

1. EDUCATION HAS VIEWED AS AN  
IMPORTANT DETERMINANT OF ECONOMIC  
WELL-BEING

2. EFFECT OF EDUCATION ON  
ECONOMIC GROWTH

# THEORETICAL PREDICTION

- NEO-CLASSICAL GROWTH-
- ENDOGENOUS GROWTH.
- ECONOMIC GROWTH.

- EDUCATION CAN INCREASE THE HUMAN CAPITAL INHERENT IN THE LABOUR FORCE, WHICH INCREASE THE LABOUR PRODUCTIVITY AND THUS TRANSITIONAL GROWTH TOWARD A HIGHER EQUILIBRIUM LEVEL OF OUTPUT.

- EDUCATION CAN INCREASE THE INNOVATIVE CAPACITY OF THE ECONOMY, AND THE NEW KNOWLEDGE ON KNEW TECHNOLOGIES, PRODUCTS AND PROCESSES PROMOTES GROWTH.



- EDUCATION CAN FACILITATE THE DIFFUSION AND TRANSMISSION OF KNOWLEDGE NEEDED TO UNDERSTAND AND PROCESS NEW INFORMATION AND TO SUCCESSFULLY IMPLEMENT NEW TECHNOLOGIES DEvised BY OTHERS , WHICH AGAIN PROMOTES ECONOMIC GROWTH..

# EMPIRICAL EVIDENCE

- IMPACT OF EDUCATION ON ECONOMIC GROWTH-

YEAR OF SCHOOLING DOES NOT PRODUCE THE COGNITIVE SKILL EVERYWHERE.

COGNITIVE SKILL IGNORED

OUTSIDE THE SCHOOL FAMILIES, PEERS AND OTHERS HAVE DIRECT AND POWERFUL INFLUENCE OR CONTRIBUTE HEALTH AND NUTRITION.

QUALITY OF EDUCATION.

EXPERIENCE.

*kausikchatterjee*

EDUCATION AND ECONOMIC OUTCOMES ARE RELATED

# ECONOMIC RETURNS TO EDUCATION

QUANTITATIVE MEASURES OF SCHOOLING  
AND ECONOMIC GROWTH.

MEASURE  
THE  
QUANTITY  
OF  
SCHOOLING

WORKING  
AGE  
POPULATION

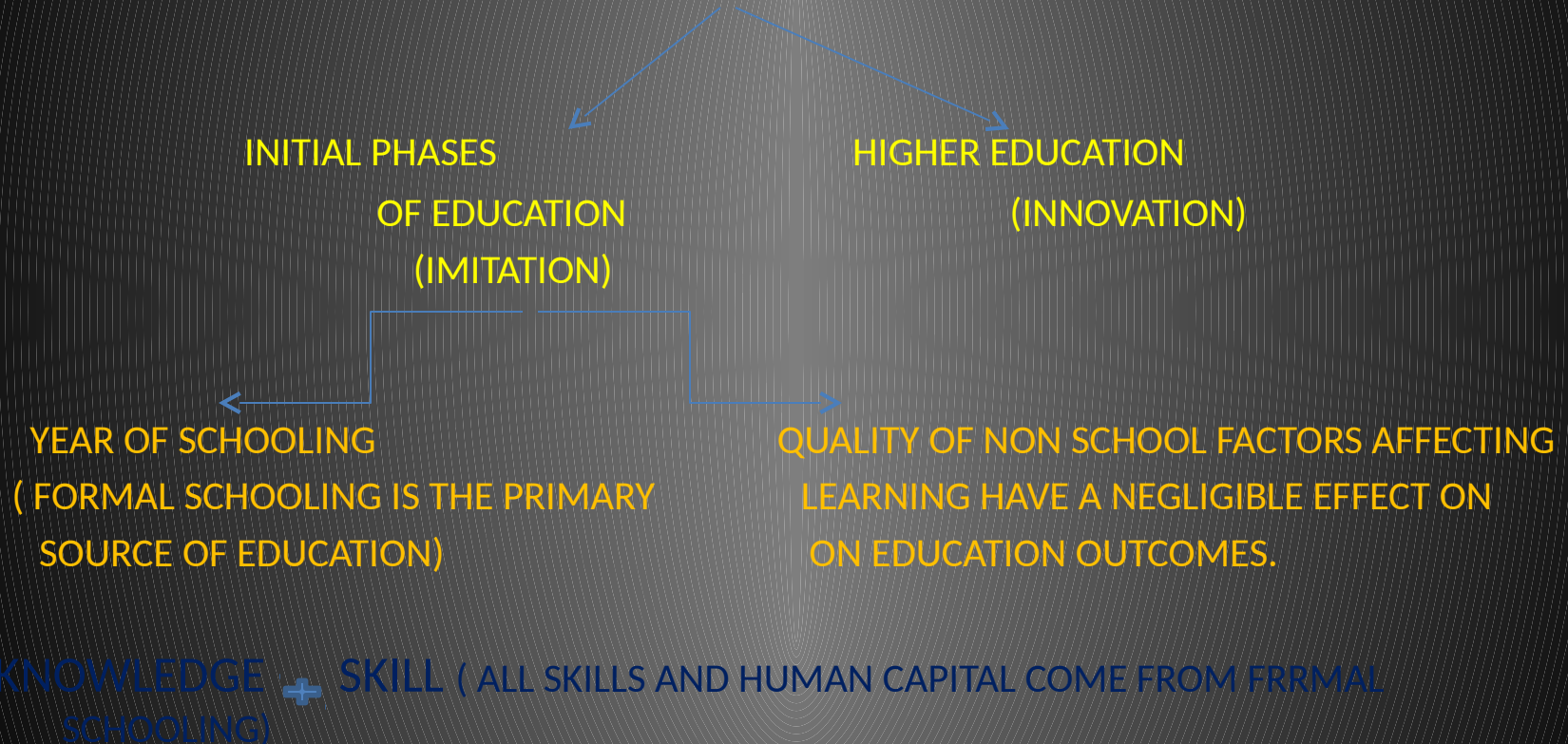
ESTIMATE  
CROSS  
COUNTRY  
GROWTH  
REGRESSION

THE MOST  
COMMON  
MEASURE IS  
YEAR OF  
SCHOOLING

AVERAGE ANNUAL  
GROWTH IN GROSS  
DOMESTIC PRODUCT(GDP)  
PER CAPITA.



- EDUCATION IS IMPORTANT BOTH AS AN INVESTMENT IN HUMAN CAPITAL AND FACILITATING RESEARCH AND DEVELOPMENT AND DIFFUSION OF TECHNOLOGY.





# POVERTY

- **INCOME.**
- EXPENDITURE AND NUTRITIONAL VALUE.
- CANNOT AFFORD THE MINIMUM NECESSITIES FOR HEALTH, ACTIVE AND PRODUCTIVE LIVES.
- **DEPRIVATION** OF MINIMUM LEVEL OF LIVING.  
SUCH AS LITERACY, SCHOOLING, LIFE EXPECTANCY, CHILD MORTALITY, MALNUTRITION, SAFE WATER AND SANITATION.

**POOR GENERALLY DOES NOT MEAN LACK OF MONETARY INCOME AND EXISTANCE OF HUNGER.**

- **PL** IS DEFINED IN INDIA AS THE LEVEL OF MONTHLY EXPENDITURE THAT ENABLES AN INDIVIDUAL TO CONSUME A MINIMALLY DEFINED NUMBER OF CALORIES PER DAY.
- **POVERTY RATIO** IN RURAL INDIA HAS BEEN HIGHER THAN THAT OF URBAN AREAS. HOWEVER THERE IS A CONSIDERABLE REDUCTION IN THE POVERTY BOTH AT THE RURAL AND URBAN SECTOR. IT CAN BE SEEN THAT THE REDUCTION IS MORE PRONOUNCED IN THE RURAL AREAS.
- IN THE SAME WAY THERE IS AN INCREASE IN THE NUMBER OF POOR PEOPLE IN THE URBAN AREAS AS WELL.
- THERE IS DYNAMIC CHANGE TAKING PLACE IN THE CONSUMPTION PATTERN IN RURAL HOUSEHOLD. THE PERCENTAGE SHARE OF EXPENDITURE INCURRED ON CONSUMPTION OF FOOD HAS SHOWN DECLINE. ON THE OTHER HAND THERE IS CONSISTENT INCREASE IN THE PERCENTAGE OF EXPENDITURE INCURRED ON NON FOOD ITEM. THE INCOME IS RISING FASTER THAN THE RISE IN THE EXPENDITURE DEMAND ON FOOD ITEMS.
- THERE HAS BEEN A DECLINE IN THE POVERTY RATE AND NUMBER OF PEOPLE HAVE RISEN ABOVE POVERTY LINE.
- SUSTAINABLE CHANGE IN THE LIVES OF POOR.

# POVERTY, INEQUALITY AND ECONOMIC GROWTH.

- **GROWTH**- RAISES THE INCOME RELATIVELY MORE FOR THE POOR THAN THE BETTER-OFF GROUPS; GROWTH WITH IMPROVEMENTS IN THE INCOME DISTRIBUTION.
- **ECONOMIC GROWTH-INCREASE** IN GROSS DOMESTIC PRODUCT(GDP)'EITHER IN TOTAL GDP OR IN GDP PER CAPITA.
- THE **GDP** IS NOTHING BUT THE VALUE OF TOTAL PRODUCTION OR TOTAL INCOME FOR A COUNTRY.
- NEO-LIBERAL POLICIES PROMOTE ECONOMIC GROWTH; INCREASE IN AVERAGE INCOME. SUGGESTEDBY IMF AND WORLD BANK.



# INEQUALITY

- INCOME INEQUALITY.
- THE MOST COMMON MEASURE OF INCOME EQUALITY IS THE **GINI COEFFICIENT** OR INDEX(G) NAMED AFTER THE ITALIAN STATISTIAN CORRADO GINI(1912).
- THE GINI COEFFICIENT HAS A **VALUE BETWEEN 0 AND 1**, WITH 0 BEING PERFECT EQUALITY(all have the same income) AND 1 BEING PERFECT INEQUALITY(all income earned by one person).

- KUZNETS RATIO- THIS GIVES THE RATIO BETWEEN THE AVERAGE INCOME OF THE RICHEST AND THE AVERAGE INCOME OF THE POOREST.
- CASH BASED ECONOMY.
- INCOME INCLUDES BOTH SUBSISTENCE AND CASH INCOME.

- BASIC NEEDS OF THE POOR.
- HUMAN DEVELOPMENT EXTENSION- INDICATORS RELATED TO HEALTH, EDUCATION, AND NUTRITION.
- HUMAN DEVELOPMENT INDEX(HDI) PUBLISHED IN UNDP'S ANNUAL HUMAN DEVELOPMENT REPORT.
- HDI INDICATORS- INCOME, EDUCATION, AND HEALTH.



- HEALTH- LIFE EXPECTANCY.
- EDUCATION- LITERACY AND SCHOOL ENROLEMENT.
- PUBLIC GOODS-AND SERVICES- HEALTH AND EDUCATION. SERVICE IMPROVE WELFARE.UNEQUAL INCOME DISTRIBUTION - POOR PUBLIC SERVICES.
- SUSTAINABLE LIVELIHOODS APPROACH(SLA)- LIVELIHOOD OUTCOMES- INCOME, WELL-BEING, VULNERABILITY, FOOD SECURITY AND SUSTAINABLE USE OF NATURAL RESOURCES.
- OPPORTUNITY.
- SECURITY.
- EMPOWERMENT.
- EGALITARIAN ASSET DISTRIBUTION- LAND AND HUMAN CAPITAL, LAND REFORM, IMPROVED INFRASTRUCTURE, LABOUR AND LABOUR INTENSIVE URBAN GROWTH.

# POVERTY REDUCTION AND GROWTH PATH

- MORE EDUCATION.
- RURAL FOCUS- INVESTMENTS IN RURAL INFRASTRUCTURE, TECHNOLOGY AND R&D.
- INCREASING PURCHASE POWER-NEW AGRICULTURE TECHNOLOGIESSUCH AS GREEN REVOLUTION
- GOOD GOVERNANCE- CORRUPTION HAS A STRONGLY ANTI-POOR EFFECT.

# DEVELOPMENT IS WORKING WHILE DEVELOPMENT POLICY IS NOT.

- MONOPOLISTIC COMPETITION
- NATURAL MONOPOLY.
- GOVERNMENT –RUN- MONOPOLY
- PRIVATE-RUN-MONOPOLY- SEEK TO MAXIMUM PROFITS.
- SIX BASIC MARKET FAILURES-
- IMPERFECT COMPETITION
- PUBLIC GOODS.
- EXTERNALITIES.
- INCOMPLETE MARKETS.
- IMPERFECT INFORMATION.
- UNEMPLOYMENT AND OTHER MACROECONOMIC DISTURBANCES.





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THANK YOU

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