

Brief economic analysis

Literature, Russian Literature



d SLOWDOWN PUTS BILLION PEOPLE AT RISK The chosen article “ Slowdown puts Billion people at risk” by Shawn Donnan and John Burn-Murdoch sheds light on the implications of slow economic growth worldwide on the middle income class of the developing world. In the wake of the financial crisis of 2008, economic scenario worldwide worsened and unemployment, inflation, high debts and financial uncertainty led the world economy to a halt. Even though the recovery has been evident in the recent years, the speed of this recovery is too slow to reimburse the loss that the financial crisis offered, at the ideal rate. According to the World Bank the growth rate of the developing world economies is likely to be 2-2.5 points lower as compared to the pre-crisis times. This slow recovery rate has led to sluggish economic growth, threatening the growing middle class of the developing world to fall back into the poverty trap. The emerging markets of the world like china and India boast of one major feature, a growing middle class. With a widespread need for a generic product by a chunk of the masses, the global businesses tap these markets for profitable operations and sales, thus rendering them, emerging economies. Investment levels increase and ultimately the overall economy of the country flourishes. But the rate at which this growth is taking place does not coincide with the rate of inflation and economic issues that prevail and the rate at which they are impacting the masses. Lack of employment opportunities paired with rising prices can not only lower the standard of living of the people living on the borderline of poverty but also increase the accumulation of wealth in the hands of the affluent rich, making them richer and the poor poorer. As a result of this, the healthy growing middle class can fall prey to disparity between the rich and poor, making

them vulnerable to poverty issues. According to the international labor organization, the number of workers living under the poverty line has decreased at a one of the slowest rates in the recent decades. Similarly, the world bank highlights the signs of poverty that are turning up in the developing economies like Indonesia where more than 50% of the people living below the poverty line had not been doing so in the previous year. According to the article, the Asian development bank claims that the average person qualifies for the ‘ middle class’ segment of the developing world earns up to \$2 per day. However, others claim that the qualifying income per day is \$10 dollars. To authenticate these claims, financial times conducted its own analysis and found out that the people who have risen from poverty and moved onto middle class have an income range of \$2-\$10 per day. As per the most recent data, the middle class of the developing world that qualifies for this income bracket accounts for 2. 8 Billion people. However, the sustainability of the poverty eradication policies worldwide is under question. Even though the above mentioned figure accounts for 40% of world population that has risen out of poverty, economists claim that they lie in a fragile income segments, meaning that they can fall back into poverty at the slightest economic issue. Companies that have invested in the developing economies face a huge risk in the wake of such a scenario. It is imperative that the growth rate is stabilized so that more influx of investment can create more jobs and improve the standards of living of the people. The middle class widening segment has seen the bulk of increase in the \$2-\$4 bracket the most, which signifies their vulnerability towards poverty. The reduction in poverty levels is given in the following

table(Chandy and Gertz): The developing countries like the BRIC nations see the most people being pushed out of poverty during the period of 2010-2015, as per World Bank's statistics. However, most of these countries also comprise of the developing economies that have shown remarkable progress as compared to the advanced economies in terms of GDP growth. The authors put forward their view that in order to protect the world economy from another major slump it is important for the governments of the developing world to bring about structural reforms that can ensure that the middle class can sustain the implications of the slow economic growth. They also stress upon the point that for favorable growth of the world economy it is important that the middle class of the developing world is strong and sustainable. Monetary easing even through unconventional means can help businesses keep their offerings at a stable rate, keeping prices stable. Increased international cooperation can help reform labor markets and faster and more sustainable economic recovery. The G20 countries of the world also recognize that the cooperation between governments of the developing and developed world can help increase the world GDP by up to 2%. The curve gives an example of unemployment due to the difference in real wage and equilibrium real wage which can be witnessed during the times of post-recession. REFERENCES: Donnan, Shawn and John Burn-Murdoch. " Slowdown puts 1bn middle class at risk - FT. com." Financial Times, 2014. Web. 14 Apr 2014. . Chandy, Laurence, and Geoffrey Gertz. Poverty In Numbers: The Changing State Of Global Poverty From 2005 To 2015. The Brookings Institute. N. p., 2011. Web. 16 Apr. 2014.