SOLUTIONS: MICRO CREDIT **MICRO CREDIT**	A loan that is made to people who do not have sufficient collateral
POSITIVES	• Potential to break the poverty cycle which commercial banks font have due to collateral issue • Decrease in unemployment amongst poor people – higher standards of living, confidence and self-esteem from setting up a business • If there are high returns on micro credit investment, could lead to more saving • Learn life skills, learn on the job • Lower rates of interest from NGOs – more accessible • Cuts loan sharks out of the equation • Increases access for women, more likely to have less collateral, women entering the workforce increases economic growth, education women means children more likely to be educated, pass on entrepreneur spirit • Corrupt governments aren't included either
NEGATIVES	• Depends on who provides the loans • Depends on the situation of the economy, and pre-existing levels of development and growth • If banks lend micro credit, high interest rates • Can lead to suicides, as loss of self-esteem and empowerment • Increase debt levels if businesses fail – augments poverty cycle • Provides a disincentive for the government to invest and improve standard of living • Micro level, won't have a large impact on macro economy • Without education, a loan won't do much – allocatively inefficient • Creates an informal sector, businesses aren't subject to regulation and can exploit others • Development is a result of a multitude of factors, can't be solved by one thing
HEALTH AND EDUCATION **POSITIVE EXTERNALITIES OF EDUCATION**	• Potential welfare gain: • Increase in quality of labour – shift LRAS • More confident people, more able to set up businesses, more aspirations, bring others out of poverty • Basis of democracy is education, more education means more political stability, government has more accountability as has to serve the people instead of vice versa – EMPOWERMENT • Crime rates reduced as education allows people to channel ambition, reduces gang culture? • Emancipation
POSITIVE EXTERNALITIES OF HEALTH	• Healthy people don't spread diseases • Healthy workforce increases productivity

LINKS BETWEEN EDUCATION AND HEALTH	• Health education reduces risk of STDSs, early births, control population growth • Impossible to succeed with education if malnourished • School teaches you about sanitation and hygiene • Healthy people use their skills better and for longer
APPROPRIATE USE OF EDUCATION	• Over investment in universities will only benefit the rich, to improve literacy primary schools need to be built • Simple skills are more important in developing countries, open up more benefits • Greater returns to increasing education levels of the majority by a bit than a few by a lot • Primary schools occupy kids, leaving parents free to work • Internal brain drain if there aren't enough high skilled jobs for high skilled workers i.e. if a doctor is a cleaner • Could result in normal brain drain if they decide to move elsewhere • If only tertiary sector – doctors, teachers – they are more likely to go to private sector where they get better paid, misallocation, should help poor people • Local people know best what technology is appropriate, will use education beneficially • Dependent on: what age group you target • How willing and able the government is to produce it
APPROPRIATE USE OF TECHNOLOGY **APPROPRIATE USE OF TECHNOLOGY**	Technology used where capital is suited to the economic, ecological and climate conditions of a country
DIFFERENCES IN FACTOR SUPPLIES	• **LABOUR** • More skilled in developed countries • Labour is cheap, plentiful and generally unskilled in developing countries • **CAPITAL** • Efficient, technologically advanced and plentiful in developed countries • Scarce, and costly in developing countries
LABOUR INTENSIVE TECHNOLOGY	• Uses more labour in relation to capital e.g. horse lough • Still need a lot of labour • Uses local skills and technology to build capital • Shifts AD as local investment increases, demand for local goods and services increases • Simple capital means local, unskilled workers can build and use it, increases employment • Incomes increase, improves standard of living, empowered people, gain skills • Don't have to use foreign currency reserves to buy capital abroad or labourers to work

	complicated technology • Labour intensive capital increases quality of labour • Can start educating labour force through simple labour
CAPITAL INTENSIVE TECHNOLOGY	• Uses more capital in relation to labour e.g. robots, automated factories • Creates unemployment/underemployment – STRUCTURAL • Incomes go down • Need skilled workers to manage which you don't have • Use foreign reserves to import it, and demand foreign skilled labour
BARRIERS TO DEVELOPING TECHNOLOGY	• Workers become more skilled as they train on the job, and as they build capital they learn how to produce more products • Poverty trap means no savings with which you can invest • Developing countries have no monopolies, or significant private sectors interested in research and development • Foreign investors have no knowledge of local resources
EMPOWERMENT OF WOMEN **EXAMPLES OF DEPRIVATION**	• **EDUCATION AND TRAINING** • Don't receive them becomes employed at home, household chores, lack of infrastructure means women have more to do - no washing machine, walk to well/market • Culture, means no opportunities, religion, inherent oppression, tradition, early births, large families • **INEQUALITY IN THE LABOUR MARKET** • Lower pay due to no education or skills • End up in the informal economy, unsafe, welfare state, may end up in prostitution • **INHERITANCE AND PROPERTY RIGHTS** • Women have no wealth, husband owns everything • Find difficult to borrow loans if no collateral • Poverty results
BENEFITS OF EMPOWERMENT	• Increase the quantity of labour • Increase productivity • Increase quality of future labour if women educate their kids • Increase competition • Smaller population with less strain on resources
INCOME DISTRIBUTION **RELATIONSHIP BETWEEN INCOME DISTRIBUTION AND SAVING**	• **FIRST MODEL:** • Unequal distribution, more rich people who save, more investment, more development • Trickledown economics • BUT • Rich companies and people import luxuries, stocks etc – capital flight • Therefore we need a middle class, people who