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Economic Growth In Haiti

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Economic Growth in Haiti

by

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ABSTRACT OF THESIS

Economic Growth in Haiti

Poverty is a persistent problem in Haiti, resulting in an abundance of famine and suffering for many. The root of poverty and the lack of economic growth in Haiti has been associated with political instability. From this perspective, this thesis investigates the relationship between political instability and economic growth within Haiti. In relation to the same, the question that is raised is "can economic growth promotes political stability?" This research is purposely designed to be qualitative to facilitate the investigation of the source of poverty and its relation to political instability. Case studies on South Korea and China have been conducted in order to determine which policy would best support sustainable growth in Haiti. Accordingly, periods of political stability and instability in Haiti have been reviewed, as well as review of the state of the economy during those times. Furthermore, this thesis examines data, provides analysis on growth theories, and evaluates the key components of political instability. This research collects robust information to provide recommendations for policies on growth and development in Haiti.

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This project has been a long time in the making. My earliest memories are of many Haitians lacking the bare necessities in life (water, food, and shelter) causing many to engage in a life of crime. From an early age, I remember attempting to understand how policies directly affect individuals. I have always thought the Haitian government's focus on low-tech agriculture and the war on crime general approach, was not the answer to raise Haitians out of poverty.

My parents, Damas and Yolene Barthelemy, started early on trying to make me understand the importance of education and they have instilled in me that having a great education will not only provide a better life for me and my family, but it will serve my country greatly. After I immigrated to the United States, I attended Nyack College where Dr. Gordon Boronow provoked me to think deeper about economic growth and development, and his work has had a tremendous influence on me. When I Left Nyack College in 2017, Buffalo State College welcomed me, and my professors gave me a new appreciation for economic growth and have posed many questions and pushed for better answers.

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Introduction

Haiti was once the richest colony in the Caribbean, and in 1804; the country became the first black-led republic and the first independent Caribbean state. With a very promising future, the island was named "la Perle des Antilles" (the pearl of the Caribbean) exporting mainly coffee, mango, and sugar worldwide. Haiti's early success was due to its commitment to freedom, and promotion of human rights all over the globe. However, shortly after Haiti gained its independence, the country started to experience political instability, based on racism between Mixed races and Blacks, and power struggle between the bourgeoisie and the masses. Simultaneously, the country experienced a major economic decline due to a downturn in national output, new trade barriers, and an increase in corruption which left Haiti mired in poverty.[1] Today, Haitian citizens are still experiencing political instability, and the economy is undergoing a very difficult time with a 14 percent unemployment rate, and over 25 percent of the population live through extreme poverty with less than 1.25 USD per day. For decades now, the country has been known to be the poorest country in the western hemisphere, with a GDP per capita of 784.08 USD annually. According to the UNDP, in 2014, the Haitian national poverty rate was 58.6 percent, and 24.7 percent . of the population was living in extreme poverty.[2]

The destitution and misery in Haiti do not seem to be the result of the nation's lack of resources, as the country has not been fully exploited, with an immense opportunity for new investments and a great labor force. One can argue that the extreme poverty in Haiti is due to a

[1] President Thomas Jefferson had cut off aid to Haiti and was practicing a policy to isolate Haiti.

[2] "Haiti Boosts Health and Education in the Past Decade, Says New UNDP Report," UNDP, accessed November 17, 2019, https://www.undp.org/content/undp/en/home/presscenter/pressreleases/2014/06/25/haiti-boosts-health-and-education-in-the-past-decade-says-new-undp-report.html)

chronic unstable political environment which has led to a perpetually fragile economy. Since the fall of the Duvalier government in 1986 Haiti has been struggling to overcome its major political and social issues including maintaining a stable political system, promoting human rights, and raising the standard of living for all Haitians. More importantly, Haiti has been struggling to educate its citizens, build infrastructure, decrease corruption, improve its judicial system, become energy independent, and establish proper regulation and policies to attract foreign investments.

Since the fall of the Duvalier government, crime has reached new highs and has become the career path for most of the youth. Thus, the infinite rise in crime levels and the unstable political system encumbers Haitian economic growth. Since the 1980's after Jean -Claude Duvalier fled the country, there have not been any radical movements nor have there been any reforms aiming to fix this system that deprives the citizens of their basic needs, resulting in inhumane circumstances. The government's inability to effectively guarantee the security of the population and their properties engenders unstable markets. As a result, the Haitian economy suffers from a lack of investment opportunities, which not only cripples the nation financially but has a damaging impact on social growth.

The study of political instability and economic growth has yielded contradictory findings. It is argued that a failed or unstable economy can disturb political stability, as a negative change in the economy can result in political unrest.[3] Economic recessions or depression can leave the population in need of governmental help, and the government's inability to meet the demands of its citizens can lead to riots and protests. The other viewpoint is that political instability is not the result of an unstable economy, rather the cause. As political instability tends to reduce investment

[3] Daron Acemoglu and James A. Robinson explained that the government is fully accountable for its nation's economic success and the control of its citizens. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (London: Profile Books, 2013)).

opportunities and slow economic growth due to policy uncertainty, which can also have a negative impact on economic decisions. However, a bad economy seems to have a more direct impact on the political system. Studies show that economic growth diminishes the possibility of political instability, as when people are working and creating wealth, they are less likely to engage in certain activities to keep up their social status.[4]

However, in Haiti, the government is the driving force behind economic activities as they set prices and are the biggest employer. Therefore, the state of health of the government should mirror the economy. According to Alesina and Perotti (1986) political instability is caused by frequent change in the government which often results in civil wars and poverty. This theory is supported, not only in Italy, where the study was conducted, but also in Haiti as less than fifteen percent of all Haitian presidents were able to complete their presidential terms without a coup[5], which places the country in a prolonged period of turbulence. This theory however evokes other questions: Does a democratic system work best in a growing economy? Is an authoritarian system the best support for a growing economy? There is a popular belief that democracy does not have any effect on economic growth; for example, in his seminal research, Barro argues that "more political rights do not have an effect on growth" (Barro 1997). In their paper "*Democracy Does Cause Growth,"* Acemoglu, Naidu, Restrepo, and Robinson attempt to challenge this view and present evidence to support their theory that democracy has an effect on economic growth, as they argue that a country that switches from nondemocracy to democracy achieves about 20% higher GDP per capita in the long run (Acemoglu, Naidu, Restrepo, and Robinson 2004). However, the

[4] This theory comes from the idea of maximum wealth or income distribution, as argued by Smith that unlimited supply of labor can be created at subsistence wages. Adam Smith and Andrew S. Skinner, *The Wealth of Nations* (London: Penguin, 1999)).

[5] Edward Luttwak, *Coup d'état: a Practical Handbook* (Cambridge, MA: Harvard University Press, 2016))

Chinese example supports that authoritarian regimes can successfully achieve sustainable economic growth. By analyzing the South Korean economic growth one can argue that it is much harder for a democratic republic to provide sustainable economic growth.

Even though the authoritarian system can enhance economic growth, it can also disturb economic development due to its r restriction of freedom. Hence, to effectively study whether political instability can really prevent economic growth or if a deprived economy is the root cause of political instability, this research will analyze the reigns of two different political regimes: China from 1939 to 2019, and south Korea from 1950 to 2019. The purpose of this research is to contribute to the analysis of the relationship between economic growth and political stability. Accordingly, we review the economic growth of China which took a state-controlled approach and South Korea which took a more capitalist/democratic approach and evaluate their growth during that time period. Correspondingly, we examine the literature on growth theories and political instability for deeper analysis. Specifically, we will use Chinese and the South Korean growth as an example to illustrate the potential of the Haitian economy. The next section will focus solely on the theories of economic growth which is a fundamental tool to analyze the Chinese and South Korean growth and can aid in understanding how to restore the Haitian economy and promote sustainable growth.

The thesis is organized as follows: chapter two discusses growth theory; chapter three evaluates the difference between growth and development. Economic growth focuses on output and economic development focuses quality of life. Hence, chapter three showcases this difference and provides the knowledge for careful analysis on how to approach a fragile economy and how to protect the local economy, chapters four, five, and six look at case studies of China, South Korea, and Haiti, and chapter seven concludes the thesis.

Chapter 2: Economic Growth Theory

Globalization has made the world far more competitive, invoking the true spirit of capitalism. With this, countries must become increasingly innovative and creative to compete globally. International trade has tremendous impact on economic growth by improving productivity, in order to provide opportunities for people. Economic growth has been looked at as the most important notion in the global economy, as policy makers look towards growth theories to bring improvements to issues like low life expectancy, high infant mortality, a high level of diseases, and malnutrition, that developing countries tend to experience. Further, a strong growing economy would provide employment opportunities, which can break down social, and economic barriers. Therefore, economic growth is associated with an advancement in productivity and a rise in income. Individuals who earn a higher income tend to enjoy a higher standard of living in terms of food, clothing, housing, better access to healthcare and education, and greater sense of security.[6] However, critics assume that the level and rate of growth does not always reflect the real level of a population's living standards, which remains the primary measure of prosperity. The main problems that economists face in measuring real economic growth is that first, there is no record of the volume of production obtained from the informal markets; second, economic growth does not take into account changes in the amount of time spent on work, which in terms affects the welfare of society; and thirdly, measures of economic growth do not include the negative externalities associated with economic activities.[7]

In the mid-1950s, two schools of thought emerged to bring focus on the study of economic growth. The Keynesian view introduced the notion of a saving function, which believes that

[6] People with higher income tend to feel more secure than those with lower income, due to their readiness to face life uncertainties.

[7] Negative economic activities include environmental pollution, its progressive degradation, or noise pollution.

savings is based on the level of income . This school of thought believes that the proper distribution of income could change the saving behavior of individuals. Accordingly, it is believed that saving would take on the value required for equilibrium growth. On the contrary, the second school of thought maintains the introduction of the neoclassical production function and the variability of factor proportions which it allowed.

Since the post war years, the topic of economic growth has become a prominent topic in academic discussion, as well as political and public concerns. Accordingly, in terms of moving towards full employment and increasing national output, achieving sustainable economic growth has been the underlying goal of economic policies for most countries that tend to refer to growth theories to solve short- and long-term economic issues. Economic growth theories have been prominent in helping policy makers solve their economic issues as its purpose is to provide policy makers with a technique to think and draw accurate conclusions to the problems that they are facing.

Early Views on Economic Growth

The concept of economic growth first appeared in the writings of mercantilists and physiocrats. Before the fourteenth century, writers were mainly concerned with improving the material welfare of mankind. The mercantilist views on economic growth, or the mercantilist theory of economic growth, can mainly be examined by eight categories. As noted above, the mercantilist's idea on economic growth came with the writer's concerns with humans' desire to work, resources, the role of government in the economic system, capital, the saving, and consumption behavior of individuals in the economy. The eight headings of the mercantilist view

were fully developed in "Theories of Economic Growth."[8] To develop the mercantilist theory of growth, we must first discuss its socio-psychological and causative theory and presumptions. The mercantilist writers often describe this section as humans' urge to meet the needs of society. For instance, in his essay on the economic effect of the reformation, George O'Brien (1921) describes commerce as an activity to improve society. Secondly, with respect to economic growth, the mercantilist writers appeared to be believers of free market economies, since they believed in pure competition in the sense of the pursuit of individual self-interest. Mercantilist policies tend to discourage penalties and taxes and provide an environment where businesses and entrepreneurs can thrive.[10] Thus, their writings were never focused on pricing. Thirdly, mercantilist writers were focused on occupational structure, and therefore created their policies to be more in favor of merchants and industrialists, as they believed merchants and industrialists were more likely to engage in wealth creating activities than the agriculturalists would. Accordingly, they believed that the merchants and the industrialists were the main agents that can stimulate the economy, as their economic behavior can create demand for production and in turn stimulate employment. Further, the mercantilist writers attached great importance in creating a striving environment for entrepreneurs, which will in turn grow employment opportunities in the economy. Thus, one can argue that they never emphasize the distribution of wealth, but rather the creation of new wealth. In the mercantilist view, money plays an extremely important role as it not only serves as a payment mechanism, but economic agents are able to quantify their contributions to the economy.

Adam Smith shared a similar view with the mercantilist writers. However, he was more concerned with the accumulation of wealth rather than the creation of new wealth, and he believed

[8] In his book *The Theory of Economic Growth* W.A. Lewis fully explained his concerns about material welfare.
[10] Mercantilist thinkers were mainly concerned with improving national wealth to ultimately increase trade.

that the accumulation of capital and resources is the best measure of economic growth. For example, Smith argues that the creation of an agricultural surplus produced the demand for other goods and services, which in terms could be purchased with the excess supply of agricultural products. Further, in his book The Wealth of Nations, Smith acknowledged the importance of technology to economic growth, as he mentioned that wealthy nations usually are more advanced in agriculture and manufacturing than their neighboring countries. Smith's ideas are an important consideration to modern theories, given that he proposed a myriad of strategies to facilitate the accumulation of wealth which include free trade in land; international free trade, national free trade; and free choice of occupation. In the Theory of Moral Sentiments, Smith describes the governments' activities like education, regulation of the currency, taxation, infrastructure, and sanitation are all necessary for economic growth and development. To further promote his argument regarding the government's role, he argues that wealthy countries can help less developed economies through free trade.

David Ricardo provides an alternative view that is more aligned with the reality faced by developed countries. To develop his views, Ricardo relied on the Malthusian population principle and the law of diminishing return.[11] Ricardo proposed to always reorganize so that rent per unit of labor and capital would not rise and profits would not fall. Accordingly, he believed the law of comparative advantage could help an economy to efficiently allocate its resources among industries, developing at differential rates of productivity. Hence, similarly to Smith, Ricardo believed that the adoption of free trade would lower agriculture prices and rents. By way of

[11] Population growth slows economic growth per capita due to the diminishing returns to the growing labor force. Hence, Ricardo argues that economies must always change (Wesley Peterson 2017).

contrast, he believed that free trade would raise real wages and profits, which in turn would increase investment and ultimately grow the economy.

According to Ricardo, the country must experience a faster economic growth than population growth. This why he opposed taxes on capital, wages, raw materials, which he believed would raise money wages and lower profits. This would in turn distribute income in favor of consumption, but would hinder the accumulation of capital. Smith and Ricardo both believed that technological change is important to economic growth and, hence, they both emphasized the importance of human capital, as they believe that these are key factors to economic growth.

Modern Growth Theories

Modern economic theories provide an alternate view on economic growth to the classical view, in the sense that modern economic growth theories adopt the idea that an increase of real GDP only occurs as a result of people's pursuit of profits. Accordingly, modern growth theories strongly focus on savings and investment which are crucial in many modern growth models. Based on the Keynesian model, aggregate savings are a function of the level of income in an economy. Hence, the Keynesian view indicates that S = s (Y) where S equals aggregate savings and Y equals the level of income.[12] The classical savings function assumes a zero marginal propensity to save out of wages. Kalecki explains this theory with the following equation (Kalecki 1971): $S = s_p P$ with $0 < s_p < 1$ where S = aggregate saving, s_p = propensity to save out of profits, and P = profits. Keynes and Kalecki both believed that savings is essential to an economy and emphasize that a country can experience economic growth through the distribution of income between wages and profits.

[12] In contrast, Friedman's theory of saving assumes that savings are proportional to aggregate income.

The concepts of investment seems to be extremely important to economic growth models. Keynes (1936) assumed that aggregate investment in the concept of the multiplier which in the simpler form means an increment in investment produces a greater increment in aggregate output, which can be explained as $\Delta Y = s\ (\Delta Y)$. The acceleration principle which was developed by JM Clark (1917), expresses that investment decisions are made based on the expectations of the demand for output. The acceleration principle implies that investments are made if the present value exceeds the present cost. Accordingly, aggregate investment only increase if national income or output increase, which can be explained as $I = \frac{k}{Y} x\ \Delta Y$. Harrod- Domar appear to share similar views with Keynes as their model suggests that the rate of economic growth depends on the level of savings and capital output ratio, (1947) which in simple term can be explained as g=s/k where (g) is the total output, (s) is saving ratio and (k) is output ratio. Harrod-Domar (1947) identified a growth model without memory and lag which shows that autonomous investment is an exogenous variable and is depended on national income. The model also assumes that consumption is a linear function of national income. Investment is also determined by national income. The growth model with memory is based on the multiplier equation which indicates that a change in consumption is based on a change in income, and the accelerator equation which indicates that a change in investment is also due to a change in national income, which can be expressed as $I(t) = v \int_0^t M(t-\tau) Y^{2}(\tau) d\tau$. Harrod developed the concepts of warranted growth, natural rate of growth, and actual growth.[13] When actual growth does not equal to the natural rate of growth, an economy cannot reach full employment.

[13] Warranted growth rate is when saving is absorbed by investment, natural growth is required to maintain full employment, and actual growth is determined by the rate of saving and the growth of the labor force. (Harrod-Domar 1946).

The neoclassical model of economic growth developed by Robert Solow proposed a long-term model aiming to show that an economy can achieve sustainable growth in the long run. In his model, Solow tried to solve the problems of economic instability, and the economy's inability to reach full employment, as identified by the Harrod-Domar model. Solow assumed that, in the long run, the growth rate of income per capita should equal the rate of population growth. Swan seemed to share the same thinking as Solow, but in his model, Swan (1956) introduced the assumption of substitution of factors of production, which in turn removed the assumption of a constant ratio of capital/production. The neoclassical models of economic growth fully examined the short-term solutions presented by Keynes and attempted to develop them for the long run. Romer (1986) shared a similar view and proposed the neo-classical endogenous growth model. He assumed non-diminishing marginal returns and believed the accumulation of physical capital by individuals could affect the productivity of the aggregate capital stock via external economies of scale.

Many of the neoclassical ideas were based on Hirofumi Uzawa's model of economy. He divided the economy into two sectors: one of which produces consumer goods, and the other capital goods (Uzawa 1963). Uzawa's model can only reach stability when the capital/labor ratio in the branch producing consumer goods is higher than in the branches producing capital goods. Solow understood the saving rate as the rate to maximize the steady state level. Hence, Solow believed that the rate of savings would equal the rate of new capital investment. The Ramsey (1928) model explains the savings rate as endogenous and depends on the decisions of consumers. This theory was better explained by Diamond's (1965) theory of the finite horizons, in which he explains the life of households is divided into two periods. In the first period households receive wages. They spend them on current consumption and savings. In the second period, households do not earn. Current consumption is financed by accumulated savings from the first period. Thus,

the finite horizons model assumes that the economy will ultimately reach a stable state in the long run. In addition to the neoclassical model's assumption that the economy achieves equilibrium in the long run, neoclassical economists also believe in convergence, in which they argue that an economy with a lower level of income per capita will obtain a higher rate of growth than the developed economies. However, Frederick List (1856) believed there are specific steps countries must follow to obtain growth and development. He argued that countries must go through the five stages of development, industrialize, and apply the application of infant industry protection.

As mentioned, classical and neoclassical economic growth assume the saving rate to be endogenous. Hence, we must further explain the differences between exogenous growth models and the endogenous growth models as they play a major role in explaining phenomena observed in the global economy. Endogenous growth models focus on the role of saving and interest with respect to economic growth. They focus on the increase of an economy's capability to produce over time, and ultimately the reasons for the deepening divergence between countries. The endogenous models, then assume that the technical level of the economy is the result of investment decisions.

The analysis of modern theory of economic growth began with Joseph Schumpeter, in which he offered an alternate view to the classical theories. He did not consider the accumulation of capital as the main driving force of economic growth. He instead showed the importance of the entrepreneurs in the economy. Schumpeter (1942) assumed that entrepreneurs must innovate to remain competitive in the economy. Accordingly, he believes that the innovation and creativity of entrepreneurs determined economic development. Schumpeter based his theory of economic growth on the assumptions of private property, and a competitive market, and the efficiency of financial markets that could support the production of new inventions. Accordingly, one can argue

that the Schumpeterian theory of economic growth was intended for developed countries. Lewis (1956) however, had developed a theory to deal with the problem of poor countries. In his book, *Economic Development with Unlimited Supplies of Labor*, Lewis proposed that savings can increase the stock of capital, which in the long run will lead to the appearance of income growth. Hence, in the short run, his model assumes the large differences between countries, which facilitates an equalization of income levels in the long run (Lewis 1956, pp. 13). Lewis's findings are close to Samuelson's (1948) "factor price equalization" theory, which argues that prices will be equalized across countries with similar technology due to international trade.

The main problem with the classical and Lewis's view of economic growth is that the increased accumulation of capital, by reducing consumption, has the greatest impact on the poorest people. In his theory of economic growth, Rostow (1960) explains that poor countries commonly have a problem with breaking the "vicious circle" which has been established through the years. Hence, Rostow argues that, for poor countries to achieve economic growth, they must interrupt the "vicious circle" by accumulating capital. However, he believes that when opportunities become stagnant, external support would be necessary. It appears that Rostow does not believe that pure competition alone can provide economic growth, but economic policies are equally important. Contrary to this thinking, Schumpeter understood economic growth as unbalanced and dependent on innovations. However, Lewis and Rostow advocated for balanced growth in the long run, and they do not see the short run unbalanced as a major threat.

The ultimate goal of theories of growth is to explain the rate of growth of an economy. Moreover, these theories tend to analyze the state of economies in the sense that they somewhat study an economy's tendency to change. For instance, the concept of equilibrium tends to study the context of a growing economy and has been used as a benchmark for the study of an economic

system. Accordingly, policy makers get continuously concerned with which benchmark should current growth rates be assessed at any point in time. The steady-state growth theory was introduced, which assumes that the capital stock will grow at a constant proportional rate per annum or is not experiencing any growth at all. The balanced growth, on the other hand, assumes that all the variables are growing at the same constant rate or not growing at all, which means that the aggregate variables remain in the same proportion to one another.

Researchers typically examine the impact of exogenous variables, and how they change the values of the endogenous variables when conducting policy analysis. In the simpler sense, an endogenous variable means that the value of the variable is determined within a model itself.[14] Contrary to the endogenous variables, the exogenous variables analyze the values that are outside of a model.[15]

Even though economic growth theories have been analyzed in macroeconomic models, we must also understand the micro agents which must perform to achieve an increase of GDP. For instance, individuals/ households are the most important factor in economic growth as they supply inputs to firms and buy final goods and service.[16] Individual/ households activities can be looked at as an indicator to determine the way in which the economy is moving. For the economy to work efficiently, firms must rent or buy inputs supplied by households to produce goods and services. Accordingly, based on these activities, households and firms set the supply and demand for goods and inputs. Some economists would argue that due to the market's inability to correct itself, the government must implement policies which will also affect the supply and demands either through

[14] Endogenous variables are output, consumption, wages, investment, work hours and interest rates.
[15] Exogenous variables are government policies that somehow affect economic growth. For example,, government expenditures, fiscal and monetary policies.
[16] Inputs are referred to as what is used in the production process, which includes but not limited to labor, land, capital, and raw material.

fiscal or monetary policy. However, before we dive deeper to understand how the government can influence the supply and demand administered by households and firms, which turns the topic of economic growth into a macroeconomics issue, we must first study the firms and production functions. The relationship between the firms and households indicates the flow of money in the economy. Production function means the technology for combining inputs into output. The Production function can be described by its two key properties, which first is described as production is increasing in each of the inputs. This assumes that the relationship between households and input is positive, which in turn means that a change in output is strongly associated with a change in a given input, which is referred to as the marginal product of factor input. Secondly, the production function assumes that the marginal product of any factor decreases as the quantity of the input increases. This theory is referred to as the Law of Diminishing Returns.[17] However, marginal product is equal to the marginal cost which relates to profit maximization, and the ratio of marginal utilities. Economists argue that profit maximization of the firms can increase income per capita which directly affects economic growth. This concept is ultimately the argument of the neoclassical growth theories.

Based on the discussions above, this chapter concludes that, the mercantilist growth approach focuses on the accumulation of capital and operate on trade surplus.[18] The classical theory suggests that, for a country to achieve economic growth, the economy must increase its returns to scale, which they argue can be achieved through "specialization". The neoclassical theories understood economic growth as a supply side factor. The neoclassical theories argue that the size of the labor force and the labor output, determine growth. Keynesian theories are focused

[17] The law of diminishing return refers to the level where profits fell lower than investment.
[18] A country is said to experience trade surplus when its exports exceed its imports.

on the demand side and hence suggest increased investment as the focus of growth. Endogenous growth theories recommend improving capital and technology as the focus to growth. We will address how these theories might be applied to Haiti in chapter six.

We want to point out that economic growth does not equal development. The fact that economists tend to speak of economic growth and development as one subject brings confusion to most. The thinking is that growth can result in development. However, it is possible to have economic growth without development. For instance, economic growth is measured by an increase in GDP per capita, and when there are no actual improvements in living standards, it means the economy did not reach the stage of development. When economic growth happens without development, it indicates some other problems with the economic system. For example, it could indicate that economic growth may only benefit a small percentage of the population.[20] This can also highlight a sign of corruption. For instance, developing nations often receive international aid as a stimulator, which would result in higher GDP, but no development since politicians would not actually perform the projects to benefit the population.[21] Accordingly, we discuss this difference in the next chapter.

[20] For example,, a specific sector or company can experience an increase in production, which would increase GDP but would not benefit the average worker.

[21] Just recently Haiti was experiencing corruption at this level, where the Petrocaribe had provided aid to Haiti in the hope to promote development in the country, but that ended up in the politicians' bank account causing, and no value has been added to the economy, causing the population to protest.

Chapter 3: Alternative Theories of Growth and Development

Economic growth and economic development have been making waves in campaign trails, especially in developing economies. The relationship between the quantity of growth and the quality of economic development is overly complex. Economists and politicians often look at economic growth and development as a conflated topic. Macroeconomists who study economic growth focus on gross national product, inflation, interest rates, and aggregate income as indicators. However, economic development is measured by infrastructure, the quality of public health, the access to capital and education. Education in every sense is one of the fundamental factors of development.

No country can achieve sustainable economic development without substantial investment in human capital. This thinking leads to the understanding that education generates aggregate growth which can deliver qualitative improvements in human welfare. Accordingly, economic development and growth seem to be interrelated as economic growth often leads to an improvement in income which would directly improve human welfare, by creating more economic transactions and new wealth, which will deliver the growth that will, in turn, deliver further improvements in per capita income, and subsequently better human welfare (Barro, 1991).

Economic growth and development appear relatively robust, but there is an uneven geographical distribution of the benefits. All places do not rise or fall at the same time; indeed, there are frequently contrasting processes at the same time across different neighborhoods, cities, regions, and countries. This realization leads to an explosion of interest in the microeconomic foundations of development that considers the economies of places as products of history and local institutions, and as differently structured environments where people live, work, and invest. This

is true when considering urban economics in the United States, as some cities tend to grow and develop into superstar cities and others remain rust belt cities. Location and climate have large effects on income levels and income growth through their effects on transport costs, disease burdens, and agricultural productivity. For instance, countries with warmer climates have better agricultural production than those of colder climates. Geography also seems to affect economic policy choices (Robert 1991).

Many geographic regions that have not been conducive to modern economic growth have high population densities and are experiencing rapid increases in population, and at particular disadvantage are regions located far from coasts and ocean-navigable rivers, for which the transport costs of international trade are high, and tropical regions, which bear a heavy burden of disease and are vulnerable to natural disasters like hurricanes. The closer relationship of geography and economics does not stop with the key observation that there is a deep tension between development and territorial equity or convergence, because it opens up hitherto unexplored mechanisms for spreading wealth, on the one hand, and for creating it in more places, on the other. The core of all this is the economics and geography of knowledge or innovation.

Based on the endogenous theories, human capital can be viewed as a factor of production coordinate with physical capital. The aggregate production function assumes that growth of human capital is a condition of economic growth. Human-capital activities involve not merely the transmission and embodiment in people of available knowledge, but also the production of new knowledge. To expand a bit more on the importance of human capital to economic development, we must further analyze Schumpeter's view on entrepreneurship and economic development. Schumpeter understood the importance of entrepreneurship in the sense of employment creation,

innovation, and welfare effects (Schumpeter 1934).[22] The nature and structure of entrepreneurial activities varies across countries. However, the economic environment can greatly affect the dynamics of entrepreneurship in a country. For example, while a capitalist environment seems to encourage pure competition, centrally planned economies do not respond too well to pure competition. Economists tend to emphasize the importance of the economic environment due to the interdependencies between economic development and institutions. According to North (1990), interdependencies between economic development and institutions have an impact on other characteristics, such as quality of governance, access to capital and other resources, and the perceptions of entrepreneurs. North further explains that institutions are critical determinants of economic behavior, as they can directly and indirectly impose effects on both the supply and demand of entrepreneurs.

In the sense of entrepreneurship and pure competition, Porter (2002) argues that economic development recognizes three specific stages: (1) *factor-driven stage*, (2) *efficiency-driven stage and* (3) *innovation-driven stage*; and two transitions between these stages. Porter argues that countries tend to compete through low-cost efficiencies in the production of commodities or low value-added products in the first stage. He then explains countries typically are unable to create knowledge for innovation during the *factor-driven stage*. In the second stage, Porter argues that countries must increase their production efficiency and they must also invest in human capital to facilitate technological innovation.[23] During the *efficiency-driven stage,* Porter argues that the country could experience a decreasing rate of self-employment as a country experiences economic

[22] Schumpeter understood that employment throughout the country would benefit the country as a whole and would ultimately raise the standard of living.

[23] Amid the allocation of knowledge and technological innovation, a country should exploit economies of scale.

development.[24] Thirdly, the *innovation-driven stage* welcomes an increase in entrepreneurial activity, at this stage the economy starts to experience a shift from larger corporations and towards entrepreneurial activity, as technology, may increase returns to entrepreneurship.

Whether we turn our focus to a free market or centrally planned economy, government plays a vital role in economic development. But mainstream economists would be skeptical with government intervention in markets. However, they would strongly advocate in favor of public policy to correct market failures (Laffont and Tirole, 1993). The government can provide support to the market in many ways since they have policies to enhance the incentives for the private sector to invest in human capital. As mentioned above, knowledge is a particularly important factor in economic growth. Accordingly, an individual's knowledge is not only beneficial to one firm or specific country but due to globalization, one's knowledge can spill over from one country to another. Hence, why governments often fund many fields of research, ensuring a solution to market failures and exploring theories for regulatory and investment policies. However, according to Laffont and Tirole (1993), these kinds of measures are the leading cause of government failure. They assume that the bureaucracy within the government results in the government being ineffective in the sense that market intervention is almost never well executed. However, one can argue that the rent earning behavior of the capitalist economies, and its attitude of laissez faire, does not provide the government a clear signal for its intervention. Accordingly, public policies cannot alone aid the process of economic development nor its geography, but innovation and production, and their geography can support sustainable growth with the right policy in place.

[24] This argument can be explained as an economy expands, the size of the firms increases and can better allocate resources. Hence the relationship between entrepreneurial activity and economic development would be negative.

Though human capital is at the heart of innovation which in turn brings economic development, it is also important to analyze Wallerstein's thinking on his *'World System Theory'* to help understand the internal and external process of the modernization of economic development, which will help in comparing Haiti with the rest of the world. Through his writing, Wallerstein proposed the four categories of which will help us understand Haiti's place in the international political and economic system. Wallerstein described the first category as the core region which he believes is a developed region where there is a strong central government, with extensive bureaucracies, and large military. In the core region, Wallerstein explains that the bourgeoisie typically profits through international trade which helps them to buy off the peasants' lands and force them to move to cities, providing cheap labor which is essential in growing urban manufacturing. This movement in society can grow the rural population and increase the number of landless wage earners who can provide labor for farms and manufacturing activities which can increase agricultural productivity and improve farm technology. Haiti no doubt has experienced centralization, not in the sense of the core stage as Wallerstein explained but more as the government's failure to strategically plan for the citizens. For instance, for a Haitian citizen to do a major purchase like a car, they must travel to Port-au-Prince to do so. Considering the modern economic development theory, at the core stage the Haitian government should focus on providing incentive for the bourgeoisie to create opportunities for low wage workers and expand themselves to international markets.

Wallerstein named the second category, the periphery stage which he explains, as a stage with a lack of strong central governments. In that stage he argues that the economy mainly creates surplus through unequal trade relations, at this state he argues that the goods are mainly produced for a capitalist world economy and not merely for internal consumption. As seen in China, the best

products created there are sold in the international markets and are not domestically consumed. As a result, capitalists tend to grow wealthier as they can compete better in international trade. Wallerstein calls the third category the semi-peripheries stage. He argues that the third stage represents the tension between the central government and the local landed class. He further explains the semi-periphery period as a time when there is a restriction on the access to international banking and a decline of high cost, high quality manufactured goods. Wallerstein calls the last category external areas in which he explains that economies in this category are more focused on internal commerce. Although they do interact with foreign markets through commerce, their economic policies are designed to limit foreign commercial influence.

Through his writing, Wallerstein explains the behavior of different economies based on their specific stage of development and showcases how they move from one stage to another. For instance, China and South Korea experienced substantial economic growth by moving from a closed economy to adopting an export-oriented model strategy which ultimately allowed them to have reached development. They have moved from energy poverty to become energy independent. Further, this shift has moved their citizens from absolute poverty to relative poverty.[25] In addition to Wallerstein's alternate view of development, Andre Gunder Frank's theories are also considered as he urges us through his paper "The Development of Underdevelopment" to learn how the past economic and social history gave rise to the present underdevelopment, to make effective policy recommendations to encourage growth. Andre Gunder Frank argues that most of our development theories are focused on the colonial countries and are unaware to the underdeveloped countries. He argues that the present stage of these underdeveloped countries is similar to the early stages of

[25] Absolute poverty is when an individual is unable to meet their basic needs, and relative poverty is when an individual is poor in comparison to other people in the economy.

the now developed countries. Andre Gunder Frank also further argues that development occurs in a succession of capitalist stages and that today's underdeveloped countries are still in a stage, sometimes depicted as an original stage of history, through which now developed countries passed long ago.

As explained earlier, understanding growth and development can be a bit tricky as growth can be easily mistaken for development. The macro growth theories discussed in chapter three provide a broader understanding of the issues and equip us with the knowledge to deal with the problems a country faced. For instance, the balance of payments constrained growth model was introduced by Thirlwall (1979)[26], which shows that for countries to obtain long-term growth rate, their exports must be greater than their imports to avoid the balance of payment constraint. This theory can be expressed as $yt = xt/\pi$ where equilibrium growth rate is based on the rate of growth of exports divided by the income elasticity of demand for imports and multiply by the time period. Thus, Thirlwall's theory of balance of payments constrained growth theory is derived from the Harrod trade multiplier (Harrod 1933) which is generally expressed as Y=X/m, where Y= national income, X=exports and m= the marginal propensity to import, which yielded the same ideas as the Thirlwall's law. By way of contrast, neoclassical theories argue that countries should specialize in producing a specific goods to develop their comparative advantage at producing that good which would make them more efficient. Hence, the neoclassical views the production possibilities curve to be convex. Due to neoclassical theories assumption that firms produce under perfect competition, trade does in fact benefit both parties, even the less efficient one. However, the theories discussed in this chapter have equipped us to identify the specific problems that Haiti is

[26] The Thirwall law can be considered as neo-mercantilism, as it encourages exports and discourages imports.

currently facing. This narrower approach has helped in analyzing the in China and South Korea and how they move through the different stages of development.

Chapter 4: Case Study of China

Based on the macro growth theories presented in chapter two, Chinese growth can be associated with the mercantilist, and Thirlwall's Law as their focus is on the accumulation of wealth, maintaining a trade surplus and innovation. Chinese rapid growth and development can be used as a benchmark when analyzing economic growth and development, and it can also be used as reference to assess economic policies and theories. China has grown to be one of the developing world's most envied economies, as they account for over eighteen percent of the world's GDP. To achieve sustainable economic growth and development, China has been exercising effective policies to anticipate and shape the country's future requirements. Before investigating China's success, we focus on studying the policies implemented by the Chinese government in 1978 in the effort to begin its economic reform crafting their new path for economic development. Before the economic reform of 1978, China was experiencing severe periods of economic turbulence due to the political instabilities of the time, which had deprived a large portion of the population from employment and caused an extreme variation of living standards, from extreme poverty in rural China and relative prosperity in superstar cities. The 1949 revolution in China has helped the Chinese to regain control of their country by mainly determining who would control the Chinese government. Their effort to consolidate power helped them solve the economic problems that had worsened during the civil war. Political instability seems to have a negative effect on the economy as it discourages productivity, and strongly discourages foreign investment.[27] As an example, the civil war in China from August1945 to May 1950 had tremendously decreased the value of their currency, generated low levels of gross domestic output, and extremely high unemployment. In

[27] Foreign investors usually like stable economies that can guarantee returns. Hence why there is not so much foreign investment in developing economies.

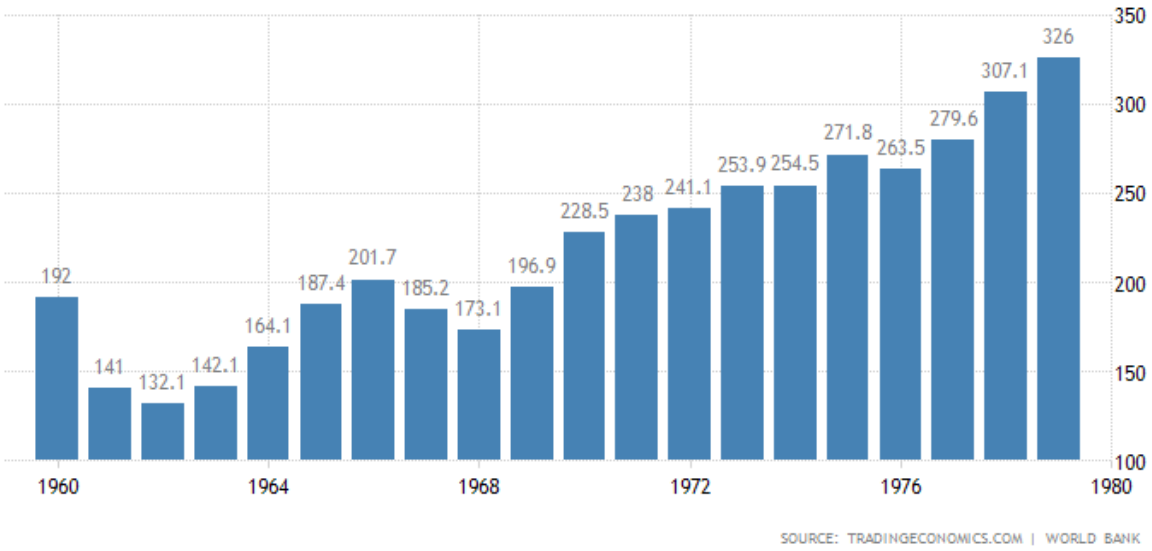
the effort to restructure social relationships, the Chinese government used appropriate policies and skilled policy implementation. After the 1949 revolution, China was engaged in social reconstruction , and the Communist Party of China was formed. In the same period, these communist leaders were creating several different groups, and these groups were experiencing and participating in the creation of new institutions which were involved in land reform, and the complexities of local politics before the Communist Party of China assumed national power. During this time, the western countries were exploring strong trade policies against China and were providing China with extremely limited foreign aid, hoping to slow the Chinese economy. This effort to isolate the Chinese economy was due to their attempt in becoming a communist country. The West wanted to prevent them from becoming too powerful. However, despite the efforts to slow growth in China, the Chinese strategy to create different institutions gave leaders the experience in governing and in constructing the institutional mechanisms of governance and persuasion, primarily in remote rural areas. This enabled the Communist Party of China to consolidate rapid political control after the 1949 Revolution.

During that time, the Communist Party of China was adapting a mercantilist growth theory as party members were sent into the countryside and the cities to mobilize workers and rural direct producers in the reconstruction of the Chinese political, economic, and cultural infrastructure and the training of local militias. Accordingly, savings became a large percentage of the Chinese national income, as they were not engaged in international lending, and due to the closed nature of the economy at the time, China had a minimal involvement in transfer of scientific findings and skills with the rest of the world. This trade barrier crippled the Chinese economy for a while. After the presidency of Yuan Shikai in 1927, the Chinese society was experiencing famine, war, and frequent change of power, causing division between states. This period in the Chinese society gave

birth to communism in China in 1949. The Chinese leaders of the time were aiming to transform China into an immensely powerful socialist nation, with strong commercial powers, which would improve the standard of living for their citizens. The Chinese leaders were also concerned with issues such as income distribution, hence why they were extremely focused on narrowing of income indifference.

Accordingly, Chinese leaders had initiated economic reforms and trade liberalization but maintained policies that kept the economy stagnant as they did not fully open the economy for international trade; credit was tight and the economy was in a sense fully centrally controlled, which was vastly inefficient. Starting in 1949, under the leadership of Chairman Mao Zedong, the country's economic output was mainly directed and controlled by the state, which set production goals, controlled prices, and allocated resources throughout most of the economy. To support the rapid industrialization of China in the early 1950's, the central government undertook massive investment projects focusing wellbeing. as a result, almost all of China's individual household farms were collectivized into large communes. Entrepreneurial activities and foreign investments were strongly discouraged. The policies adopted by China from the period of 1950 to 1979 did accelerate growth as they were projecting. In fact, as shown in the graph below, income per capita reached its highest level in 1979 at USD 326.00, and from 1960 to 1979 the economy grew at a rate of 3% per year.

Figure 1. China Income Per Capita



At the beginning of 1979, the Chinese leaders realized that their plan to make China a self-sufficient economy was not growing the economy. They then decided to launch several economic reforms. During that time, the central government initiated price and ownership incentives for farmers, which enabled them to sell a portion of crops on the free market. The central government had then taken full advantage of China's geographical features for the purpose of attracting foreign investment, increasing exports, and importing high technology products into China. During the time of reforms, the Chinese leaders were implementing strategic geographic policies to combat China's natural barriers .This seemed to validate Barro's theory that geography seems to affect economic policy choices (Barro 1991). Chinese leaders then moved to decentralize the economy and open it to international trade. Since opening the economy to international trade and foreign direct investment in 1979, China has become one of the fastest-growing economies in the world,

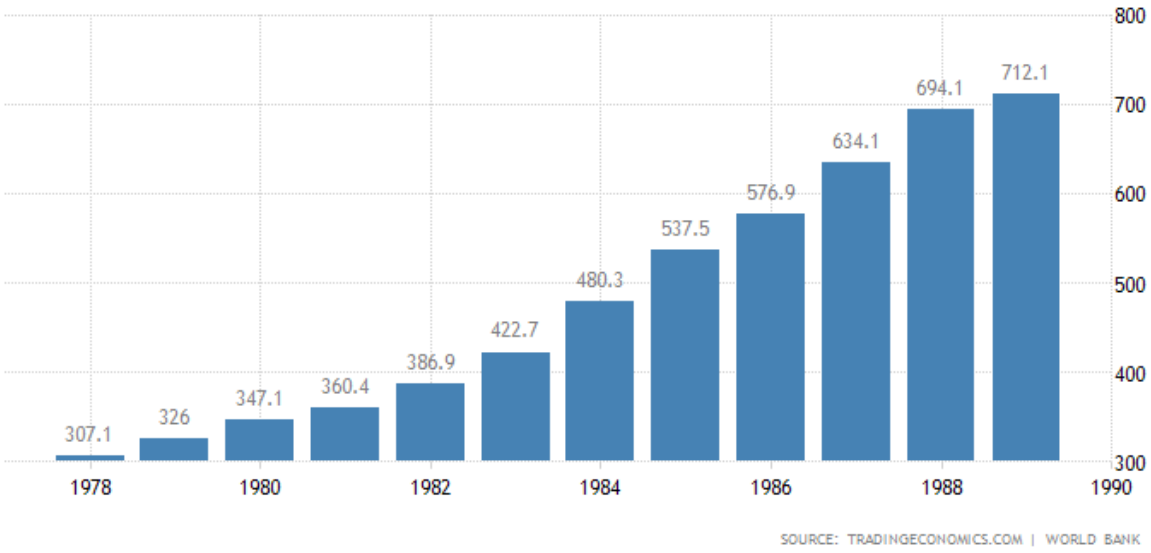
with annual real GDP growth averaging 9.5% through 2019. The adaptation of the free market has dramatically changed China's economy.

The implementation of free-market reforms in 1979, according to the IMF, has enabled China on average to double its GDP every eight years and helped raise more than 800 million people out of poverty, making China the world's largest economy.[28] The social and political stability in China since the 1970's has attracted large direct foreign investment, China has also become the largest manufacturer, merchandise trader, and holder of foreign exchange reserves. Today, the World Bank classifies China as an upper-middle-income country and one of the world's largest economy. China's per capita income is still only about a quarter of that of high-income countries, and about 373 million Chinese are living in poverty making USD 5.50 a day. However in 2019, with the adoption of the free market, the group of Chinese living below the upper-middle-class has reported to earn a little north of USD 8,000.00 for the year. However,, the World Bank argues that China lags in labor productivity and human capital. Income inequality has improved over the last decade, but still remains relatively high. China took advantage of its large population to offer goods and services(see figure 3)

Due to China's high population rate, companies were able to have low wage labor. Along with the appropriate public policies, low wage labor has been the core of the Chinese economic growth. The size of the labor force has made it easier for the country to restructure the economy from low-end manufacturing to higher-end manufacturing and services. Comparing the period to the years of 1950 to 1979 the adoption of the free market has dramatically changed the GDP per capita in China as shown in the graph below.

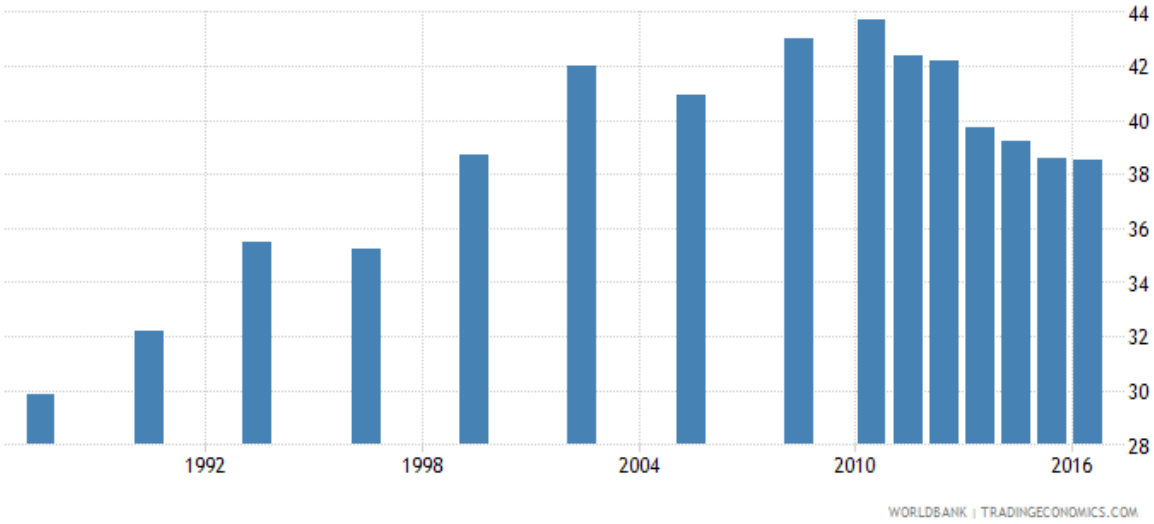
[28] China has become one of the world's largest economies based on a purchasing power parity basis, size of its population, low unemployment, and capital investment (Elwell & Labonte 2007).

Figure 2. GDP Per Capita.



Economic growth and development always have other consequences that a nation has to endure. For example, industrialization of a country can results in pollution, and rapid changes in social economic status can bring major social and moral issues in a country. One of the biggest problems faced by China is income inequality. The chart below shows the income inequality in China. Figure 3 shows a close in the gap in income inequality, due to the creation of new wealth and an increase in income shares in the middle class.

Figure 3 Gini Coefficient in China 1992-2016



Economic growth and political stability

In this section we will focus on the relationship between growth and political stability, which we believe are deeply interconnected. The uncertainty associated with an unstable political environment may reduce investment, which could result in poor economic performance .We share a different view, which is that the lack of economic growth may result in political instability. Accordingly, we believe that countries with a high degree of political instability may lead the lack of economic growth. Before the Communist Party had proposed economic reform in China, the country was experiencing economic political turbulence, as the country was at a civil war which had lasted nearly 22 years. Hence, we believe the Communist Party's initiative to turn China into a producing country directly changes the Chinese outlook on certain social issues, which we argue is the foundation that stabilized the Chinese political system. We also believe the type of government and the type of policy they are willing to implement may have an impact on the rate of economic growth.

The Chinese rapid economic growth has shown that economic growth directly impacts political instability, and that economic growth is significantly different when authoritarian regimes are compared to democracies. For instance, Nigeria which is a democratic country has followed the Chinese economic path as they have invested heavily in production, technology and have been attempting to turn their economy into a manufacturing powerhouse. They have yet to experience an economic expansion like China. Though Nigeria remains one of the largest economies in Africa, one can argue that the economy could have grown at a higher rate as they increased their increased their investments in production of manufactured goods more. China has shown that political instability does not help stabilize the economy and vice-versa.

In addition to the stable government, China's rapid economic expansion was due to many different factors. First, we believe that a large portion of the population from environment helped fuel the manufacturing the labor force needs of urban areas. Second, the political system in China has played an especially important role in the economy's growth process. China has been able to control the degree of international integration of its market with world markets. Hence, we argue that the centrally planned political system in China has accelerated economic growth as the government has complete control of all decision-making. Further, Chinese tend to present strong leadership as they strive to work in favor of the nation before any self-interest. However, we also want to point out that we believe that the capitalist system is essential for economic growth. For example, China's economy started to experience rapid growth when the country had first moved away from a centrally planned economy towards a market-oriented system in 1978. Due to the economic expansion, the Chinese government has built their infrastructure which has dramatically improved the standard of living in China. Accordingly, they have invested in education and have dramatically risen the level of literacy, making it 95% today. China has recently started to diversify

into Research and Development, specialist manufacturing and hi-tech industry. It is investing labor and capital in innovation so that it can sustain its economic growth.

China has been able to embrace free market economics while maintaining control over the political system. Hence, we argue that the centrally planned political system in China has influenced the accelerated economic growth as the government has complete control of all decision-making.

Chapter 5: Case Study of South Korea

South Korean growth has been described as the "miracle on the Han River," and can arguably be named one of the first growth success stories the world has seen in recent years. Before the rapid growth of China, Korea was known for its remarkable economic achievements. Since adopting an open economic policy, the Korean economy has been growing north of 8 percent each year since the early 1960s, with the country being one of the fastest growing economy in the world during the 1960s. Just like China, before its economic and political reforms, Korea was experiencing serious political turmoil from the Japanese colonial period to the Korean war. After its independence from Japan in 1945, the Koreans have started to set forth a strategy to grow their economy which happened in four stages. The first stage was the reconstruction which happened from 1945 to 1961. The second stage was the export-oriented growth stage from 1962 to 1973. The third stage was the crisis and recovery stage from 1974 to 1982. The last stage was the adjustment and growth stage which happened from 1983 to 1992. During the four stages of economic growth, Korea managed to achieve a higher income.

It is extremely important to point out the education boom that happened in Korea during 1945 to 1961. As explained above, investment is vital to economic growth and development which is proven here, as the investment in reconstruction happened in Korea before the financial growth took place. One may can see that the Korean economy took off so quickly due to the Korean investment in infrastructure, and other utilities. Chung (2007) argues that Korean investors were able to accumulate wealth faster as they were purchasing the Japanese leftover assets for really a

half of their true value. Because existing facilities were used to enrich the Japanese economy under Japanese rule, the Koreans had to reconstruct their economy after their independence in 1945, as the economy was left in poor condition. The Korean war caused even greater damage to the Korean economy. The destruction of their facilities has slowed down their recovery process. Unlike China, Korea was truly fortunate to have received foreign aid which had been positively used for the recovery of their economy. The tables below summarize the above claims and showcase how Korea utilized their investments and an open economy to increase output, which ultimately increased their GDP.

Figure 4. South Korea GDP Growth Rate 1961 to 1976.

South Korea GDP Growth Rate 1961-1976

Date	GDP Growth (%)
12/31/1961	6.936
12/31/1962	3.8953
12/31/1963	9.0206
12/31/1964	9.4738
12/31/1965	7.3184
12/31/1966	11.994
12/31/1967	9.0796
12/31/1968	13.1658
12/31/1969	14.5614
12/31/1970	10.0527
12/31/1971	10.5455
12/31/1972	7.2144
12/31/1973	14.8983
12/31/1974	9.5118
12/31/1975	7.8399
12/31/1976	13.2214

The above figure (Figure 4) shows South Korea's growth from 1961 to 1976. South Korea managed to outgrow more stable countries like the United States and Spain as shown in the figures 5, and 6 below. During that 15-year period, South Korea GDP grew at an average of 9.17% due to their increase of output as a result of cheap labor, investment, international trade, and international aid. (Please see appendix figure 7 for export graph)

Figure 5. Spain GDP Growth Rate 1961-1976.

Spain GDP Growth Rate 1961-1976

Date	GDP Growth (%)
12/31/1962	9.9534
12/31/1963	9.5965
12/31/1964	5.3085
12/31/1965	6.2531
12/31/1966	7.2461
12/31/1967	4.3403
12/31/1968	6.597
12/31/1969	8.907
12/31/1970	4.2906
12/31/1971	4.6495
12/31/1972	8.1497
12/31/1973	7.7885
12/31/1974	5.6188
12/31/1975	0.5422
12/31/1976	3.3038

South Korea was showing tremendous growth due to their mercantilist approach of the economy, and Spain which was a more developed country was then experiencing a decline mainly due to their protective policy as discussed above, which has grown at a 6.17% growth. During the same 15-year (1961-1976) period as shown in the figure below, the United States was also

experiencing slower growth with an average change of 3.88% GDP growth per year, which was caused by the political unrest that the country was facing from Civil Rights movement, to the assassinations of President Kennedy and Martin Luther King. It can also be argued that the wars in the 1979s also contributed to US GDP decline. (Please see appendix figure 9 for export graph).

Figure 6. United States GDP Growth Rate1961-1976.

U.S. GDP Growth Rate 1961-1976

Date	GDP Growth (%)
12/31/1962	6.1
12/31/1963	4.4
12/31/1964	5.8
12/31/1965	6.4
12/31/1966	6.5
12/31/1967	2.5
12/31/1968	4.8
12/31/1969	3.1
12/31/1970	-0.2541
12/31/1971	3.2934
12/31/1972	5.2589
12/31/1973	5.6457
12/31/1974	-0.5405
12/31/1975	-0.2055
12/31/1976	5.3881

The rapid growth of South Korea was due mainly to the exports of manufactures such as textiles, wigs, steel, electrical products. In the later years, Koreans focused their exports on cars, telecommunication products, and services. Since the economy started growing in 1961, Koreans have been constantly creating new wealth, with the low barrier of entry in their industries and easy access to capital which was mainly funded by domestic saving. Furthermore, during the time of the industrialization of the country, South Korea was experiencing a shift from rural to

manufacturing employment, with an increasing number of women in the labor force. During that time, the country's growth and safety was envied by the rest of the world (Noland 2002).

During the 1970s, South Korea was experiencing another shift in its labor market as Korea was moving from labor-intensive manufacturing goods to creating skilled intensive goods as the country had abundant talents. This shift has caused an increase of employment and real wages which encouraged further human development in the country. The advancement of human well-being in South Korea has been deemed beneficial. Physical capital investment has encouraged investment income growth. Further, human capital has a positive effect on technology which can affect the factor of productivity.

South Korea has experienced tremendous economic growth for the past five decades due to their investment in manufacturing and their export-led growth policies. This has also driven them to improve education and technology which has greatly improved the production which had led South Korea to join the developed world. South Korea has achieved economic growth and development at the same time. During its growth period, South Korea had only experienced two years of economic downturns which were caused by the second oil shock in 1980 and the assassination of president Park in 1998.

South Korea and China both had pursued export-led policies which resulted in rapid growth for both countries. The long-run equilibrium growth of both countries can be explained by the Thirlwall's law which is implies that higher exports are necessary to prevent balance of payment constraint. The relationship between labor and technology observed in China and South Korea alike can be expressed as Y=F (K, L). In chapter 4, our research focused on Chinese growth and its political structure. This chapter focuses on South Korea's growth and political structure. This was important to explore the different policies that would best benefit Haiti, and to showcase the

economic growth and stability seen in China and South Korea had turned both countries away from constant political unrest.

Chapter 6: Case Study of Haiti

Since its independence in 1804, Haiti has been battling through some serious financial, social, and political issues. From the death of the emperor Jean Jacques Dessalines in 1806, the country has been trying to stabilize its issues which have a damaging effect on the economy. Unlike China, and South Korea, Haiti has not adapted a specific policy to move the country towards growth and development. Rather, after the death of Dessalines in October 1806, two years after the independence, the country was divided in two major parts. The north was governed by King Henry Christophe who created an autocracy mimicking the absolute monarchy of Europe. The South of Haiti was controlled by Alexandre Petion. This division was based on race. The north was considered the Black state and the south was considered the mixed state. From 1818 through 1843, President Pierre Broyer unified the country but excluded the Blacks from power. Since then, it has been a violent civil rights and economic opportunity battle in Haiti. As shown in the case study of China, economic growth took place only when China unified and was focusing on improving its citizens' wellbeing. Likewise, the case study of South Korea shows that economic growth after decolonization is possible with political stability.

Studying economic growth for a less developed country appears to be more complex than for developed industrial economies. Studying a poor economy (in our case, the Haitian economy) has forced us to ask some overly complex questions like: How does higher income per capita relate to higher life expectancy? Why does lower income per capita relate to a higher children mortality rate? Why do poor economies always lack basic sanitation? Ultimately, how can an economy reach a sustained expansion of production possibilities? Through our research, we learned that economic growth for a country like Haiti would mean an enhancement of the most basic dimensions of human life.

It is important to point out that the issue of poverty in the world often results in basic human freedoms prevailing over political oppression. We can take for instance, the Haitian civil war in 2004 forcing President Jean-Bertrand Aristide's exile to South Africa. We also find that income levels have further impact on economic growth, and ultimately living standards and human experience. Further, we find that it is quite common for disease to strike on poorer nations. When they do strike developed countries, they are more prominent in the rust belt cities or minority communities.

There have been many studies on growth theory, and scholars often draw the conclusion that the aggregate production function is closely tied to the assumption of optimal resource allocation within each economy. Thus, economics can be looked as an independent variable and other variables like political stability, education, and innovation can be considered as dependent variables. When a country suffers from a lack of economic growth, they always experience high poverty and illiteracy rates, social inequality, and political instability. In Haiti, the unstable political system seems to be a natural response to their underdeveloped economy with an unemployment rate of 13.53%[29], making the basic needs of life (food, water, shelter, healthcare, sanitation, and education) a luxury. As a result, the population tends to turn to the streets to protest, demanding the government to meet the basic social requirements. The popular thinking amongst Haitian leaders is to first stabilize the political system, by having stronger police to diminish the crime rate and lower corruption. Then, they tend to focus on education, and agriculture as a policy to lower unemployment, which they ultimately believe will provide jobs and growth in all industries across the economy. This thinking seems to be inaccurate as the country does not seem

[29] "Haiti Unemployment Rate 1991-2019," MacroTrends, accessed November 23, 2019, https://www.macrotrends.net/countries/HTI/haiti/unemployment-rate)

to experience any growth, and politicians are making unfulfilled promises with no movement towards a better future. Aside from the natural disasters, the country constantly suffers from domestic political and economic malfeasance[30]. Further, the Haitian independence was only recognized by France in 1825 after Haiti had agreed to pay a $22 billion of reparations over a 120 years' time. In its effort to repay the debt, Haiti had devoted an enormous portion of its revenues to France. With that, it has been impossible for the country to partake in industrialization and take necessary actions for development. In general, there is a correlation between economics and crime. According to Wadsworth (2001) an increase in poverty results in an increase of the rate of crime. Accordingly, we believe that a growing economy can reduce the crime rate in Haiti.

Growth Theories in Haiti

This research intends to look at Haiti from an endogenous growth point of view, which can be understood as Y = AK where Y is gross domestic product (GDP), A represents technology, and K would be human capital and physical capital. The Haitian economy is being looked at through this model because we are rejecting the theory that claims political instability is a major factor that can slow down economic growth and show that an increase in investment rate can in fact promote sustainable growth. This model can also explain the slow growth in the country and help policy makers forecast.

Considering all variables in the model, one can argue that the Haitian economy is suffering from a lack of investment in both human and physical capital. For instance, illiteracy is one of the biggest problems the country is currently facing. According to the World Bank, the adult Haitian population has a 60% literacy rate. Illiteracy has harmful consequences to a society, and the

[30] Power struggle in Haiti along with mismanagement of funds and corruption are factors of the lack of growth in Haiti (Taft-Morales 2020).

economy as it could lower individuals' self-esteem which can lead to isolation and limit one's contribution to society and economic development. Illiteracy would limit individual's ability to obtain higher wage employment which in turn results in poverty. Families with a minimum education do not give much value to self-improvement and often their offspring grow into that cycle creating a poverty trap.[31] Hence, the Haitians must encourage education at all levels. Westphal, Rhee, and Pursell (1981) argued that transfers of knowledge rather than machinery have been successful in Asia.. In order to obtain growth, there should be new innovative ideas to build better infrastructure, improve technology, to stimulate the economy.

It is extremely important for one to understand the impact that economic growth may have in Haiti. Because it represents a measurement to a country's standard of living. we will focus on the key elements such as, the investment ratio, the rate of growth of output and the rate of increase of the labor force. For the Haitian economy to experience long term growth, there must be an increase in capital accumulation. This theory suggest that an increase in investment would result in capital accumulation, and would therefore result in a greater production of output. This assumption can be represented as follows: $I = sY$. To reduce unemployment, the production would need to use labor power to generate goods and services for regular Haitians. As seen in South Korea, the export-led growth policy that was adopted has improved investment to increased education and technology. We think that the government should increase spending to improve infrastructure and human capital. There should be new policies in place focused on investment in job creating production of goods and services for Haitians and the creation of new wealth. It is close to impossible to grow an economy focusing solely on the macro-level. Individuals and firms

[31] The author presented great arguments regarding the poverty trap and education. Vicky Barham et al., "Education and the Poverty Trap," European Economic Review (North-Holland, March 7, 2000), https://www.sciencedirect.com/science/article/pii/0014292194000407)

alike have an important role in making businesses more competitive, and the creation of new wealth. The Haitian economy needs innovative ideas. The Schumpeterian theory of creative destruction can be used within Haitian markets along with Adam Smith's theory of division of labor to increase production. Classical economists believed that capital accumulation with an increase of investment would lead to surplus. Hence, classical economists believed that aspects of distribution and of the associated class behavior were a directly connected with the disposal of the surplus and therefore with growth. Thus, for the classical economists, workers consumed their wages for subsistence, capitalists reinvested their profits and landlords spent their rents on 'riotous living' (Harris 2007).

When analyzing development theories, it is understood that economic development and economic growth are related considering Haiti. Economic development tends to be focused on human well-being and social opportunities. For example, indicators for growth would be an increase in real income per capita, increase in levels of literacy, improvement in sanitary conditions, an increase in life expectancy, and increase in standard of living. Growth is mainly measured by indicators like a discovery of new mineral deposits, an increase in the labor force or improvement to the quality of the labor force (which would indicate that workers are being trained better and/or more workers are being educated.), an increase in capital accumulation, investment, and technology. In a sense, these principles help to recognize basic patterns of interrelatedness in economic growth and economic development. For instance, according to the World Bank, the Haitian economy is experiencing an income per capita of $870. Thus, an increase in employment would increase income per capita.

Classical economics analysis mainly focuses on the interconnection between the analysis of value, distribution, and growth. This makes it harder to draw a conclusion between the impact

of economic growth on other areas of political economy. Marx (1867) argued that the macroeconomic problem of the 'laws of motion' of capitalism appeared as the primary problem on the agenda, and it seemed necessary that the whole of economic analysis – and according to Ricardo, that would include the basic theories of value and distribution, which they argue should be deliberately oriented towards its solution. Further, he concluded that the distribution of the social product[32] was seen to be connected in a definite way with the performance of labor in production and with the pattern of ownership of the means of production. Thus, according to the Classical view, Labor, Land, and Capital were considered as social categories. Hence, the class of laborers consisted of people who performed labor services, landlords were individuals who owned property in land, and capitalists were those who owned property in capital consisting of the sum of exchangeable value tied up in means of production. Understanding this structure from the classical view of economic growth is important, as it explains that each class received income according to specified rules. For instance, owners received income based on the total amount of property which they owned. Their income is driven by the amount of rent per unit of land, or we can argue that their wealth is generated by the profit obtained per unit of capital. Likewise, bankers (or financiers) sell money for a price called interest, and their profit is derived by the amount of interest received per unit of money lent. To maximize profit, owners enforce different management methods, and are involved in innovative matters of production to make their firms more efficient and increase output. Likewise, financiers invent many different financing options, benefiting all agents in the economic system.

[32] Social products are: Education, health, housing, welfare, basically social products are goods and services that are provided by the state.

Labor income is mainly generated by the quantity of labor services performed. We can argue that there are different subclasses within the laborer class. The idea behind this thinking is that individuals paid by education level and by value added. Accordingly, children who come from high wage households often have a better opportunity to receive a better education, than those of parents who receive starvation wages. As mentioned earlier, education is extremely important to innovation and growth. Hence, the classical view believed that accumulation and distribution were interconnected through the use that was made by different social classes of their share in the product.

While the classical view on economic growth seems to be more focused on land and capital, Paul Romer gave birth to new growth theory which believed that knowledge was not subject to diminishing returns. Further, new growth theory assume that the development of knowledge is a key factor in economic development. This view implies that, in order to develop, economies should focus on expanding their knowledge base, and support the institutions that help develop and share knowledge. Innovation makes markets more competitive and can increase outputs. Thus, new growth theory supported governments invest in the development of education and skills.

The linear growth theory or theories of Rostow, Harrod and Domar, believes savings to be a sufficient condition for growth and development. This theory assumes that if an economy invests, it will grow, and if it grows, it must develop. This is due to the thinking that aggregate investment is largely determined by national income. Rostow presented the five stages of development towards greater economic growth. Rostow also suggests that these stages followed a logical sequence. They can only be reached by the completion of each other. He presented these stages as follows: 1) Traditional society, dominated by agriculture and barter exchange, and where science and technology are not understood or exploited. 2) The Pre-take-off stage, with the development

of education and an understanding of science. The application of science to technology and transport. The emergence of entrepreneurs and a simple banking system, which raise investment. 3) Take-off, with growth rates in particular sectors and where organized systems of production and reward replace traditional methods and norms.4) The drive to maturity, with an ongoing movement towards a diverse economy, with growth in many sectors.5) The stage of mass consumption, where citizens enjoy high and rising consumption per head, and where rewards are spread more evenly. While mirroring Haiti, it is extremely important to study the Lewis model which is also known as the two-sector model, and the surplus labor model which believe that countries need to transform their structures, away from agriculture, with low productivity of labor, towards industrial activity, with a high productivity of labor.

It is imperative that we point out the five stages of economic growth in which all countries must go through to reach economic development. In his theoretical discussion of economic growth, Friedrich List distinguishes the five stages of growth as follows: a) the savage stage, b) the pastoral stage, c) the agricultural stage, d) the agricultural and manufacturing stage, and e) the agricultural, manufacturing, and commercial stage. By critically examining List's stage of growth, we can have a better understanding of the actual condition of the society, and his stages can provide a clearer path for policy makers to transition from one stage to the next. List mainly centered his theory of growth on a description of the conditions under which a mature agricultural state can exist, under which it may progress, and how an agricultural state can be transformed into one on a higher level by the introduction of manufactures. For example, List believes that a country with a naturally hot climate should focus on agriculture and should never progress towards becoming a manufacturing country. But should exchange their agricultural productions for manufacturing productions. List also believes that countries that are not yet prepared for industrialization by a sufficiently

developed state of agriculture, can obtain economic growth by maintaining free-trade relations with manufacturing countries, as free trade can result in prosperity and civilization. Thirdly, List believes that there are two ways in which a country can progress towards manufacturing: a) a country can reach manufacturing under the law of free trade, when the various nations engaged at the time in the manufacturing industry shall be in the same degree of progress and civilization; b) by protection of industry. And lastly, List believes that a country should always protect its manufacturing industries but in no circumstances should a country introduce agricultural protection. He further explains that for agriculture to flourish in a mixed agricultural and manufacturing country, the exchange between urban industry and rural agriculture is enough. Hence, it is obvious that List believes that the introduction of agriculture is the most important factor in the economic growth process, and he believes that agriculture is subject to remain stagnant due to natural effects.

It is almost impossible not to notice the similarities between List's theory of stages and the concept of primary, secondary, and tertiary production[33]. Clark's understanding of this theory shines light on the relationship between the growth of average real income, and the progressive increase in the proportion. Clark believes the primary concept of production is people engage in manufacturing and mining; the secondary concept is service, and the tertiary concept is industries. Thus, we think understanding the importance of the stages of growth can provide useful insights aiding us to monitor a country's progress towards development. Further, we believe that countries differed greatly with respect to many interdependent phenomena. In the case of Haiti, we think

[33] The concept of primary, secondary, and tertiary production was introduced by A.G.B. Fisher and made famous by Colin Clark.

that an increase in national output would mean an improvement in the quality of life and living standards of the Haitian people.

After having looked at the Chinese economy in comparison to the Haitian economy, we can justify our claim that the lack of growth is the root cause of political instability. For instance, during the reign of Francois Duvalier, (Papa Doc) between 1957 to 1971, Haiti was slowly moving towards economic growth as the leader was able to control the exchange rate, and prices in the economy. In light of the examples shown above regarding the Chinese economy, and the more sustained economy Haiti was experiencing under Papa Doc, we understand that a centrally planned government has a better chance to solve the problems of its people and can more accurately reach their fiscal goals. For instance, after the civil war, the Chinese solidarity has instrumental value in helping them solve the problem of food shortage and high food prices and achieve social stability. Unfortunately, Papa Doc did not experience such solidarity from his people in Haiti. On the contrary, the opposition, who he called "Les assoiffés de pouvoir," were always plotting his death and even engaged in international outreach to overthrow the Duvalier regime. Hence, Papa Doc had to exercise his power to the extreme, and forcefully make the population follow his path. Though he was extremely successful in eliminating the crime rate (through job creation), encouraging education, and built the first major airport in Haiti, François Duvalier International Airport in 1965. His unpopularity painted him as a villain forcing him to grow the Haitian economy with minimal international aid, and low production outputs. With the lack of foreign collaboration and support to his leadership, Papa Doc had implemented the "Gres Kochon Ki Kwit Kochon"[34] policy in which all Haitians produce goods and services hoping to satisfy their needs and provide sustainable growth. As a result, agriculture exports grew to new highs and even the Haitian gourde

[34] Haitian proverb that means; you must be able to support yourself without the help of other people.

was appreciating, creating the wealth effect making Haitian business more competitive. Papa Doc was looking at growth in Haiti from an endogenous viewpoint, in which he was encouraging the creation of new business as he wanted to drive up GDP. However, he also had a strong exogenous view of the economy as he did not impose income and had exceptionally low corporate tax rates. Further, he was focusing on building schools as he believed education should never be a luxury and slowly introduced technology hoping to equip the nation with more skills which in terms will increase output per capita.

Despite his efforts to increase the level and quality of education and technology in the country, Papa Doc wanted to change the minds of his people even more. Right before his rise to power, Haiti was experiencing civil unrest, shortly after the American military occupation from 1914 to 1934, and between the fall of president Magloire and the election of Duvalier in September 1957, the Haitian people were living in total chaos. Hence, coming into power in 1957, Duvalier had a strong authoritarian attitude in the hope to move all Haitian citizens in the same direction and make Haiti safe for direct foreign investments. As it was seen in China, Papa Doc had created his own soldiers (called the 'Tonton Makout') to encourage greater cooperation among farmers, as well as to protect his government against foreign forces and to project fear on to the Haitian people. Papa Doc's main goal was to unify the country and to end "foreign domination." Hence why he was extremely involved with "La Negritude".

Similarly, to the Communist Party of China's campaign against corruption, Papa Doc was clear on his mission against bureaucracy and corruption. However, President Jean-Bertrand Aristide had an even stronger message against corruption, in his first term in 1991 he wanted to reach socialism. President Aristide's shift towards socialism came about when he understood the Haitian bourgeoisie had too much power, and the problem of income distribution in Haiti.

Aristide's dream of a socialist state meant that every child should have access to education and technology, food, clean water, shelter, electricity (which is a luxury in Haiti) and security. He believed every adult should contribute to society and under no circumstances be denied their basic human needs. Aristide was moving towards the centralization of the economy as it would be much easier to control growth and push his agenda towards socialism.

Like Haiti, during its impoverished times, China was also experiencing serious political instability. Haiti again shares similarities with the Chinese society, as the political instability came from rapid change of government, civil wars, and foreign invasions. Shortly after claiming its independence from France, Haiti started to experience extreme political instability, making it even more difficult for the nation to progress economically. The political instability in Haiti does not only cripple the nation's economy but causes severe damage to the environment making Haiti less immune to natural disasters, like hurricanes and earthquakes. Further, Haiti is known for having a higher crime rate than its neighbors.

We look at the Haitian economy as a prolonged Great Recession, as the economy has been experiencing a severe downturn and has not yet shown signs of recovery. The Haitian government must focus their thinking on the reconstruction of the economy, which is arguably the only way the country may reach growth. From the two examples mentioned above, Haiti's reconstruction should not only focus on the economy, but it must also address the social, and political issues faced by the country. We analyze the most effective policy tools used to foster recovery following recessions and think that the government should use effective monetary policy, to keep interest rates low and reduce unemployment. Further, we think that the government should also engage in effective fiscal policy to facilitate government spending which can help raise output. As a Keynesian economist would argue, the Haitian government should work in creating programs that

would provide immediate stimulus to the economy. For example, we would suggest that the government create a Nutrition Assistance Program, along with medical assistance. Accordingly, we think the Bank De La Republique d'Haiti (BRH) should in fact reduce their funds rate, which would lower borrowing costs for individuals and businesses. In addition, we think that the BRH should ban micro credit from the economy.

On the fiscal side, we think the Haitian government should follow a fiscal stimulus package like we did in the United States after the 2008 financial panic. To initiate recovery after the Crash of 2008 the American government had put together The American Recovery and Reinvestment Act of 2009 (ARRA) which was a major vehicle for fiscal stimulus, authorizing spending on infrastructure, health care, and education expanding automatic stabilizers and making various tax cuts. In the case of Haiti, we believe that such action would not only stabilize the economy through job creation that comes with this package, but we also believe that such a stimulus package would raise the living standard in Haiti.

For Haiti to experience economic growth, they must undergo strong reforms like did China and South Korea. Due to Haiti's available natural resources and high unemployment rates, the country is ready for industrialization which may result in rapid economic expansion. However, we believe that a reform in the political system is necessary in Haiti. As shown in China, strong leadership and a political system that works can play an important role in the economy's growth process. For Haiti to start moving towards economic growth and development, a centrally planned political system would be appropriate to better influence the accelerated economic growth as the government would have complete control of all decision-making. Further, there is a need for strong investments in jobs creating production of goods and services and education.

Haiti has the potential to achieve tremendous economic growth. However, the country must focus on an extensive recovery process to attract domestic and foreign investments allowing it to adopt an export-led strategy. The country should focus on Thirlwall's law to help grow their exports and minimize imports. However, they should first focus on opening the economy to international and domestic investors by lowering the barriers to entry, which will force labor intensive industries due to the lack of talent in the labor market. However, this new creation of wealth will increase technological advancement and ultimately stabilize the political and social issues of the country.

Chapter 7: Conclusion

Based on the above findings, this research concludes that Haiti has tremendous potential to achieve economic growth and development. However, Haiti must engage in structural reconstruction to first focus on economic reforms like did South Korea in the 1960s and China in the 1970s which will allow them to get to a place of growth. Second, there must be a social and political reform to address the problem of corruption and a strategy to restore law and order. The purpose of this thesis was not only to analyze the relationship between economic growth and political instability but examined different growth theories which could help the country reach growth and development, and ultimately end the poverty trap in Haiti, which we believe could result in political stability in the country. Hence, Haiti could focus on the example of China and South Korea's export-led growth model. The main difference between South Korea and China is that China had the human capital and was ready for the economic revolution, and South Korea had both the human capital and the facilities on which it could build on. Both of these countries experienced their rapid growth after ending wars and stabilizing their political issues. In the case of Haiti, where there is a lack of talent and wealth, the country must first focus on economic recovery strategy which will ultimately resolve the social and political issues of Haiti. Further, we believe that Haiti is not a poor country in the sense of a lack of natural resources. We also do not believe that the economy is struggling due to a high crime rate. On the contrary, we think that the lack of economic activities in the country, poor infrastructure, and the high rate of illiteracy are the cause of the political unrest in Haiti. The theories in chapter two and three were specifically discussed to provide a deeper understanding of the case studies that we analyze.

Haiti's economic status can be described as a long-term depression. Unemployment is high. There is stagflation and low productivity. Haitians are not able to get ahead and improve their economic situation due to a lack of resources. Rostow explained this issue as the planner's problem. The Haitian problem has gotten worse over the years, due to population growth and both endogenous and exogenous technological changes. Planners should focus their energy on creating new opportunities, as suggested by the mercantilist writers and ultimately, wealth accumulation as suggested by Adam Smith. Policy makers should implement strong policies to enforce Rostow's first stage of development, explain ultimately, they should also use Keynesian theories to provide liquidity in the short term, which would encourage entrepreneurship and investment.[36] A spike in investment activities in the country would result in an increase of output, and competition. More importantly, lower unemployment would result in a lower crime rate. Lowering unemployment and underemployment in Haiti is extremely important especially for the youth, as they represent the biggest threat to the social, economic, and political stability of the country. The issue of unemployment and underemployment in Haiti can be considered as a major catalyst behind the constant protest, and the high crime rate in Haiti. Hence, we believe that growth policies can stabilize political instability and ultimately the society will experience development.

Haiti would greatly benefit from the mercantilism thinking as the mercantilism growth theory suggests that a country should seek to increase exports. This thesis argues that Haiti should move towards export-led policies which could force the country to fix/build its infrastructure. This would not only provide opportunities in the country, but help improve technology, and make the economy more efficient. Further, the Keynesian theory would help start growth in the country in

[36] Rostow's first stage of growth refers to the 'Traditional Society" which encourages an agriculturally based economy and low level of trading and technology.

the short term, and the accumulation of capital to further expand the economy through exports. The application of the mercantilist and the Keynesian theories would not only aid short term economic issues like high unemployment rates, but also create a path of prosperity for generations. Lastly, endogenous growth theories can provide a base for the country to maintain growth as education can influence innovation and eventually develop the country. Further, to conclude, we believe that Haiti should move towards economic growth with a neomercantilism approach as did China in the 1970s.

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Appendix.

Figure 1. China Income Per Capita

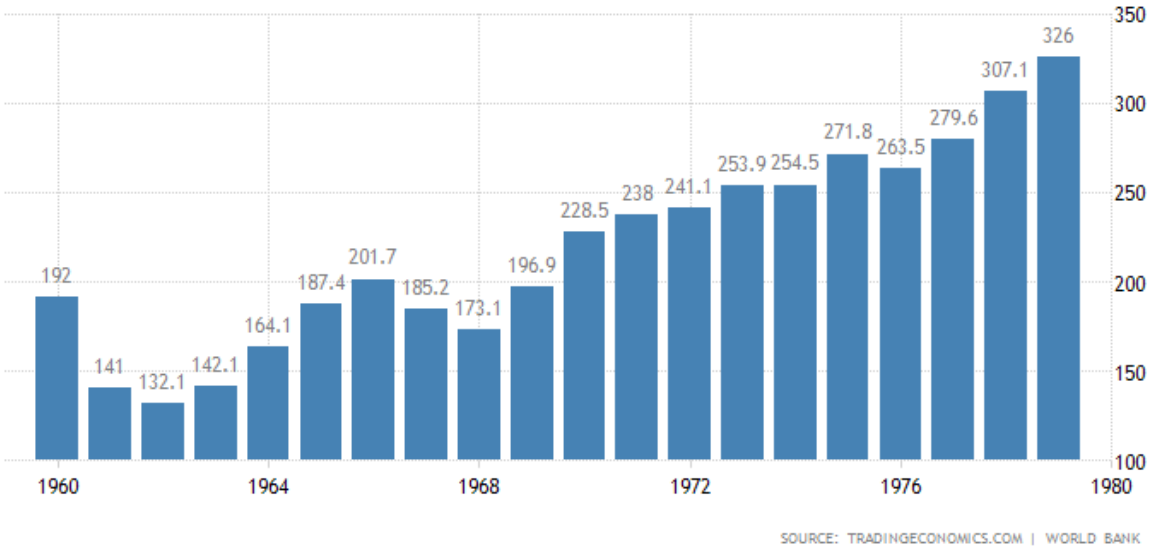

Figure 2. GDP Per Capita.

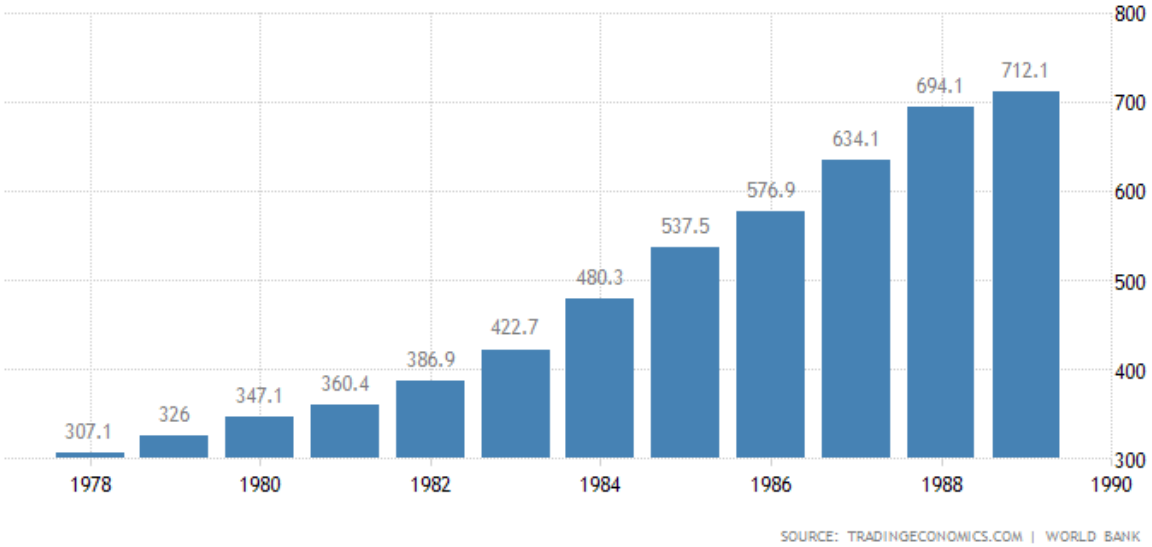

Figure 3 Gini Coefficient

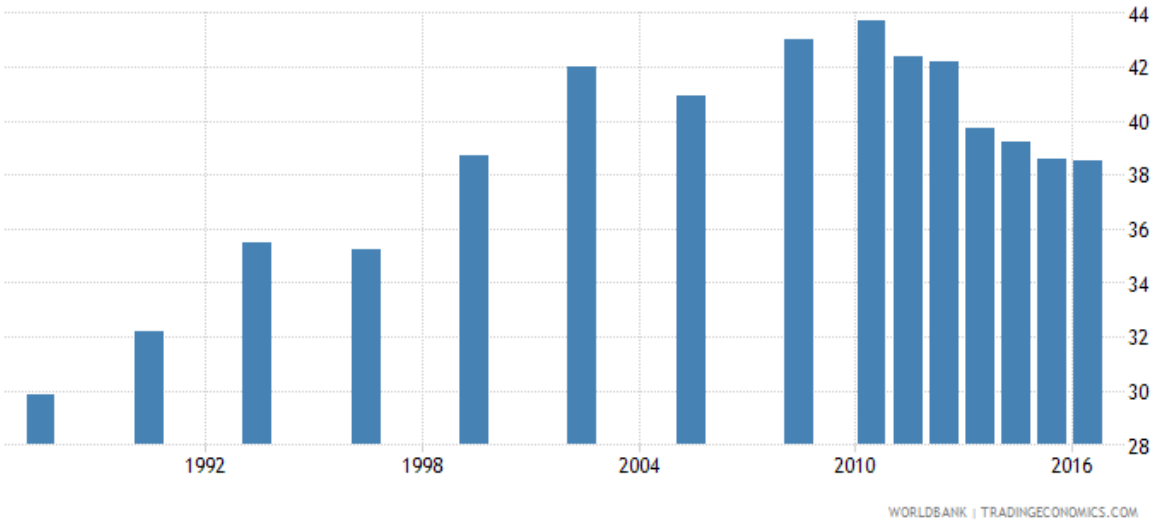

Figure 4 South Korea GDP Growth Rate.

South Korea GDP Growth Rate 1961-1976

Date	GDP Growth (%)
12/31/1961	6.936
12/31/1962	3.8953
12/31/1963	9.0206
12/31/1964	9.4738
12/31/1965	7.3184
12/31/1966	11.994
12/31/1967	9.0796
12/31/1968	13.1658
12/31/1969	14.5614
12/31/1970	10.0527
12/31/1971	10.5455
12/31/1972	7.2144
12/31/1973	14.8983
12/31/1974	9.5118
12/31/1975	7.8399
12/31/1976	13.2214

Figure 5. Spain GDP Growth Rate.

Spain GDP Growth Rate 1961-1976

Date	GDP Growth (%)
12/31/1962	9.9534
12/31/1963	9.5965
12/31/1964	5.3085
12/31/1965	6.2531
12/31/1966	7.2461
12/31/1967	4.3403
12/31/1968	6.597
12/31/1969	8.907
12/31/1970	4.2906
12/31/1971	4.6495
12/31/1972	8.1497
12/31/1973	7.7885
12/31/1974	5.6188
12/31/1975	0.5422
12/31/1976	3.3038

Figure 6. United States GDP Growth Rate.

U.S. GDP Growth Rate 1961-1976

Date	GDP Growth (%)
12/31/1962	6.1
12/31/1963	4.4
12/31/1964	5.8
12/31/1965	6.4
12/31/1966	6.5
12/31/1967	2.5
12/31/1968	4.8
12/31/1969	3.1
12/31/1970	-0.2541
12/31/1971	3.2934
12/31/1972	5.2589

12/31/1973	5.6457
12/31/1974	-0.5405
12/31/1975	-0.2055
12/31/1976	5.3881

Figure 7. South Korea Exports.

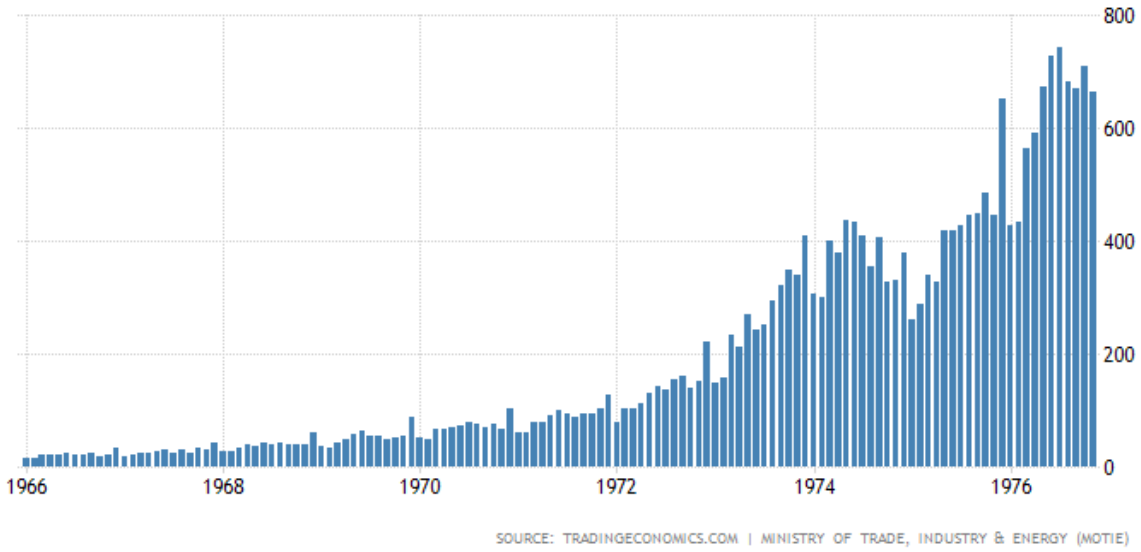

Figure 8. Spain Exports.

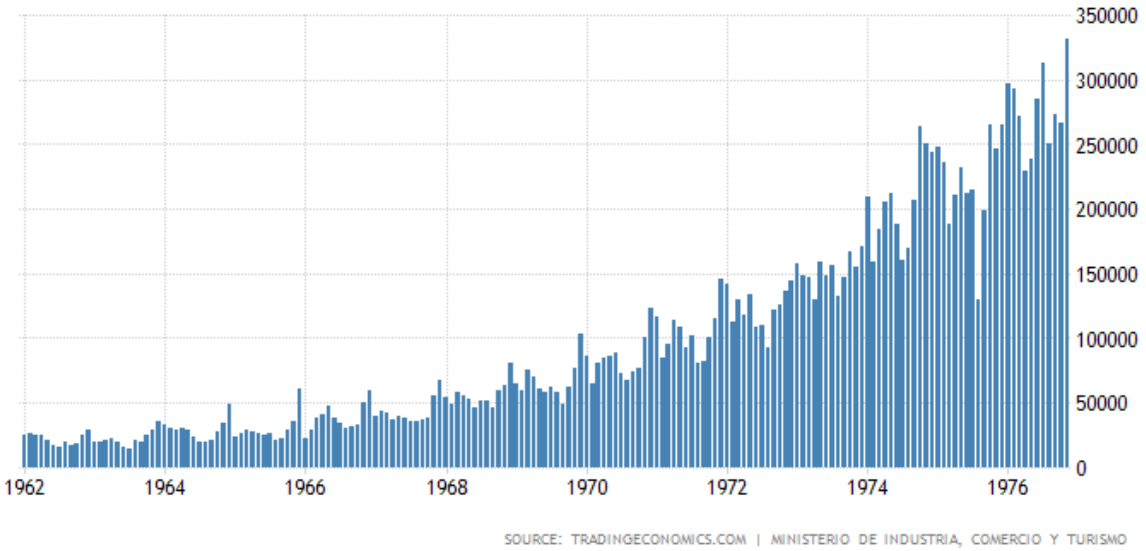

Figure 9. USA Exports.