# ****Economics Academic Paper****

## ****Question One****

Economists have proposed many economic development theories. One of these theories states that increased production leads to capital increment. Accumulation of this capital contributes to economic growth as investment in other sectors occurs. For instance farmers who produce more end up earning higher returns and they use their money to purchase other products that can meet other needs that they may have. This means their money circulates in the economy and helps the economy to grow. Additionally, agricultural products from such farmers are usually used in varied production processes and this directly contributes to economic growth. Demographics also affect labor and a rise in the population simultaneously expands the labor force. The amount of labor needed is determined by demand patterns hence labor force is controlled mainly by forces of production. This theory states that available opportunities in a country naturally control the demand for labor meaning that an increase in population ultimately results in increased demand for labor. Another popular theory proposed by economists is that of diminishing returns. This theory argues that accumulation of capital and increase in population can reduce the amount of returns or profits generated from production processes if the wages remain constant. This is because of increased exploitation of resources such as land that results in reduction in productivity of such resources or factors. The theory that raises the question as to whether some countries gain more from trade than their counterparts is widely debated by economists. Economists have explained that this theory may be true becaiuse developed countries generally tend to be better in terms of exploiting upcoming opportunities and this sometimes results in the exploitation of poorer countries. Furthermore, richer countries tend to be more industrialized hence specialize in trading in industrial goods which have been known to have higher returns as compared to primary products. Poorer countries, on the other hand, mainly produce and trade in primary products. The trickle-down theory is yet another theory that explains why the main benefits of an economy trickle down to the poorest people in an economy, those that are found at the very bottom of the economic ladder benefit most from the economy. When the government collects taxes and other funds from the rich and the general public, they end up benefiting the poor.

## ****Question 2****

Development is a wholesome concept that cannot be solely based on economics. Rather, a country can only be said to be developed if the social well-being of its citizens is met. It is thus societal responsibility to ensure that social development and well-being of its people is improved instead of focusing solely on economic development. Social well-being can help to build social ties and unite a society especially during disasters and national problems. This ultimately enables the country to face such problems more effectively as compared to divided nations. Social development is a huge concept that mainly encompasses caring for the welfare of the people around us. Without this a society cannot grow or make any progress. By embracing social well-being, a society can easily enhance fairness in the distribution of national resources thus improving the living standards of its people and enabling them to relate more cordially with each other. Ultimately good relationships enhance economic development because people feel obliged to contribute towards nation building. It is from this perspective that social development has been directly linked to national economic development. The poorer and under-developed countries tend to have gaps in their social development structures. Poor social development breeds fertile grounds for crime and other issues that hinder development and progress of a nation. By prioritizing economic development, a country can easily create huge gaps between social structures and economic classes. Such a scenario widens the gaps between the rich and the poor in the society, resulting in animosity amongst citizens of one nation. While the rich have the economic prowess to exploit available opportunities, the poor struggle financially and their situation is further exacerbated by inflation. Consequently, in such nations, the rich grow richer while the poor grow poorer and often resort to social vices such as crime and social unrest as well as protesting against these conditions. This is because as the economy develops the rich are able to take advantage of emerging opportunities because they already have the financial muscle to undertake them. Consequently, they get richer and the poor get poorer due to the resulting exploitation. Inflation makes the situation worse and the worst hit are the poor in society. This is why mass protests are common in countries where social development has taken a back seat as compared to economic development. If left unchecked, such protests may escalate to riots, civil unrest and even result in changes of political regimes. This can easily cause war and instability in a nation. These concepts have been seen in and experienced in countries with vast minerals and natural resources because of the huge gaps between social and economic structures that result in a few millionaires controlling the lives of millions of paupers. In most cases, such countries concentrate on economic and infrastructural development at the expense of social development.

### ****Question 3****

Mao heavily prioritized social relations in the production processes. Yet this resulted in huge economic problems that breeded discontent among poor laborers and peasants in the country. Despite enjoying high food production than most other countries, China still faced increasing poverty levels. This led to problems in the economy that led to discontent amongst the peasants and the poor workers in the country. Though the country enjoyed great food production than most countries in the world, there are problems that led to increase in the poverty levels in the country. This was mainly attributed to overproduction in certain sectors and underproduction of essential goods. The government also implemented retrogressive policies and maintained a closed economy resulting in huge spending of resources on heavy industries and neglect of lighter industries which were also important in the country’s overall growth. Perceived favoritism and poor distribution of resources created gaps in the society that prevented uniform economic growth. This was further worsened by poor provision of basic amenities and as a result Mao’s regime was characterized by constant strikes amongst the populace that felt anger towards an oppressing government. It is such issues that critics of Mo have pointed out would have been solved through prioritization of production factors and social development. The gaping problems in the production elements would ultimately affect the rate of development and many believe that the policies being implemented by the Mao government would have slowly culminated into a collapsed economy. The decade long protests by farmers between 1966 and 1976 if allowed to continue, would have paralyzed delivery of service and affected accomplishment of the objectives set out by the government. Social changes introduced by Mao greatly affected the economy and if such changes that were aimed at changing the culture of China and the entire social set up were to be maintained the country would have experienced huge problems. The approach taken by Mao created these major problems because it mainly focused on developing social aspects of production while abandoning the economic development of these aspects. This resulted in   upheavals which the government used force to quell. In as much as social aspects of development were important to the economy, their poor implementation by Mao resulted in more harm and problems than good. If a different approach had been taken and these were properly used in combination with economic development of aspects of production China would have achieved a balanced development with minimal resistance from its citizenry.