, discuss how globalization has led to regionalization and the tensions that have arisen between these two forces, as these are involved in the current trends towards formation of continental trading blocs and trade regimes. Compare and contrast the protectionist tendencies of the 2000s with those of the 1930s.

Many countries economy tried to expand their market internationally.

Globalization process led them worldwide. However, sometime, it encourages these countries to invest in the smaller area instead. The barriers between cultures may interfered the market (Clancy, 2009). So it is more convenient to invest in area with same living style or belief. This is why some countries change their method from globalization to regionalization. Trading with neighbor is obviously easier than trading with far foreigners. The price rate too differs between places. For example, text book used by Thai university cannot be sold in US. Why is this so? The price rates between Thailand and US differ so much that the prices of books made in US is unaffordable for Thais. That's why books were printed in here just for us, and they are strictly restricted by the US.

Since is it harder for South East Asian countries to do trading with United State compare to the nearby countries. These countries established their own market with neighboring countries to strengthen themselves. ASEAN is one of them. With cooperating countries, to trade with far foreign countries is far easier.

During the early 1930s, protectionism kept US trading away from outside.

With low international trading partners and less “ economic tools”, this period were known to be disastrous (Clancy, 2009). In 2000s, the United

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Stated seems to have learned their lesson. The tendencies in protectionism decline allowing global trade to grow. When money supply is stable, investor again have confident in the market, therefore, economic rate growth. Most people agree that protectionism is not the right way out. This method in both periods risked the market with depression state.

Q6. Describe and explain the differences in age composition of populations in advanced countries and those in less-developed ones. What economic and social problems do these populations characteristics create in each case?

In the different living environments, the different is population age is distinctive. Fertility rate is one factor that decides the amount of population (World Population Prospects, Volume III). In well-developed countries, fertility rate due to technology and medication is higher compare to the developing countries. This is why age composition in these two environments differs.

In advanced countries, the ratios of older persons are much higher compare to the less-developed countries. According to statistics, the rates of people with age above 65 tend to rise from 15. 3% in 2005 to 25. 9% in 2050, whilst the population of the young ones under age of 15 will slightly decline from 17 % to 15. 6% in the same period. For the less-developed countries, population of old-age people increase from only 3. 2% to 6. 6 %, while population of youth under 15 will apparently decrease from 41. 5 % to 28. 9 % due to lesser fertility rate. However, these children do not just vanish, as time changes the ratios of population age around 15-64 will rise up from 55% to 64. 5% in this period of time (World Population Prospects, Volume III).

As overall rate of young population decrease while the rate of old people increase the rate of dependency too will rise. During the period of 2005 – 2050, in the developed countries, the ratio rate of dependency per 100 working person rise from 47. 7 to 71. 2. This will obviously cause independency problem for people with age over 65 since the number of working population compare to retired people is decreasing. In contrast, ratios of dependency per working people in the less-developed area drop from 81. 8 to 55. 1 which means, children in these regions are stepping into workable stage while old (retired) dies (World Population Prospects, Volume III).

The dependency rate not only affects people's living, but it also affects economic performance. If the populations of workable people increase, the income per capita of this group will too rise. In the less developed countries, economic growths are effected by growing of “ working-age” population (World Population Prospects, Volume III). As the income per capita grows, people tend to spend more which motivate active economic market. In this period, the workable population boosts the rates of economic growth. However, the rates differ in developed countries. As the workable population decrease, the countries' economic growth will too delay.