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Growth without Development: Confronting the Paradox
Review of Conceptual Issues

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Introduction (A)

- The brief on “growth without development: confronting the paradox” establishes that;
 - the Nigerian economy has grown fairly rapidly over the last decade or so
 - but the “development” indicators (poverty, health, education ,etc) have shown much less progress over the same period.
- It then poses several questions around the central theme:
 - how can the nation’s growth become inclusive?

Introduction (B)

- Intellectual concepts and their understanding help to identify problems and articulate solutions.
- The growth-development debate is conducted at both the intellectual and policy levels, using these concepts.
- The focus of this presentation is therefore on these concepts and their policy applications.

Growth-Development Paradox (A)

- Paradox describes a seeming impossibility by juxtaposing two ideas that contradict each other, even though they are both true.
- Paradox is a statement or proposition that seems contradictory but in reality expresses a possible truth.
- Paradox is implied in a statement which is contrary to commonly accepted opinion.

Growth–Development Paradox (B)

- **Why and how economic growth without development can be paradoxical**
 - economy is growing (GDP is rising) but other development indicators (employment, poverty, health ,education, social services) are stagnating or declining
- **Real issue is the relationship between economic growth and development**
 - development is economic growth plus none-income dimensions of development
 - are the various components of development complementary and mutually reinforcing?

Rethinking Development

- Development economics thinking regarding the relationships between various components of “development” has evolved over time
- Early post- World War II era
 - rapid economic growth with industrialization
 - initial worsening of income distribution with eventual improvement in poor people’s living conditions
 - trade- off and trickle-down view of the relationship between growth and equity

Pro-Poor-Growth

- **Challenges to “trade-off and trickle-down”**
 - this is not inescapable: growth needs not necessitate inequality
 - policy can foster benign combination of high growth and rapid poverty reduction.
 - concept of developmental state: development is not automatic but needs to be stimulated and guided.
- **Emergence of pro- poor growth**
 - growth that benefits the poor.
 - relative vs. absolute version.

Inclusive Growth

- Widening of the components of development beyond income
- Extension beyond “outcomes”
- Inclusive growth versus inclusive development.
 - Distribution of increases in income.
 - Distribution of improvements along dimensions other than income.
- Inclusiveness in participation (employment), process and outcome.
- AFDB definition of inclusive growth:
 - “Economic growth that results in a wider access to sustainable socio-economic opportunities for a broader number of people while protecting the vulnerable, all being done in an environment of fairness, equal justice, and political plurality”.

Measurement of Inclusive Growth (A)

- ADB: inclusive growth entails (i) achieving sustainable growth that will create and expand economic opportunities, and (ii) ensuring broader access to these opportunities so that members of society can participate in and benefit from growth.
- Index includes indicators of growth, productive employment, economic infrastructure, income poverty and equity, gender equity, human capabilities and social protection.

Measurement of Inclusive Growth

(B)

- Define inclusive growth as a process of growth that enhances benefit-sharing and participation.
- Measure the impact of the growth process in terms of inclusiveness
 - Includes three indicators: income poverty; inequality (proxy for benefit-sharing dimension); and the employment-to-population ratio (proxy for participation)
- Remaining deficiencies: causality?

Policy Implications

- Policy should provide ways to ensure complementary and mutually reinforcing relationships among the components of development.
- Recognition of importance of economic growth for development.
- Other components continue to be debated: equity, empowerment, opportunities, participation, satisfaction, etc.
- Bottom-line: resolution of growth-development paradox is beyond economics.
- It is a political-economy question