# 1AC

## C1: Global Economic Growth

### Inherency

#### Global economic growth is stagnating

**Ceyla 20**

Ceyla Pazarbasioglu, 6-25-2019, "Bad News for the World’s Poorest," Project Syndicate, <https://www.project-syndicate.org/commentary/weak-global-growth-fight-against-poverty-by-ceyla-pazarbasioglu-2019-06?barrier=accesspaylog>

ASHINGTON, DC – The global economic mood is souring. At their meeting in Fukuoka, Japan, earlier this month, G20 finance ministers and central bank governors warned that economic growth remains weak, with risks still tilted to the downside. Just a few days before that gathering, **the World Bank** had **lowered** its **2019** **global growth forecast** **to 2.6%** – the lowest rate in three years – **and predicted that growth would remain tepid** in 2020-2021. These headlines conceal an even gloomier story: the worsening plight of the world’s poorest people. **With** **a** **weaker global economy** **making** **the**ir **climb** **out of poverty** **even harder**, **the world must support** a range of **bold** **policies** **to** **help** them. We know from recent experience what needs to be done. Between 2001 and 2019, the number of low-income countries – where annual per capita income is below $995 – fell by almost half (from 64 to 34), as 32 low-income countries attained middle-income status, whereas only two new countries joined the group of low-income countries. This remarkable progress in just one generation – the result of strong growth, better policies, and in some cases plain luck – lifted millions of people out of poverty.

#### Lack of individual spending capacity in the status quo is greatly limiting US economic growth. Increases in household income are thus correlated with increase output and activity

**Nikiforos 17**

Michalis Nikiforos & Marshall Steinbaum & Gennaro Zezza, 08-xx-2017, "Modeling the Macroeconomic Effects of a Universal Basic Incom," Roosevelt Institute, <https://rooseveltinstitute.org/wp-content/uploads/2017/08/Modeling-the-Macroeconomic-Effects-of-a-UBI.pdf>

The reason why **unconditional** cash **transfers** to households **have** such **an expansionary impact** in the Levy model is that it assumes the size of the economy is constrained by aggregate demand (and will be for the foreseeable future) **and** that **aggregate demand is low** in large part **because** household **income is low**. The policy being modeled in this case is extremely well targeted to address the constraint that currently binds the economy. We consider this assumption to be empirically grounded, and, **given** the Levy model’s track **record** **of** factual **macroeconomic forecasts**, believe it serves as a useful tool for testing the impact of policy **alternatives** such as unconditional **cash grants** to households. Furthermore, the distributional elements of the model, heterogeneity in marginal propensity to consume and in effective tax rates across households, are both well grounded in the literature. If anything, the heterogeneity in marginal propensity to consume that we assume here is low relative to estimates from quasi-experimental variation rather than the more econometrically crude method we employ in this paper. We do assume that additional marginal taxes have no behavioral impact on labor supply, which differs from many macro models (especially those aimed at estimating the dynamic impact of changes to tax policy), but given that large changes in effective marginal tax rates seen over the last several decades have little discernible impact on labor supply, we consider this an empirically grounded assumption. We also assume that receiving an unconditional cash grant does not impact the labor supply decisions of households, which are not specifically modeled in our approach but would impact the level and trend of potential output if that were a binding constraint. In support of this assumption, we rely on a recent survey of the literature estimating the microeconomic behavioral impact of unconditional cash transfer programs of various sizes and experimental designs (Marinescu 2017). It is true that the size of the programs contemplated here, up to $12,000 per adult per year, is larger than anything comparable seen to date. Thus, it is reasonable to question whether the finding of zero labor supply effect in the literature Marinescu surveys would continue to hold out-of-sample. But **this ties back to** the assumption underlying this entire exercise: that **the economy** is **operating far from potential output due to slack demand**, and our results would look quite different were we to relax that assumption—including by assuming that increasing household income would cause households to reduce their labor supply. This paper is not intended to be the last word on the macroeconomic impact of unconditional cash transfers to households. There are many other ways in which the policy itself could be permuted, in which its financing mechanism could be permuted, and in which the larger macroeconomy could be modeled. What we have done is taken a valued model that has done a reasonably good job of explaining macroeconomic outcomes seen to date—as a result of structural advantages that supersede other options in the form of factual assumptions about the impact of household balance sheets on the macroeconomy—and utilized it to perform a set of policy counterfactuals. Those counterfactuals deliver intuitive results. If the macroeconomy behaves in a way that’s consistent with how it has in the recent past—and there’s every reason to believe that’s the best place to start—then enacting an unconditional cash transfer certainly wouldn’t harm it, and would probably do substantial good.

### Link – Aggregate Demand

#### Aggregate demand is the main driver of economic growth as it directly mobilizes capital

**Steinbaum 17**

Michalis Nikiforos & Marshall Steinbaum & Gennaro Zezza, 08-xx-2017, "Modeling the Macroeconomic Effects of a Universal Basic Incom," Roosevelt Institute, <https://rooseveltinstitute.org/wp-content/uploads/2017/08/Modeling-the-Macroeconomic-Effects-of-a-UBI.pdf>

The Keynesian nature of the model means that **the main driver of economic activity is aggregate demand**. Demand is **further** **decomposed into private expenditure** (consumption and investment), **government expenditure, and net exports**. All of these components of demand, except government expenditure, are econometrically estimated. The main **drivers of consumption are the disposable income and** the net **wealth of the households**. Generally, investment is determined by the level of economic activity. Exports are mainly a function of the GDP of the trading partners of the U.S., the relative prices between the US economy and its trading partners, and the nominal exchange rate. Finally, imports are a function of the US GDP, relative prices, and the nominal exchange rate. The index for the GDP and inflation of the US trading partners is derived using the total trade weights published by the Federal Reserve Board, and information on each individual country from international or national databases. For a discussion of the process, see Dos Santos, Shaikh, and Zezza (2003). The behavior of the government is endogenously determined based on the level of economic activity and a series of (exogenous) policy instruments, related to the various components of government expenditure (government purchases and transfers) and revenues (tax rates, social security contributions of firms and households, etc.). The model also includes a labor market, in which labor force participation and employment rates are a positive function[s] of the level of economic activity. The nominal wage increases with the level of capacity utilization, which is pro-cyclical. Finally, the price level is a positive function of the unit labor cost and the price level of imported goods. The Levy model is computed as a simultaneous nonlinear system in EViews. 4. Capturing distributional effects The Levy model is an aggregate model and the household sector is treated as a whole. However, the introduction of a policy like a universal basic income has important distributional dimensions that need to be taken into account in our simulations if distribution affects macroeconomic dynamics. In the Levy model, it does. For example, among the scenarios we simulate is a fiscally neutral variation of the UBI program. In an aggregate model, such a program has negligible effects because the increase in the income of the households (in aggregate) achieved through The introduction of the **UBI** is fully compensated by the increase in taxation of households in aggregate. This leaves their disposable income, and therefore the level of economic activity, unchanged. In reality, however, a program like this—to the extent that it is financed by the increase in the taxes of households in high-income brackets—**implies** a more **egalitarian distribution of income**. From a macroeconomic point of view, **that means income gains for households with** a **higher propensity to consume** and income losses for households with a lower propensity to consume. Therefore—and to the extent that this redistribution of income does not have other negative effects on other components of aggregate demand—even a fiscally neutral UBI has a positive effect on consumption and the level of economic activity. To evaluate these effects, we supplement our simulations with calculations that take into account the differential propensities to consume and effective tax rates of households in different income brackets. We use information from The Distribution of Household Income and Federal Taxes database of the Congressional Budget Office (CBO 2016) on the distribution of income and the implicit average tax rate by income bracket. An important piece of information that we need is the marginal propensity to consume of the households in the various income brackets. The overall marginal propensity to consume produced by the econometric results of our model is 0.7. However, a casual look at the data (e.g., the Consumer Expenditure Survey of the Bureau of Labor Statistics [BLS 2017]), alongside careful empirical studies, shows that the propensity to consume is lower for households at higher income brackets.vi

#### Generated demand from a $1000 a month UBI would expand economy by 12.56% over 8 years by shifting large portions of capital to those who spend the most. Empirics prove

**Steinbaum 17**

Michalis Nikiforos & Marshall Steinbaum & Gennaro Zezza, 08-xx-2017, "Modeling the Macroeconomic Effects of a Universal Basic Incom," Roosevelt Institute, <https://rooseveltinstitute.org/wp-content/uploads/2017/08/Modeling-the-Macroeconomic-Effects-of-a-UBI.pdf>

For all three designs, **enacting a UBI** and **paying** for it **by increasing** the federal **debt** would grow the economy. Under the smallest spending scenario, $250 per month for each child, GDP is 0.79% larger than under the baseline forecast after eight years. The model finds that the largest cash program - **$1,000** for all adults ~~annually~~ **[**the model presents **per month** so this is just god awful wording – **AHS MF]** - **expands** **the** **economy** by **12.56%** **over** the baseline **after eight years**. After eight years of enactment, the stimulative effects of the program dissipate and GDP growth returns to the baseline forecast, **but** **the level of output remains permanently higher**. • When paying for the policy by increasing taxes on households, the Levy model forecasts no effect on the economy. In effect, it gives to households with one hand what it is takes away with the other. • However, when the model is adapted to include distributional effects, **the economy grows**, **even in the tax-financed scenarios**. This occurs **because** the distributional model incorporates the idea that an extra dollar in the hands of lower income households leads to higher spending. In other words, the **households that pay more** in **taxes** than they receive in cash assistance **have a low propensity to consume**, **and those that receive more in assistance** than they pay in taxes **have a high propensity to consume**. Thus, even when the policy is tax- rather than debt-financed, there is an increase in output, employment, prices, and wages. Levy’s Keynesian model incorporates a series of assumptions based on rigorous empirical studies of the micro and macro effects of unconditional cash transfers, taxation and government net spending and borrowing (see Marinescu (2017), Mason (2017), Coibion et al (2017), and Konczal and Steinbaum (2016)). Fundamentally, the larger the size of the UBI, the larger the increase in aggregate demand and thus the larger the resulting economy is. The individual macroeconomic indicators are (qualitatively) what one would predict given an increase in aggregate demand: in addition to the increase in output, employment, labor force participation, prices, and wages all go up as well. Even in a deficit-financed policy, an increase in the government’s liabilities is mitigated by the increase in aggregate demand.

### Link – Entrepreneurship/Debt

#### UBI increases capacity to pursue disruptive investment and small business expansion

**Uzialko 16**

Adam Uzialko, 12-27-2016, "Payment Guaranteed: How Would Universal Basic Income Affect Business?," Business News Daily, <https://www.businessnewsdaily.com/9649-universal-basic-income-business-impact.html>

Hypothetically, what would **UBI** mean for business? Supporters have **predicted** **elevated consumer spending**, **new business startups** **and increased investment** **in** **existing businesses**. Chris Yoko, CEO of Yoko Co., has spent significant time studying UBI in trying to create a higher purpose for his company, he said. A basic income **would democratize the small business landscape**, Yoko said. "I think you'd see **a lot of companies focus**ing **on what they can** **do** that's really innovative and **that can make a big impact**," Yoko told Business News Daily. "**We'd** probably **see** **more startups** **and** see a lot **more people investing in companies**." Ultimately, Yoko said, he'd **expect UBI to generate** **more competition** in the market **by giving more** **people** **the means to** **pursue disruptive ideas**. However, that might also be a death sentence for companies that fail to offer particularly innovative products or progressive ideas, he said. Wallace concurred, harkening back to the days when most people worked for themselves as entrepreneurs of one kind or another, such as small farmers and urban merchants. "The biggest thing we need to look at here is the idea that we are workers and [that] jobs are required," Wallace said. "We need to really challenge this idea that we are born to this planet to work. At the turn of the 19th century, it was kind of work as needed, and it was normal for people to be entrepreneurs. It wasn't normal to work for someone else, and we're kind of getting back to that with the ‘gig economy.’"

#### UBI further cancels out student debt

**Santens 19**

Scott Santens, Scott Santens Economy, "Scott Santens - The Potential Effects of a Universal Basic Income Guarantee on Student Loans", 2019, http://www.scottsantens.com/the-potential-effects-of-a-universal-basic-income-guarantee-on-student-loans

Right now when a student graduates from college, [they are losing about $242 per month ( on average) out of their earnings to this debt](http://www.brookings.edu/research/papers/2014/06/19-typical-student-loan-debt-akers). Meanwhile, [16.5% are paying about $450 and 8.5% are paying about $750 or more](http://money.usnews.com/money/blogs/my-money/2013/01/30/how-much-student-loan-debt-is-too-much). This is money not being spent on restaurant meals, or [movie theaters](http://io9.com/2014-had-the-lowest-movie-ticket-sales-since-1995-1676530230), or concerts, or new clothing, or vacations, or gifts, or services, or art, or furniture, or cars, or home appliances, or home improvements, or even homes. [This is money not being spent into the economy.](http://finance.yahoo.com/news/basic-costs-squeeze-families-002900254.html) In other words, and most importantly, [this is money not being spent to create each other's incomes.](http://www.politico.com/magazine/story/2014/06/the-pitchforks-are-coming-for-us-plutocrats-108014.html#.U6x1rLFWjBZ) Student debt, which now totals [$1.3 trillion](http://www.huffingtonpost.com/rj-eskow/liberate-41-million-ameri_b_6547510.html), is a massive drag on [our consumer economy](http://dmarron.com/2010/06/25/consumer-spending-is-60-of-the-economy-not-70/). Without discretionary income above and beyond the basics and school loans, this economy will continue to **underperform** because customers are unable to actually consume what they otherwise could. And the effect of consumers being unable to consume in a consumer economy is a shrinking economy. It means lost jobs and lower wages. It means the wastefulness of producing nonpurchasable goods and creation of services few can ever buy or use. A basic income will **reduce** the burden for those who have already taken out these loans, and the effect will be increased discretionary income for everyone paying student loans, and through this, **greater** consumption and economic growth… With all of these non-tuition expenses covered, students with basic incomes looking to start college will be able to get **smaller** loan amounts that reflect tuition only. This not only means less debt for future students, it also means greater discretionary income after graduation because of this reduced debt, again helping to drive our consumer economy.

#### Most people are barely struggling on debt making even small contributions solve

**Dennin 18**

[James Dennin, 10-3-2018, "The UBI of 2018 Is Canceling Student Debt, and It Could Actually Happen," Inverse, <https://www.inverse.com/article/49537-the-ubi-of-2018-is-cancelling-student-debt-and-it-could-actually-happen>, CP]

But perhaps even more important is the type of voter that student debt cancellation is particularly popular with, McElwee said. In short, young voters, voters of color, and people who are more likely to sit out on election days. In other words, it’s not simply popular, it’s also savvy. “Student debt holders are an increasing share of the electorate, and it’s a share of the electorate that’s not wildly motivated to participate in politics, because they haven’t been helped by politicians a lot,” he said. “It’s our debt, the government owns it, and we are currently spending a good amount of money and time tormenting seniors and garnishing people’s Social Security. Let’s just not do that.”**Even cancelling a small portion of** the **loans would be effective, because** the vast majority — close to two-thirds — **of struggling borrowers are** actually **those** **with** relatively **small balances below $10,000**, according to Brookings. Taken together, it seems like we’re increasingly ready to starting taking student debt cancellation out of the “theorizing” phase, and get it into the field.

#### This is critical for entrepreneurs.

**Revzin 19**

Vadim Revzin and Sergei Revzin, Harvard Business Review Innovation, "Student Debt Is Stopping U.S. Millennials from Becoming Entrepreneurs", April 26th, 2019, https://hbr.org/2019/04/student-debt-is-stopping-u-s-millennials-from-becoming-entrepreneurs

Up to [**60% of millennials**](https://www.theatlantic.com/business/archive/2016/07/the-myth-of-the-millennial-entrepreneur/490058/) (soon to be the [largest living adult generation](https://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/)) **consider themselves entrepreneurs,** and **yet less than** [**4% are** currently **self-employed**](https://www.inc.com/erik-sherman/ranks-of-self-employed-get-hit-hard-by-millennial-fear.html)**.** The number of young people that start companies has been steadily declining since the mid-90s. **In 1996,** [**young people launched 35% of startups**](https://www.inc.com/magazine/201505/leigh%5C-buchanan/the%5C-vanishing%5C-startups%5C-in%5C-decline.html)**.** **By 2014, this number was down to** **18 percent**. In fact, we haven’t seen a measurable increase in entrepreneurial activity in over 40 years, with the rate of new businesses as a percentage of all U.S. companies [dropping by 29%](https://www.census.gov/ces/dataproducts/bds/data_estab.html) between 1977 and 2016. While economists and policy makers might argue over the reasons behind this stagnation, as with any normal distribution curve, the obvious answers lie in the short tail. **More** **than 44 million Americans** collectively **have** [**over $1.5 trillion**](https://fred.stlouisfed.org/series/SLOAS) **in student debt**, [$521 billion more](https://studentloanhero.com/student-loan-debt-statistics/) than total credit card debt. Over time, the **mounting** **pressure** **from** **this** **growing** **debt** **crisis** coupled with [slowing wage growth](https://www.businessinsider.com/wage-growth-america-slow-explanation-2018-9) has likely instilled fear among younger generations. Simply put — they’re far more [averse](https://qz.com/1386293/the-casualty-of-the-financial-crisis-risk-taking/) to the risk that comes with trying to create something new. When the majority of college graduates (nearly 70%) leave school with an [average of $29,800](https://studentloanhero.com/student-loan-debt-statistics/) in debt, the thought of doing anything but getting a well-paying job to try to reduce this burden might seem irresponsible, at best. Even if one does land a job that affords them the luxury of steady loan repayment, they are likely to continue to pay off their loans for many years. Research from [Citizens Financial Group](https://investor.citizensbank.com/about-us/newsroom/latest-news/2016/2016-04-07-140336028.aspx) suggests that 60% of student debt borrowers expect to be paying off their loans into their 40s. While normalizing the cost of tuition might be the long term answer, in the short term, **the power to** **reignite** **innovation and entrepreneurial venture creation lies within the** **parties that help pay the** **bills** of most individuals and entities: employers and capital providers.

#### That’s why

**Ingraham 19 quantifies that**

[Christopher Ingraham writes about all things data. He previously worked at the Brookings Institution and the Pew Research Center, 7 ways $1.6 trillion in student loan debt affects the U.S. economy, The Washington Post, June 25, 2019, <https://www.washingtonpost.com/business/2019/06/25/heres-what-trillion-student-loan-debt-is-doing-us-economy/>, HS]

A 2015 study by economists at the Federal Reserve Bank of Philadelphia found “a significant and economically meaningful negative correlation” between rising student loan debt and falling small-business formation. The mechanism isn’t hard to grasp: If you’re paying off a student loan, you’re less able to pull together the cash needed to start a business. The effect is significant: **The increase of one standard deviation in student debt translated into** **a** decrease of 70 new small businesses per county — a decline of approximately 14.4 percent. The authors note that small businesses are responsible for “approximately 60 percent of net employment activity in the U.S.” Student loan debt is taking a bite out of the housing market This year, the Federal Reserve issued a report showing that student loan debt prevented about 400,000 young families from purchasing homes, accounting for about a quarter of the drop in home-ownership rates in this demographic from 2005 to 2014. In addition to the obvious connection between loan payments and the ability to save for a down payment, researchers noted that the rise in education debt also increased those borrowers’ odds of default, which can adversely effect their credit scores and ability to qualify for a mortgage.

#### Businesses drive innovation and R&D that generates competiton and economic growth

**Surowiecki 16**

[James Surowiecki, 6-15-2016, "The economic impact of startups is not as profound as you might think," MIT Technology Review, <https://www.technologyreview.com/s/601497/why-startups-are-struggling/>]

In the short run, this may not seem like that big a deal. After all, Google, Amazon, and Facebook are all investing heavily in R&D, and they seem as interested in pursuing moon shots as incremental innovations. These companies are also continuing to hire at a fast pace. In the long run, though, the U.S. economy needs more startups that make the leap to high-growth success, both because of the key role they play in creating new jobs and because of the way they help propel technological innovation. A 2010 study, for instance, [studies] found that **incumbents** tended to **invest in** **R&D that exploited** **existing technologies and** in incremental innovations, while **startups** **focused** more **on** **new technologies** **and** radical innovation. Similarly, an earlier ­Kauffman Foundation report noted that new companies **were** “**more likely to enter the** **market with ­cutting-edge innovations**.” That means we don’t want the future of technology to depend on the investing decisions of a handful of giant companies. We want it to emerge out of a robust ecosystem of incumbents and startups. The story of the U.S. economy over the past century has been one of technological dynamism. **Figuring out ways to** foster competition and **create** **opportunities for** transformational **entrepreneurs** **is** **the best** **way** **to ensure** that the story of **the** next **century isn’t one of stagnation**.

#### US Chamber of Commerce quantifies that

No Author, xx-xx-xxxx, "Executive Summary: Economic Growth," US Chamber of Commerce Foundation, https://www.uschamberfoundation.org/enterprisingstates/assets/files/Executive-Summary-OL.pdf

**Innovation** **drives** **economic growth**. This is one of the most consistent findings in macroeconomics, and it’s been true for centuries. America’s genius for innovation and entrepreneurial drive is well known—with our openness and enthusiasm for practical innovation from the steam engine to the search engine—to be the primary reason for America’s economic preeminence. **Economists** have **calculated** that approximately **50% of U.S. annual** **GDP growth is attributed to** increases in **innovation**. The states and regions that lead the transformation to the knowledge- and technology-based economy currently have enormous advantages. Silicon Valley is likely to remain the leader for the foreseeable future, ensuring California’s tech status for the future. The region’s combination of a skilled workforce, available capital, infrastructure, and record of successes makes it inconceivable the Valley will lose its primacy any time soon. Governments, public-private partnerships, and development organizations across the world have attempted to emulate Silicon Valley for decades. Some of those efforts have paid off, as science, technology, engineering, and math (STEM) employment has dispersed to many states across the nation. Although only a fraction of companies around the world may consider themselves to be in the technology business, the great majority increasingly rely on technology to operate and

### MPX: Global Poverty

#### Arora 4 – quantifies that

Vivek Arora and Athanasios Vamvakidis, 3-xx-2004, “The Impact of U.S. Economic Growth on the Rest of the World: How Much Does It Matter?”, Journal of Economic Integration, <https://www.jstor.org/stable/pdf/23000624.pdf?refreqid=excelsior%3A64cc362896820d4b041a1070c508c0a8&seq=1>

with the other regressors for most specifications. The **results suggest** a positive and **statistically** **significant** **impact of U.S. growth** **on** **growth in other countries**, particularly developing countries. The regression results reported in Table 4 cover all countries in the sample. The first regression includes U.S. per capita real GDP growth in addition to the standard growth determinants, while the second regression also includes non-U.S. world per capita real GDP growth.15 **A** **1 percent increase** **in** **U.S. growth** **is correlated with** **a**n average **1**.0 **percent** **increase in growth in other countries**. The estimate for non U.S. world growth in the second regression is positive (0.4 percent), although much smaller than the U.S. coefficient and not statistically significant. To test whether growth in countries that trade more with the United States is more highly correlated with U.S. growth, the third regression includes an interaction term of U.S. per capita real GDP growth with the share of exports to the United States in total exports. The interaction term is indeed positive and statistically significant at the 10 percent level (it is significant at the 5 percent level if the t-statistics are corrected for heteroskedasticity). The estimated impact of U.S. growth remains statistically significant even when non-U.S. world growth is included in the regressions, which suggests that the **influence of U.S.** **growth** on growth in other countries **is distinct from** the influence of any **common** **global** **shocks** **on growth across countries**. Furthermore, **the** estimated **impact** of U.S. growth **is** **considerably larger** **than** the estimated impact of **growth in the rest of the world**, **which** **suggests** that **the U.S.** **effect** **dominates** **any** impact from **common global shock**

#### Economic growth creates new normal of economic prosperity and thus generates virtuous cycles of opportunity

**OECD 7**

No Author, xx-xx-~2007, “GROWTH: BUILDING JOBS AND PROSPERITY IN DEVELOPING COUNTRIES”, Organisation for Economic Co-operation and Development (OECD), <https://www.oecd.org/derec/unitedkingdom/40700982.pdf>

**Economic growth** **is** **the** **most powerful instrument** **for** **reducing poverty and improving** the **quality of life in developing countries**. Both cross-country research and country case studies provide overwhelming evidence that **rapid** and sustained **growth is critical to making** **faster progress** towards the Millennium Development Goals – **and** **not** **just** the first goal of **halving** the global proportion of **people living on less than $1 a day**. **Growth** **can generate virtuous** **circles** **of** **prosperity** **and opportunity**. Strong **growth** **and employment** opportunities **improve incentives** **for** parents to invest in their **children’s** **education** by sending them to school. **This may lead to** the **emergence** **of** a strong and **growing group of entrepreneurs**, **which should generate[s]** **pressure** **for improved governance [and]**. Strong economic growth **therefore advance**s **human development**, **which**, in turn, **promotes economic growth**. But under different conditions, similar rates of growth can have very different effects on poverty, the employment prospects of the poor and broader indicators of human development. The extent to which growth reduces poverty depends on the degree to which the poor participate in the growth process and share in its proceeds. Thus, both the pace and pattern of growth matter for reducing poverty. A successful strategy of poverty reduction must have at its core measures to promote rapid and sustained economic growth. The challenge for policy is to combine growth promoting policies with policies that allow the poor to participate fully in the opportunities unleashed and so contribute to that growth. This includes policies to make labour markets work better, remove gender inequalities and increase financial inclusion. Asian countries are increasingly tackling this agenda of ‘inclusive growth’. India’s most recent development plan has two main objectives: raising economic growth and making growth more inclusive, policy mirrored elsewhere in South Asia and Africa. Future growth will need to be based on an increasingly globalised world that offers new opportunities but also new challenges. New technologies offer not only ‘catch-up’ potential but also ‘leapfrogging’ possibilities. New science offers better prospects across both productive and service sectors. Future growth will also need to be environmentally sustainable. Improved management of water and other natural resources is required, together with movement towards low carbon technologies by both developed and developing countries. With the proper institutions, growth and environmental sustainability may be seen as complements, not substitutes. DFID will work for inclusive growth through a number of programmes and continues to spend heavily on health and education, which have a major impact on poor people’s ability to take part in growth opportunities. More and better research on the drivers of growth will be needed to improve policy. But ultimately the biggest determinants of growth in a country will be its leadership, policies and institutions.

#### That is why the -

**World Bank 5 quantifies that**

No Author, xx-xx-2005, " Pro-Poor Growth in the 1990s " World Bank, http://siteresources.worldbank.org/INTPGI/Resources/342674-1119450037681/Pro-poor\_growth\_in\_the\_1990s.pdf

Overall trends for the 14 countries present a mixed picture for poverty reduction in the 1990s. Starting in the mid-1990s, growth recovered to produce annual GDP per capita growth rates of between 2 and 2.5 percent. The poverty rate fell in the 11 countries that experienced significant growth, and rose in 3 countries with low or stagnant growth. **On average, a 1 percent increase in GDP per capita reduced poverty by 1.7 percent.** But growth was more powerful in reducing poverty in some countries than others, reflecting different initial inequality, per capita income and patterns of distributional change. Moreover, despite the strong association between growth and poverty reduction in the 1990s, the tendency for inequality to rise in the high-growth countries suggests that some poorer households were not fully able to take advantage of rapid nonagricultural growth or productive rural activities most connected to markets.