

TIU / FASE / Business and Management Dept.

Economic Development Econ 420

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Complementary Issues to Chapter 03: The Population Growth and Economic Development

First: Advantage and Disadvantages of Population Growth

A- Advantages:

1. Industrial, Medical, and Agricultural Innovation

Many of the world's most remarkable innovations over the past 300 years are attributable to population growth. Even more great minds lead to more innovations. Assembly-line manufacturing itself is an adaptation to an increasing population and the need for greater and faster output. More people around the world are living longer lives than even a century earlier thanks to modern medical achievements. In addition, while agricultural resources are a very real concern as the world's population grows, the world's increase in population is responsible for a greater consciousness of the need for additional resources as well as the innovations to produce food at the pace of population growth.



Assembly-line manufacturing

2. Economic Growth:

A growing population can generate economic growth. The birth of more people equates to a greater number of parents investing in their youth. Increased purchases in products such as food, clothing, education-related expenses, sporting goods and toys feed the economy. Parents with small children purchase larger homes with more bedrooms and bathrooms to ensure they have enough room for their children. Construction of larger homes feed the building and home improvement industries economically. As the population grows, so does economic spending.

B- Disadvantages:

1. Property Shortage:

Although the world population is a long way from being large enough to occupy all of the habitable land on earth, unchecked population growth can inspire overcrowding and civil unrest. Areas with high populations experience this now. An increase in population growth would necessitate an investment in the development of less desirable areas on earth, to meet space need demands.

2. Aging Dependency

The world's growing population includes a large and dependent aging segment. In the United States, the aging population, defined by people over the age of 65, is expected to comprise almost 20 percent of the population by 2030 -- an 80 percent increase from 2000. Changes in population distribution such as this one can make a society assess how it cares for certain populations and how it allocates resources for such care.

Second: Quantity vs Quality: How family sizes affect investment?

At that time, the general view of economists was that high birth rates and rapid population growth in poor countries would divert scarce capital away from savings and investment, thereby placing a drag on economic development. They hypothesized that larger families have fewer aggregate resources and fewer resources per child. Larger families therefore spread their resources more thinly to support more children. This leaves less for saving and investing in growth-enhancing activities. It also reduces spending on enhancing the economic potential of each child (e.g. through education and health expenditures).

In the aggregate, these household level consequences of high birth rates were believed to exert a significant negative effect on per capita income growth.

Sources: Fox, Sean. and Dyson, Tim. 2015. Is population growth good or bad for economic development?, International Growth Centre, London School of Economics, and University of Cambridge.