ECONOMICS MEASURES FOR CRISIS

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CONTENTS

CHAPTER 1

TURBULENT WATERS OF IMMIGRATION: CHALLENGING ECONOMIC ASSUMPTIONS AND ADDRESSING MISCONCEPTIONS

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ABSTRACT:

The complex landscape of contemporary immigration, exploring the widespread misconceptions and challenging economic assumptions that often dominate public discourse. In an era marked by increasing polarization globally, the conversation surrounding immigration has become a high-decibel battleground, with divisive narratives shaping political landscapes from the United States to Europe and beyond. The authors examine then disconnect between economic realities and public perceptions, shedding light on the flawed notion that immigrants inherently make native populations poorer by driving down wages. Drawing on extensive research and economic insights, the essay argues against this simplistic view and emphasizes the multifaceted nature of immigration's impact on societies. By addressing the distortion of facts and political manipulation surrounding the issue, the authors advocate for a more nuanced understanding, fostering a dialogue that goes beyond stereotypes and fosters informed discourse. The essay ultimately calls for a reevaluation of economic priorities and a focus on human dignity in shaping policies related to immigration.

KEYWORDS:

Border Control, Citizenship, Deportation, Detention Centers, Diversity, Economic Impact, Human Rights.

INTRODUCTION

We live in a time when people are becoming more divided. The argument between the left and the right is getting louder and more aggressive all around the world. It's harder to take back harsh words once they're said. In the US, most people are not voting for different political parties in different elections as much as before. 81 out of 100 people who support one party don't like the other party. Sixty-one out of every hundred Democrats think that Republicans are racists, sexists, or bigots. Fifty-four out of every hundred Republicans think that Democrats are mean-spirited. One-third of all Americans would be sad if a close family member married someone from a different group. In France and India, where we spend a lot of time, people are talking about the rise of the political right. This is happening in the educated, progressive circles we are part of and they are getting very worried about it. Many people feel that our way of life, with democracy and discussions, is in danger. As social scientists, we aim to provide information and explanations that can bridge the gaps between different groups. We want to help each side understand the other's views and come to a respectful disagreement, if not an agreement. Democracy can be okay with people disagreeing, as long as both sides are respectful. But in order to have respect, you need to understand others [1], [2].

The current situation is very worrying because it seems like there are fewer opportunities to have open conversations. People have strong opinions about politics and social issues, and it's causing divisions. A big survey found that Americans who have similar beliefs about certain things also have similar opinions on a lot of other issues, like immigration, trade, inequality, taxes, and the government. These basic beliefs are better at showing what policies people support than their income, their age and race, or where they live. These issues are important in politics, not just in the United States. Immigration, trade, taxes, and how much the government should do are argued about in Europe, India, South Africa, and Vietnam too. But opinions on these issues are usually only based on people's own beliefs. And when they are supported by anything, it is by imaginary numbers and oversimplified explanations of the facts. Most people don't think deeply about the issues.

This is really bad because we are going through tough times. The time of rapid global growth, driven by more trade and China's strong economy, might be finished because China's economy is slowing down and there are trade conflicts happening all over the world. Countries that became more successful as a result of that growing trend in Asia, Africa, and Latin America are starting to think about what comes next for them. In many rich Western countries, slow growth is not surprising anymore. But what's really concerning is that the social contract is falling apart quickly in these countries. We are back in a world like the one in Charles Dickens' Hard Times, where rich people are against poor people who feel more and more disconnected. It doesn't seem like there's a way to solve this. Solving these problems will take more than a short message on social media. So, some people just want to stay away from them. As a result, countries are not doing much to solve the big problems we face. They keep making us angry and not trusting each other, which makes it hard for us to work together and find solutions. It often feels like a never-ending cycle [3], [4].

Economists have a lot of thoughts about these important problems. They research immigration to understand how it affects wages and taxes. They also want to see if it discourages businesses and encourages people to be lazy. They consider what happens when countries trade with each other, and can predict who will benefit and who will not. They have put in a lot of effort to figure out why some countries become rich and others don't, and what, if anything, governments can do to assist. They collect information about why people are generous or cautious, why someone would leave their home for a new place, and how social media affects our biases. The latest research often has surprising findings, especially for those who are used to simple answers from TV economists and high school textbooks. It can provide new information for those arguments.

Unfortunately, not many people believe economists and pay attention to what they say. Just before the Brexit vote, our colleagues in the UK tried very hard to let people know that Brexit would be expensive, but they felt like their message wasn't being heard. They were correct. Nobody was really paying attention. In the beginning of 2017, YouGov asked people in the UK who they trust the most when talking about their job. Nurses were the most trusted. Eighty-four out of every hundred people surveyed said they trusted them. The politicians were in last place, with 0 percent. Economists were only slightly more popular than politicians, at 25 percent. In the fall of 2018, we asked ten thousand people in the United States the same question. Trust in weather forecasters was twice as high. Politicians who are not as high in rank [5], [6].

People don't trust each other because professional economists and regular people have different opinions. The Booth School of Business at the University of Chicago often asks a small group of about forty expert economists their opinions on important economic issues. In the book, we will call these the IGM Booth panel answers. We asked the same ten questions to both the IGM Booth respondents and our survey respondents. Most of the time, economists and our survey participants disagreed on these topics. For instance, every person in the IGM Booth group disagreed with the idea that "adding new US taxes on steel and aluminum will make Americans' lives better. Just a little more than one out of every three people we asked agreed with this. In general, most of the people we asked were not as hopeful as the economists. 40 percent of the economists said they thought that the refugees coming to Germany in 2015 would help the country's economy over the next ten years. The rest were unsure or didn't say what they thought. On the other hand, only 25% of the people we asked agreed, and 35% disagreed. Our survey participants were more likely to believe that the increase in robots and AI would cause many people to lose their jobs, and less likely to believe that it would bring in enough money to help those who are out of work.

DISCUSSION

This is not because economists always like laissez-faire outcomes more than everyone else. Before, researchers looked at how economists and regular people answered 20 questions. They found that economists liked the idea of increasing federal taxes. They believed more in the government's plans after the 2008 crisis than most people did. However, 67 percent of everyday people, compared to only 39 percent of experts in economics, agreed that CEOs of big companies are paid too much. The main discovery is that, in general, the average academic economist has a very different way of thinking compared to the average American. In all twenty questions, there is a big difference of 35 percentage points between the number of economists who agree with a statement and the number of regular Americans who do [7], [8].

Also, telling people what well-known economic experts think about those issues doesn't make them change their opinion. Researchers changed the way they asked the question in three cases where the experts' opinion was very different from the public's opinion. Some people said "Almost all experts agree that. " Before asking the question, while others just asked the question without saying that. The answers they got were the same. For instance, when asked if NAFTA made the average person better off, 51% said yes when given the economist's opinion, and 46% said yes without it. A tiny change, maybe. It looks like most people aren't listening to the economists anymore when it comes to the economy.

We don't think that economists are always right when they have different opinions than the public. Us economists can get so caught up in our models and methods that we forget to separate science from our personal beliefs. We answer policy questions using assumptions that we are used to, but this doesn't mean they are always right. But we also know things that are helpful and unique. This book aims to share knowledge and start a conversation about important and controversial topics in today's world [9], [10].

To do that, we need to know what makes people not trust economists. One reason is that there is a lot of incorrect economic information. The people who talk about economics in public are not usually the same as the people on the IGM Booth panel. The economists we see on TV and in the news, especially those who work for big banks or companies, mostly just speak for their firms' interests and often don't consider all the evidence. Additionally, economists tend to have a positive view of the market, no matter what, which is what people think of when they think of economists.

Unfortunately, it's hard to tell the difference between the talking heads and academic economists based on their appearance or how they speak. The biggest difference might be in how confident they are in saying and guessing things, which makes them seem even more like they know everything. However, they are not very good at predicting because it is often very difficult to make accurate predictions. That's why most academic economists don't bother with trying to predict the future. The International Monetary Fund predicts how fast the world economy will grow soon. Despite having many well-trained economists on its team, the organization has not been very successful. The Economist magazine looked at how often the IMF's predictions were wrong between 2000 and 2014. They found that, on average, the IMF's predictions were off by 2. 8 percentage points for the two years following the prediction. That's a little better than picking any number between -2 percent and 10 percent each year, but it's just as bad as assuming that the growth rate is always 4 percent. We think that these things play a big part in people not trusting economics [11], [12].

Another reason for the lack of trust is that academic economists rarely explain the complicated reasons behind their conclusions in a way that everyone can understand. How did they figure out the best explanation from all the different possibilities. What clues did they have to put together to find the most likely answer. How likely is it to be true. Should we do something about it now, or wait and see. Nowadays, the media doesn't have room for detailed explanations. Both of us have had to fight with TV hosts to share all our story, so we understand why academic economists are often hesitant to speak out. It's hard to make sure people hear you right, and there's always a chance your words will be twisted or not understood properly.

Some people do speak up about this, but they are usually the ones with strong opinions and little interest in learning about modern economics. Some people are too stuck in their beliefs to notice any evidence that goes against them. Instead, they keep repeating outdated ideas that have already been proven wrong. Some criticize mainstream economics, which it deserves at times, but they might not represent the latest and best economic research.

We think that the best way to do economics is often by not being too forceful or aggressive. The world is very complicated and uncertain, so economists' most valuable contribution is not always their final answer, but the way they got there. This includes the facts they used, how they understood those facts, the steps they took to reach their conclusion, and what they are still unsure about. This is because economists are not like scientists who study physics. They don't always have definite answers to share. People who have seen The Big Bang Theory show know that scientists think they are better than engineers. Scientists think hard, while engineers work with materials to make the ideas real. At least, that's how the series shows it. "If there was a TV show making fun of economists, we would probably be seen as really smart engineers, maybe the ones who make rockets. " We can't ask a physicist to tell us how to make a rocket escape the earth's gravity like we can with engineers. Economists are similar to plumbers; we use a mix of knowledge, experience, and trial and error to solve problems.

This means that economists are often mistaken. We will definitely do it many times in this book. It's not just about how fast things are growing, which is hard to predict, but also about smaller questions like how carbon taxes will help the environment, if CEOs' pay will change with higher taxes, and what universal basic income would do to jobs. But it's not just economists who make mistakes. Everyone makes mistakes. The real danger isn't making mistakes, but being so stuck in your own opinion that you ignore the facts. In order to do better, we need to keep looking at the facts, admit when we make mistakes, and keep moving forward.

Moreover, there are many good economic opportunities available. Good economics begins with difficult truths, makes predictions using our knowledge of how people behave and theories from other places, tests these predictions with data, adjusts its approach based on new information, and hopefully, finds a solution. In our work, we do things similar to medical research. Siddhartha Mukherjee wrote a great book about fighting cancer called The Emperor of All Maladies. It talks about how doctors and scientists work hard to make new cancer drugs. This is similar to the work of an economist. Just like in medicine, we can't be completely sure that we have found the truth. We just have to trust in an answer enough to make a decision, even though we might have to change our minds later. Just like in medicine, our work doesn't end after we figure out the basic science and core idea. We then have to start putting the idea into action in the real world.

This book is like a report from the front lines of research in economics. It tells us what the best economists think about the most important issues in our societies. It explains how they see the world and how they came to their conclusions, while also distinguishing between facts and wishes, bold assumptions and reliable results. It's important for this project that we think broadly about what people want and what makes a good life. Economists often only focus on money and what people buy when they talk about well-being. But we all need more than just money to have a happy life: we also need the respect of others, the support of family and friends, and a sense of pride and joy. Focusing only on money is not just an easy way out. It's like a glasses that makes smart economists make mistakes, causes policy makers to make bad choices, and makes many people focus on the wrong things. Many people believe that the whole world is ready to take our good-paying jobs. It has caused people to only care about making Western countries grow economically like they used to. It makes us not trust people who don't have money and also scares us to think about being in their situation. It's also what makes it hard to decide between making the economy grow and protecting the planet.

A good conversation should begin by recognizing that people want to be treated with respect and to connect with each other. We shouldn't see this as a waste of time, but as a way to really understand each other and break free from disagreements. In this book, we believe that putting human dignity first makes us think differently about what is most important in the economy and how communities take care of people, especially when they need help. However, you may have a different opinion than us on any topic we discuss in the book. We want to convince you to consider our ideas and maybe understand them a little. We want to share our feelings and thoughts with you, and hopefully, we can have a real conversation in the end.

From The Shark's Mouth

Migration is a big deal, it affects politics in Europe and the United States a lot. The issue of immigrants and foreigners is very important in many rich countries, with leaders like President Trump in the US and political parties in Europe talking about it a lot. Even European politicians from the popular parties are finding it hard to balance the liberal traditions they believe in with the dangers they see in other countries. The struggles for Zimbabwean refugees in South Africa, the Rohingya crisis in Bangladesh, and the citizenship bill in Assam, India, have been very scary for the people affected, even though they may not be as well-known in the developing world.

Why are people so worried. In 2017, only 3 percent of the world's population were international migrants, which is about the same as it was in 1960 or 1990. The European Union gets about 1. 5 to 25 million people from other countries each year. Two and a half million is a very small number compared to the total population of the EU. It is less than one half of one percent. Many of these people are legal immigrants who have job offers or are reuniting with their families. In 2015 and 2016, there were a lot of refugees coming to the EU. By 2018, the number of people asking for asylum was back to 638,000 and only 38 percent of them were allowed to stay. This means that for every 2,500 people in the EU, there is one of these. That's Barely a flood. The fear of mixing races and the idea of purity drives racism, and doesn't pay attention to the truth. A study asked 22,500 people from six countries about immigrants. The results showed that most people have wrong ideas about how many immigrants there are. For example, in Italy, people think immigrants make up 26 percent of the population, when it's actually 10 percent. People think there are more Muslim immigrants and immigrants from the Middle East and North Africa than there really are. They think that immigrants have less education, less money, are more likely to not have a job, and more likely to depend on government help than they really do. Politicians make people more afraid by lying. Before the 2017 French presidential election, Marine Le Pen said most immigrants were adult men, and almost all of the people who moved to France were getting money from the government because they didn't have jobs.

Two recent tests prove that this is a successful strategy for winning elections, even when there is a lot of fact-checking happening. In a study in the US, scientists used two different sets of questions. One survey asked people what they think about migration, while the other asked for their actual knowledge about how many migrants there are and what kind of people they are. People who answered the questions about facts before giving their opinion were much more likely to be against immigration. When they were given the real numbers, their understanding of the situation changed, but their overall opinions on immigration remained the same. In France, another test found something alike. People who heard Marine Le Pen's lies on purpose were more likely to want to vote for her. Unfortunately, even after being shown the truth, they still wanted to vote for her. They did not change their minds even though it was true. Just thinking about moving to a new place makes people focus more on their own local area. The truth cannot be blocked. There is a good reason why people ignore facts. It's because of a basic economic principle that many people can't look past, even when the evidence shows something different. Studying how immigration affects the economy often comes down to a tempting way of thinking. There are a lot of poor people in the world who would earn more money if they came to our country. But if they do come here, it will make it harder for the people already here to find good jobs and make enough money.

This argument is remarkable because it stays true to the basic idea of supply and demand that students learn in high school economics. People want more money, so they will all go to where they can earn the highest wages. When more people want to work, the wages for all workers will decrease because of how the demand for labor works. The people who move to a new place might get good things, but the people who already live there will have a hard time. This is what President Trump wants people to feel when he says the country is "full. It's a simple and attractive idea, but it's not true. "First, different salaries in different countries don't really affect whether people move there or not. Many people want to leave where they are, but we wonder why some people stay put even if they can leave. Figure 1 depicts the immigrants must make the rest of us poorer.

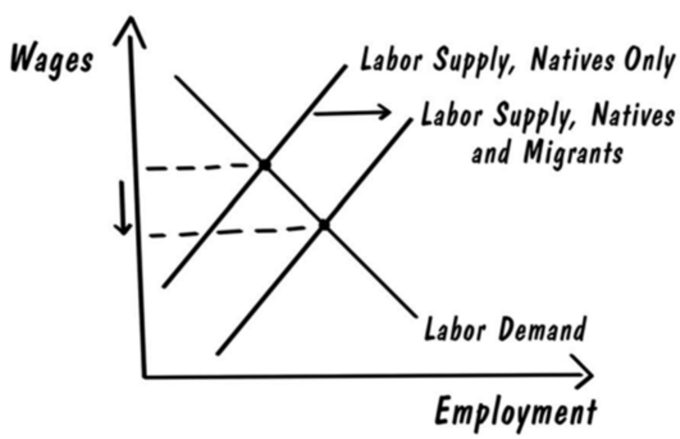

Figure 1: Illustrates the immigrants must make the rest of us poorer.

Secondly, there is no strong evidence that even when a lot of low-skilled immigrants come into an area, it harms the local people, including those who are most similar to the immigrants in terms of skills. Certainly, moving to a new place makes most people, including those who move and those who already live there, in a better situation. This is mostly about how the job market is different. It doesn't follow the usual supply and demand story.

CONCLUSION

The complicated issue of immigration shows that we need to question the economic ideas and correct misunderstandings to have a better and more helpful conversation. This essay shows that we need to go beyond the incorrect idea that immigrants always make the people in their new country less rich. Although global migration patterns are complicated, evidence shows that immigration has effects beyond just the labor market. Wrong information and political trickery make people more scared about immigration, making it hard for people to really understand how it affects societies. The writers argue that it's important to bridge the gap between what is true and what people think is true so we can break down things that divide us and have more understanding and well-informed conversations. By understanding all the different ways immigration affects people and clearing up any wrong beliefs, countries can create rules that respect people and deal with the real worries of both immigrants and local people. As the world deals with the problems of migration, we need to use a more thorough and fact-based approach. This means we need to question our usual thinking about money and also consider all aspects of being human. The finding is that when we talk about immigration, it's important to go beyond simple stories and recognize that there are good and difficult things that come with people moving to different countries. By doing this, societies can work towards finding solutions that show they are committed to fairness, kindness, and making the whole world a more inviting place for everyone.

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CHAPTER 2

ECONOMIC IMPACTS AND DYNAMICS OF MIGRATION

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ABSTRACT:

The phenomenon of migration has far-reaching economic implications that extend beyond the simplistic evaluation of wage differentials. This article delves into the complexities of assessing the benefits of migration, emphasizing the multifaceted factors influencing individuals' decisions to move. Traditional economic assumptions often focus solely on wage differentials between migrants and non-migrants, neglecting the diverse motivations and enabling conditions behind successful migration. The identification problem, a common challenge in such assessments, necessitates establishing precise connections between cause and effect. Drawing on studies ranging from visa lotteries to natural disasters, the article explores various scenarios where migration occurred unexpectedly. Examining cases like the New Zealand visa lottery and the aftermath of a volcanic eruption in Iceland, it becomes evident that forced or chance-induced migration can lead to substantial economic gains, especially for the younger population.

KEYWORDS:

Economic Growth, Employment, Globalization, Income Inequality, Labor Market, Migration Patterns.

INTRODUCTION

The good things about moving to a new place. One big problem in figuring out if migration is good is that we only look at the money people make when they move, not all the reasons why they moved and the things that helped them move successfully. People who move to a new place might have special talents or a strong work ethic, so they could make more money than if they stayed where they were. Migrants do a lot of things that don't need special skills, but their jobs are often really tough and physical, and require a lot of strength and patience. Not everyone can do it every day. So, you can't just compare how much money migrants make with how much money people who stay in their home country make and automatically think more migration is a good thing. Many people who support migration might think it has a lot of benefits, but it's not that simple. This is what economists call a problem of identifying something. To say that location is the reason for different wages, we need to show exactly how location causes the difference. A simple way to do this is to learn about visa lotteries. People who win or lose in a lottery are usually the same in every way, except for their luck. So, the difference in money from winning the visa lottery must only be because it lets them move to a new place. A study looked at people from Tonga who won the New Zealand visa lottery. It found that within one year of moving, the winners made more than three times as much money as the losers. Indian software professionals who got to work in the United States by winning the visa lottery made six times more money than their friends who stayed in India [1], [2].

Exploding hot rocks

The problem with these numbers is that they are based on comparing the people who applied for visa lotteries. But this also makes them easy to understand. However, those who don't submit their applications may be very different. They might not want to move because they don't have the right abilities, so they wouldn't benefit much from it. However, some studies show how people who are forced to move because of luck can tell us a lot.

On January 23, 1973, a volcano erupted in the Westman Islands, which are a group of islands for fishing near Iceland. The Westman Islands had 5200 people living there. They had to leave in four hours because of a volcano. Only one person died. But the volcano kept erupting for five months. The lava destroyed about one-third of the houses on the islands. The houses that got destroyed were the ones on the east side, and also some other houses that got hit by pieces of lava. There's no way to make a house that can survive lava, so it was all just a matter of where the houses were and bad luck. The eastern neighborhood didn't seem any different from the rest. Even the destroyed houses were worth the same as the ones that weren't destroyed, and the people who lived there were just like everyone else. This is what social scientists call a natural experiment: nature has caused a situation to happen, and we can assume that there was no difference beforehand between those whose houses were destroyed and those whose were not [3], [4].

But things changed afterward. People whose homes were destroyed were given money equal to the worth of their homes and land. They could use this money to rebuild their homes, buy a new one, or move to a different place if they wanted to. 42% of people whose homes were destroyed decided to move. Iceland is a small country that is well-organized. By looking at tax and other records, we can track the long-term economic paths of all the people who originally lived in the Westman Islands. Amazingly, detailed genetic information also helps to find the parents of every person who is related to those who died in the eruption. By looking at this information, scientists discovered that people under twenty-five years old when the volcano erupted made a lot of money if they lost their house. In 2014, people whose homes were destroyed by their parents earned more than others.

People whose homes were destroyed make $3,000 more every year than those whose homes were not destroyed, even if not everyone moved. The impact was focused on the people who were young when it happened. This is also because they probably went to college more often. It seems that having to move increased the chances of them finding a job they were good at instead of just becoming fishermen, which is what most people do in the Westman Islands. This would have been easier for a young person who hadn't spent years learning how to fish. However, some people had to be forced to leave their homes. Those who stayed in their houses mostly continued to fish and survive, just like their ancestors had done for many generations. A very good example of this kind of laziness comes from Finland right after the Second World War. Because Finland was on the losing side of the war with Germany, they had to give some of their land to the Soviet Union. Around 430,000 people, which is 11% of the country's population, had to leave their homes and move to other parts of the country [5], [6].

Before the war, the people who were forced to leave their homes were not living in cities as much and were less likely to have regular jobs than others in Finland. But other than that, they were pretty much the same. Twenty-five years later, the people who had to leave their homes quickly and in a disorganized way were better off than others. This is because they were more likely to move around, live in cities, and have formal jobs. Even though they may have been hurt by leaving their homes, they still ended up with more opportunities and money. Having to move made them feel less stuck and more willing to try new things.

People usually don't move to a place with better job opportunities unless there is a big problem or war that forces them to. Economic incentives alone are not enough to make people move. Certainly, it is possible that people who have less money are not aware that they can make their financial situation better by relocating. A study in Bangladesh showed that there are other reasons why people there don't move. In Bangladesh, it's allowed to move to different places without any legal problems. But even when there is very little work in the countryside, few people move to the cities or nearby rural areas with different crop seasons for low-paying jobs in construction and transportation. To find out how to encourage seasonal migration during monga in Rangpur, researchers tried different ways to help people move to another place for a short time. The NGO chose some villagers to get information about the advantages of moving to a new place. Others were given the same information plus $11. 50, but only if they moved. The offer made about 25% of households that wouldn't have done it before, send a migrant. Most of the people who moved to a new place found jobs. On average, the people who left the group made about $105 during their journey, which is much more than they would have made if they stayed at home. They gave $66 of the money to their families. As a result, the families who sent another person to live and work in another country ate 50% more food. These families went from being very hungry to having enough to eat [7], [8].

DISCUSSION

In this situation, it's obvious that lack of information wasn't the main problem. When the NGO gave a group of people information about job openings, it didn't make any difference. Also, of the people who received money to go on the trip, only about half returned the following year, even though they had found a job and made money during their trip. For these people, it wasn't doubt about the job chances that stopped them. In simple words, even though people who move to another country, whether they are forced to or not, may make more money, it's difficult to believe that most people are just waiting for the chance to leave everything behind and go to a wealthier country. Because the money that can be made is so big, there aren't as many migrants as we thought there would be. We have to stop for now but we will come back to this puzzle later. Before we talk about that, it's helpful to know how migrant workers find jobs. Some people think that when migrants get jobs, it takes away jobs from local people.

This question has been talked about a lot in the economics world. But, the evidence shows that even when a lot of immigrants come into a population, it doesn't hurt the wages or job opportunities for the people already there. The argument still goes on because it's hard to figure out. Countries don't allow as many people to move there when the economy is not doing well. Migrants choose to move to places with better opportunities. If you compare the wages of people who don't move to cities with the number of people who do move, you'll see that as more people move to cities, the wages of nonmigrants also go up. Great news for those who support migration, but it might not be true.

To know how immigration affects the wages of people born in a certain place, we have to study when people move to that place for reasons other than the pay there. And maybe that's still not enough, because both people and businesses also move to other places. For instance, if many migrants come to the city, it might push native workers out, but the wages for those who stay might not go down. If we only focus on the money earned by the people who stayed in the cities where migrants went, we wouldn't see the struggles of the people who left. The new people moving to a city could bring new businesses, but this might mean other cities lose out and their workers might suffer [9], [10].

David Card did a study on the Mariel boatlift to find a smart way to deal with these problems. In 1980, lots of Cubans came to Miami after Fidel Castro said they could leave. Most of them didn't have much education. The response was quick. The speech was given on April 20 and by the end of April, people were already starting to go home. A lot of the people taken by boat decided to live in Miami forever. The number of people working in Miami went up by 7 percent. "To figure it out, Card used a method called "difference in differences. " He looked at how much people in Miami were getting paid and how many of them were working before and after immigrants came to the city, and then compared that to four other cities in the US. The goal was to compare the increase in pay and employment opportunities for people in Miami before and after the Marielitos arrived, to see if it was slower than the increase for similar residents in four other cities. The card showed that the wages of people who lived there before the Marielitos arrived did not change, whether it was right after the immigrants came or many years later. This was also true when he looked at the wages of Cuban immigrants who came before this time. They were probably the most similar to the new group of Cuban immigrants and so were most likely to be negatively affected by the new immigrants coming.

This study was an important step in finding a strong answer to the question of how migration affects things. Miami was not picked because of its job chances; it was just the nearest place for the Cubans to land. The boatlift happened without warning, so people and companies didn't have time to respond to it, at least right away. Card's study was very important because of how it was done and what it found. It was the first to suggest that the way supply and demand works may not work the same way for immigration.

Undoubtedly, the study was talked about a lot and people argued back and forth many times. Maybe there hasn't been a study in economics that has caused as much debate and strong feelings as this one. George Borjas is against the Mariel boatlift study and thinks we should have policies to keep low-skilled migrants out. Borjas looked at the Mariel episode again and compared it to more cities. He focused on non-Hispanic men who didn't finish high school, because he thought they were the most important group to study. He found that wages in Miami started going down a lot after the boatlift, compared to other cities. However, when information about Hispanic high school dropouts and women is added, the new results are once again changed. Furthermore, research shows that there were no changes in wages or employment when comparing Miami to other similar cities before the boatlift. Borjas still doesn't believe it, and people are still arguing about the Mariel boatlift.

If you feel confused about all of this, you are not the only one. To be honest, it's not helpful that no one on either side ever changes their mind, and that opinions seem to line up with political beliefs. Luckily, after being inspired by Card's work, many other researchers tried to find situations where migrants or refugees were sent to a place without much notice and no control over where they were being sent. A study is looking at Algerians of European descent going back to France after Algeria became independent from France in 1962. Another study is looking at the effect of many people moving from the Soviet Union to Israel after the Soviet Union allowed people to leave in 1990. This increased Israel's population by 12 percent in four years. Another study examined how the many European immigrants coming to the United States during the great migration affected the country. In all these situations, the researchers found that the local people were not affected much. Sometimes the results were good. For instance, when people from Europe moved to the United States, they ended up creating more jobs for the local people, making it more probable for them to become bosses or supervisors, and also raising the amount of things being made in factories.

New evidence shows that the large number of refugees coming to Western Europe is also affecting the local population. One interesting study investigates Denmark. Denmark is a special country for many reasons. One of them is that it keeps good records of all its people. In the past, refugees were sent to different cities without considering what they wanted or if they could find work there. All that mattered was having public housing available and having enough people to help them get settled. From 1994 to 1998, a lot of people from different countries like Bosnia, Afghanistan, Somalia, Iraq, Iran, Vietnam, Sri Lanka, and Lebanon came to Denmark and settled in different places. In 1998, when the government stopped deciding where migrants would live, they usually ended up moving to places where people from their ethnic groups already lived. So, the new Iraqi migrants went to the same places where the first group of migrants from Iraq had landed by luck. This means that in Denmark, some areas had more migrants than others because they had room for them to come and live there between 1994 and 1998. This study reached the same result as the older ones. After studying the wages and employment of people with lower education in cities with lots of migrants, compared to other cities, there was no proof that it had a bad effect [11], [12].

Every study shows that immigrants with low skills usually do not make it harder for native people to find work or earn good pay. Where can we find a calm and organized voice? People who are interested in how economists come to agreements may want to read page 267 of the report on immigration impact edited by the US National Academy of Sciences, a highly respected group of academics. Occasionally, the National Academy of Sciences gathers groups to explain what most scientists agree on about a topic. The group discussing immigration had people who support it and others who have doubts about it. They had to make sure to talk about the positive, negative, and not-so-good things, and their sentences were often long, but they all agree that recent studies show that immigration has only a small impact on the wages of people born in the country over more than 10 years.

Special about immigrants

Why doesn't the regular theory of supply and demand work for immigration? It's important to figure this out because even though it's obvious that immigration doesn't change wages for low-skilled workers, we still want to know why. We might think there was something different about this situation or the information we have. There are some important things left out by the basic supply-demand framework. When new workers come in, it usually makes the demand for goods go up, which can help counteract the decrease in demand. The new people spend their money by eating out, getting their hair cut, and buying things. This helps people who don't have much training or education to find work. There is proof that if the need for jobs is closed, immigration may have a bad impact on local people, just like people think it will. Czech workers could work in Germany for a short time. At its busiest, in the towns on the border of Germany, up to 10 out of every 100 workers were traveling to work from the Czech Republic. Natives' wages didn't change much, but many natives lost their jobs because the Czechs went back home and didn't spend their money there. So, there was no impact on the need for workers in Germany. Immigrants need to spend the money they earn in their new communities to help them grow. If they send the money back to their home country, it won't help the community they moved to. Another reason why low-skilled migration could increase the need for workers is because it makes it slower to use machines instead of people for work. The idea that there will always be enough people willing to work for low pay makes businesses less interested in using technology to save on labor costs. In December 1964, Mexican farm workers, called braceros, were forced to leave California because they were causing wages to be lower for people from California. Their departure didn't help the local people because pay and jobs didn't increase. This happened because when the braceros were forced to leave, farms in areas that depended on them made two changes. First, they made production using machines. For tomatoes, machines that could pick twice as many tomatoes per worker had been around since the 1950s, but not many people were using them. In California, the number of adoptions went from almost zero in 1964 when the braceros left, to all of them being adopted in 1967. In Ohio, where there were hardly any braceros, the number of adoptions stayed the same during those years. Next, they stopped growing crops that couldn't be harvested using machines. This is how

California stopped growing asparagus, strawberries, lettuce, celery, and pickling cucumbers for a while.

Another reason is that employers might change how they make things to use the new workers well. This can also create new jobs for people who aren't skilled at work. In the example we talked about in Denmark, low-skilled workers there ended up doing better because of the new migrants. This was partly because it allowed them to switch to different kinds of work. When there were more migrants, more local low-skilled workers were able to get better jobs and work for different companies. As they did this, they also started working at jobs that were more difficult and required more talking and technical knowledge. This makes sense because when they first got to Denmark, the immigrants didn't speak Danish well and couldn't compete for these jobs. The jobs of people who moved from Europe to the United States got better during the late 1800s and early 1900s. In simpler terms, this means that people with fewer skills who were born here and people who came from other countries don't have to fight for the same jobs. Immigrants and native people do different jobs. Immigrants do jobs that don't need much talking, while native people do jobs that do. Immigrants being available might make companies hire more workers; the immigrants do easier jobs, and the locals do more satisfying jobs that go well with them.

Another reason migrants work well with native workers is because they are willing to do jobs that native workers don't want to do, like cutting grass, cooking food, and taking care of babies or sick people. When more people are moving to a new place, the cost of services goes down. This is good for the local workers because it opens up opportunities for them to find other jobs. Highly talented women, especially, are more likely to be able to work when there are many migrants nearby. Highly skilled women working in jobs make more need for unskilled workers at home or in the companies they work for.

The impact of migrants will also depend on the type of migrants they are. If people who are good at starting businesses do this, they can make new companies that will give jobs to people who live in the area. If they are not very skilled, they might have to compete with other low-skilled workers. Typically, the people who move to a new place depend on what obstacles they have to face. When President Trump said bad things about people from poor countries and said he wanted more people from Norway, he might not have known that long ago, immigrants from Norway were also looking for a better life in the United States, just like the people he was talking about. There is a study about Norwegian people who moved to the United States during the late 1800s and early 1900s. Back then, the only thing that stopped people from moving to a new place was the cost of getting there. The research looked at the families of people who moved to a new place and compared them to the families where no one moved. The study showed that immigrants often came from very poor families, and their fathers were much poorer than most fathers. Historians find it ironically amusing that the Norwegian immigrants were the exact type of people that Trump would want to keep out of the country.

He saw them as the lowest of the low in society at that time. On the other hand, people who move from poor countries need to have enough money for travel and be strong enough to deal with tough immigration restrictions. Many refugees have special talents and skills, as well as the determination and patience to start businesses or raise children who will also be successful. In 2017, a study by the Center for American Entrepreneurship found that 43 percent of the top five hundred US companies were started by immigrants or the children of immigrants. Additionally, over half of the top twenty-five companies, top thirty-five companies, and top thirteen most valuable brands were founded by immigrants. Henry Ford's father came from Ireland to live in the United States. Steve Job's real dad came from Syria, and Sergey Brin was born in Russia. Jeff Bezos got his last name from his stepdad, who is a Cuban immigrant named Mike Bezos.

And even among those who are not very special at first, being an immigrant in a new place without social connections can give you the freedom to try new things. Abhijit knows many Bengali men who, like him, had never washed their dishes before leaving home. However, when they didn't have much money but had a lot of time in a British or American town, they ended up working at a restaurant and found that they enjoyed doing physical work more than the office job they had planned for themselves. Maybe the Icelandic people who wanted to be fishermen changed their minds when they saw that more people were going to college in a new place. They thought it might be a good idea to go to college too.

One problem with using supply and demand to analyze immigration is that when more migrants come, the need for workers goes up, but there are also more workers looking for jobs. This is one reason why pay doesn't decrease when more people move to a place to work. The real problem with labor markets is that the supply and demand model doesn't fully explain how they work. Workers and watermelons are the topic of this story. When you travel in the early morning in cities like Dhaka, Delhi, or Dakar, you may see groups of people, mostly men, sitting on the sidewalks near busy intersections. Social scientists find it surprising that there are not many physical labor markets. With almost twenty million people in the greater Delhi area, you might think there would be a lot of people on every street corner. You have to search to find them.

It's not common to see job ads in Delhi or Dakar. "Many websites and job sites have ads for jobs, but most of these jobs are not available to rural goatherds. " In Boston, the subway has ads for job openings that ask people to solve difficult riddles to show how smart they are. They need employees, but they don't want to make it too simple for them. This shows something very basic about job markets. Hiring someone is not the same as buying watermelons in a wholesale market. There are at least two reasons for this. One reason is that the connection with a worker continues for a long time while buying a bag of watermelons is a quick purchase; you can change to a different supplier if you don't like the melon you bought. Even in places where the rules don't make it hard to fire someone, firing someone is still not a nice thing to do. It can also be risky if the unhappy employee gets angry. So, most companies won't hire anyone who wants to work for them. They are concerned if the worker will come to work on time, do good work, get along with their coworkers, be respectful to an important customer, or damage an expensive machine. Secondly, it's more difficult to evaluate how good a worker is compared to judging the quality of watermelons. Although Karl Marx believed that labor is like any other product, it is not.

Companies need to try hard to understand the people they are hiring. For workers who get paid more, this means they use time and money for interviews, tests, references, and other things. This costs a lot for the companies and the workers, and it seems to happen everywhere. In Ethiopia, it takes a long time and many trips to apply for a midlevel clerical job. Each time someone applied for a job, they had to pay one-tenth of their monthly salary. But the chances of actually getting hired were very low, so not many people bothered to apply. That's why, when hiring lower-paid workers, companies often don't interview them and just hire them based on a recommendation from someone they trust. Not many companies hire people who just come in and ask for a job, even if they are willing to work for less money. This goes against the usual way of thinking about supply and demand. It costs too much money to be in a situation where the boss might want to fire an employee. In one example, researchers in Ethiopia asked over 300 companies to randomly choose who they hired. Only five companies agreed to be part of the experiment. These were jobs that didn't require specific skills, but the companies still wanted to have some say in who they hired. Other studies in Ethiopia show that 56 percent of companies want people to have work experience, even for basic jobs. They also often ask for a recommendation from a previous employer.

This is very important and has many effects. Experienced workers are less affected by competition from new people than we might think based on supply and demand. Their boss already knows and believes in them, which is a big benefit. From the perspective of someone who has moved to a new place, this is not good news. To add to the problem, there is another result. Joe Stiglitz, who later won the Nobel Prize, said a long time ago that companies don't want to pay their workers the lowest amount they would accept. They do this to avoid a situation where workers don't work but just pretend to, like in an old Soviet joke. This means that companies have to pay their workers enough money so that being fired would be bad for the workers. This is what economists call the efficiency salary. So, the difference in pay between workers who have been at a company for a while and new workers might not be very big, because companies don't want to risk paying new workers too little. This makes it even less enticing to hire someone who wants to move to a new country. Furthermore, bosses don't like big differences in pay at work because they worry it will make people unhappy. Proof shows that employees dislike unfairness at work, even if it's based on how productive they are. This is especially true when it's not clear how pay is connected to productivity. Unhappy employees don't work well. This is why local workers are not easily substituted by cheaper immigrants.

This fits with another finding from the study about Czech migration. It shows that when native people lost their jobs, they didn't lose them, they just didn't gain as much. German companies didn't hire Czech migrants to replace their current staff. Those who already had jobs in Germany were familiar with the surroundings and had an advantage. What happened was that instead of hiring new workers from Germany that they didn't know, German companies sometimes hired workers from the Czech Republic that they also didn't know. Many people think that migrants can't get the same jobs as the people who already live in a place, even if they offer to work for less money. This is why immigrants often end up working in jobs that locals don't want or in cities that are not popular. Here, they are not stealing jobs from anyone; those jobs would stay empty if no migrants were willing to do them.

CONCLUSION

The job market is changing and how it might affect people who were born in the country. Clearing up misunderstandings, the article examines arguments about how immigration affects the wages and job opportunities of people who were born in the country. We are studying historical events like the Mariel boatlift to see how they affect the way we understand supply and demand. This is important because it shows us that our current models might not always be accurate, so we need to have a more detailed understanding. Also, the article talks about how migrants help create jobs and stop machines from taking over, which gives low-skilled locals more chances to work. It says that immigrants and people born in a country often work together in different jobs, which helps the economy grow. Studying different examples like refugees and past migrations, the article shows how migration can affect the economy. In the end, it shows how important it is to carefully study and understand the relationship between migration and the economy. It also clears up misunderstandings and myths, so that people can have a better understanding of this complex relationship.

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CHAPTER 3

IMPACT OF SKILLED MIGRATION ON DOMESTIC POPULATIONS

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ABSTRACT:

The intricate dynamics and consequences of skilled migration on domestic populations. While previous discussions primarily focused on the impact of unskilled migrants, the narrative shifts to the often-overlooked realm of skilled migration. Unlike their unskilled counterparts, skilled migrants, such as qualified foreign nurses, engineers, and professionals, present a nuanced scenario where the competition with native-born individuals becomes more pronounced. The analysis explores factors like wage differentials, job requirements, and the role of connections in the employment process for skilled workers. Surprisingly, findings reveal a mixed bag of effects on the domestic population, as the benefits of skilled migration in terms of enhanced services come at the expense of potential challenges for native individuals with similar skill sets. The paper also delves into the intricate web of connections and networks that skilled migrants leverage, shedding light on the importance of social ties in the employment market. Additionally, it addresses the common misconceptions surrounding immigration and emphasizes the limited evidence supporting the notion of an overwhelming influx of migrants. Drawing on economic theories such as adverse selection and the role of uncertainty, the study examines why skilled migration presents a daunting plunge into the unknown for many, exploring the psychological and economic factors influencing individual decisions. The research contributes to a comprehensive understanding of the multifaceted impacts of skilled migration on domestic populations, shedding light on the complexities that shape labor markets in an increasingly interconnected world.

KEYWORDS:

Cultural Exchange, Economic Disparities, Innovation, Job Market, Labor Shortages, National Workforce, Skill Transfer.

INTRODUCTION

Up to now, we have been discussing how unskilled immigrants affect people who were born in the country. However, even people who are against unskilled migration usually support skilled migrants. We said that low-skilled migrants do not take jobs from low-skilled natives, but that's not true for skilled migrants. First, they usually get paid a lot more than the lowest wage. They might not need extra money to work hard because their jobs are fun and they feel good doing them well. So, a skilled immigrant might end up earning less money than local workers. Secondly, for skilled workers, the employer is more concerned about the specific skills the person has, rather than their personality or reliability. Many hospitals look for nurses who meet the legal requirements for the job. If a nurse from another country who is properly certified can work for less money, the hospital is likely to hire that nurse. Plus, no one gives jobs to these workers without talking to them and testing them first. This means that even people who don't know anyone at the company have a chance at getting hired [1], [2].

So, it's not surprising that in the United States, one study found that when they hire foreign nurses, less native-born nurses are working in that city. One reason for this is that students who were born in the same country they are studying in feel like they have to compete with nurses who were born and educated in other countries. They don't want to take the nursing exam in their own state. So, even though many people, including President Trump, support it, the immigration of skilled workers has both positive and negative effects on the local population. It helps people with less skills to get cheaper services, but it makes it harder for people in the same country with the same skills to find work. Caravan means a group of travelers or merchants traveling together, often with a pack of animals like camels. The stories people tell about immigration are starting to break down. There is no proof that when people with low skills move to rich countries, it makes the wages and jobs of the people who are already there go down. Also, the job market is not like a fruit market, and the normal rules of supply and demand don't always apply. Another reason immigration causes so much controversy is the belief that there are too many people trying to immigrate. Some people think that there are too many strangers with different languages and customs waiting to enter our country [3], [4].

However, as we have seen, there is no proof that a large group of people are waiting to come to the United States and need to be stopped by using force. Most poor people choose to stay home unless something really bad happens and they have to leave. They are not coming to our house because they like being in their own countries. They may not want to move to their nearest big city. People in rich countries can't believe it when they are told the opposite, even if it is true. What makes it clear?

Without any relationships or networks

There are a lot of reasons why people choose not to move. Many things that make it difficult for new immigrants to find jobs also make it hard for them to move to new places. As we saw, it is hard for immigrants to find a good job. The only time this doesn't apply is if the employer is a friend or family member, or knows the migrant personally. Because of this, migrants usually go to places where they know people and can find a job more easily. They also have support to start their new life in the city. Yes, there are many reasons why people from the same place who move to a new place might have similar job opportunities over time. For example, if a village has a lot of good plumbers, then people who move away from that village will likely also find jobs as plumbers. Family is more important than anything else. Kaivan Munshi, who teaches at the University of Cambridge and is part of a close-knit group of Zoroastrian Indians called Parsis, showed that Mexican migrants look for people they know.

He saw that, because of heavy rain in Mexico, people are leaving for the United States even though there are jobs there. When the village didn't get enough rain, some people left to find new jobs. A lot of people from the same village moved to the United States. This made it easier for others from the same village to find help in getting a job there. Kaivan thinks that it will be easier for people in a village that had a drought in the past to find a job compared to people in a village that did not have a drought, even if the weather is the same this year. He thought there would be more people coming to live in a new place, with more of them having jobs and making more money. This is exactly what the information proved. Network connections are important.

Refugees are more likely to find jobs if they are placed in a community where there are many older refugees from their own country. Older refugees often don't know the people in their new country, but they still want to help them. They will be in a difficult position. When some people come up with recommendations, it can make it harder for others to have the same opportunities. An employer who is used to hiring workers with recommendations may be suspicious of anyone who doesn't have one. If someone knows they can get a recommendation, they will wait for it. Only those who have no one to recommend them will go to different places looking for a job. But then the boss would be justified in not wanting to talk to them.

The market is falling apart in this situation. In 1970, George Akerlof, a new Ph.D. at the time, wrote a paper called "The Market for 'Lemons'". He said that the market for used cars might stop working because people want to sell their bad cars. This is the kind of reasoning that happens when new people enter the job market. The more people are worried about buying old cars, the less money they will be willing to spend on them. The issue is that when people want to pay less money for a good used car, the owners of those cars will want to keep them for longer. Only people who are aware that their car is going to break down will be interested in selling it to the public. This problem happens when only the bad or worst cars and employees are the ones being sold or hired. It's called adverse selection. Connections are supposed to help people, but if some people have them and others don't, it could stop a market from working well. The game is fair if nobody has any advantages. If some people have good connections, it can cause the job market to fall apart, so most people can't find work [5], [6].

DISCUSSION

Maybe the strong feeling of fear of dying that Maheshwor's participants told about could be seen as a symbol of a general feeling of worry. Moving is when you leave what you know for something you don't know. It's not just about different possibilities and chances as economists say. Actually, in economics, there is a long history of separating risk that can be measured from the unknown and unpredictable things, known as uncertainty. This concept has been around for a while, and it was mentioned by Frank Knight and Donald Rumsfeld. Frank Knight believed that people handle risk and uncertainty in unique ways. Many people don't want to deal with things they don't know about and will try very hard to avoid making decisions when they're uncertain about the problem. Rural people in Bangladesh, who want to move, think that the city is a place with a lot of uncertainties. They don't know how much their skills are worth in the job market and they also have to think about where to find a job, if there is a lot of competition, if they will be treated fairly by their employer, what references they need, how long it will take to find a job, how they will support themselves in the meantime, where they will live, and more. They don't have much experience to help them, so they have to guess the probabilities. That's why many people thinking about moving to a new place often feel unsure.

Moving to a new place can be scary, so people might not want to do it even if they have enough money. It is not sure instead of being risky. Also, there is strong proof that people don't like making their own mistakes. The world is full of things that are unsure and unpredictable, and most of them are things that we can't change. These uncertainties make them sad, but maybe not as sad as choosing to do something that ends up making them even worse off because of bad luck. Keeping things as they are is the usual way things are measured. Any loss compared to that benchmark is very difficult to bear. This idea was called loss aversion by Daniel Kahneman and Amos Tversky, who are two important psychologists in the field of economics [7], [8].

Since their first study, many books and articles have shown that people don't like to lose things and this can explain a lot of unusual behavior. For instance, many people pay a lot more for their home insurance to have a lower deductible. This helps them avoid the difficult moment when they have to pay a lot of money from their own pocket after an accident damages their house. In contrast, it's easy for them to pay extra money now because they won't find out if it was a mistake. This is why people who are easily tricked often buy very expensive "extended warranties. It's because we are very afraid of any risk, even a small one that comes from a choice we make. Moving to another place is a big decision that not everyone wants to make, especially if no one else is doing it.

Finally, when migration fails, people feel it's their fault. In 1952, Esther's grandpa, Albert Granjon, who was a vet and ran a slaughterhouse in Le Mans, France, took his wife and four young kids to Argentina. It took them several weeks to get there by boat. He wanted to go on an adventure, and thought about teaming up with some friends to raise cattle. The plan fell apart in less than a year after the family arrived. The farm was tougher than he expected and he argued with his business partners who said he didn't bring enough money for the business. The young family was in a place they didn't know, with no money, and no one around. Going back to France would have been pretty simple at that time. During the successful years after the war, Esther's grandfather could have easily found work. He had two brothers who were solidly middle-class and could have paid for his trip back home. But he decided not to. His wife, Evelynne, told Esther many years later that it was embarrassing for her husband to come back without any money after asking his brothers for the price of the trip. The family suffered and lived in extreme poverty for more than two years, and they felt better than the local people. The kids couldn't talk in Spanish at their house. Violaine, Esther's mom, learned everything from school through mail from France. She never went to a school in Argentina. She spent her free time doing chores and fixing the children's cloth sandals. The family got better money when Albert got a job running a special farm for a French pharmaceutical company. They lived in Argentina for more than ten years before moving to Peru, Colombia, and Senegal. Albert went back to France because he was not feeling well. But by that time, his career was going well. But the difficult life had made him very tired, and he died soon after coming back. Many people are scared to take risks because they are afraid of failing. A lot of people don't want to try. Most people want to appear smart, hardworking, and morally good. It's not nice to admit that we might be dumb, lazy, and dishonest. And if we think well of ourselves, we're more likely to keep trying when things get tough [9], [10].

If it's important to see ourselves a certain way, then it makes sense to make that image better. We actively ignore negative information by not paying attention to it. Another choice is to not do things that could come back to hurt us. If I go around the beggar on the road, I won't have to admit I'm not generous. A smart student might not study for a test so they can have an excuse if they don't do well, and still feel smart. Someone who wants to move to another country but decides to stay home can always pretend that they would have been successful if they had gone. It takes imagination or too much confidence to break the habit of sticking to the same old way of doing things. This might be why people who move to a new country, unless they have no choice, are not usually the wealthiest or most educated. They are often driven by a special motivation, which is why we see a lot of successful business owners among them.

After Tocqueville's time

Americans are supposed to be different from everyone else. Many of them are ready to take chances and pursue opportunities, at least that's what people have always believed. Alexis de Tocqueville was a rich man from France who thought America was a good example of how a free country can be. He thought it was special how much people in America moved around from place to place and changed jobs often. Tocqueville believed that people in America were often restless because they didn't have a class system based on family status and they always wanted to get more things. Everyone had a chance to become wealthy, so they had to look for opportunities and take them. Americans still think the American dream is real, but the truth is that family background has a bigger impact on people's success in America than it does in Europe. And that might be connected to America’s decreasing tendency to be restless. As Americans became less accepting of people moving to their country, they also started to move less within their own country. In the 1950s, 7 out of every 100 people would move to a different county each year. Less than 4 out of 100 people did it in 2018. The decrease began in 1990 and went faster in the middle of the 2000s. Also, there is a noticeable difference in how people are moving within the country. Until about the middle of the 1980s, wealthy states in the US had a lot more people moving in and having babies. After 1990, the connection between rich states and attracting more people disappeared. Rich states don't usually attract more people anymore. Highly skilled workers are still moving from poor states to rich states, but now it seems that low-skilled workers, if they are still moving, are moving in the other direction. These two trends show that in the 1990s, the types of jobs available in the US changed, and now people with different skills have more specific types of jobs. More and more educated people are moving to the coasts, while people with less education are moving to the older industrial cities in the east like Detroit, Cleveland, and Pittsburgh. This has caused differences in how much people earn, how they live, and who they vote for in the country. It has also made some places feel left behind while others are doing better. Many smart software or biotech workers want to work in Palo Alto, California or Cambridge, Massachusetts. People who have gone to school for a long time get paid more in those cities. They also have an easier time making friends and finding things they like to do. Lawyers need people to take care of their gardens, cook their food, and make their coffee. This is the United States where almost everyone can pay for the bus fare to travel across the state or even across the whole country, unlike in Bangladesh. The information is really good and everyone knows where the towns with a lot of economic growth are. One reason is that people with only a high school degree don't make as much money from working in a busy city compared to people with more skills. However, this may only be one reason. Low-skilled workers also get paid more. According to information online, a worker at Starbucks in Boston makes about $12 per hour, while in Boise they make about $9 per hour. This is not as much as what high-skilled workers make, but it still matters [11], [12].

Due to many high-skilled workers wanting to live there, housing costs have gone up a lot in Palo Alto, Cambridge, and other similar places. A lawyer and a janitor would both make more money in New York than in the Deep South. The difference in pay between New York and the Deep South would be bigger for the lawyer than for the janitor. Housing is cheaper for lawyers in New York, where they only spend 21 percent of their wages on it. Janitors, however, spend 52 percent of their wages on housing. Therefore, after taking away the money needed for living expenses, the lawyer in New York has a much higher salary than in the Deep South. But the janitor has a lower salary in New York compared to the Deep South. It doesn't make sense for a janitor to go to New York.

The Mission District in San Francisco has become a notable example of this trend. Until the late 1990s, the Mission District was an area where lots of Hispanic immigrants lived and worked. But because it was close to where tech companies were, it started to become popular with young people who worked in the tech industry. The cost of renting a one-bedroom apartment has been increasing a lot. In 2011, it was $1,900, in 2013 it was $2,675 and in 2014 it was $3,250. Today, it's really hard for someone who earns minimum wage to afford an apartment in the Mission District because the rent is too high. The "Mission yuppie eradication project" was a plan to make tech workers leave by damaging their cars. It got a lot of attention, but it didn't work and the gentrification of the Mission District continued. Yes, more houses can be constructed close to growing cities, but it will take some time. Furthermore, a lot of the older towns in the United States have rules about where and how buildings can be built, making it difficult to build upward or with lots of buildings close together. Buildings need to be similar to what already exists, property lots can't be too small, and other rules like that. It becomes more difficult to move to crowded neighborhoods when more people want housing. In poor countries, new immigrants have to choose between living far from their jobs or spending a lot of money. Most of the recent economic growth in the United States has been in places with good schools and colleges. These areas are usually old cities with expensive and limited real estate options. Many cities in Europe try hard to protect their old buildings from being torn down to make way for new development. This means they have strict rules about what can be built and high prices for renting property. This could be one reason why most people in America are not moving to where things are growing.

If someone loses their job because their area has financial problems, and they think about moving to find a new job, finding a new place to live becomes even harder. As long as he has his house, he can still live in it, even if it's not worth much if he sells it. If he doesn't own the house, he will still save more money when the cost of renting goes down because of the bad economy. This is because he spends a lot of money on housing. When the housing market gets worse, it stops poor people from moving to a different place.

There are other reasons to stay where you are even if there aren't many chances for success where you live and better opportunities are available somewhere else. For example, childcare is costly in the United States because of strict rules and not enough help from the government. For people who don't make much money, they can't afford to pay for childcare at the regular price. They usually have to ask their grandparents, and if that's not possible, they might turn to other family members or friends for help. You can't move unless you can convince them to come with you. This was not a big problem when most women stayed at home and could take care of the children, but in today's world, it can make a big difference.

Also, the job might not continue. Losing your job can make it difficult to pay for your home, and if you don't have a place to live, it can be hard to find a new job. In tough times, families help by providing both money and emotional support. When young people can't find work, they often go back to live with their parents. 67 percent of men who don't have a job and are in the age when they should be working, live with their parents or close family members. It's understandable why someone might not want to leave their comfortable and secure life and go to a new city. For people who recently lost their job in a factory and have been working there for a long time, it's even harder because they have to find a new job and start over. Instead of going from a good job to a nice retirement like their dads, they are being told to change their plans. They have to move to a new town where they don't know anyone, and start from the beginning in a job they never thought they would have

Certainly, companies could benefit from the new workers now available for hire, as well as the lower wages and cheaper rent in areas where other businesses have shut down. This idea has been suggested. In December 2017, Steven Case, the billionaire who helped start AOL, and J. Sure What is the text that you would like me to simplify. Vance, who wrote Hillbilly Elegy about America's struggling heartland, also created the investment fund Rise of the Rest. It was started by rich people in America to invest in places that usually don't get money from tech investors. A bus ride took a group of rich investors from Silicon Valley to places like Youngstown and Akron, Ohio; Detroit and Flint, Michigan; and South Bend, Indiana. The people promoting the fund said it was not meant to help society, but to make money like other investments. The New York Times wrote about the trip84 and its fund. Silicon Valley investors talked about the traffic, the isolation, and how expensive it is to live in the Bay Area.

Despite all the talking, there were reasons not to believe it. The fund was small, only $150 million, which is just a little money for the people in this group. Bezos supported the plan, but it wasn't enough to consider Detroit as a possible location for Amazon's HQ2. The goal was to make people excited and start some new businesses, and to get early investors to tell others about it. It helped Harlem, so why not Akron. But Harlem is in busy Manhattan with lots of fun things to do and places to go. The Harlem revival was going to happen eventually. We are not as hopeful about Akron. It's hard for those places to have the fancy things that rich young people want, like good restaurants, fancy bars, and coffee shops with expensive coffee. Put simply, it's like a chicken and egg problem: educated workers won't move to an area without amenities, but the amenities can't grow without enough workers.

Actually, most companies in different industries are close together. Imagine if you just threw darts randomly at a map of the United States. You would see that the dart holes are spread out evenly on the map. But the actual layout of an industry doesn't look like that at all; it looks more like all the darts have been thrown in the same spot. This is likely because people may not trust a software company that is located in the middle of nowhere. It would also be difficult to find workers if every time you needed a new employee, you had to convince someone to move across the country, instead of just hiring someone who lives nearby. Zoning laws often try to put dirty industries in one area and restaurants and bars in another area because of rules and regulations. Ultimately, people in the same line of work tend to like the same things. Focusing helps to give the things they enjoy more easily. Clustering is a good idea for all these reasons, but it makes it harder to start small and grow. Being the only biotech company in Appalachia is always going to be difficult. We hope the Comeback Cities Tour does well, but we are not very confident.

CONCLUSION

The effects of highly skilled people moving to a new country are complex and have a big impact on the local population. While many people talk about how good it is to have skilled immigrants, this study shows that there are both good and bad effects for the people who already live here. Talented immigrants, with their special skills and sometimes willing to work for less pay, can help improve services and make the economy grow. However, the problem is that when people with similar skills compete, there are fewer job opportunities and wages stay the same. The complicated nature of skilled migration, which has both good and bad effects, requires a careful understanding of its outcomes. The importance of having connections and networks when looking for a job as a skilled migrant shows that finding a job can be very difficult. Having connections can help you find a job easier, but it can also make it harder for people who don't have connections to find a job. This makes us wonder if the job market is fair when skilled workers from other countries come to work.

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CHAPTER 4

DYNAMICS OF MIGRATION AND TRADE: ECONOMIC OPPORTUNITIES, CHALLENGES, AND POLICY CONSIDERATIONS

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ABSTRACT:
The multifaceted dynamics of migration and trade, emphasize their economic implications, opportunities, challenges, and potential policy interventions. The discussion challenges the prevailing notion that excessive international migration poses a crisis, contending that migration often brings economic benefits without significant drawbacks for native populations. It delves into historical examples of forced relocation policies and the economic motivations behind them, drawing parallels with modernization agendas in developing countries. The narrative underscores the role of migration in balancing regional standards of living, absorbing economic shocks, and facilitating structural transformation. Addressing concerns related to assimilation, overcrowding, and identity politics, the paragraph advocates for a forward-looking approach to migration policy. It suggests streamlining processes, improving communication on migration costs and rewards, facilitating financial transactions for migrants, and providing support to enhance integration, both domestically and internationally. The paragraph concludes by acknowledging the complex interplay between economic considerations, politics, and identity in shaping migration responses and emphasizes the need to address immobility's profound implications for economic policies.

KEYWORDS:

Economic Integration, Export-Import, Free Trade Agreements, Global Supply Chains, Immigration Policies, Labor Mobility.

INTRODUCTION

The big problem with migration is not that there are too many people moving to other countries. Most of the time, when people move to a new place, it doesn't hurt the local economy, and it helps the people who are moving. The big issue is that many people don't want to move to find better jobs, both in their own country and in other countries. Should the government reward people for moving to new places, and maybe punish those who don't want to move? This may seem surprising because people today are mostly talking about how to reduce migration, but in the 1950s, the governments of the United States, Canada, China, South Africa, and the Soviet Union were all very involved in moving people from one place to another, sometimes against their will. Those rules often had hidden, harsh political aims, but they were usually disguised as efforts to modernize and improve the economy. Developing countries often look at these examples for ideas on how to modernize [1], [2].

In developing countries, governments often use price and tax policies to help the cities, but this can hurt the rural areas. In the 1970s, a lot of African countries made something called agricultural marketing boards. This was a mean trick because some of the boards were made to stop farmers from selling their produce at a good price. Instead, the boards wanted to buy the produce for a low price, to keep prices steady for people living in cities. India and China stopped selling farm products to other countries to make sure the prices at home stayed low for city people. These policies made it hard for farmers to make money, so many of them decided to leave their farms. Certainly, these rules harm the poorest individuals in the economy, such as small farmers and landless laborers, who may not have had the means to relocate. This sad past should not stop us from seeing the benefits of encouraging people to move for work. Being able to move around easily is important for making sure people in different places have similar living conditions and that when one area has a hard time economically, other places can help out. If workers go somewhere else for work, they can find better opportunities and leave areas that are struggling with bad economic times. This is how an economy can handle problems and change to adjust to new conditions. People in rich countries and successful cities think they have a better life and assume everyone else would want to come there too. Economists think that successful places attracting people and money is mostly a good thing. People who live in cities in poor countries, or rich countries, are scared of the idea that everyone in the world will want to move to their cities. They are worried that many people will come and fight for the limited resources they have, like jobs, spots in public housing, and parking spaces. The main worry that immigrants make wages and job chances for local people worse is wrong. But people are right to be afraid of cities in poor countries getting too crowded, especially when the buildings are not finished yet [3], [4].

The fear of feeling too much and not being able to handle it is also what makes people worry about fitting in. If a lot of people from different cultures come, will they become like us or will they change our culture? Will they fit in so well that their culture disappears, and we're all the same? A perfect world where everyone quickly adapts to new opportunities could become a bad world. We are far from that perfect or terrible place. People who are having a hard time where they live usually prefer to stay there instead of being drawn to places where there is more money. This means that it's important to support people moving to new places, both within the same country and to other countries. But we shouldn't make people move or change the economy just to make them want to move. Instead, we should focus on getting rid of things that make it hard for people to move. Simplifying the process and making sure workers understand the costs and benefits of migration would be beneficial. Helping migrants and their families send money to each other easily would also make migrants feel less alone. Because many people are really scared to fail, we could think about giving migrants some protection in case they fail. When this was given in Bangladesh, it had almost the same impact as offering a bus ticket [5], [6].

The best way to help migrants and make locals more accepting is to make it easier for them to become part of the community. Providing help with finding a place to live, finding a job before moving, assistance with childcare, and other support would help new people settle into society faster. This applies to moving within a country and between different countries. This would encourage people who are unsure to go on the trip and help them become part of the local community faster. We are almost in a different situation now. Except for some organizations helping refugees, not much is being done to make it easier for people to settle in. People who move to a new country have a hard time getting permission to work there legally. People who move to new places within their own country sometimes can't find a place to live and have a hard time finding a job, even if there are jobs available.

Of course, we shouldn't forget that the way people react to migration isn't just about money, but also about who they think they are. The separation between economics and politics is not a new thing. When many Europeans moved to the US, the cities that got the most European immigrants gained economic advantages from them. However, immigrants caused many strong and unfriendly political responses. Towns and cities are reducing taxes and spending less money because of immigration. The government made big cuts to services that helped different ethnic groups to interact and to help immigrants with low incomes. In cities with a lot of migrants, the Democratic Party, which wanted more immigrants to come to the country, got fewer votes. Instead, more conservative politicians who supported a law from 1924 that limited immigration were elected. Voters were upset about the differences between them and the new migrants. They thought Catholics and Jews were very different and couldn't be changed, until they eventually became more like everyone else. In the end, we should remember that lots of people might not want to move, even if they are offered rewards. This staying still, which goes against what economists think people should do, has big effects on the economy. It changes the results of many economic plans, as we will learn in this book. In the next section, we will see why international trade has not been as helpful as people thought. Then, in section 5, we will talk about how it affects economic growth.

DISCUSSION

In early March 2018, President Trump put new taxes on steel and aluminum. He did this while being with steelworkers who were wearing their hard hats. Soon after, the experts at the IGM Booth panel, who are senior professors in economics from top universities and belong to both the Republican and Democratic parties, were asked if putting new taxes on steel and aluminum in the US would make Americans' lives better. Sixty-five percent strongly disagreed with the idea. Everyone else just said they didn't agree. No one said they did agree. No one had any doubts. When asked if it would be a good idea to increase taxes on things like air conditioners, cars, and cookies, everyone agreed it wouldn't be. Paul Krugman, who is a famous economist who supports liberal ideas, and Greg Mankiw, a professor at Harvard who advised President George W. Bush, both support trade. Bush and someone who often disagrees with Krugman's opinions [7], [8].

In the United States, people have different opinions about trade. Many are negative. People had different views on the steel and aluminum tariffs. In a survey done in the fall of 2018, we asked a group of Americans the same question as the IGM Booth panel. Only 37 percent of people disagreed or strongly disagreed with Trump's plan to raise tariffs. 33 out of 100 people agreed. However, in general, both conservatives and liberals feel that the United States allows too many products from other countries to come in. 54% of the people we asked think it's a good idea to raise taxes on imported goods to help American producers. Only 25 out of 100 people disagreed.

Economists often discuss the benefits of trade. The belief that free trade is good for the economy has been around for a long time in the study of economics. Two hundred years ago, a man named David Ricardo said that trade can make each country better at what they do. This means that everyone should make more money with trade, and the winners should make more money than the losers. In the past 200 years, we have improved this theory, and almost all economists believe in its basic logic. Yes, free trade is a big part of our culture, but we might not always remember that it's not obvious that free trade is the best choice [9], [10].

Firstly, most people are not convinced. They understand the benefits of trade, but they also see the disadvantages. They understand the benefits of being able to purchase things for less money from other countries, but they are concerned that the people who are negatively affected by the cheaper imports might end up losing more than they gain. In our study, 42 out of every 100 people said they believe workers with less skills suffer when the United States trades with China. Only 30 out of every 100 people said they think everyone benefits from the lower prices. Stan Ulam's challenge is something Stan Ulam wanted to achieve or solve.

Stanislas Ulam was a smart scientist from Poland who helped create powerful bombs. He didn't think much of economics because he didn't realize that economists could cause a lot of problems in the world, just in a different way. Ulam asked Paul Samuelson, a famous economist, to give an example of a true and important idea in social sciences. Samuelson came up with the idea of comparative advantage, which is the main idea in trade theory. "It doesn't need to be proven to a mathematician that this idea is true. Many smart and important people have struggled to understand or believe it [11], [12].

The idea of comparative advantage is that countries should focus on doing the things they are really good at. To understand how strong the idea is, it is helpful to compare it to absolute advantage. Having an absolute advantage means being better at doing something compared to others. Grapes do not grow in Scotland, and France does not have the best soil for making scotch. So, it's a good idea for France to send wine to Scotland, and for Scotland to send whisky to France. It's confusing when a country, like China now, seems to be much better at making everything than other countries. Will China flood all markets with its products and leave other countries with nothing to sell. In 1817, David Ricardo said that even if China made more things than other countries, it couldn't sell everything. This is because the country buying the things wouldn't have any money left to buy anything else. This means that not all businesses in England during the 1800s would get smaller if trade was open. It was clear that if any businesses in England were going to get smaller because of trade with other countries, they should be the ones that aren't very efficient. Both countries produce the goods they are good at and buy the rest. This helps to increase the total value of goods that people in each country can use. Ricardo reminds us that we can't think about trade without also considering all the different markets. China may be successful in one market, but it can't be successful in every market.

Certainly, when the Gross National Product increases, it doesn't mean that everyone benefits. One of Paul Samuelson's most well-known papers claims to identify who will suffer negative consequences. Ricardo thought that only labor was needed for production and that all workers were the same. He believed that when the economy grew, everyone would benefit. When there is money and workers, things are not easy. In 1941, a young Samuelson wrote a paper that still shapes how we learn about global trade. The ideas are simple and easy to understand once you get them. Some things need more work to make and less money, like carpets made by hand compared to cars made by robots. If two countries can make the same things using technology, the country with more workers will be better at making things that need a lot of workers. So, if a country has a lot of workers, we would expect it to focus on making things that need a lot of workers and stop making things that need a lot of money to invest in. This should make more people want to work, which means that employers will have to pay higher wages. In a country with a lot of money, the price of money goes up when it trades with a country with a lot of workers.

Because countries with lots of workers tend to be poor, and workers are usually poorer than their bosses, this means that opening up trade should help the poor in these countries and make the income gap between rich and poor smaller. In rich countries, the opposite would be true. The trade between the United States and China could make American workers earn less money. This doesn't mean that the workers in the United States will be worse off. This is because, as Samuelson explained in another paper when countries trade freely, it increases the total amount of goods and money for everyone. That's why even workers in the United States can benefit if the government taxes the people who benefit from free trade and gives that money to those who don't. The issue is that this is a big uncertainty, which means workers are reliant on what happens in politics.

The Stolper-Samuelson theorem is nice, like any other important theory in economics. But is it true? The theory has two clear and positive results and one that is not so good. When countries trade more, their total output of goods and services should increase. In poorer countries, the gap between rich and poor people should get smaller. But in richer countries, the gap between rich and poor people might get bigger. The small issue is that the evidence usually doesn't want to work with us. China and India are often seen as examples of how trade can help a country's economy grow. In 1978, China started letting other countries trade with them after being communist for thirty years. For a long time, China did not pay much attention to the global market. After forty years, it is now the top country for selling goods to other countries, and soon it will become the biggest economy in the world, taking over from the United States.

India's story is not as exciting, but it might be a good example. For around forty years, until 1991, the government-controlled the most important parts of the economy. People needed special permission to bring in goods from other countries, and they had to pay high taxes on those goods. It was very hard to bring cars into the country. Foreign tourists in India loved the old-fashioned Ambassador car, which was based on a British car from 1956. It was the most common car in India, even though it hadn't changed much over the years. Seat belts and crumple zones were completely new and not familiar. Abhijit can still remember riding in a very old powerful car called a Mercedes-Benz. It made him feel very excited.

In 1991, Saddam Hussein invaded Kuwait and caused the First Gulf War. This caused the oil to stop flowing from Iraq and the Gulf, and made oil prices go very high. It caused a big impact on how much India pays for oil imports. At the same time as Indian people were leaving the Middle East because of the war, they stopped sending money back home. This caused the country to have a big problem with not enough foreign money. India had to ask the International Monetary Fund for help, which the IMF was waiting for. China, the USSR, Eastern Europe, Mexico, and Brazil, and other countries started to let markets decide who should make what.

The offer from the IMF would change everything. India could get the money it needed if it allowed trade with other countries. The government didn't have any other option. The rules for importing and exporting goods were removed, and the taxes on imports went down from about 90 percent to around 35 percent. This happened because the people in charge of the economy had been wanting to make these changes for a long time and they didn't want to miss the chance to do it. Many people thought this would end badly. The Indian industry was not efficient enough to compete with other strong countries, partly because of high tariffs that made it harder for them to improve. The Indian people who are used to not having many things from other countries would suddenly buy a lot of imported stuff, which would cause the economy to fail. And more things like that.

Surprisingly, the dog didn't bark much. In 1991, the economy went down a lot, but by 1992 it was growing again at the same rate as it did from 1985 to 1990, about 5. 9 percent per year. The economy did not crash, and it also did not grow very quickly. From 1992 to 2004, the growth rate gradually increased to 6 percent, and then it went up to 7. 5 percent in the mid-2000s. It has stayed around that rate ever since. Is India a good example of trade theory working well, or not so good? On one hand, its growth during the transition went smoothly, as trade optimists said it would. However, it is disappointing that it took more than ten years for the growth to speed up after 1991. If you don't know about something, it's better not to talk about it. This debate can't be solved. There is just one India with its own history. How can we know if the growth before 1991 would have kept going if there was no crisis and the trade barriers were not removed? It's also tricky because trade was slowly becoming more open in the 1980s, and 1991 just made it happen faster. Did the big bang have to happen? We can't know unless we could go back in time and see what would happen if things happened differently. As expected, economists find it really difficult to stop thinking about this kind of question. The problem is not really about India itself. In the 1980s or 1990s, India's growth changed a lot when it switched from socialism to capitalism. The rate of growth was about 4 percent before the mid-1980s. Now it's almost 8 percent. These kinds of changes don't happen often, and it's even more unusual that the change has lasted for a long time.

At the same time, the gap between rich and poor got much bigger. This also happened in China in 1979, in Korea in the early 1960s, and in Vietnam in the 1990s, and it may have been even worse. Before the economy became more open, strict government control kept inequality low, but it slowed down growth a lot. There is a lot of disagreement about the best way to run an economy after a country stops controlling it so much. This gives us a lot of opportunities to learn. How necessary is it to remove the remaining tariff protections that India has, which are big barriers to trade, but not really helpful. Many experts have written a lot about this topic because free trade is important to economists and is often talked about in the business media. The opinions on trade's impact on GDP range from very positive to more skeptical. However, there is little evidence for strongly negative effects.

The doubt comes from three different places. First, the effect happens before the cause. India started trading more freely while another country similar to it did not. This might mean that India was prepared for this change and would have grown faster than the other country, even if it had not changed its trade policy. In simpler terms, did trade liberalization happen because of growth, and not the other way around. Also, some reasons for this were left out. India made changes to become more liberal, as a part of a larger set of changes. One important change was that the government stopped telling business owners what to make and where to make it. The government and political system started to see business as something good and even "cool.” It's hard to tell how much these changes affected trade liberalization.

Third, it is difficult to figure out what parts of the data show trade becoming freer. When the fees are 350 percent, no products are brought in from other countries. So, reducing the fees by a small amount may not make much of a difference. How can we tell which policy changes are important and which are just for show? Also, when taxes are high, people will find sneaky ways to avoid paying them. In return, the governments would often make complicated rules to catch people breaking the law. Many things changed when the country became more open, but some things changed faster than others in different countries. How do we figure out which country made more changes to be more liberal, since each country chose different changes?

All of these issues make it hard to compare countries. Different researchers have different opinions about how trade policy affects growth because they use different methods to measure trade policy changes and decide what factors might affect the relationship between trade policy and growth. That's why it's difficult to trust the results. There are many ways to compare different countries, depending on the assumptions you are willing to make. The same limitations prevent us from testing the other prediction of the Stolper-Samuelson theory. Does the gap between rich and poor lessen in poor countries when they start trading with other countries? There are not many studies that compare different countries on this topic, which is a common trend. Economists who study trade usually don't think about how the benefits are divided, even though Samuelson warned early on that in wealthy countries, trade could hurt workers. There are some cases where things don't work as usual, and it doesn't make people feel sure about it. A new study by two IMF staff members shows that countries that are close to many other countries and trade a lot tend to be wealthier and have less inequality. They don't pay attention to the fact that in Europe there are many small countries that trade with each other a lot. These countries are usually wealthier and have less inequality, but it's not just because they trade a lot. Another reason to doubt this very positive conclusion is that it goes against what we have seen in many different developing countries. In the past 30 years, many poorer countries have started trading with other countries. Surprisingly, their income distribution in the following years usually went in the opposite direction of what the basic Stolper-Samuelson theory would predict. The low-skilled workers in these countries are earning less money compared to the higher-skilled workers.

From 1985 to 2000, Mexico, Colombia, Brazil, India, Argentina, and Chile all started trading by lowering their taxes. During the same time, the gap between rich and poor people grew in all those countries. It looks like the increases in inequality are related to the times when they made trade easier. For instance, from 1985 to 1987, Mexico greatly decreased the amount of imports allowed and the taxes on imports. From 1987 to 1990, people who do manual labor saw their pay decrease by 15%, while people who have office jobs saw their pay increase by the same amount. Other ways of measuring inequality also came afterwards. The pattern of making things more open, followed by skilled workers earning more than unskilled workers, was found in Colombia, Brazil, Argentina, and India. In China, inequality became much worse as the country slowly started to open up in the 1980s and finally became part of the World Trade Organization in 2001. In 1978, the World Inequality Database team found that both the poorest 50 percent and the richest 10 percent of people in China earned an equal amount of money. In 1978, the rich people started getting more money and the poor people started getting less. In 2015, the richest 10 out of 100 people in China got 41 percent of the money, while the poorest 50 out of 100 people got 15 percent.

Sure, just because two things are related doesn't mean one causes the other. Maybe globalization itself didn't make inequality get worse. Trade liberalizations don't happen on their own. In all of these countries, trade reforms were a part of bigger changes. For example, in Colombia in 1990 and 1991, there were big changes to trade policies and labor laws to make it easier for businesses to hire and fire workers. In 1985, Mexico changed its trading rules and also sold some government-owned businesses, changed labor laws, and removed some rules that had been in place. As we said before, in 1991 India made changes to how they trade with other countries. They also got rid of the rules that controlled industries, made changes to how money and investments work, and gave more control to private businesses. China's trade liberalization was a big part of Deng Xiaoping's plan to make the economy better. It allowed people to start their own businesses, which was not allowed for a long time.

Mexico and other countries in Latin America opened up their economies at the same time as China. This meant they had to compete with China, which had a lot more workers. Maybe that's what made the workers in these countries feel bad. Comparing countries to see how trade affects their growth and inequality is hard because there are many reasons why these things happen. Trade is just one of those reasons, or it might be a result of other things happening. However, some interesting studies within countries have raised doubts about the Stolper-Samuelson theorem.

CONCLUSION

Migration and trade are related and can influence each other. Governments need to think carefully about cryptocurrencies because they can cause both good and bad economic situations. In the past, people thought that migration was a problem. But now, we understand that it can actually benefit both the people who move and the places they move to. Studying the history can help us understand why people are forced to leave their homes, and why countries want to become more modern. Moving to new places helps people have better lives, it helps the economy during difficult times, and it changes how things are done in a place. The paragraph agrees with a plan that is in place and well-organized. It's important to make moving to a new place easier. We should talk about how much it costs and what you get. We should also help with money transfers for people who move to another country. Additionally, it is very important to help people who are moving to a new place by finding them a place to live, helping them find work, and arranging childcare. This helps make migration policies work well. Understanding how politics and people's backgrounds affect how we react to migration is important. The conclusion stresses the need to address the impact of not being able to move on economic policies, such as trade between countries and our income. Ultimately, knowing and accepting migration can make the economy better and bring more wealth to the world.

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CHAPTER 5

CHALLENGES OF TESTING TRADE THEORY: LESSONS FROM REGIONAL ECONOMIC VARIATION

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ABSTRACT:
The intricate challenges associated with empirically testing trade theories, drawing valuable insights from regional economic variations within countries. The conventional scope of trade theory often encompasses every market and region in an economy, assuming seamless resource reallocation. However, regional nuances, including distinct policy regimes, shared histories, and common politics, provide a compelling backdrop for more nuanced analysis. The research, inspired by the work of economist Petia Topalova, scrutinizes the impact of trade liberalization in India's diverse districts post-1991. Findings reveal that, contrary to traditional expectations, greater exposure to trade did not uniformly accelerate poverty reduction. The study addresses the complexities arising from labor market stickiness, internal barriers, and the unexpected repercussions of policy changes. It sheds light on the need to consider regional disparities in understanding the multifaceted effects of trade policies, challenging prevailing assumptions and stimulating a reevaluation of the intricate dynamics involved.

KEYWORDS:

Economic Disparities, Fiscal Policy, Geographic Concentration, Income Inequality, Infrastructure Development, Regional Development, Resource Allocation.

INTRODUCTION

Studying smaller areas in a country helps to see the effects of trade more clearly because there are less things to compare and consider. These areas usually have the same rules, history, and government, which make it easier to make accurate comparisons. The issue is that trade theory predictions apply to all parts of the economy, not just the ones that involve imports and exports. In the Stolper-Samuelson view, every worker with the same skills gets paid the same wage. A worker's pay is based on how much they contribute to their job, not on where they work or what industry they work in. This is because the steelworker in Pennsylvania who loses his job because of foreign competition should move right away to a place where he can find a job, like Montana or Missouri, where he could work in a fish processing plant or making parts for fishing boats. After a short time, workers with the same abilities will be paid equally. If this were true, then the only fair thing to compare when studying how trade affects the economy would be the whole economy. We would not learn anything by comparing workers in Pennsylvania with workers in Missouri or Montana because they all make the same amount of money [1], [2].

So, if someone believes the theory, it's very hard to test because the only thing we can see is what happens in countries, and comparing countries can be tricky. However, as we've seen with people moving from one place to another, it's not easy for labor markets to change quickly. People don't change jobs even when the job market says they should, so wages stay different across the economy. In one country, there are many different economies. We can learn a lot by comparing them, as long as the trade policies that affect them are not all the same.

One young economist named Petia Topalova, who was studying for her PhD at MIT, decided to consider this idea seriously. She believed that people might be trapped in both a particular location and a specific type of job. She wrote a big report about what happened in India after they opened up trade in 1991. It was found that while we believed India was becoming more open, there were actually different changes in trade policy that affected different areas of the country. This happened because even though all the tariffs became similar in the end, some industries were more protected than others at the beginning. This means that some industries had much larger reductions in tariffs. Furthermore, India has more than six hundred areas that are very different in the types of businesses they have. Some countries have farms and fields, while others have factories that make steel or clothes. Because some industries did better than others, the changes in laws led to less taxes in certain areas. Topalova made a way to see how much each area in India was influenced by liberalization. For instance, if a place mostly made steel and other factory items, and their tax went down a lot, from almost all the way to 40 percent, we would say this place was really impacted by the changes. If another area only grew grains and oilseeds, and their tax didn't really change, it wasn't affected much [3], [4].

She used this way of knowing how much something is seen to see what happened before and after 1991. The percentage of people living in poverty went down very quickly in the 1990s and 2000s. In 1991, about 35 out of every 100 people were living in poverty, but by 2012, it had decreased to 15 out of every 100 people. However, in this positive situation, more openness to trade made the decrease in poverty happen at a slower pace. The Stolper-Samuelson theory says that more trade should help reduce poverty in a district. But actually, when a district had more trade, poverty went down more slowly. In another study, Topalova found that in places where there is more trade, the number of children working dropped less compared to other parts of the country.

Topalova always said she didn't want to say anyone was hurt by the trade changes. She found that some parts of the country were better at reducing poverty than others when she compared them. This is completely in line with the idea that as things became more liberal, everyone benefited, but some benefited more than others. Her research shows that inequality didn't rise in all of India, but it did go up more in the districts where trade had a bigger impact. In reality, areas that were already quite wealthy were the most affected by liberalization. Surprisingly, they did not do very well after liberalization, which decreased inequality across the whole country. In other studies, Topalova and her team showed that the Indian trade liberalization had some really good effects on the whole economy. For instance, companies in India had to find new places to sell their products, so they began making new items to sell in other countries. Furthermore, being able to bring in less expensive and higher quality materials, which were not available in India before, allowed them to create new items for both the local and global markets. This made them work better and, together with other changes made by the government in the early 1990s, helped the Indian economy grow quickly since the 1990s [5], [6].

However, it is clear why trade economists were worried about Topalova's paper. The traditional theory of trade says that trading helps resources move to where they are needed the most. Topalova's finding shows that resources do not move easily between areas that have more exposure and less exposure, like we said before. If this happened, everyone's pay would have been similar. And many other studies also found very little evidence of resources being moved around. And she isn't the only one who thinks this. But if we stop thinking that people and money will pursue opportunities, how can we still believe that trade is a good thing. If workers take a long time to travel from one area to another, they might also take a long time to switch between different types of jobs. This matches what we already know about job markets. In India, Topalova discovered that when trade rules were made more flexible, it made it harder for people to find work and for small businesses to survive. This meant that bigger companies could take over.

In developing countries, it is difficult for land to be bought or sold. Money that is invested in businesses or assets is not easily moved or withdrawn. Banks don't want to stop giving money to struggling companies, but they are also hesitant to give money to successful companies. This is because the people who decide who gets the money are scared of being blamed if the loan doesn't work out. The simplest way to avoid this is to not decide at all. Just approve whatever decision was made before and let someone else deal with the loans later. The only time banks give new loans to failing companies is when they hope the company's luck will turn around and they will be able to pay back their old loans. This is the problem in banking where banks give out more loans to cover the old ones, and it causes their financial situation to look good when it's getting worse. This is why many banks with good records suddenly realize they're in big trouble. Sticky lending means that struggling businesses are still able to get loans and stay in business when they should have closed. Also, it's difficult for new businesses to get money, especially when there's a lot of uncertainty, like during trade changes. This is because banks don't want to take on the risk of lending to new businesses.

Different kinds of difficulty in the situation make it seem likely that when a company faces more competition from other places, instead of accepting it and using their resources in the best way possible, they tend to stay in one place and hope the problem will fix itself. People are losing their jobs, those who are retiring are not being replaced, and wages are starting to go down. Business owners lose a lot of money, have to change their loan agreements, all to keep things as close as possible to how they were before. The industries that lose their protection will make less money, and everyone involved in those industries will suffer. This might seem too much, but Topalova sees something similar in the data from India. Firstly, very few people moved out of the areas that were impacted by liberalization. Even in one area, it took a long time for resources to be used by different types of businesses.

Even more surprising, this was also the case in companies. Lots of companies in India make more than one product. So, we would expect these companies to stop making products that are competing with cheaper imports and focus on making products that don't have as much competition. This can happen even in places where it's difficult to fire workers due to labor laws. However research by Topalova found that companies don't often stop selling products that are no longer needed. Maybe managers don't want to change because it costs a lot of money. They have to teach the workers new things, buy new machines, and set them up.

DISCUSSION

However, despite the obstacles within the country, resources were eventually able to be transported and sold to other countries. The success stories of East Asia are especially impressive, with a large portion of their success being attributed to their exports. Contrary to what President Trump and others say, it wasn't because wealthy countries were too welcoming. Wealthy countries have strict rules for things they import. The items must be safe for people to use, made in good working conditions, and not harm the environment. Some people say rules can stop things from being brought into a country. California avocado farmers convinced the government to not allow avocados from Mexico to be sold in the US from 1914 to 1997. This was about trying to stop pests from Mexico, even though Mexico is right next door and pests don't need visas to cross the border. In 1997, the national ban ended, but it continued in California until 2007. Recently, researchers discovered that during the 2008 crisis in the United States, the Food and Drug Administration started to reject more shipments of food from developing countries for safety reasons. This made it four times more expensive for exporters from those countries when their shipments were refused. Even though the quality of food from Mexico didn't change because of the crisis, the demand for avocados went down, so it was more important to keep them out to protect local growers. When times are tough, people want to protect their own businesses, and safety rules are sometimes used as a reason to do that [7], [8].

However, some of these rules also show what consumers really want. They want things to be safe, they care about the environment, and they want workers to be treated well. The Fairtrade brand is so popular that lots of people are happy to pay extra if they know the product meets certain environmental and ethical standards. And because of this, many famous brands now have higher quality standards than what is required by law. This makes it difficult for new countries to start exporting to them.

A brand name is valuable because it keeps other companies from competing. Because the buyers have more money than the producers, it's really important for the seller or intermediary to focus on making a good product instead of trying to lower the cost. It is difficult for a new company to sell products at a lower price than the current leader because the cost of the materials to make the product is only a small part of what the customer is willing to pay for a good product. Branding and distribution costs are usually much more expensive than manufacturing costs. The production cost of many items is only about 10-15 percent of the selling price. This means a producer who works very efficiently can't change the price of the product very much. Reducing how much it costs to make the product by 50% will only make the price that the buyer pays for it go down by about 7. 5%That could still be a lot of money, but as many studies have shown, buyers care more about changes that are in proportion to the original amount. In a study, one group was asked if they would drive for 20 minutes to save $5 on a $15 calculator, and another group was asked if they would do the same for a $125 calculator. Twenty minutes is still twenty minutes, and $5 is still $5, but the results were very different: 68% of people were willing to make an extra trip to save $5 on a $15 calculator; only 29% were willing to do the same when the calculator cost $125. This is because $5 is a much smaller portion of $125 than it is of $15, and that's why people are more willing to make the effort to save $5 on a cheaper item. Most people probably won't change where they buy things to save 7. 5

This means that prices in China can go up a lot and people might not realize it. Furthermore, there is no cause for these prices to go up a lot shortly. China is a large country with many poor people who are willing to work for low wages, so things will be cheap. Countries like Vietnam and Bangladesh want to be the next China and make a lot of cheap things for the world. But it might take them a long time to do that. It's scary to think about how long Liberia, Haiti, and the Democratic Republic of the Congo will have to wait before they can be as successful as Bangladesh and Vietnam. Reputation is really important in international trade. It's not only about having good prices, good ideas, low tariffs, and cheap transportation. It is hard for a new player to enter and be successful in a market because they don't have a good reputation yet. The combination of labor stubbornness and the ease of movement of people and money, which free trade is supposed to use for benefit, does not work as well in reality as the Stolper-Samuelson thesis suggests [9], [10].

The Company

For a new country trying to join in, it's not just your name that matters, which makes things even more difficult. Japanese cars are made well, Italian cars look good, and German cars are fun to drive. A new Japanese company, like Mitsubishi when it first started selling cars in the US in 1982, likely got a big boost from other well-known Japanese brands. On the other hand, customers probably won't want to test a car made in Bangladesh or Burundi, even if it's made well, cheap, and has good reviews. God knows they will be curious about what could go wrong in the future. And they might be correct. It might take a long time to make cars for the local market to learn how to make a good car. This is how Toyota, Nissan, and Honda began. However, when we are suspicious of new people, it can end up making them act in ways that fulfill our suspicions. If hardly anyone buys the car, the company will fail and they will stop giving customer service. If people think Egyptian rugs will lose their color and not be worth much, then it won't be worth it for Egyptian business owners to spend money to make better rugs. It's a bad cycle. It's tough to beat the problem of having low expectations. Even if a company sells really good products, some very negative people will think that the product will get worse over time. It can be really helpful to have the right connections. Someone who knows you well and can support you. Ethnic Indians and Chinese who lived and worked in Western countries were influential in their home countries when they went back. They used their good name and the business cards they gathered to promise buyers that everything would be fine. The success of some people can start a good pattern of more success. Customers usually go to companies that have had a big success, because they feel more confident when they see that other people have also been buying from them. Many young sellers, when they get an order, see it as their opportunity to change things and will do their best to deliver well [11], [12].

For instance, in Kenya, farmers work with middlemen to sell their roses to Europe. Neither the person buying nor selling in this industry can only use formal agreements to make sure people do the right thing. Roses can go bad quickly, so if someone gets a delivery of roses, they could say the roses are not good and don't want to pay for them. However, the seller might say that the buyer ruined the roses on purpose to avoid paying for them. This means it's important to be known as someone people can trust. During a time of trouble in Kenya after the election in 2007, new producers worked hard to keep selling their products, even though it was hard to find workers and transportation was risky. Some people even paid for people with guns to protect their roses when they were being delivered. The customers were happy and the flower market in Kenya continued to do well despite the trouble.

Of course, even doing desperate things may not always protect you. The industry's reputation is important, and just a few bad people can make the whole industry look bad. Governments know this, so they have tried to punish producers who make poor quality products. In 2017, the Chinese government decided to increase these penalties. Huang Guoliang, who is in charge of making sure products are good, said in China Daily that the current rules for punishing people who break product quality laws are not strict enough. He thinks that if there were tougher consequences for breaking the law, it would stop people from doing it.

In an ideal situation, companies in the same industry are located close to each other and all benefit from the good reputation of the group. This helps them to thrive in the business world. Tirupur in India has had knitwear factories since 1925. In the 1960s and 1970s, the industry grew and mainly made white cotton tank tops worn by Indian men under their shirts. In 1978, an Italian clothes buyer named Mr. [Name] Verona really needed a lot of white T-shirts. The group of clothing manufacturers in Mumbai told him to go to Tirupur. He liked the first batch and wanted to buy more. In 1981, the first big European store, C&A, came to Tirupur. Until 1985, the exports were only $1.5. Then they grew rapidly. In 1990, Tirupur's exports were worth more than $142 million. The highest amount of exports was $1. 3 billion in 2016. But now, the industry is feeling a lot of competition from China, Vietnam, and other new businesses in the market. China has many big groups of factories that make specific things. For instance, in Huzhou, the Zhili cluster has over 10,000 businesses making kids' clothes and hiring 300,000 workers. In 2012, it made up 40 percent of the money made in its area. The United States also has groups of things, some are more famous than others. Boston has a group of biotech companies all in one area. Carlsbad, which is close to Los Angeles, is known for making golf equipment, and Michigan is famous for making clocks.

The way clothes are made in Tirupur shows how important a brand name is. The industry is set up for jobbers, who are subcontractors that handle different parts of making a product, or even do everything for part of an order. The jobbers are the people who are not noticed or seen by others. Buyers work with fewer well-known people who place orders and then give them to the jobbers. This way of making things lets us produce a lot of stuff even if we don't have enough money to build a huge factory. Everyone puts in what they can, and then lets the middlemen figure things out. This is another reason why the industry should be grouped together.

A lot of big groups that sell things in developing countries work the same way. If one group has a good reputation, it helps other groups in the area find work too. Middlemen, like Hamis Carpets in Egypt or sellers in Tirupur, help connect with foreign buyers. They have a lot to lose if any of the workers make mistakes, so they make sure to check the quality of their work carefully. And even though it can be painful while new things are being learned, like what happened to Hamis, the final results will likely be good. This system might be changing. Amazon and Alibaba help individual sellers build their reputations on their websites instead of relying on middlemen. This means sellers don't need approval from a middleman and they have to pay for this service. This is a big part of how these companies make money. This is why, after you get a package from Amazon, the sellers keep asking you for feedback. They are selling you socks or toys for a very cheap price because they want to get good ratings. They hope that someday they will have a lot of people watching and their ratings will be high, so they can ask for a high price. It will take a while for the new marketplaces to prove that they can be trusted to provide high-quality products. It's really hard for a small producer in a poor country to sell their goods internationally, even if they have a great product and low prices until they are successful.

The Italian revolutionary thinker, Antonio Gramsci, once said that when change is happening, there are a lot of problems in society. He might have been writing about the world after it became more free. As we noticed, there are many important reasons why it is difficult for resources to move, especially in countries that are still growing, and it is hard to sell things to other countries. This means that opening up trade in any country may not always be as successful as economists suggest. In countries with a lot of workers, wages could decrease instead of increase because it takes time for things like money, land, managers, business owners, and other workers to move from one job to another. This can happen even though workers should be getting benefits from trade. If old industries keep using machines, money, and workers, there won't be enough resources for new industries that could export goods. In India, the 1991 liberalization did not cause a big and sudden increase in the amount of goods being brought in and sent out of the country. From 1990 to 1992, the openness ratio went up a little, from 15.7 percent to 18. However, both bringing goods into the country and sending goods out of the country increased in the end, and now India is more open than China or the United States.

Resources were shifted and new things began to be made. Because current producers could easily import what they needed, they were able to make better quality products that sold well outside of their country. The software industry was able to bring in the hardware they needed easily, and they sold a lot of software to other countries. Indian companies quickly started buying products from other countries when they became less expensive. Furthermore, they also started selling new types of products to make use of the cheaper imports. But it took a while.

Some evidence suggests that the fastest way to make this process go faster is to use policies that encourage exporters to sell more. Many East Asian countries like Japan, Korea, Taiwan, and China have used strategies to help businesses that sell products to other countries grow quickly. Many people think that China kept its money value lower on purpose in the 2000s.

They did this by selling their own money and buying other countries' money to make their products cheaper than products sold in dollars. In 2010, Paul Krugman said that China's exchange rate policy was the most harmful policy ever followed by a big country. It was not cheap: China already had $2. 4 trillion in reserves and added $30 billion to it every month. Because Chinese people are good at selling things and don't spend a lot of money, China tends to sell more than it buys. This should make the value of Chinese money go up and slow down the growth of exports. The rule stopped this from happening.

Did helping export businesses make the economy better? It might have helped them make more money in their currency. This helped them to keep the price of their exports low, so more people from other countries wanted to buy Chinese products and it made Chinese products well-known. It also helped the people who sell things to other countries get more money to invest and hire more people to work for them. However, Chinese consumers had to pay for those expensive imports. It's hard to say what would have happened if the policy wasn't put in place. The Chinese government also made rules that helped companies sell products to other countries. China stayed competitive even after it stopped controlling its currency after 2010. Secondly, if companies that sell things in other countries grew less quickly, then the market in our own country could have grown faster and used up the extra stuff. China only exports about one-fifth of the things it makes, and the rest is used within the country.

Even if exporting helped China, it probably won't work for many other countries anytime soon. The issue partly lies with China. Its success and huge size make it difficult for others to do well. The process of building a good reputation, having the right connections, and getting lucky breaks is very delicate. This makes us wonder if it's a good idea for poor countries to try to enter international trade.

CONCLUSION

The difficulties of testing trade theories by looking at different economic regions shows how complex and detailed the effects of trade policies can be. The usual idea that resources can easily be moved between different areas is being questioned by studies based on Petia Topalova's work in India. The results show that it's important to think about differences between regions, how hard it is for workers to change jobs, and barriers within a country when looking at what happens when trade rules are relaxed. The study shows that not everyone in the economy benefits from trade in the same way, which goes against what traditional trade theories say. Differences in the economy in different regions of a country show that one-size-fits-all trade policies don't work. The slow movement of workers and resources in job markets shows that we need to understand trade policies more carefully. The surprising and sometimes opposite results seen in various places after trade opens up need us to think again about what we thought we knew. Economists like Petia Topalova face rejection and criticism, even though they have made important contributions. This shows that people don't like to change old trade ideas. However, trying to better understand the differences in regional economies helps us understand how trade policies affect the economy.

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CHAPTER 6

TRADE CHALLENGES AND ECONOMIC DISLOCATION: LESSONS FROM GLOBAL ECONOMIC VARIATION AND REGIONAL IMPACT

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ABSTRACT:

The examination extends beyond economic models, incorporating real-world examples from the United States, India, and China to illustrate the geographical concentration of trade-related dislocations. The article scrutinizes the implications of the China shock on US commuting zones, revealing stark variations in economic outcomes based on the specific industries prevalent in each region. The analysis underscores the phenomenon of economic clustering and its potential negative effects, emphasizing the need for proactive interventions when industrial clusters unravel. Moreover, the study explores the inadequacy of existing policies, such as the Trade Adjustment Assistance program, in fully compensating and facilitating the transition for affected workers. The findings also shed light on the role of partisan politics and broader societal challenges in exacerbating the negative consequences of trade dislocations. As the article concludes, it questions the efficacy of protectionist measures like tariffs in addressing the multifaceted issues arising from trade-related disruptions. Ultimately, the research advocates for targeted interventions that address the specific needs of affected communities, urging a comprehensive and nuanced approach to navigate the intricate landscape of global trade challenges.

KEYWORDS:

Economic Divergence, Globalization, Income Disparities, International Trade, Macroeconomic Trends, Multinational Corporations, Regional Development.

INTRODUCTION

Please simplify the text that you want me to rewrite. Thank unsure, could you please provide the text you'd like me to simplify. Vance wrote a book in 2016 called Hillbilly Elegy that talks about the struggles of the people who have been left behind in America. But when you read it, you can tell that the author isn't sure how much the victims are to blame. The economy in the area where the book takes place got weaker because of trading with China. The Stolper-Samuelson theorem says that in wealthy countries, workers are the ones who are hurt, so it's not surprising that poor people are suffering. It is surprising how the suffering is mostly happening in specific areas. People who have been left behind live in places that have also been left behind. Petia Topalova studied how trade opening affected India's regions, and then David Autor, David Dorn, and Gordon Hanson did a similar study in the United States. China mostly sells a lot of manufactured products to other countries, and they focus on making specific types of products within manufacturing. For instance, in the clothing industry, China sells a lot of women's non-sports shoes and waterproof outerwear in the US. But they don't sell much coated fabrics from China [1], [2].

From 1991 to 2013, the United States was greatly affected by increased trade with China. China's share of global manufacturing exports went up from 2. 3 percent to 18. 8 percent during this time. To study how the job market is affected, Autor, Dorn, and Hanson made a measure showing how much each area in the US is affected by competition from China. The index says that if China sells a lot of a product to countries other than the US, then the areas in the US that make that product will suffer more than areas that make other products. For instance, after China joined the WTO, the production of women's non-sports shoes grew very fast in China. This had a bigger impact on areas that made a lot of shoes in 1990 compared to areas that mostly made coated fabrics, which China didn't make as much of. The China shock index shows how much a region's industries might be affected by China's strong influence. It looks at different types of products and how much China imports them to the EU.

Different areas in the US had very different outcomes based on what they were specialized in producing. Areas that were hit the hardest by competition from China saw a big decrease in the number of manufacturing jobs. Even more surprising, people didn't start doing different kinds of jobs. More jobs were lost overall than just in the affected industries, and it was seldom fewer. This is probably happening because of the way things group together like we discussed. People who lost their jobs had to spend less money, which made the economy in the area even weaker. Non-manufacturing jobs did not increase. If it happened, we would have seen more jobs in service industries in the areas that were hit the hardest. Actually, workers with less skills had less job opportunities in areas where manufacturing jobs were affected compared to other areas. Salaries also went down in these places compared to the rest of the country, especially for people who earn less money [3], [4].

Even though nearby areas were not really affected, the workers didn't relocate. The number of people who can work did not decrease in the areas where commuting was affected. They didn't have any job. This happens in other countries too, not just the United States. Spain, Norway, and Germany all had similar problems because of the impact of the China shock. In every situation, the struggling economy turned into a difficult situation. The problem got worse because industries were all grouped together. As we have seen, there are many reasons for industries to cluster together, but one bad thing that could happen is when a big change in trade hits the area hard and affects all the companies there. In just one year, from October 2016 to October 2017, the amount of T-shirts exported from Tirupur, India went down by 41 percent.

This can start a bad situation. People who have lost their jobs are not shopping and eating out as much in their local area. Their houses can lose value, sometimes by a lot, because the value of my house is connected to how well your house is kept. When most of an area gets worse, everyone in that area suffers. People who have lost a lot of money in their homes cannot borrow as much money or refinance their mortgage, which makes them spend less money. This affects the stores and the restaurants, and some of them have to shut down. Losing these things like parks and good neighborhoods, and the big drop in money for the city to provide water, schools, and roads can make a place so bad that it's hard to make it better again. No new company will want to go there to replace the ones that are closed.

This idea works for manufacturing groups in the United States, India, and China. Tennessee had many factories making things like furniture and clothes that were similar to what China makes. The shutting down of these companies has caused many towns to become abandoned and empty. Bruceton, Tennessee was in a story in the Atlantic magazine, and it had a factory owned by Henry I. The Siegel Company. At its highest point, H. ISThey produced jeans and suits in three big factories and had 1,700 people working there. It started slowing down in the 1990s. In 2000, it stopped employing its last fifty-five workers. Later, as reported in the Atlantic article, the town has had a hard time figuring out how to stay alive. The three big H. ISThe buildings in the town have no plants, their windows are broken, and their paint is coming off. Some new factories started, but then they closed down. One after another, the shops on the main streets of Bruceton and nearby town Hollow Rock have shut down, turning them into ghost towns. In downtown Bruceton, the bank, supermarket, and fashion store are no longer there. There's now a parking lot where the second supermarket used to be. The only thing left is a drugstore where older people go to get their medicine. The town next to McKenzie had a pajama factory and a shoe company that closed down in the 1990s. It is still trying to persuade new companies to come. When the town finds out a new factory wants to move there, city workers call the person making the decision and try to convince them to choose the town. They have gotten some attention, but no one has agreed to take it yet. The Atlantic article continues: Holland thinks one reason they may not be getting customers is because the town's Main Street looks sad. A company was planning to move to McKenzie, but when the bosses saw a lot of closed shops on Main Street, they didn't want to live there. They thought the town looked really bad, like a bomb had exploded, so they didn't even consider it again. This doesn't mean we should stop clustering, because it can bring big benefits. But we need to be ready to handle things if the cluster breaks apart [5], [6].

Even though they thought the market would help people affected by trade more than it actually did, trade experts always knew that some people would be harmed. They always say that because many people benefit, we should be ready to help those who are hurt. Autor, Dorn, and Hanson studied how much the government helped the areas that were hurt by trade with China. They discovered that they got a bit more money from public programs, but it wasn't enough to make up for the money they lost. For instance, when comparing the people living in the areas with the most commuting problems to those in the areas with the least problems, the average income of adults went down by $549 more in the more affected areas. But government welfare payments only went up by about $58 per adult. Plus, the types of money given to the workers may have made their situations worse after losing their jobs. Basically, the main program that helps people who have lost their jobs because of trade is called the Trade Adjustment Assistance program. Under the TAA, if a worker is eligible, they can continue to get unemployment benefits for up to three years if they are getting training to work in different kinds of jobs. They can get money to move, find a job, or get medical help. TAA has been around since 1974, but it only gave a very small amount of money to the countries that needed help. Out of the $58 that was sent to the regions with the most problems, only twenty-three extra cents came from TAA. Many workers who lost their jobs due to trade ended up getting disability insurance. Out of every ten workers, one of them got disability insurance.

The big rise in disability insurance is worrying. Trade probably did not have a direct impact on the workers' physical health because the most physically demanding jobs were the ones that usually went away. Some workers felt very sad, while others had to get disability insurance to stay alive. Unfortunately, once you start receiving disability benefits, it's hard to go back to work. For instance, a study on a program for veterans found that when diabetes was accepted as a reason for disability due to exposure to Agent Orange, 18 out of 100 veterans quit working for good after joining the disability program. In the United States, people who are labeled as disabled are less likely to find jobs, so they usually stay on disability support for a long time. Losing a job and having to rely on disability payments to survive may cause some people to give up looking for work altogether. For people who have to depend on disability benefits to get by, being labeled as disabled feels like adding more problems to their already difficult situation. When people who have done hard physical work all their lives go on disability, they not only lose their job, but also the respect they deserve. The United States did not give enough money to the workers who lost their jobs, and the help they did get made them feel bad.

Partisan politics has been a part of causing this disaster. When someone who doesn't have a job needs healthcare, they were supposed to be able to get it through Obamacare. Sadly, some Republican states, such as Kansas, Mississippi, Missouri, and Nebraska, chose to resist the federal government by not allowing their citizens to have this choice. This made some people apply to be considered disabled so they could get healthcare. After the Affordable Care Act was adopted, there was a 1 percent increase in disability claims in states that didn't expand Medicaid, but a 3 percent decrease in states that did expand Medicaid. However, there are underlying reasons for this. American politicians are hesitant to give money to certain industries, and that's why the TAA program is still small. Economists usually do not support policies that focus on specific locations. Enrico Moretti, a few economists, has studied these policies and strongly dislikes them. For him, giving money to areas that are not doing well is like wasting money. Declining towns should get smaller as new ones grow in their place. This is how things happened in the past. Public policy should help people move to future places [7], [8].

This analysis doesn't seem to take the facts on the ground seriously enough. We know that clusters form and break apart quickly for the same reasons. In theory, many people should leave when things start changing, but as we have seen, they don't. Not nearly fast enough. Instead, when their area was affected by the China shock, fewer people got married, fewer had children, and more children were born to unmarried parents. Young men, especially young white men, were not as likely to finish college. "Deaths from drug overdoses, alcohol poisoning, and suicides have gone way up. This used to be a big problem in African American neighborhoods in the cities, but now it's happening in white suburbs and industrial towns on the East Coast and in the Midwest too. "Much of this harm cannot be undone, at least for now. Children who have left school, those who have problems with drugs and alcohol, and those who don't have a mother or father are missing out on opportunities for their future. Forever

Donald Trump thought that tariffs would fix the problem of trade causing harm. He was happy about a trade war. It began in early 2018, when new taxes were put on aluminum and steel. Trump said he will put taxes on $50 billion of things from China. China did the same thing back. Then Trump said he might tax $100 billion more. The stock market went down when the announcement was made, but many Americans, both Democrats and Republicans, feel that we should stop doing business with China and protect our economy. At the same time, the economists were very excited and moving around a lot. They brought up the memory of the "worst ever tariff," the Smoot-Hawley Tariff Act. This tariff caused a global trade war in 1930 by putting taxes on twenty thousand things brought into the United States. The Smoot-Hawley bill came out around the same time as the Great Depression. It may have made the depression worse, and it definitely made high tariffs look bad. The belief that trading more is a good thing is strongly held by anyone who studied economics in graduate school. In May 1930, more than a thousand economists wrote a letter to President Hoover asking him not to approve the Smoot-Hawley bill. But there's something else that economists know but usually don't talk about: the overall benefits from trading, for a big country like the United States, are actually not very big. If the US stopped trading with other countries, it would become poorer. Not a lot more poor. Arnaud Costinot and Andrés Rodríguez-Clare became well known among economists for making that point. In March 2018, they published a new article called "The US Gains from Trade," which began with an accurate first paragraph.

About 8 cents out of every dollar spent in the United States goes towards buying things from other countries. What if the goods stayed on the other side of the US border because of a wall or other strict policy? How much would people in the US pay to stop this from happening. The answer shows how much people would benefit from trade. This article is based on the research they have been working on for many years, with other people, and also on many years of research in trade. The most important thing to remember is that the benefits of trade are based on how much we bring in from other countries and how much it costs to do so. This includes things like taxes, shipping costs, and other expenses related to international trade. If we don't bring anything in, it doesn't matter if we build a wall and stop bringing things in. Secondly, if we buy a lot from other countries but stop when the prices go up a little, it must mean we have many similar things available at home, so we don't really need to import so much.

DISCUSSION

Expanding on this idea, we can figure out how trade can benefit us. If the United States only brought in bananas and made apples, it would be pretty simple. We can see how many bananas people eat, and if they are willing to eat more bananas and less apples if the prices change. Actually, the United States imports a lot of different products from all over the world. To figure out the impact of tariffs, we would need to know how the prices of all these products are related to each other. This would be very difficult to do because there are so many different products. We don't actually need to look at each product one by one. We can come pretty close to the truth by thinking that all imports are one type of thing that is either used directly or as parts for making things in the US.

To get the most benefits from trade, we need to understand how much trade costs affect the things we import. If they are easily upset, it means we can easily make our own things instead of buying them from other countries, so trading with other countries is not very important. However, if the price stays the same while the costs change, it means we really enjoy what we purchase from other countries, and trade improves our well-being greatly. We have to guess here because we are talking about something that doesn't really exist. It's a mix of many different products. The authors show the results for different situations. In some cases, it's easy to replace imported goods with local ones, and in other cases, it's hard to do so [9], [10].

Costinot and Rodríguez-Clare believe that trade brings about a 2.5 percent increase in the country's total economic output. This is really not much. The US economy grew by 2.3 percent in 2017. This means that if the economy continues to grow at this rate, the US could become self-sufficient forever. But there might be mistakes in their calculations. We can disagree about the little things, but the overall size of the growth should be accurate. In other words, even though the US trades with other countries, it doesn't import as much as most other countries do. So, the United States doesn't benefit a lot from trading with other countries. Belgium is a small country that buys a lot of things from other countries, so its trade is very important to its economy.

This is not very surprising. The US economy is big and has many different types of businesses. It can make a lot of the things that people in the US need. Also, a large amount of what people consume are services that are not usually exchanged between countries. Even when people buy things made in factories, they also rely on local services. When we buy an iPhone made in China, we also pay for the design from the US and for advertising and marketing done locally. The phone is sold in nice-looking Apple stores that were built by local companies and are staffed by local people who love technology.

We should not copy the US example without thinking about it carefully. Big countries like the US and China are really good at making things efficiently because they have the money and the ability to do so in different parts of the country. Also, their local markets are big enough to use the products from many factories in different areas that are operating at the right size. They wouldn't lose much by not trading. Smaller and poorer countries, like those in Africa, Southeast Asia, or southeastern Europe, rely a lot on international trade. There are not many skilled workers or money available, and there aren't enough people in the country wanting to buy steel or cars because they don't have much money and the population is small. This makes it hard to produce these things in large quantities. "Sadly, the countries that have the most difficulties in joining the global market.

However, bigger developing countries like India, China, Nigeria, or Indonesia, often face internal integration issues. Many poor countries have a problem with not being well connected internally. Close to one billion people around the world live far away from a road that is paved and are not close to a train line. Internal disagreements or conflicts can also contribute to the problem. China has really good roads, but the different areas in China are making it difficult for companies in their own country to bring in goods from other parts of China. Before, each state in India could decide how much tax to charge on things people buy. They would sometimes charge less tax for things made in their own state. But now, all states charge the same amount of tax. However, maybe the concept of comparative advantage is not as important as people think, and small countries can be self-sufficient. Or to take it a step further, maybe every group can make the things it needs.

This idea has been around for a long time and is somewhat notorious. During the Great Leap Forward in China, Chairman Mao said that every village could become industrialized and make steel in backyard furnaces. The project didn't succeed, and the peasants destroyed their pots, pans, and plowshares to make steel like the chairman wanted. They stopped working on their fields, and their crops went bad. Many people who study China believe this might have caused the Great Chinese Famine of 1958-1960, when more than thirty million people died. Gandhi believed in the idea of villages being able to support themselves without depending on others. His idea of a society living in simple homes and depending on farming had a lasting impact on India's economic policies after gaining independence. Up until 2002, India had a policy that allowed small companies in villages to make and sell 799 different types of products like pickles, fountain pens, dyes, and clothing. But the WTO made India stop this policy. The issue is that small things are not pretty. Businesses need to have a certain size in order to hire workers with specific skills or use advanced machines that can get a lot of work done. In the early 1980s, Abhijit's mom, Nirmala Banerjee, who was an economist with strong left-wing beliefs, studied small businesses in and around Kolkata. She was surprised to find out that they were not very productive. Later on, further evidence showed that she was right. In India, small companies are not as efficient as big ones.

But companies can only be big if there are a lot of customers to buy their products. In 1776, Adam Smith said that the amount of work people can do is influenced by how many people want to buy the things they make. This is why trading things is important. Communities that are far away from other places cannot have successful businesses. Certainly, connecting the country with railroads has greatly changed many economies. In India, from 1853 to 1930, the British government built almost 42,000 miles of railroad. Before trains were used, things were moved by animals on rough roads, and they could only go about twenty miles a day. Trains could move these things nearly 400 miles in a day, for less money, and with less chance of them getting ruined. The areas in the middle of the country that were almost completely separated from the rest of the country are now connected. The train tracks made it much cheaper to trade goods. It cost almost two and a half times more to travel one mile on roads than on railroads. Railways connected places and made trading easier. As a result, areas with train lines became wealthier and had 16 percent more agricultural production compared to areas without train lines [11], [12].

The United States also used railroads to connect its large country around the same time. Although some people disagree about how important railroads were for the US economy, new research shows that without railroads, farmland would have been worth a lot less - 64% less. The land prices show how much money farmers could make by being connected to other counties. And the profits mostly came from each region focusing on what they were best at. From 1890 to 1997, farming focused more on specific areas. Farmers started growing the best crop for each field, which increased how much food they could grow and how much money they made.

Lack of working well together inside a country makes it hard to benefit from trading with other countries. This can harm regular people and make trade end up hurting them instead of helping. Poor quality roads make people not want to work in cities. In India, the dirt roads that connect villages to main roads make it hard for people in rural areas to find work outside of farming. Rough roads make goods more expensive for people in faraway villages, so they don't get many advantages from trading with other countries. In Nigeria and Ethiopia, when things from other countries get to those small towns, they cost too much for people to buy. Sometimes they don't even make it to the towns at all. Lack of good transportation makes it harder to save money by using cheap labor. Connections inside a country need to get better for different countries to work together and be helpful. The examples and studies in this book are based on the latest research done by important economics departments. However, the main ideas might go against what most people have believed for a long time. Every economics student knows that trade can have big benefits for everyone, and that we can make sure everyone is better off if we share those benefits. But there are also some not-so-great things we need to learn from this.

First, the benefits of trading with other countries are not very big for a big economy like the United States. Also, while smaller and poorer countries could gain a lot, there is no easy solution. Just like we learned about migration, simply opening a border is not enough to make everyone move. Similarly, getting rid of trade barriers is not enough to guarantee that new countries can be part of the trade. Saying that trade is free will not solve all development problems. Thirdly, it has been really hard to share the benefits of trade fairly, and people who have been hurt by trade are still feeling a lot of pain.

When goods, people, ideas, and cultures were shared, it made the world richer. Some people who had the right skills or ideas became very rich by using their talents on a global level. Overall, the experience has been both good and bad. People lost their jobs and new ones were not found for them. Increasingly, people have more money to spend on services like cooking, driving, gardening, and childcare. However, trade has also made the job market unpredictable, with jobs disappearing and reappearing in different places. The benefits and problems are not evenly shared and they are causing a lot of trouble for us. They also play a big role in our political debates along with migration.

Do taxes on imported goods that protect a country’s economy work. NoBringing back tariffs now won't help most Americans. The reason is simple: one of the main things we've been saying is that we need to be concerned about changes. Lots of people who were forced to leave their homes because of the changes in China's economy never got better. The economy was not flexible, so they couldn't find new jobs in different areas. And the resources they needed to start over didn't come to them. Stopping trade with China will cause problems for other countries that we may not have thought about yet. Some of these countries are doing well now, but they could suffer if trade with China stops. China put taxes on 128 products in March and April 2018. Most of these were related to farming. Instead of using apps. The amount of farm products that the US sells to other countries has been increasing steadily for the past few decades. Today, one out of every five things grown on American farms is sold to other countries. The main place we send our products is East Asia. China buys 16 out of every 100 US farm products.

A trade war with China will probably cause people to lose their jobs in farming and the businesses that help it. The US Department of Agriculture says that in 2016, selling agricultural products to other countries created more than a million jobs in the United States. Most of these jobs were outside of farming. The states with the most people working in farming are California, Iowa, Louisiana, Alabama, and Florida. Just like people in Pennsylvania who lost their factory jobs couldn't find new jobs close by, the farming jobs in the area won't be replaced by factory jobs either. We have seen that when people lost their jobs in factories, they didn't move to find new ones. So, it's likely that farm workers won't move either if they lose their jobs. Alabama and Louisiana are two of the poorest states in the United States. A trade war would make them even worse off. A trade war would not be so bad for the United States. But although it may keep some steel jobs, it could also create big problems for other jobs. The economy in the United States will be okay. Hundreds of thousands of people will say no.

Trade causes more people to lose than the Stopler-Samuelson theory predicts. So, a solution should help the losers find new jobs, or compensate them better. A good thing about trade's bad impact being in one place is that we can find the people who are hurt by it. Why not give some help directly to the workers in industries that were hurt by competition from China. That's what the Trade Adjustment Assistance program was designed to do. The TAA helps pay for training, and workers who complete the training can get up to three years of unemployment benefits to help them find a new job. The only issue is that the program is still very small. Unfortunately, this wasn't because TAA didn't work; it just didn't have enough money. To join the program, a worker needs to ask the Department of Labor. A caseworker is given the worker's information and needs to figure out if their previous job disappeared because of competition from other countries, companies moving jobs overseas, or the negative effects of trade on other companies that the worker's former company did business with.

This decision is not easy to make. Some caseworkers are more likely to help workers and give them aid than others. One study says that the decision made by a caseworker on a petition is almost random because they are just assigned to cases without a specific reason. It looks at 300,000 requests with different workers to see who is more or less strict. Employees with more relaxed caseworkers have a better chance of getting the TAA and are more likely to be trained, change jobs, and make more money. In the beginning, workers who got help from TAA had to give up $10,000 in pay. The government paid for their training. But after ten years, the trained worker earned $50,000 more than the untrained worker. It took ten years for the salaries of the workers who got more training to become the same as the salaries of the workers who did not get extra training.

Why did the TAA program not get enough money and people using it. One reason is because not many people knew it actually helped until a recent study showed it did. This may show that trade economists are not very interested in these policies. Economists don't like programs that rely too much on personal decisions because they are concerned about possible misuse of the system. In politics, spending a lot of money on trade adjustment would have shown that trade adjustment costs are actually very high, and this may not have been obvious before.

One way that is easy to see is to make a program like TAA bigger and easier to get for people. For instance, the improved TAA could be based on the GI bill, providing enough money for people who have been affected by significant changes in their trade to start a new education. The GI Bill gives veterans up to three years of education benefits and pays for tuition at public schools. It also gives some money for housing. The new TAA could be something like that, plus extra unemployment insurance while a person is in school. Because we know that trade disruptions can have a big impact on local areas, the TAA may need to give more help to places that have been hit hard by trade problems. This could help prevent the job market in those areas from getting worse.

In general, a lot of the difficulties from trade come from the fact that people and resources can't move around easily. Goods can move freely between countries, but they can't move around as easily within a country. We talked about ways to help people move within the country and fit in well, which would make it easier for them to deal with changes in trade. However, it is also obvious that moving to a new job, whether forced or not, may not be the best choice for every worker. Some people may not want or be able to be trained again. Others may not want to change their job, especially if it means moving to a new place. This could be particularly true for older employees. It might be hard for them to learn new skills, and they might have a harder time than younger people finding a new job. A research study showed that older workers have a hard time finding a new job after many people were laid off. Men and women who lost their job in a big layoff at age fifty-five were at least twenty percent more likely to be unemployed two or four years later. This kind of job loss also has a lasting effect on younger workers, but it isn't as big.

Workers who are older and lose their jobs are often ones who have been working at the same job for a long time. They feel proud of the work they do and it gives them a sense of who they are in their community. It's hard to make up for it by inviting them to learn a completely new skill. Why don't we help businesses hurt by trade by giving them money, as long as they continue to hire older workers. Larry Summers and Edward Glaeser suggest reducing payroll taxes in certain places. A lower tax could help, but it might not be enough to make a company want to keep its workers if it's not doing well compared to other companies. If we focus on certain industries and locations and only include people who are already working and are 55-62 years old, we can give each person more money. This might even make up for the cost of hiring a full-time worker. This might not help every company, but it could save a lot of jobs, keep communities together, and help us move towards a new way of doing things. The best way to pay for this is to use money from taxes that everyone pays. We should all chip in to pay for the cost of trade as long as we all benefit from it. It doesn't make sense to tell farmers to lose their jobs so steelworkers can keep their jobs. That's what tariffs do. Of course, the plan has some problems that may be hard to solve. Companies that would be impacted by the rules would have to be found, and they will definitely try to influence the rules or find ways around them. The proposal could be seen as a way to protect trade, but it may break the rules of the WTO. But these problems could be fixed. The TAA program already agrees with the idea of finding companies that have been affected by trade problems. They have a process for deciding on claims. To prevent people from losing their jobs because of new technology, the rule could be widened.

The main message is that we must deal with the discomfort that comes with making changes, moving, and rethinking what a good life and job look like. Economists and government leaders were surprised by the strong opposition to free trade, even though they have known for a long time that workers in wealthy countries would probably be hurt by trade, while workers in poor countries would likely benefit from it. They thought that workers could easily change jobs or move to new places. If they couldn't do that, they thought it was their fault. This belief has influenced how society makes rules, and has caused a fight between the people who are not winning and everyone else, which we see happening today.

CONCLUSION

Trade problems and economic changes shows a complex situation created by differences in the world economy and regional effects. The research was inspired by the impact of the "China shock," showing that simple trade theories aren't enough to understand the real-world effects. The differences in different areas of the United States, India, and China show how economic problems are clustered in certain places. This shows that we need to really understand how trade affects different industries and communities. Economic clustering is when a lot of businesses in one area are affected by big changes in trade. It can have a really strong impact on an entire region and the different industries there. The breaking apart of industrial groups is a big problem because it could lead to less jobs, people spending less money, and fewer things to do in the community. Current policies like the Trade Adjustment Assistance program are not enough to fully help people who are affected by disruptions caused by trade. The study shows that it's hard to help workers who have lost their jobs find new ones, and that the money they get doesn't always help enough. When political parties and social factors get involved, things get even more complicated, making the bad stuff even worse.

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CHAPTER 7

SOCIETAL NORMS: UNDERSTANDING PREFERENCES, COLLECTIVE ACTION, AND THE STRUGGLE FOR INDIVIDUAL RIGHTS

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ABSTRACT:
The intricate dynamics of societal norms, shedding light on the formation of individual preferences and the collective actions that uphold or challenge established norms. From economic choices to discriminatory practices based on race and caste, the narrative navigates through the complexities of human behavior. Drawing on insights from economics, sociology, and political science, the discussion challenges the conventional wisdom that preferences are immune to external influences. It explores the rationality behind seemingly irrational choices, from fads to adherence to social norms. The interplay between individual preferences and collective action is examined, unraveling the mechanisms that sustain or disrupt societal norms. Additionally, the tension between individual rights and community control takes center stage, exemplified through historical and contemporary struggles. As societies grapple with evolving norms, the study emphasizes the need for a nuanced understanding of preferences and collective behavior to address the challenges of discrimination, inequality, and the preservation of individual rights.

KEYWORDS:

Civil Liberties, Collective Action, Democracy, Human Rights, Individual Preferences, Legal Framework.

INTRODUCTION

Populist leaders all over the world are more and more openly showing hate towards people of different race, religion, ethnicity, and gender. Leaders from countries like the United States, Hungary, Italy, and India are promoting racist and bigoted ideas as their main policies. This is starting to become a big part of politics and is influencing elections and government decisions. In 2016, in the United States, how much someone felt like they were white was a big factor in how likely they were to support Donald Trump if they were a Republican. This was more important than feeling worried about money. The mean words our leaders use every day make it okay for some people to speak up about their views that they might have kept to themselves before. In one case of racism, a white woman in a store in the US called the police on a black woman she thought was trying to sell food stamps. She also said something about building a wall, even though both women are Americans. We all know what she meant, of course. She wanted a society where everyone was like her and there was a wall separating different types of people, like President Trump's. This is why the wall has become a big problem in American politics, a symbol of what one side wants and the other is afraid [1], [2].

Preferences are just what people like. Economists see a big difference between what people like and what they think. Preferences show whether we like cake or cookies, the beach or the mountains, or people with brown or white skin. We should make decisions when we have all the information we need, not when we don't understand the important details. People can believe things that are not true, but they cannot have incorrect preferences. For example, a lady in the supermarket may insist that she is not required to make sense. It is important to try to understand why people have these views before we get caught up in racism. We need to understand these preferences and where they come from to make good policy choices. When we talk about how much the economy can grow, unfairness, or protecting the environment, we need to think about what people really need and what they just want. We also need to think about how society should see those wants and needs [3], [4].

Sadly, regular economics doesn't have the tools to assist us in this situation. In mainstream economics, people are generally accepting of different views and opinions. We may not agree with them, but we don't judge others for their beliefs. We can share facts to help people make informed decisions, but ultimately it's up to them to decide what they believe. Furthermore, people sometimes believe that the market will solve the issue of prejudice. People with small-minded ideas shouldn't be successful in business, because being open-minded is better for business. For instance, imagine a baker who doesn't want to make cakes for weddings of two people of the same sex. He will not be able to sell to same-sex weddings and other bakers will get their business instead. They will earn money, but he will not.

But sometimes it doesn't work like that. Bakers who refuse to make cakes for same-sex weddings are supported by people who agree with them and don't go out of business. Prejudice can be profitable for some people and it also seems to help them in politics. In recent years, economics has had to think about what people like, and we have learned some helpful things about how to improve the situation. In 1977, two famous economists, Gary Becker and George Stigler, wrote an important article called "De Gustibus Non EST Disputandum. They argued that economists should not try to understand why people like certain things. Becker and Stigler said that our likes and dislikes are a big part of who we are. If we still disagree on vanilla being better than chocolate or if polar bears are worth saving even after we look at all the information, then it probably has to do with who we are as people. This decision isn't just a random choice, a mistake, or because of what others think. It's a thoughtful decision that shows what is important to us. Although they knew it is not always true, they said it is still the best place to begin when we want to understand why people do things.

We understand the idea that people's choices make sense because they have been carefully considered, instead of being random or impulsive. We think it's wrong to assume that people have made mistakes just because they didn't do things the same way we would. Society often ignores what people want, especially if they are poor, because they think it's better for them. For example, instead of giving them money, we give them food or food stamps. We believe this because we know what they really need. In our book Poor Economics, we tried to argue that the choices of poor people make sense, even though we acknowledge there are many misjudgments in the world. For example, we shared the story of a man in Morocco. After he explained that his family didn't have enough food to eat, he showed us his big TV with a satellite. We thought that he might have bought the TV on a whim and then felt bad about it later. But that's not what he said. "He said that television is more important than food. He kept pushing us to think about how this could be true, and when we thought about it more, it wasn't difficult to understand why he liked it. There wasn't a lot to do in the village, and since he wasn't going to move away, it wasn't clear that eating better would do much for him since he was already strong enough for the little work there was. The TV brought relief from boredom in these villages where there was nothing else to do [5], [6].

The person from Morocco really wanted to make clear that his choice made sense. He said that he would spend any extra money on buying more food now that he had the television. This matches his belief that TVs are more important than food. However, it goes against what most people naturally feel and many commonly accepted ideas in economics. Because he bought a TV when there wasn't enough food at home, it is likely that any extra money he gets will be spent quickly since he tends to make impulsive decisions. This is the reason why some people are against giving money to poor people. Recently, studies have found that when very poor people receive extra money from government programs, they spend a lot of it on food. This goes against the belief that they would spend it on other things. Perhaps, they will buy that TV, just like the man from Morocco said they would. We learned something by being open-minded and trusting that people know what they want. Becker and Stigler believe that we should go one step further and assume that our preferences are not influenced by our surroundings. Schools, parents, preachers, and the things we see on billboards or screens don't change what we really like. This means not doing things just because everyone else does them. Like getting a tattoo because everyone else has one, or wearing a headscarf because people expect you to, or buying a fancy car because your neighbors have one.

Becker and Stigler were very smart social scientists and they knew that this was not always true. However, they thought it was better to think about why a certain strange choice might actually make sense, instead of dismissing it as a result of hysteria. This idea had a big impact. Most economists believed in it. It was about following standard preferences, which are preferences that make sense and are consistent. For example, a long time ago Abhijit lived in Manhattan and worked as a teacher at Princeton. He used to take the train often. He saw that people always stand in lines at certain spots on the train platform, but many times the front of the line is not close to where the train doors are. It was a trend.

A simple conclusion could be that people did what everyone else was doing because they liked it. This would not have been fair because their choice of where to stand on the platform was based on how many people were already there. Abhijit wanted to understand why people join fads. He didn't just assume they do it to fit in. Instead, he came up with an explanation. Imagine if people think that other people know something. Then, they would go and join the group of people. However, this would attract more people, and the next person who sees the larger crowd would be more likely to think it has useful information. They could also be part of the group for the same reason. In simpler terms, it means that when people seem to be doing the same thing, it might be because they are making their own choices, not because they want to fit in. They might think that others know something they don't. He said it was an easy way to understand how people act in groups [7], [8].

Just because people make decisions that make sense for them doesn't mean the result is what we want. When a group of people all act the same way because they are following each other, it creates a chain reaction of everyone believing the same thing. The first person's decision influences everyone else's beliefs a lot. A new test shows how starting something randomly can cause a chain reaction. Researchers used a website that collects reviews on restaurants and other businesses. People write comments, and other people either like or dislike them by voting. In the experiment, the website picked a few comments at random and gave them a fake up-vote right after they were posted. They also picked a few more at random to give a negative vote to. The more people liked a post, the more likely it was that the next person would also like it, by 32 percent. After five months, the comments with one fake up-vote were more likely to get a high grade than those with one down-vote. The original nudge continued to have an effect and became stronger, even though the posts had been seen by a million people. Fads may still fit with regular preferences. Even if what others do doesn't affect our preferences, their actions can still influence our beliefs and how we behave. If I don't have a good reason to think differently, I might believe that a tattoo looks good because other people think so, that drinking banana juice will make me skinny, and that a harmless-seeming Mexican man could be a rapist.

DISCUSSION

It seems that just like people follow fads because they like them, they also follow social norms for the same reason. The main idea is that people who break the rules will be punished by the other people in the group. And the same goes for people who don't punish rule breakers, and for people who don't punish those who don't punish those who don't punish others, and so on. Game theory has a great accomplishment called the folk theorem. It shows that arguments can be explained in a logical way and can be used to understand why norms are so strong. Elinor Ostrom was the first woman to win a Nobel Prize in economics. She showed examples of this idea throughout her career. She used examples from small towns like cheese makers in Switzerland, forest users in Nepal, and fishermen in Maine and Sri Lanka. These communities had rules on how people should behave, and everyone followed them [9], [10].

In the mountains, like in the Alps, Swiss people who make cheese have always used a pasture that they share to feed their cows. If people didn't get along, it could have been a big problem. The land was overgrazed because nobody owned it and everyone wanted to feed their cows more, even if it hurt the land. There were specific rules for cattle owners to follow on the common pasture. If they didn't follow the rules, they couldn't bring their cattle to graze there in the future. Ostrom said that sharing things with everyone was actually better than owning them privately. Splitting the land into small pieces, each owned by different people, makes it more risky because there is always a chance that a disease could affect the grass in one of the small areas. This way of thinking also shows why in a lot of poor countries, some land is shared by everyone. If people don't use the common land too much, it can help villagers when they have trouble making money. They can gather food or sell grass from the land to make money and survive. Taking private property into these areas, often suggested by economists who don't understand the situation, has been really bad.

It means that people in villages help each other because they think they will also get help when they need it. If someone doesn't help others, they might not get help in the future. Community support systems can break down if some people can find help from outside sources. Then, if there's not much to worry about getting left out, it's more likely that someone might not meet their responsibilities. Expecting this, people in the community might be less willing to help, making it more likely for them to not keep their promises. The whole system of helping each other may fall apart completely, leaving everyone in a worse situation. The community is very watchful and defensive against behavior that goes against its rules. Economists often focus on the good impact that communities have. However, just because norms can make themselves happen does not mean they are always a good thing. They use strict rules to control people who act violently or destructively. A famous study proved that both racial discrimination and India's caste system can continue to exist for the same reasons, even if nobody shows any interest in race or caste.

Imagine nobody cares about caste, but if someone marries or has sex with someone from a different caste, they are treated as outcasts. This means no one will marry into their family and no one will be their friend or spend time with them. And if someone breaks the rule and marries someone who is not accepted, they will also not be accepted. As long as people want to get married and think about the future, they will follow the rule, even if they think it's unfair. Of course, things could change if a lot of people start breaking the usual rules. But it might not happen. This is what the movie Samskara is about. It's a great Indian film from 1970. It's about a Brahmin who becomes impure by sleeping with a lower-caste prostitute. When he dies unexpectedly, no other Brahmin wants to burn his body because they are afraid of getting sick by touching him. His dead body is left out in the open. The community's rules are no longer followed because the community is only focused on making sure its own standards are followed.

The Doctor and the Saint

The conflict between the group that supports each other and the group that is mean to others is something that has been around for a long time and happens everywhere. And it's about the conflict between a government that wants to protect each person and a government that hurts the whole community. This battle is happening in countries like Pakistan and the United States. The fight is against when the government gets too involved and doesn't treat people like individuals, and also to keep the community's right to do what they want. Even if these goals involve treating people unfairly because of their race or sexuality or following religious rules instead of the governments rules [11], [12].

In the Indian independence movement, Gandhi believed that the new Indian country should be made up of self-sufficient villages that are peaceful and supportive of each other. He wrote that the future of India is in its villages. His biggest rival in the movement was Dr. "BCan you put this into simpler words."R. " Ambedkar was the person who wrote the Indian constitution. He was born in the lowest caste and was not allowed to go to school. But he was really smart and still got two PhDs and a law degree. He is well known for saying that Indian villages are places where people only care about their own area, and where people are not interested in learning about other ideas or cultures. He believed that the law, the government, and the constitution were the best ways to protect the rights of poor people against powerful local leaders.

The history of India since it became independent has been pretty good at bringing different castes together. For instance, the difference in pay between the lower castes and others went down from 35 percent in 1983 to 29 percent in 2004. This may not seem impressive, but it is a bigger change than the improvement in how much money black and white people earn in the United States over the same amount of time. This happened because Ambedkar put rules in place to help discriminated groups. These rules gave these groups better chances to go to school, get government jobs, and be part of the government. The changes in the economy also made a difference. Urbanization has allowed people from different castes to mix more because they are less dependent on their own village and can be more anonymous in a city. The caste network became less important for finding jobs because new job opportunities were available. This made it more worth it for young people from lower castes to go to school and get educated. The village community wasn't as bad as Ambedkar thought it would be. Villages can work together regardless of caste differences. For example, they all agreed to give all children free school meals and make sure they go to primary school. This does not mean that the issue of caste has been fixed. In our community, people still hold unfair beliefs about different castes. A study of 565 villages in India found that even though it's against the law, almost 80% of the villages still practice untouchability in some way. In nearly half of the villages, people from the low-caste Dalit community were not able to sell milk. In about one-third of the places, they couldn't sell their products locally, had to use different cooking tools in restaurants, and had limited access to water for their fields. In addition, even though old types of unfair treatment are getting less common, higher caste people still use violence when they feel like lower caste people are becoming more successful economically. In March 2018, a young man from a lower caste in the state of Gujarat was murdered because he had a horse and was riding it, which is something that only higher caste people are supposed to do.

Things are getting harder because now caste groups are starting to see each other as more equal, but also as competition for power and resources. In politics, people are increasingly voting along caste lines. The upper castes are more and more supporting the Bharatiya Janata Party, which is the only party not promoting affirmative action. Other groups have been created to help people from different castes. This separation has results. In the state of Uttar Pradesh, which has the most people in India, the way politics worked changed a lot from 1980 to 1996. Areas mainly controlled by lower caste people started to vote more for the two parties that represent low castes, while areas mainly controlled by upper caste people kept voting for the parties traditionally associated with them. At the same time, corruption became much worse. More and more politicians are being taken to court, and some are even trying to get re-elected while in jail. Abhijit and Rohini Pande discovered that corruption increased the most in places where either the higher or lower castes were the biggest group. In those areas, because people voted based on their caste, the candidate from the most powerful caste was almost certain to win, even if he was very dishonest and the other candidate was not. Nothing happened in places where there were an equal number of people.

At the same time, caring about your caste and being loyal to it lets the community control its members, even if it breaks the law. For instance, the caste panchayats have strongly opposed the state's rules about sex and marriage in the name of tradition. In Chhattisgarh, a 14-year-old girl was raped by a 65-year-old man. The local panchayat told her not to tell the police about it. When she kept trying, some older people in the community, both men and women, hit her. A powerful group in a community can treat its vulnerable members badly, and the government can't do much to stop it because most people in the community support the group's control. If people follow the rules of their caste, they can get help and feel safe when they need it. But sometimes, the dark side of the caste system can be troubling. Standing up to the whole community takes courage.

Black guy asks nation for change

In 2008, the satirical newspaper the Onion showed how amazing Barack Obama's run for president was for the United States. The clever use of words showed the difference between the idea of a lazy black man and Obama as a strong leader. It's easy to forget that there were less than 45 years between the Freedom March and the first African American president being elected. A lot has changed in how people of different races get along since the civil rights movement, and much of it is for the better. This allowed the country to choose Obama as their president. Similarly, in 2019, the president and prime minister of India came from lower caste backgrounds, which was something unimaginable forty-five years ago. In contrast, African Americans are more educated now than in 1965, but the income difference between white and black men with the same education has been getting bigger. It's now up to 30 percent, which is more than the income gap between scheduled castes and other castes in India. African Americans have a harder time moving up in society and are more likely to move down than white people. This is about the big difference in how many black men are in jail compared to other people. It is also about how black people still live and go to school separately from others. Recently, there has been an increase in the expression of anti-black feelings, even though white men are not economically threatened by African Americans. The FBI says that there were 17 percent more hate crimes in 2017. For the third year in a row, they went up. They began to increase in 2015, after a long time of staying the same or going down. Three out of five hate crimes were against people because of their race or where they are from. In 2018, nine people who believed in white supremacy or were friends with people who did, ran for Congress.

CONCLUSION

Learning what people like and choose used to be thought to be only affected by their own thoughts, but we now see that it's a mix of thinking and outside influences from society. Trends and following social rules come out as signs of this complicated dance, which goes against traditional ideas about money. The conversation goes beyond just what one person chooses to do. It also looks at how groups of people work together to make rules, which can either help everyone or keep unfair treatment going. Knowledge from game theory and the research of scholars like Elinor Ostrom show how communities keep or change their rules. The fight between a person's freedom and a group's need for power is shown in past and present conflicts. This shows the ongoing struggle between Gandhi's idea of self-sufficient villages and Ambedkar's belief in a government that protects individual rights. As we deal with the rules of society, it's clear that we need to understand what people want and how they act in groups in order to protect everyone's rights. The changing rules in society make people deal with unfair treatment and not being equal, while understanding that people's decisions can change and what groups of people do can affect each person's own freedoms.

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CHAPTER 8

STEREOTYPES, DISCRIMINATION, AND SELF-FULFILLING PROPHECIES: UNRAVELING THE COMPLEX INTERPLAY IN SOCIETAL CONTEXTS

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ABSTRACT:

The intricate dynamics of stereotypes, discrimination, and self-fulfilling prophecies within societal contexts. Focused primarily on the United States, the narrative explores the shift in dominant narratives from racial mistrust to a pronounced animosity against immigrants. Examining the influence of political events, particularly the 2016 elections, and the research illuminates how openly expressed prejudices intensified post-election, particularly against immigrant communities. Drawing on historical parallels, the study traces patterns of rejection experienced by various waves of immigrants in the United States and other nations. It challenges the notion that discriminatory attitudes are rooted in coherent and stable preferences, presenting evidence that societal constructs and contextual cues significantly shape individual and collective behaviors. The analysis extends to economic explanations for discriminatory behavior, encompassing factors such as intimidation, signaling group loyalty, and statistical discrimination. Notably, the study uncovers instances where seemingly racial bias may be driven by statistical associations rather than overt prejudice.

KEYWORDS:

Cultural Stereotypes, Discrimination, Implicit Bias, Prejudice, Racial Profiling, Self-Fulfilling Prophecies.

INTRODUCTION

The main focus in the United States since the 2016 elections has been anger towards immigrants, not mistrust of African Americans. This anger is not just about money. Immigrants are not just stealing our jobs; they are criminals and rapists who put white people in danger. It's interesting that in the US, people in states with fewer immigrants tend to like immigrants less. About half of the people in states with very few immigrants, such as Wyoming, Alabama, West Virginia, Kentucky, and Arkansas, think that immigrants are a danger to American culture and values. This means that people are more concerned about who they are than about their financial problems. It seems like when we don't have much contact with a group, we might think they are very different from us [1], [2].

This thing was happening before 2016, but after Trump was elected, it became more acceptable to talk about it. In a smart experiment, researchers asked people online from eight very conservative states to participate. These states are Alabama, Arkansas, Idaho, Nebraska, Oklahoma, Mississippi, West Virginia, and Wyoming. Shortly before the 2016 election, they paid people to donate money to a charity that is against immigration. They asked people to give permission to donate $1 to the organization for them, and offered to give them an extra fifty cents if they agreed. Some people made the choice just for themselves. Some people were randomly chosen to be told they might get a call from the research team to talk about their decision. Before the election, people in this second group were less willing to give donations than people who could donate privately. However, when they did the experiment right after the election, the difference went away. People were more willing to give money to an anti-immigrant group after someone who was against immigration won the election.

It may feel better to know that past groups of people who moved to the United States also faced rejection before they were finally accepted. Benjamin Franklin did not like the Germans and thought they were not very smart and did not know how to use their freedom well. Thomas Jefferson also thought that the Germans could not fit in with the rest of society. "It's better if we don't let too many foreigners live together in one place because then they keep their language, customs, and government for a long time. He wrote In the 1800s, America tried to stop Chinese people from coming to the country, and eventually, it became illegal for them to immigrate. In 1924, limits were set to reduce the number of people coming to the United States from Eastern and Southern Europe [3], [4].

But every group of people who came to live here eventually became a part of our community. The names they picked for their kids, the jobs they had, how they voted, and the things they bought and ate were similar to the people who lived nearby. The people in the area started using the new first names and foods. Rocky became a popular hero and pizza became a common food. The same thing happened in France. The French people said no to the Italians. Then they said no to the Poles. Then they said no to the people from Spain and Portugal. Each group of people who moved to France eventually became part of the society, but each time the French thought it was "new and different. In 2016, it was the Muslims who were not accepted. Statistical discrimination means using statistics to make judgements or decisions about a group of people.

There might be some easy economic reasons for treating other groups unfairly, similar to the ideas of Becker and Stigler. Bullying can be used to make money sometimes. Between 1950 and 2000, in India, there were more fights between Hindus and Muslims in a city in a year if the Muslim people there were doing better financially. And they were less likely to happen if the Hindu community was doing well. This matches the detailed reports of big riots, where Muslim businesses were singled out and attacked, even though the violence may have seemed random. Violence is commonly used as a cover-up for stealing.

Sometimes people feel like they have to show intolerance and prejudice to be loyal to their group. During the Indonesian economic crisis, more people joined groups that read the Koran. Showing strong religious belief was a way to prove loyalty and be included in a group that helps each other. In some situations, people don't speak up about racism or repeat what they hear because they don't want to lose their jobs or important friendships [5], [6]. Finally, there is something called statistical discrimination that economists talk about. We met a taxi driver in Paris who liked his job. He said that in the past if a man from North Africa like him was seen driving a nice car, people thought he was a drug dealer or had stolen the car. Many people thought that most North Africans were poor and couldn't afford new cars, so they thought that a North African driving a nice car must be a criminal. Now they think he is an Uber driver, which is good progress.

Statistical discrimination is when the police use statistics to justify stopping black drivers more often in the United States. The government of Uttar Pradesh, which is mostly Hindu, recently tried to explain why a lot of the people killed by the state police are Muslim. More black people and people who follow the Muslim faith are in trouble with the law. Something that might seem racist may not be because it could be based on something else that is connected to race or religion. So statistical discrimination, instead of traditional prejudice or taste-based discrimination, might be the reason. The outcome is the same whether you are black or Muslim. A new study looked at how laws like "ban the box" affect how likely it is for young black men to get jobs. The study shows that these laws can lead to unfair treatment based on statistics. BTB policies stop employers from using forms that ask if you have a criminal record. Twenty-three states have made these rules to try to help younger black men find jobs. They are more likely to have been in trouble with the law and have trouble finding work. Their unemployment rate is twice as high as the national average.

Two researchers sent fake job applications to companies in New Jersey and New York City. They wanted to see how the new policies affected hiring. They sent the applications right before and right after the policies were put into place. They changed people's ideas about race by using mostly white or mostly African American names on the job applications. When a job asked if the applicant had been in trouble with the law before, they also randomly decided if they did or not. They discovered that white people were more likely to get called back for a job compared to black people, even if they had the same qualifications. Not surprisingly, before the rule change, employers were more likely to call back job applicants without a felony conviction compared to those with a felony conviction, even if their resumes were the same. This was the case for both white and black applicants.

However, the most unexpected discovery was that the BTB policy made racial differences in callbacks much larger. Before BTB, white job seekers received 7 percent more calls back from employers affected by BTB compared to black job seekers with similar qualifications. After the break, this difference increased to 43 percent. Employers thought that black job seekers were more likely to have been convicted of a crime because they didn't have the right information about their criminal history. In simpler terms, the BTB policy made employers use a person's race to guess if they are a criminal, which is a form of unfair discrimination based on statistics [7], [8].

Just because people use statistics doesn't mean they always use it correctly. In a study, scientists asked Ashkenazi Jews in Israel to play a trust game with Eastern Jews. The trust game is an important part of a type of economics study called experimental economics. Two people play the game. One person gets money and has to give some of it to the other person. The sender can choose to give any amount, even nothing. However, both of them are told that if the person who sent the money shares any of it, that shared amount will be tripled and given to the person who received the money. Then, the person who received the money will have full control over it. The person who receives something can choose to share some of it with the person who gave it to them, but they can also choose not to share. The goal of this game is to guess what the sender thinks of the receiver. The sender should share more if they believe the receiver is less selfish. The trust game has been tested many times in labs. Usually, the person who sends money shares at least half of the original amount and gets back more money than they sent. People who send things believe in others, and people who receive things are reliable. This is what the researchers found when both players were Ashkenazi. But everything went wrong when the person receiving it was a Jew from the East. In that situation, the person sending the message shared about half of what they would usually send to an Ashkenazi person. As a result, both people sending and getting the message, got less.

Maybe this happens because people in the Eastern part don't trust the people who gave them the gift to give it back. Another reason could be that the senders don't like the receivers, so they are willing to harm themselves just to harm the receivers too. However, when the players were asked to give some of their money to a partner without any expectation of getting it back, they gave about the same amount to Eastern partners as they did to the Ashkenazi. The reason for the different behavior in the trust game seems to be suspicion rather than hostility. Surprisingly, people also don't trust those from the East in the trust game. They did not trust people from the same ethnic group as much as they trusted others. People believe in a stereotype about Eastern

Jews. However, the stereotype is completely unfair. There is no proof that Eastern players in the game are less trustworthy; they return the money in the same way as Ashkenazis. The people in the experiment thought they were making smart choices, but they were actually being influenced by made-up worries.

DISCUSSION

A famous experiment showed that people can discriminate against their own group. An American psychologist named Claude Steele called this a "stereotype threat. " In the experiment, black students did as well as white students when they thought they were just solving a problem. But when they were told the test was meant to measure how smart they were, the black students scored much lower than the white students. Not just minorities feel stereotype threat. Female students in college did better on a difficult math test when they read at the start that women usually don't do as well as men on math tests, but this is not the case for this specific test. On the other hand, white men studying math and engineering who got good scores on the math part of the SAT did not do well on a math test when they were told the experiment was about why Asians do better than other students in math tests. These experiments have been done many times in different situations to test different types of discrimination against oneself [9], [10].

Self-discrimination happens when people are reminded of their group identity and it makes them doubt themselves even more. This can make them perform differently. The same is true for treating other groups unfairly. In a well-known psychology experiment from the 1960s, teachers were deceived into thinking that one group of their students was really smart and should improve their IQ much quicker than the others. In fact, this group was picked randomly and was pretty much the same as the others. Students that teachers expected more from increased their IQ by twelve points in a year, while the others increased only by eight points. The first experiment was criticized for many reasons, like it may not be right to do such things. But many other experiments can make predictions come true by themselves.

In a study in France, researchers found that some supervisors treated young cashiers unfairly because of their race. These cashiers were mostly from North African and Sub-Saharan African background. The cashiers worked with different bosses on different days and didn't have much say in when they worked. The research found that when minority workers are given a supervisor who might treat them unfairly, it can affect their performance more than nonminority workers. Minority cashiers were more likely to miss work when they had biased supervisors. When they came to work, they didn't work as fast. They took more time to scan items and serve customers. Nonminority workers did not experience these effects at all. Minority workers didn't perform as well with a biased manager because the manager wasn't very good at managing them. Workers who are in the minority said that their supervisors who have unfair opinions were less likely to come and support them at their cashier stations and help them do better [11], [12].

Treating women unfairly when they are in charge often ends up being exactly what people expected. In Malawi villages, farmers were chosen to learn and teach a new way of farming. Women remembered more from the training and the farmers who learned from them also did better. But most farmers did not pay attention. They thought women were not as capable, so they didn't pay as much attention to them. Similarly, when women in Bangladesh were taught to be line managers, they were just as skilled as men in their leadership and technical abilities. However, their line workers thought they were not as good as the men. And because of this, their work performance also got worse, which made people believe they were bad at their jobs.

This unfair treatment of women caused them to do worse at work, even though it wasn't their fault, and it made people think they were not as good as men.

African Americans play golf

What is surprising about these self-fulfilling prophecies is how accurate they can be. Usually, it's people who have been treated unfairly in the past who end up being hurt by predictions that come true because of that unfair treatment. You never hear about white men being underestimated except in sports. The bias comes from a stereotype based on the way people are raised in society. Research of African American and white students at Princeton University to understand the extent of this issue. The students, who never played golf before, were told to do a bunch of harder and harder golf exercises. In the first test, some people were asked about their race before playing, and some were not. All students were given golf exercises to test how well they could do in sports. When the students were not thinking about race, white and black students did about the same. But when people started to focus on race, it made African Americans play golf worse and white students play better. This created a big difference between the two groups. In another test, the researchers didn't make the students think about race at the beginning. Instead, they put the students into two different groups by chance. In both groups, the directions said the activities would get harder. The test in one group was meant to measure personal traits that are related to how good someone is at sports. In simple words, natural athletic ability means how good someone is at sports like shooting, throwing, or hitting a ball. In the test, it was also called sports intelligence and measured how well someone can think strategically during sports. African Americans did better than white people in the test about natural ability. In the "sports smarts" group, the white people did a lot better than the African Americans. Everyone, even black people, believed the stereotype that African Americans are naturally good at sports and white people are naturally good at strategy. And this happened at Princeton.

This evidence does not fit with the Becker-Stigler idea of clear and consistent preferences. It looks like the way the groups viewed themselves was influenced by the short-lived ideas of "sports intelligence" and "natural ability" and how they are connected to race. "Acting white" means someone is trying to behave like they are from a white background even if they are not. Becker and Stigler think we should ignore how society affects our preferences, but the social aspect keeps coming back into the picture. We like certain things and people. We choose what to eat, where to live, and who to spend time with. We stay away from people we don't trust and we prefer to live in neighborhoods where there are more people like us. This separation affects how people's lives turn out and creates unfairness. When a neighborhood is mostly poor and black, it doesn't have as many resources and this affects the lives of the children who grow up there for a long time. Between 1915 and 1970, when black people moved to white towns in the north, many white people moved away. This sometimes made the schools, roads, and job opportunities in those towns not as good.

These neighborhoods got poorer and more run-down, with more crime, and not good for making money. It's harder for black kids in neighborhoods where white people left during the Great Migration to move up in income compared to other neighborhoods. Many things are involved, but one reason is that people follow the rules of their neighborhoods, whether they realize it or not. Violence is common in a neighborhood where people expect it, just like how MIT students usually take five courses when they only need four.

In a smart test showing the strength of these norms, a bunch of mainly Hispanic high school students in Los Angeles were given the choice to join a free SAT prep class. Some students, picked randomly, were told their decision would be kept private, while others were made to think their decision might be known to others. In regular classes, the second group of students were less likely to join the class, maybe because they didn't want their friends to know they wanted to do well in school.

It's true that the folk theorem might be able to explain what's happening here. Maybe it's true that if students are found out to be nerds, their friends would stop hanging out with them, and anyone who talks to them would also be kicked out of the group. But it's not a coincidence that this rule is followed by Hispanic students. They have a history of not liking the rules of white culture and for good reasons. It seems that these Hispanic kids were afraid of behaving like white people. This fear goes back a long time in their history. We don't usually hear about Asian American kids in the US who avoid their friends who work hard. In the Becker-Stigler world, norms are only seen as norms because people follow them. So, there's no reason why Hispanic students couldn't be hard workers and Asians lazy sometimes. History and the way people live and interact with each other are leading us toward following one rule instead of another. At the University of Zurich, scientists asked a group of bankers to flip a coin 10 times and share the results online to see how society affects them. They were told that if they had more than a certain number of heads, they would get 20 Swiss francs for each extra head they counted. No one made sure they were reporting the truth, so they had a big reason to cheat. The main comparison was between people who were asked about their favorite hobbies and those who were asked about their job as a banker. This showed the difference between their regular life and their identity as a banker. Those who were told they were bankers guessed more correctly, so much that it couldn't have just been luck. The number of people who admitted to cheating went up from 3 percent to 16 percent when they thought of themselves as bankers instead of regular people.

This happened not because the bankers were better at playing the game. Everyone playing the game was a banker, and what was said about them was chosen randomly. However, when reminded of their job, they were more likely to cheat. In simple terms, it looked like people were acting as if they had many different personalities, each with its likes and dislikes. The situation decides the personality. In the Swiss experiment, they wanted to see if people saw themselves as bankers. In real life, the people we're around, the schools we go to, what we do for work or fun, the groups we're part of, and the groups we want to be part of all influence and shape who we are and what we like. We economists have tried hard to ignore non-standard preferences, but it's becoming clear that we can't ignore them anymore.

Beliefs that make you want to do something.

Once we realize that our beliefs and even our strong likes are influenced by our surroundings, many things start to make sense. One important idea comes from the Nobel Prize winner Jean Tirole's work with Roland Bénabou on why people believe certain things. They say that it's important not to take beliefs too seriously if we want to understand them better. Our feelings about ourselves are influenced by what we need emotionally. When we let ourselves down, we feel really bad. We tend to distort our beliefs about others because of how much we care about our own beliefs about ourselves. For instance, we use language that makes our prejudices seem like they are based on facts so that we can protect ourselves from them. We don't like to change our minds because we don't like to admit when we were wrong in the first place. This is why Abhijit always blames the software. We don't like to think about things that make us feel unsure about what's right or wrong. So, we ignore news about how the government treats migrant children in detention centers because it makes us uncomfortable to realize that we've supported a government that does this. It's easy to see how we can get stuck using these plans. We don't want to think of ourselves as racists. So if we have bad thoughts about others, we might try to make excuses for our behavior and blame them instead. If we believe that migrants are responsible for bringing their children with them, we worry less about the kids in the cages. Instead, we only pay attention to information that agrees with our beliefs and ignore the rest. Over time, our natural defensive reaction is replaced by a well-thought-out set of strong arguments. At that point, we start to think that if someone disagrees with us, it means they think we are morally wrong or not smart. That's when things can turn violent.

Understanding these patterns has several important meanings. First, it's not a good idea to accuse people of racism or insult them as Hillary Clinton did. It makes people feel bad about themselves and makes them angry. They stop listening right away. On the other hand, it is easy to understand why praising really bad racists as "good people" and saying there are bad people in both groups, like President Trump did, can help him become more popular. This makes the people who say these things feel good about themselves. This also tells us why facts or checking facts doesn't seem to change people's opinions right away, especially when it comes to migration. It's still possible that over time, people may change their opinions once they get over their initial reaction of feeling threatened by their beliefs being challenged. We should always tell the truth, but it's better to say it kindly. Since most people think they are good, making them state their values before judging others might decrease prejudice. Nowadays, psychologists suggest parents tell their children that they are already nice and kind, and all they need to do is act in a way that matches their natural kindness. This applies to everyone. This plan is more likely to succeed when someone's confidence is not already low. Many poor white people are in places where they don't like immigrants and black people are facing problems because their lives are similar to how they imagine those groups. In 1997, William Julius Wilson wrote about the effects of not having enough jobs in black neighborhoods. He said that this was even worse than being poor. He explained that many problems in these neighborhoods, like crime and family problems, are because there are not enough jobs available. Twenty years later, J. means that twenty years have passed since a person or event. D- Please simplify this text. Vance said that Wilson's book connected with him. I wanted to send him a letter to say that he described my home well. Strangely, it felt so personal because he wasn't writing about the people from the Appalachian mountains, he was writing about black people in the city.

"The way Wilson talks about problems in black neighborhoods also applies to white communities in the Rust Belt, which just makes things even worse. " Poor white Americans feel worse when they think they are better than black people and immigrants. This feeling gets worse when they are in similar social situations. There are two methods to start feeling like yourself again. One is saying no or refusing to believe something. The other person is making us feel more different from them by making fun of them. For a white person who needs to be on disability to receive welfare, it's not okay to use the outdated insult "welfare queen" to describe a black or Latino single mother. Now that even white people need help from the government, the insult gets worse; they must be in a gang.

This shows why we need rules to help people who might lose their jobs because of technology and trade. We should also try to make sure that they still feel respected. The rules need to help people feel more confident and secure, just giving money from the government won't solve the problem. We need to completely rethink the way we handle social policies.

CONCLUSION

The study has shown how stereotypes, discrimination, and people's beliefs about themselves can affect how they behave in society. This is a complex and detailed topic. Studying how people's views in the United States have changed, especially the increase in hate towards immigrants after the 2016 elections, shows how politics can affect how society thinks. Throughout history, people have often rejected new immigrants. This challenges the idea that discriminatory attitudes towards immigrants are always the same. Instead, proof shows that how society is set up, what happened in the past, and political events greatly shape how people think, creating a flexible mix of biases. The reasons why people discriminate in the economy include things like scaring others, showing loyalty to a group, and making decisions based on statistics. This helps us understand why people act prejudiced. Overt prejudice is when someone openly shows unfair feelings towards others, while statistical discrimination is when decisions are made based on certain stereotypes. Understanding these behaviors can be complicated.

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CHAPTER 9

DYNAMICS OF HUMAN PREFERENCES: UNRAVELING THE INFLUENCE OF SOCIAL, ECONOMIC, AND PSYCHOLOGICAL FACTORS

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ABSTRACT:

The intricate web of human preferences, dissects the manifold influences that shape them within the realms of social, economic, and psychological factors. Drawing on diverse experiments and studies, the narrative navigates through the nuances of preference formation, challenging assumptions about the consistency and rationality of individual choices. The interplay between societal constructs and personal inclinations is unveiled through examples ranging from economic transactions to social interactions, revealing the subtle yet profound impact of arbitrary elements on preferences. Insights from behavioral economics, psychology, and social experiments converge to shed light on phenomena such as stereotyping, discrimination, and self-fulfilling prophecies. The study extends its focus to the dynamics of group behaviors, investigating how preferences contribute to the creation of echo chambers, homophily, and political polarization in the evolving landscape of virtual and physical communities. Unraveling the layers of human preferences, this exploration elucidates the intricate dance between individual cognition and external influences, fostering a deeper understanding of the complex forces that shape our choices.

KEYWORDS:

Economic Factors, Psychological Factors, Social Dynamics, Socioeconomic Factors, Unraveling, Behavioral Economics.

INTRODUCTION

We understand that people will do a lot to avoid evidence that would make them change their opinions about what they believe is most important to them. This is because it's closely tied to how they see themselves. Sadly, people don't always think carefully when forming their first opinions. In a well-known study, Daniel Kahneman and Richard Thaler gave college students either a mug or a pen without any specific order. Right after giving the gifts, they tried to buy them back from the people who just received the mug and pen. At the same time, they let people who didn't get a mug or a pen buy them if they wanted. Surprisingly, people who got the mugs or pens for free were selling them for a much higher price than what others wanted to pay for them. Since it was completely random who got a mug or a pen, there was no reason for the value of getting one of them to be so different. The reason why people bid differently is because the people who got a mug liked it more, and the people who got a pen liked it more too. This shows that people don't really value mugs and pens very much [1], [2].

Another experiment showed an even more dramatic example of randomness. Students were asked to offer money for trackballs, wine bottles, and books. Before making an offer, they were told to write the last two numbers of their social security number and put a dollar sign in front of it. They were asked to imagine that it could be the price of the product they wanted to buy. They knew their social security number didn't affect the cost of wine, but they still let it influence them. Students with social security numbers ending in a number eighty or higher bid

2 to 3 times more for the same thing than those with numbers ending in a number less than twenty. In most other ways, they still acted the way they normally do: for example, they were less willing to purchase something as the price increased and they were more likely to buy cheaper things. But they did not know how much these products were really worth to them.

Something like this happens in the way people like to interact with others, which economists call preferences that involve other people. In 1954, Muzafer Sherif and Carolyn Wood Sherif did a study. They took 22 boys who were 11 and 12 years old to a summer camp in Robbers Cave, Oklahoma. The boys were split into two groups by chance. Each group lived in a different part of Robbers Cave without knowing about the other groups. Then the two groups were brought together and made to compete, like in a game of tug-of-war. This made the groups dislike each other and they started calling each other names and tried to damage each other's things. In the last few days, the researchers made a water shortage happen on purpose, so that the two groups had to work together. After a little hesitation, they went ahead and mostly forgot their anger [3], [4].

This experiment has been done many times and the main idea has been consistently strong. It's interesting how labels can strongly affect who we are loyal to, even without having a strong bond from being isolated. Simply changing the name of a randomly selected group of people made the members of that group like their own group more than other groups. This was true for both grown-ups and eleven-year-olds. Both the first and second parts of the Robbers Cave experiment are important: it's easy to separate and possible to bring back together. The fact that it's easy to separate people is a big reason to be very scared of the xenophobic leaders in power in many countries right now. The harm they cause can be fixed, but if not taken care of, it can leave a lasting mark on a country. In Rwanda, the Belgian rulers made up a story that Tutsis were better than Hutus to help them control the people. After the colonizers left, the Tutsis thought they were better than the Hutus, which made the Hutus very angry. This was a big reason for the terrible genocide in 1994.

At the same time, if people's preferences are not always the same, calling others names like "racist" or "deplorables" may not be fair. This is because many people can be both racist and not racist, and their prejudice might come from feeling hurt or upset. People who voted for Obama and then Trump may not be sure about what each candidate believes in, but it's not right to label them as racists just because they voted for Trump. This doesn't help anyone. Homophily is the tendency of individuals to associate and bond with others who are similar to them in some way. It often refers to social characteristics such as age, gender, race, or interests.

Our preferences are mostly affected by the people we hang out with. This makes social divides really expensive because people don't mix a lot across these divides and usually stick with people who are similar to them. In American schools, black teens usually hang out with other black people and white teens usually hang out with other white people. This is what sociologists called homophily. Rewritten: Sociologists use the term homophily. This is especially true for the most popular group in the school. People in small groups have to have more friends who are not part of their group. This does not have to show strong prejudice. The reason why students in the biggest group don't talk to people outside their group is because it's easy for them to find others who are similar to them. So, as long as they somewhat prefer their own group, they don't see a need to talk to people outside of it [5], [6].

People might prefer to be with others who are similar to them because they share the same language, gestures, humor, TV shows, music, and have the same ideas about what is right or wrong. This doesn't mean they have a negative view of anyone else. Abhijit, from India, finds it surprising how he can easily talk to people from Pakistan, even though India and Pakistan have had problems for the last seventy years. He says that all South Asians have a natural sense of what is funny or private, and what brings people closer together or pushes them apart. This is something that wasn't affected by the partition. The problem with this natural behavior becomes clear when we meet people from different groups. We are cautious and careful with our feelings because we are afraid of being misinterpreted. We sometimes make mistakes and upset others without meaning to. Either way, when something important is lost, we will have a harder time talking to people from different groups.

This is one reason why people usually marry people who are similar to them. In a case called Loving v. Virginia, the courts ruled that laws prohibiting interracial marriage were unconstitutional. In 1967, Virginia overturned the law that banned people of different races from getting married in the United States. At that time, only one out of every six newly married couples in America were from different racial backgrounds. In India, 74 percent of families think that people should marry within their own caste. Our study shows that men and women in each caste want partners who are similar to their siblings, and they usually find them within their own group. Echo chambers are when people only hear ideas that they agree with, and holograms are 3D images created by light [7], [8].

This kind of behavior causes unintentional separation. We might not notice that when we only spend time with friends who are like us, we create groups of people who are all the same. This adds to the strengthening of strange likes and dislikes and/or strong political beliefs. One clear problem with only staying with people like us is that we don't hear different opinions. Different opinions can continue to exist, even on things like whether vaccines cause autism or where Barack Obama was born. This is also true with matters of taste. We saw that people might choose to keep their opinions to themselves and go along with the group, but not hearing other opinions makes things even worse. We have many separate groups with different opinions, and they don't talk nicely to each other. This has caused a big split on what should be clear facts. For example, 41 percent of Americans think that people are causing global warming, but the same number think that either it's a natural cycle or that there's no warming at all. A study by the Pew Research Center found that people's beliefs about global warming are closely linked to their political views. Democrats are more likely than Republicans to believe that there is strong evidence that temperatures are getting warmer and that human activity is to blame. However, this doesn't necessarily mean that Democrats are more supportive of science. Most scientists think GMO foods are safe, but most Democrats believe they are not and want them labeled.

Talking to the same people all the time makes the group members think alike on most things. Different political ideas become harder to believe in when a lot of people are strongly against them, even if those people are wrong. Actually, Democrats and Republicans don't even understand each other anymore. Matthew Gentkzow and Jesse Shapiro, two people who study the media, wrote about how Democrats and Republicans talk about different issues. Democrats use words like "estate taxes," "undocumented workers," and "tax breaks for the wealthy," while Republicans use words like "death taxes," "illegal aliens," and "tax reform. " They also talked about how Democrats called the 2010 Affordable Care Act "comprehensive health reform," while Republicans called it a "Washington takeover of health care. This shows that you can tell if a congressman is a Democrat or Republican by the words they use. Not surprisingly, people are more divided by their political beliefs than they were before. From 1873 to the early 1990s, it only went up a little bit, from 54 percent to 55 percent. But it went up a lot after 1990; by the 110th meeting of Congress it was 83 percent. This is why getting Facebook data was very helpful for Cambridge Analytica and political campaigns in the UK and US. Most Massachusetts Democrats have similar views and use similar words. This means it is easy to predict their politics and know what stories they will like or dislike. And when real people start acting predictable like a cardboard cutout, it's easier to make up fake characters and profiles to join in online conversations.

This can also create a chance for talented politicians to show themselves in different ways to different groups of people. Before the 2014 election, Narendra Modi used holograms to appear at many rallies at once. Some voters thought they were real. He was able to be in different ideological places at the same time. Young Indians who use technology to connect with the world saw him as a symbol of political progress. The middle class thought he would support their idea of nationalism based on Hindu tradition. And the upper castes saw him as protection from the increasing influence of Muslims and lower castes. If people from these groups had met and been asked to describe Modi, their answers would have been very different and probably not understood by each other. The networks that these three groups worked in were different enough that they didn't need to be consistent with each other inside.

DISCUSSION

The divide among voters is not just about differences in policies, it goes much deeper than that. People in America with different political views are starting to dislike each other a lot. In 1960, only a few Republicans and Democrats were against their child marrying someone from a different political party. But by 2010, many more Republicans and some Democrats were unhappy about the idea. In 1960, about one-third of Democrats and Republicans thought people from their own party were smart, while fewer had the same opinion about people from the other party. In 2008, the percentages were 62 and 14. One of the big changes since the early 1990s, when people started strongly supporting their political party, is the growth of the internet and the popularity of social media. In January 2019, Facebook had 2. 27 billion people using it every month around the world, and Twitter had 326 million users. In September 2014, over half of the adult population in the US and 71 percent of people who use the internet used Facebook [9], [10].

At first, virtual social networks were seen as a new way to connect with people and were expected to reduce similarities among people. Basically, they let us talk to people far away who like the same things we do, like Bollywood movies, Bach music, or taking care of babies. These people may not have been similar to us in other ways, so we have a wider variety of friends than we would if we only hung out with people who live close by. They wouldn't have had much to do with each other, so when we talked about things other than why we were together, we would hear different opinions. On Facebook, almost all of the two billion people are connected to each other as friends or friends of friends. There are only about 4. 7 connections between any two people in the big group. This means that we could easily see lots of different opinions from people on the social network.

However, online social networks have not been successful in bringing their users together on controversial topics. A research study looked at 2. 2 million people who talk about politics on Twitter in the US. The study found that most conservative users on Twitter have followers who are also conservative, and most liberal users have followers who are also liberal. Facebook and Twitter are like places where people only hear the same opinions and thoughts repeated over and over. Democrats share information about Democratic candidates, and Republicans share information about Republican candidates. 86 out of every 100 retweets of tweets by Democratic candidates are from liberal voters. Republicans have an impressive 98 percent. When looking at retweets, liberals mostly share messages from other liberals, and conservatives mostly share messages from other conservatives. Surprisingly, this is true not only for political tweets, but also for nonpolitical tweets for those who are actively involved in politics. It seems that even when talking about fly fishing on Twitter, people like to connect with someone who has similar political beliefs, either liberal or conservative. The online community made by social media is like a scattered public place. Is there something about social media that makes people disagree? The ways politicians separate people and share false stories were created before Facebook. Newspapers have always been very biased, and political insults and attacks were common in the print media during colonial America and in the early days of the American Republic. The "Republican noise machine" became really good at using cable TV and talk radio in the 1990s, as David Brock shows in his book with the same name [11], [12].

Gentzkow and Shapiro calculated how much online and offline news sources were separated in 2009. This means how much more conservative news a conservative person sees compared to a liberal person. What they discovered indicated that people were becoming divided offline as well as online. Most conservative people mostly see conservative views online. It's like only getting news from usatoday. comMost liberals heard about conservative viewpoints about half the time, just like on cnn. comThe isolation index for the internet was only 7. 5 points higher than broadcast news and cable TV news, but lower than national newspapers. It was much less than the separation of meeting in person. In 2009, it was already known that conservatives mostly had conservative friends and liberals mostly had liberal friends. The isolation index is not very high because both conservative and liberal users visited mostly "centrist" sites in their data, and those who are most likely to visit extremist sites also visited many other sites, including those with opposite perspectives.

While more people are disagreeing with each other online, they are also disagreeing more in other parts of their lives. Yes, more and more people have become divided since 1996. This division has grown the most among people who are sixty-five or older, who are not likely to use the internet. It has grown the least among young people. Traditional news media is becoming more divided. A study of cable news found that Fox News' language has become more conservative since 2004, while MSNBC's language has become more liberal. The audiences have also split in different directions. Before 2008, most of the people who watched Fox News were Republicans, about 60 percent of them. This went up to 70 percent from 2008 to 2012. Over time, Fox News became more conservative, which brought in more conservative viewers who then made it even more conservative. This has started to change how people vote. We know this because in some places in the United States, Fox News is available on a less popular channel, so fewer people are likely to watch it. In those areas, fewer people tend to vote for conservative politicians.

So what made a difference? Gentzkow and Shapiro think it was 1994 when Newt Gingrich took over the Republican Party and made a "contract with America. This was also the first year that political consultants played a big part in creating and testing messages, which is concerning to us as social scientists who study how new ideas, like messaging, are developed and tested.

Even though political division existed before the internet, it's difficult to feel completely positive about how social media and the internet impact our political beliefs and how we express them. First, we can't know for sure what would happen if these new things didn't exist. Comparing people who have the internet with those who don't isn't a good way to figure it out. There are a lot of reasons why this doesn't work. Often, rumors are made up and spread on the internet before they are reported on Fox News for older people to hear. Younger people may not be as affected by these rumors because they are aware that the internet often has mistaken and exaggerations, and they can see through them. On the other hand, older people who are used to trusting TV news may be more easily fooled.

Other things are also worrying. Social media sharing is making it hard to trust the news and analysis. Creating fake news is a very cheap and profitable because it is easy to write whatever people want to read without worrying about the truth. If you don't want to create something new, you can also just copy it from somewhere else. A study showed that more than half of the news and media content in France is copied from other sources, but the original source is only mentioned in a small percentage of cases. When many websites quickly copy and share a news story from a group of reporters, the original source doesn't get credit. This has led to a big drop in the number of journalists in the United States. There were almost 57,000 journalists in 2007, but in 2015 there were only about 33,000. There are fewer journalists overall and fewer journalists working for each newspaper. The way journalism has made money in the past is no longer working. Without having the right information, it's more likely to believe silly things.

The second problem is that the internet lets people repeat things over and over again without stopping. Echo chambers are not good because we only hear the same ideas over and over again, all day long. Fake accounts on Facebook were used to make stories more popular and real people were paid to like content. This made some messages spread and become popular on their own. The constant repeating of the stories makes people really excited and makes it tough for them to stop and fact-check the stories. Even if people eventually find out the truth, if a lie is repeated many times, it can make a controversial issue more noticeable and make extreme views stronger. We only remember people talking a lot about Mexicans, but we forget that immigrants who came to the US are actually less likely to commit crimes compared to people born in the US. This gives a strong reason to spread false information. Before the 2016 election, 115 fake news stories supporting Trump were seen 30 million times.

The third thing is that the complicated language used on the internet makes people communicate in a straight and short way, which makes it harder to have respectful conversations. This means that people are using Twitter to test out mean and hurtful things. Political entrepreneurs like to share extreme claims on Twitter and see how people react. They want to see if their claims are too much for others to handle. If it looks like it's working well for the specific group, they include it as a possible plan for the future.

Fourth, there is automatic personalization. In 2001, Sunstein was concerned about how people can pick the news they see on the internet. More and more, you don't have to make a choice. Advanced computer programs use techniques to learn from our behavior and past searches to try to predict what we might be interested in. The goal is to give people what they like so that they will spend more time doing it.

Facebook got in trouble for the way it picked which stories to show people. In 2018, it said it would change its system to show more posts from friends and family, and less from news. You don't have to use Facebook for this to happen. Esther saw a lot of different news articles on her Google home page on July 2, 2018. She saw articles about China's trade deficit, an opinion piece by Paul Krugman, news about millennial socialists, information about the soccer World Cup, an article about Harvard's new president, a story about Simone Veil's burial, an article about Senator Susan Collins's views on the Supreme Court justice, and a story about the Pixel Watch. She was not interested in two stories: one about a criminal escaping from a French prison by helicopter and another about Busy Philipps having trouble with Delta Air Lines. She only saw right-wing media once today. Customization is very common. The National Public Radio app is like "Pandora for Public Radio" because it plays music based on what you have listened to before. NPR only shows liberal ideas and uses an algorithm to show users what they want to hear.

This is important because when people choose what they want to read, they are aware of their choices. They might like to read articles from sources they know, but they are smart enough to recognize their own opinions in those sources. A strange test in South Korea showed that this kind of advanced technology is truly real. From February to November 2016, two young people from Korea made a new app. It gave users access to selected news articles and asked them what they thought about the articles and the topics they were about. Initially, each user got a random article on every topic. After a few turns, some people were picked to pick their own news sources, while others still got random articles. The test gave three important findings. First, people reacted to what they read by changing their thoughts to match the information they were given. Secondly, as predicted, people chose articles that matched their political beliefs when they were given the option. Lastly, after the experiment, people who were able to pick their own articles changed their preferences more than those who couldn't. They also tended to change their preferences to be more neutral, which is different from what happens in an echo chamber. Overall, giving users the choice to read biased information made them less biased. They knew the source they picked was biased, and they corrected some of the bias. They were open to the information. But when they were given random stories, they didn't notice the bias and didn't change their opinion much.

It would be really cool to do this experiment in the United States. The outcome might also be influenced by how involved the reader is in politics. Many people in the US may not try to fix any bias they see when reading online. However, this research shows that there is an issue with making things fit perfectly: it might not work smoothly. Fixing slant means knowing what the slant is from the source. When we only read news from one place, we know it well. But when a computer program is giving us articles from different places on the internet, including some from well-known sources and some from less well-known ones, and some that might be completely false, we won't be able to tell if they are trustworthy. Also, since we didn't choose it, we might not even remember to fix it.

CONCLUSION

The complex mix of what people like, this study has looked at how things like society, money, and emotions affect the choices we make. The different experiments and observations we've done have changed the way we think about how we make choices. It shows that lots of things can influence our decisions, not just one thing. The topic showed how random things can affect what people like, as shown by studies on buying things and being with others. People often think their random stuff is really important, showing that our preferences can change a lot depending on what's happening around us. The exploration looked at how society thinks and acts, and how that affects people. It showed how stereotyping, discrimination, and self-fulfilling prophecies can have a big impact. The Robbers Cave experiment showed how easy it is for labels to influence people's loyalties and divisions. It also showed that groups can be easily influenced by outside forces.

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CHAPTER 10

DEMOCRACY'S TRIBES: UNRAVELING POLARIZATION, PROMOTING TOLERANCE, AND REDEFINING MERIT IN A GLOBAL SOCIETY

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ABSTRACT:
The narrative scrutinizes the detrimental impact of social, economic, and psychological factors on human preferences, often leading to a distorted democratic process where allegiance to tribal identities supersedes judicious decision-making. The text reflects on instances where political leaders exploit fears and insecurities, winning support without the necessity to deliver tangible benefits. Furthermore, the discourse expands to encompass the escalating circle of violence worldwide against marginalized communities, attributing it to the vitriolic rhetoric permitted by polarized climates. The authors argue that individual reactions to the 'other' are closely tied to self-confidence, advocating for social policies grounded in respect for individual dignity to foster greater openness and tolerance among citizens. The text highlights the significance of interpersonal contact in reducing prejudice, drawing on psychological theories such as Gordon Allport's contact hypothesis. It underscores the role of educational institutions, particularly schools and universities, as critical spaces for fostering diversity and reducing societal biases. Examining affirmative action, the authors contend that diversity in educational institutions contributes significantly to societal tolerance. However, they acknowledge the polarizing nature of affirmative action debates, urging for a transparent societal conversation on its design.

KEYWORDS:

Global Society, Meritocracy, Polarization, Promoting Tolerance, Redefining Merit, Social Cohesion.

INTRODUCTION

When we stop listening to each other, democracy becomes less important and more like a count of different groups. People start voting based on their loyalty to their group instead of thinking carefully about what's best for everyone. The group of tribes with the most people on their side will win, even if their candidate has done bad things like hurting children. The winner doesn't have to give any help to his followers if they are afraid of the other side taking over. The winner will try to make those fears worse. In the worst situation, the winner can use their power to control the media and shut down any other voices, so they don't have to worry about competition. Prime Minister Orbán has done this successfully in Hungary, and many other countries are also following suit. Furthermore, there is a growing amount of violence against black people, women, and Jews in the United States, against Muslims and lower classes in India, and against immigrants in Europe. This violence is likely linked to the open and aggressive expressions of hate that are allowed in todays divided society, including from government leaders. The violent groups in India and Brazil, along with recent shooters and pipe-bomb senders in the United States and New Zealand, all seem to come from places where people think in a paranoid and dangerous way and believe in the same lies. It's not quite like a civil war or genocide yet, but history shows that it could get that bad. We know that how we feel about ourselves affects how we interact with others. A social policy that respects people's dignity can help the average person be more accepting of others [1], [2].

There are also things that can help a whole group. Racism, not liking immigrants, and not talking to people from different political parties all start because some people don't meet or talk to each other at first. Gordon Allport, who taught psychology at Harvard, came up with the contact hypothesis in 1954. This means that talking and spending time with people from different backgrounds can help reduce prejudice. When we spend time with others, we can understand and appreciate them better. This helps to reduce prejudice. The idea that contact between different groups of people can help reduce prejudice has been looked at a lot. A new study found 27 research trials looking at Allport's idea. In general, these studies show that meeting and spending time with different people makes people less prejudiced. But it's important to consider the quality of the interaction.

If this is true, schools and universities are important. They gather young people from different backgrounds in one place, at a time when everyone is more open to change. In a big American college, a study found that when white students were randomly assigned African American roommates, they were more likely to support affirmative action. Also, white students who were roommates with any minority group were more likely to socialize with people from different ethnic backgrounds in their second year of college [3], [4].

This process of learning how to act in society could begin even sooner. A new rule in Delhi showed how powerful it can be when kids from different backgrounds come together. From 2007, top private schools in Delhi had to give spots to students from low-income families. In a clever study about how a new rule affects things, some kids were picked at random to choose their relay race partners. Some of them went to schools that had accepted poor students before, and some went to schools that had not accepted them yet. Some kids in school studied with other kids who were not as good at school, while others did not. To help them choose their race partner, they all got to watch everyone else run a practice race. However, there was a problem. They had to say yes to have a playdate with whoever they chose for their team. The research shows that rich kids who haven't been around poor kids at school didn't want to choose them for sports teams, even if they were better at running, because they didn't want to hang out with them. Those who spent time with kids from poorer families at school were more likely to choose the best runner, even if the child was from a poor family, because they weren't as worried about having a playdate with them. Those who were in a group with poor children were very likely to invite them to play with them. Familiarity worked its charm.

This evidence shows that having a diverse group of students in schools and colleges is important because it influences preferences for a long time. Affirmative action in the United States was created to help make things fairer. It was meant to make up for past unfairness and to give everyone an equal chance, especially those who didn't have the same opportunities for education as white people. However, it goes far beyond that. The twenty-seven research studies show that meeting and interacting with different people can make society more accepting and welcoming. The issue is that affirmative action is now a divisive idea.

In 2018, New York City had a hard time changing how students get into its top public schools. Right now, students take a test to get in, and not many Latino and African American students are able to attend. Asian Americans were taking Harvard to court because they believed the university was unfairly refusing to admit many of them in order to make its student body more diverse. Also, the Trump government has been pushing for schools to stop using race as a factor in their admission choices. The US Supreme Court has not yet banned race-based discrimination despite pressure to do so. It is unknown how long this will continue.

In India, people are talking about giving spots in schools and government jobs to the castes that have been treated unfairly in the past. The upper castes don't like these quotas. They complain a lot and go to court to argue that the law is not fair. They say that the reserved spaces go to the richer people in the lower castes, who may not need them as much. The Indian court system has been understanding of this complaint, and has decided that only people who are poor enough will qualify for the quotas. Other groups want to be part of the quotas too, but this might make them less effective. The reservation system is always being argued about in different parts of the country, and sometimes it leads to violence [5], [6].

The concept of "merit" is important in this discussion. The main point of the argument is that test scores show how good someone is for a job or university spot. Affirmative action is seen as unfair to those who have high test scores. This idea seems unlikely. Being hard on yourself can make you less confident and do worse on tests. Having a past where teachers and supervisors didn't believe in you or look down on you because of your background can make it tough to succeed. In a house where there are many books and conversations about math or philosophy during dinner, it can help you do better when writing college essays, even if you don't always like it. A student from a lower caste, who did as well as Abhijit in the high school exam, had to work harder to achieve the same result. Because of this, they might be more talented.

DISCUSSION

The idea of merit was unclear and caused disagreement between two top economists, David Card and Peter Arcidiacono, who were hired by both sides in the Students for Fair Admission v. Arcidiacono argued that Asians should be discriminated against because they have higher grades and test scores than any other group. In simpler terms, if an Asian and a white student get the same test scores, the white student is more likely to get into Harvard than the Asian student.

Card at Harvard disagreed with Arcidiacono's analysis in several ways. One point Card made was that having a diverse mix of parents' backgrounds and intended majors is important. However, the biggest difference was in how they evaluated the candidate's leadership skills and honesty. Asian students overall have better grades and participation in activities, but are seen as having weaker personality traits. However, when we consider all aspects, they have an equal chance of being accepted into a school as white students [7], [8].

For Card, this shows that everyone is treated the same, with no unfair treatment. Arcidiacono argues that the way Harvard rates personalities is the same as discriminating against Asians. In the discussion, a funny comparison with history was seen by many people. In the 1920s, Harvard's president, Abbott Lawrence Lowell, tried to restrict the number of Jewish students allowed to attend the university. This didn't work, but he created a system for admission that looks at more than just grades, to keep the number of Jews low. Students for Fair Admission wants to show that this is happening again.

The debate shows how tricky it can be to determine what makes something good or valuable. On one side, "personal qualities" can show belonging to a group, with special greetings only known by club members. The personality rating could be a way to keep a certain type of student out and make sure that elite status is only passed down to certain people. However, it is also true that African American applicants tend to have higher personality ratings than white or Asian applicants. This could be because African American students from disadvantaged backgrounds had to work harder and develop strong personal skills to be considered for admission to Harvard, despite facing challenges like attending low-quality schools and difficult home environments.

We don't have a clear answer to this problem. Harvard, as a top producer of future leaders, should make room for students from all social groups. Having too many students from one group, compared to the general population, could cause problems in a democracy. We should talk more openly and honestly about how affirmative action is designed. The way affirmative action is being carried out now, without directly addressing race, is probably not very good. The Harvard challenge is something that is likely to happen and maybe even a good thing because it forces society to face its own contradictions [9], [10].

In simple words, the problem is that people are starting to dislike affirmative action because it's supposed to bring different groups together but it's not working. Allport originally thought that people would become less prejudiced if they had contact with different groups, but only if certain things were true. He believed that if people from different groups interacted in a situation where they were equal, had the same goals, worked together, and had the support of those in charge, then they would be less prejudiced towards each other. Very heated integration is not likely to create these conditions. For instance, if high school students feel like they are competing for spots in college and think that the competition is unfair, they might start to dislike the other students even more.

This is a big worry, and a new study shows it. In India, a researcher did a study with 800 young men who played cricket for eight months. In the league, one out of every three players were put on teams with people from the same caste, while the rest were on teams with people from different castes. Similar to other studies, this research found that working together with others has many good effects. Young men who played on teams with people from different castes were more likely to be friends with people from other castes after the experiment, not just those from their teams. This was different from those who played on teams with people from the same caste. When they got to pick their teams, they chose the best players for upcoming games because they picked based on skill, not on someone's background

But it mattered who they played against. People who played against teams from different castes were less likely to make friends with people from other castes compared to those who only played against their own caste, or those who never got to play anyone. Competition made it difficult to connect with others [11], [12]. The not-so-good results show that just being in contact with others may not make people more tolerant. It might also be important to have common goals. In 1998 and 2018, when France's soccer team won the World Cup, it made the whole country feel really happy. Some of the team's best players are from poor neighborhoods in Paris. This makes everyone feel like they are working together for the same goal. At that time, everyone could see that not all the kids from the 93 were lazy and skipped school or did small crimes. The winning team of France was made up of people from different backgrounds. Many young kids worked hard to be a part of the team.

Zoning for Peace

Because universities have restrictions, mixed neighborhoods can be a good option for integration. The issue is that neighborhoods with a mix of different kinds of people tend to have problems, as shown by Tomas Schelling, who won a big award for studying economics. For example, if people like living in neighborhoods with different kinds of people, but not if one group is in charge. Then they have to worry about the day when some of their group leave and are replaced by others. People like them are worried that if more people leave the neighborhood because of similar reasons or because they are less tolerant, it won't be as nice to live in anymore. People feel really anxious about when it might happen, so they leave if they can. This is what Schelling called the point of no return.

David Card researched how neighborhoods in the United States became more segregated in the 1970s, 1980s, and 1990s. It seems that there is a tipping point where if there are too many black people in a neighborhood, white people will leave. For example, in Chicago, the tipping point was very low. If there were only a few black people in a neighborhood in 1970, it stayed that way. But if there were more black people, then the number of white people quickly decreased. Card and his team found that in most US cities, the tipping point for tipping is between 12% and 15%. To stop separating people by income, we should make affordable housing for low-income people all over the city, so there are no areas where only rich or poor people live. We lived in a nice area in Paris for a year, and the building next to us was a place where people lived. The kids went to the same school and also played at the same park in their neighborhood. At that age, they were clearly living in the same world. We may not be able to do exactly what Singapore does, but we can set aside some public housing in each neighborhood for different ethnic groups.

The difficulty of putting this policy in place is mainly because of politics. It's not hard to imagine how to do it if the government wants to: give out public housing in different areas, give everyone a number for a lottery, hold a public lottery when new housing is ready, and make sure the winners get the housing easily. It is hard for local politicians to resist using public housing in nice neighborhoods for their own benefit. However, if they really want to, they can find a way to solve this problem. However, in the near future, when many poor people still live in areas with low incomes, having schools that are open to everyone is another way to bring people together. For this to happen, kids will have to be relocated. Taking many children to different schools to make the schools more diverse, like they did in Boston before, is not liked by many. This is partly because young children don't like being taken to school in buses. A good idea could be to let kids from poor neighborhoods go to schools in other areas. The METCO program in the United States bused minority children to predominantly white schools. The goal was to help minority children without harming the academic performance of white students. The second group, who usually lived in mostly white areas, were now around a more diverse group of people. This had a lasting impact on their beliefs and preferences.

Rearranging the chairs on the deck.

All our ideas together may seem small compared to the huge amount of prejudice we are up against. But it's important to understand that these preferences are a big part of the problem, maybe even more so than the actual cause. Prejudice happens when we feel like things are going bad in the world, especially with money, and we feel like people don't respect us anymore. This means four important things. First, it's clear that showing dislike for people who are racist, spend time with racists, or vote for them, only makes those feelings stronger. These feelings come from the belief that the world doesn't care about us anymore. Also, prejudiced people don't always have strict preferences; even people who are described as racist care about other issues. In the 1990s and early 2000s, North India experienced a time when people were divided mostly by their caste. However, by 2005 this had finished. The lower castes who supported parties based on caste, started to wonder if they were getting what they needed from their parties. Mayawati, the leader of a political party, changed her image to become the leader of all poor people, even those from the upper castes. She won the 2007 Uttar Pradesh state elections with this new approach. She wanted to include a lot of different people, not just a specific group.

Recently, in the United States, people are surprised by the interesting story of the Affordable Care Act, also known as Obamacare, which used to be very unpopular. As a policy started by Barack Obama, who was a black Kenyan Muslim and not liked by many people, many Republican governors didn't want to be a part of it. They also didn't want to get money from the government to help more people get health care through Medicaid, which is an important part of the Affordable Care Act. In 2018, voters in Utah, Nebraska, and Idaho were considering whether to make Medicaid bigger. They got the okay in all three. Kansas and Wisconsin chose new Democratic governors who promised to increase Medicaid, which their previous Republican governors did not support. This is not because the people in these places are Democrats. They still voted for Republican congressmen and senators, who often have very conservative views. But many people chose to ignore the warnings from the Republican leaders and made their own decision about what they thought was best for them.

This is about the third thing. Voters caring about a person's race, ethnicity, religion, or racist views doesn't necessarily mean they feel strongly about them. Voters know that political leaders use people's ethnic or race background to get what they want. They keep voting for those politicians because they don't trust the political system and believe that all politicians are the same. Since they might as well vote for the person who looks or sounds similar to them. Simply put, when people vote based on their ethnicity or biased beliefs, it usually shows that they just don't really care. However, this means it is surprisingly easy to persuade them to change their opinions by pointing out what is important in an election. In 2007, in Uttar Pradesh, a state in India known for its politics based on social groups, Abhijit and his friends convinced 10 percent of voters to not vote for their own social group's party. They did this by using songs, a puppet show, and street performances with the message "Vote for what helps the community, not just your social group. "

This brings us to our last and maybe the most important point. One of the best ways to fight prejudice might not be to argue with people about their views, even though that's what we might want to do. Instead, it might be to persuade people that it's worth their time to get involved in other political topics. Leaders who make big promises and grand gestures may not actually follow through on them because it's hard to do so. In other words, we need to show that public discussions about policy are trustworthy and not just a way to sound smart while not doing much. And we also need to try to make people feel less angry and deprived, while knowing that it won't be easy or quick to achieve the goals we set out in this book. We began with the topics we know the most about: immigration and trade. - Even there, economists often give very definite answers about these issues without explaining them in detail. This makes their credibility much lower. Now we will talk about things that many people disagree about, including economists: how the economy will grow in the future, why some people have more money than others, and how we can deal with the problem of climate change.

We will try to explain these topics in a simpler way, but we might use more complicated ideas and have less evidence to support our explanations. These problems are very important for how we think about the future. We can't talk about making the economy better without dealing with them. Preferences are very important in all of this. It's clear that we can't discuss how things get bigger and how some people have more than others, and how we take care of our planet, without considering what we need and what we want, and what we like best. We have noticed that sometimes people consider things they want to have as things they need to have. For example, some people value bottles of wine based on social status rather than for enjoyment. Also, sometimes things we think we need, like television, may actually be things we want. These will be important topics in the future, and they will be part of our discussions and the way we see the world.

CONCLUSION

The problems of people being divided, not talking to each other and only supporting their own group in politics make it really important to encourage acceptance of others. The study shows how social, economic, and psychological factors can harm democratic processes. It says we should be careful about what we focus on, instead of being blindly loyal to our social groups. The text talks about how leaders who use people's fears and worries for their own gain don't always do what they promised to help the people who support them. Faced with more and more violence against people who are not treated well, the writers strongly believe in making rules that show respect for each person's worth. The way people react to others is related to how confident they feel about themselves. This shows why it's important for social policies to encourage people to be open-minded and understanding towards each other. The talk about affirmative action is all about the arguments for and against having diversity in schools. The writers support having open discussions in society to create fair action plans that deal with past unfairness and make society more accepting of everyone.

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CHAPTER 11

ECONOMIC GROWTH: A HISTORICAL PERSPECTIVE FROM THE GLORIOUS THIRTY TO THE PRESENT DAY

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ABSTRACT:
A historical perspective on economic growth, spanning from the era known as the "Glorious Thirty" to the present day. The Glorious Thirty, lasting approximately from the end of World War II to the early 1970s, marked a period of unprecedented economic expansion in Western Europe, the United States, and Canada. During this time, rapid growth was driven by advancements in labor productivity, increased education levels, and technological innovations, leading to substantial improvements in the quality of life. However, the paper explores how this era of robust growth came to an abrupt end around 1973, primarily triggered by the OPEC oil embargo. The subsequent decades witnessed a slowdown in economic growth, often characterized by stagnation and a notable decline in total factor productivity (TFP) growth. The authors delve into the causes and consequences of this shift, examining the role of education, capital investment, and technological progress. The paper also delves into the contrasting perspectives of economic historians Robert Gordon and Joel Mokyr on the prospects of future economic growth. Gordon argues that the era of high growth is unlikely to return, citing a lack of transformative innovations comparable to past technological revolutions. In contrast, Mokyr envisions a future marked by continued growth, fueled by global competition in science and technology.

KEYWORDS:

Capital Investment, Economic Development, Employment, Fiscal Policy, Human Capital, and Innovation.

INTRODUCTION

Growth stopped around October 16, 1973, and will never come back, according to a book by Robert Gordon. That day, OPEC countries said they would stop selling oil. When the ban on oil was lifted in March 1974, the price of oil had gone up four times. The world economy was depending more and more on oil and was struggling with not having enough materials, which was making prices go up. In rich countries in the West, there was a boring ten years of high inflation and slow economic growth. Slow growth was expected to stop but has continued to be a problem for us. This happened in a world where most people in wealthy countries were used to always having more money and things getting better, and where leaders judged their success based on how much the country's economy grew. This is still the world we live in, and we are still talking about that important moment in the 1970s. The Glorious Thirty was a period of economic growth and prosperity in France after World War II.

For about thirty years after the Second World War ended, the economies of Western Europe, the United States, and Canada grew faster than ever before. From 1870 to 1929, the amount of money each person made in the US went up by 1. 76% every year, which was really high for that time. In the four years after 1929, the amount of money each person made went down by a lot. This is why it's called the Great Depression. But it got better fairly quickly. The average yearly increase from 1929 to 1950 was a little higher than before. Between 1950 and 1973, the growth rate each year went up to 2. 5176% and 25% are actually very different. If the economy grows by 1. 76% each year, it would take 40 years for each person's income to double. But if the economy grows by 2. 5% each year, it would only take 28 years for each person's income to double. Europe had a difficult past before 1945 because of its wars, but things got even worse after 1945. When Esther was born in 1972, France had about four times more money per person than when her mother, Violaine, was born in 1942. This was something that happened a lot in Western Europe. The average income per person in Europe went up by 3. 8 percent each year from 1950 to 1973. The French call the thirty years after the war "les Trente Glorieuses" for a good reason.

The economy grew because people were able to make more stuff in less time. Worker productivity in the United States grew by 2. 82 percent every year, which means it would double every twenty-five years. The increase in how much work each person can do made up for the decrease in hours worked by each person. In the last 50 years, people in the US and Europe started working 20 hours less each week. The number of people who were old enough to work decreased after the postwar baby boom because many of the people born during that time were still babies. They were learning more. People born in the 1880s only went to school until seventh grade on average, while people born in the 1980s went to college for about two years on average. They had more and better tools to use for work. This was the time when electricity and the internal combustion engine became very important [1], [2].

By making some brave guesses, we can estimate how much these two things contribute. Robert Gordon believes that better education has caused a 14 percent increase in how productive workers are, while investing in better machines has caused another 19 percent increase. The remaining improvement in productivity can't be explained by the things that economists can measure. To feel better about things, economists have come up with a name for it: total factor productivity, or TFP. Total factor productivity growth is the increase in how well we use all the resources we have. It's what's left over after we take into account everything we can measure. This shows that workers with the same education and using the same machines are making more stuff in an hour now than they did last year. This is understandable. We always try to find better ways to use the things we already have. This shows how technology is improving. Computer chips are getting faster and cheaper, so one secretary can now do the same amount of work that used to take a small team. There are also new types of metal and wheat that are being made. Total factor productivity goes up when we find new ways to reduce waste or make better use of raw materials and workers' time. New ways of making things, like making things in a row or making things with less waste, help with this. Also, making it easy to rent tractors is important [3], [4].

The few decades before 1970 were special because productivity increased fast. In the United States, the growth of total factor productivity (TFP) was four times faster from 1920 to 1970 compared to the period from 1890 to 1920. This growth in TFP was more important than the growth in education or capital per worker during the later period. Europe's economic growth was faster than the United States, especially after the war, because Europe copied ideas from the US. The country's income grew fast, and not just in the numbers. In 1970, people had a much better quality of life than they did in 1920. The average person in the West had a better diet, stayed warmer in the winter and cooler in the summer, had more things to use, and lived a longer and healthier life. With a shorter workweek and retiring earlier, life was not as focused on the boring daily work anymore. Child labor, which was common in the 1800s, had mostly gone away in Western countries. There, at least, kids could have fun and play as kids.

But in 1973, everything came to a halt. On average, in the next twenty-five years, TFP grew much slower than it did from 1920 to 1970. What began as an economic crisis with a specific start date and foreign powers to blame, has now become the usual situation. The slowdown didn't show up right away. Born and raised in a time when the economy was doing well, experts and leaders thought it was just a temporary issue that would get better on its own. When it was obvious that the economy was not growing fast, people hoped that new technology would lead to a big change in industry. Computer power was getting stronger fast, and computers were being used everywhere, like how electricity and the car engine were in the past. This would bring about a new time of more work being done, which would help the economy to grow. And it finally happened. Beginning in 1995, we experienced a few years of strong TFP growth. It disappeared fast, though. Since 2004, the rate of productivity growth and the rate of economic growth in the United States and Europe have returned to the low levels seen between 1973 and 1994. In the US, the economy started doing better in the middle of 2018, but productivity growth is still slow. In the past, TFP grew at a rate of 0. 94 percent each year, which is lower than the 1. 89 percent growth rate from 1920 to 1970. This new slowdown has caused a lot of discussion among economists. It's hard to make it match with what we hear around us. Silicon Valley says that our world is always changing with new and better technology like computers, smartphones, and machine learning. Innovation is found everywhere [5], [6].

Two experts in money history at Northwestern University in Chicago are at the focus of this conversation. Robert Gordon believes that it is unlikely for there to be a time of rapid economic growth again. We have only seen Gordon one time. He seems quiet, but his book is not. Joel Mokyr is a very lively and friendly man with a positive attitude. He writes with a lot of energy and is hopeful about the future. Gordon thinks the economy will only grow by 0. 8 percent every year for the next 25 years. He said in a debate with Mokyr, "I see things not changing anywhere I look. " I see offices still using the same kind of computers and software they used ten or fifteen years ago. I look at stores where we're using bar code scanners to ring up purchases, just like we did before. People are still filling the shelves and cutting meat and cheese behind the counter. The new inventions today aren't as groundbreaking as electricity and the internal combustion engine were. Gordon's book is very brave. He happily looks at the ideas for new inventions in the future and explains why he doesn't think any of them will be as important as the elevator or air conditioning. He also doesn't think they will bring back a time of rapid growth. Robots cannot fold clothes. Three-dimensional printing will not change how big things are made. Artificial intelligence and machine learning have been around for a long time. They have been here since 2004 and haven't helped anything grow. And more things like that.

What Gordon says does not rule out the chance that something completely unexpected, like a new mix of common things, could be very influential. He just has a feeling that it won't happen. Mokyr thinks that there will be lots of economic growth in the future because countries will compete to be the best in science and technology. This will lead to new ideas spreading quickly all over the world. He thinks that laser technology, medical science, genetic engineering, and 3D printing can improve in the future. Gordon says not much has changed in how we make things in the last few decades. But the tools we have now are much better than the ones we had in 1950. Mokyr believes that the global economy changing and connecting to the world creates a good environment for new ideas to develop and make big changes that we can’t even imagine yet. He thinks one thing will make things grow faster: we can make the brain age slower. Of course, this would give us more time to come up with better ideas. Mokyr, who is 72 years old, is still very engaged and creative. He is a good example of his argument.

The two smart people have very different ideas about growth, which shows how difficult it is to understand. Economists are bad at predicting how much a country's economy will grow. For instance, in 1938, when the US economy was starting to grow again after the Great Depression, Alvin Hansen came up with the term secular stagnation to describe the economy at that time.

He thought the American economy would never grow again because all the things that help it grow had already happened. He believed that there was no more progress in technology and the number of people was not increasing anymore. Many of us in the Western world grew up with parents who were used to things changing quickly. The years from 1820 to 1970 were very special, but the time after that had less growth. There was very little long-term growth until the 1820s in the Western countries. From the year 1500 to 1820, the amount of money each person made each year in the West went from $780 to $1,240. This means the money grew only by 0. 14 percent each year. Between 1820 and 1900, the growth was 1. 24 percent, which was nine times more than the growth in the previous 300 years. But it was still less than the 2 percent growth after 1900. If Gordon is correct and we end up with a 0. 8% growth rate, it would mean we are just going back to the average growth rate over a very long time. This is not the new normal; it is just the usual way things are. Certainly, the fact that consistent growth over a long period, like we saw in most of the 1900s, has never happened before, doesn't mean it couldn't happen in the future. The world has more money and more people are going to school. People are really motivated to come up with new ideas, and there are more countries that could bring about a new era of innovation. Some people who love technology think that there may be a lot of growth in the next few years because of new technology. This could be because of a fourth industrial revolution, where smart machines can learn to write better legal briefs and make funnier jokes than people. But it might also be, as Gordon thinks, that electricity and the combustion engine caused a big change in how much we can make and use. It took a while to get to this new level and we grew quickly, but we don't think it will happen again. Furthermore, we cannot say for certain that it will not happen. Mostly, it's clear that we don't know and can't find out without waiting.

Solow's guess

This might not be a total surprise. Surprisingly, in 1956 during a time when the economy was doing really well after the war, Robert Solow wrote a paper saying that the growth would eventually slow down. His main idea was that when the average income of a person goes up, they save more money. This leads to more money available for investments and more resources for each worker. This means that when there are more machines in a factory, the workers have to use them all at once, so they can't be as productive. Certainly, if a factory gets more machines, it can hire more workers. However, when all of the available workers are already being used, the entire economy cannot continue to grow. So, the extra machines purchased with the savings will need to be operated by fewer workers. Each new machine and every extra amount of money invested will add less and less to the country's total production and income. Growth will reduce. Moreover, when capital doesn't produce as much, it makes less money. This makes people not want to save money. In the end, when people stop saving, the economy will not grow as fast.

This logic works in two ways. Countries with not a lot of money can grow faster because when they invest in new things, it helps them make a lot of money. Wealthy countries, which have a lot of money, usually grow more slowly because new investments don't make as much money. This means that if there is a big difference between the number of workers and the amount of money invested, it should be fixed. Countries with a lot of workers grow their economies faster. As their incomes increase, they also save more money. As a result, these countries save money faster and have more money available. Countries with a lot of money and not enough workers don't make money as quickly. In the long run, if capital grows faster than the number of workers, it will cause problems for the economy because there will be too much capital and not enough workers, which will slow down growth. In the short term, there may be differences, but in the long term, economies tend to grow at a similar rate, with both labor and capital increasing at the same pace. This also applies to human capital, which is the skills of the workers. Solow said that the GDP would increase at the same speed too [7], [8].

The number of people who can work is influenced by how many babies were born before and how much people want to work. Solow thought that these factors are influenced more by a country's history and culture than their economy or economic policies. However, if a worker becomes more productive due to better technology, it's as if there are two workers instead of one, which improves the overall labor force. Solow believed that these changes were not connected to current economics and government policies of the country. This means that the growth rate of the effective labor force was not considered a part of economics. That's why he named it the "natural rate of growth. " According to his theory, the GDP must grow at the same rate as the effective labor force in the long term, which is the natural rate. Solow's theory has many consequences. After a big change, the economy will grow quickly for a while, but then it will slow down as it gets back to normal. This matches what happened in Europe after 1973. After the war, Europe didn't have much money and needed to work hard to recover. But by 1973, it had caught up and stopped growing quickly. In the United States, the type of growth based on investment that Solow had in mind slowed down after the war. But, fortunately, it was replaced by rapid growth in total factor productivity until 1973. Since we already talked about it, there has been a decrease in the trend, even in the United States. Interest rates have been going down in the Western countries, which seems to show there is a lot of money available, just like in the Solow model.

Solow's theory suggests that economies tend to become more similar over time, which is called convergence. Countries with not much money but lots of people, like many poor countries, will grow faster because they haven't reached their full potential yet. They can keep growing by getting better at using both their workers and money. So, we think that the gap in how much money workers make in different countries will become smaller. If everything else stays the same, countries with less money will eventually be able to reach the same level as richer countries.

DISCUSSION

Solow himself was careful not to promise this too much. If a country has many workers but not a lot of money to invest in businesses, like many poor countries do, then only a small number of workers will be able to find jobs that pay enough for them to live on. This means the country won't get much benefit from having a lot of workers. Convergence, if it happens, might take a long time. Despite Solow's warnings, the idea that poor countries would eventually become rich and everyone's living standards would be the same under capitalism was so comforting that it took economists thirty years to realize it wasn't really happening.

First, it's not true that poor countries usually grow faster than richer ones. In 1960, the connection between a country's wealth and its future growth was almost nonexistent. This doesn't make sense because after the war, Western Europe became as rich as the United States. Solow came up with a possible explanation for this. His model shows that countries that are the same will move closer to each other. This might be the reason why Western Europe and the United States, which are alike in many ways, came closer to each other. Alternatively, in Solow's theory, countries that save more money and invest more of their resources will become wealthier over time. Furthermore, poor countries that invest more will grow faster until they reach the same level of GDP per person as wealthier countries. Then, they will grow at a normal rate [9], [10].

Solow's model predicts that once an economy reaches balanced growth, the growth rate of GDP per person in rich countries may not be very different. In Solow's world, the differences come from differences in TFP growth. He thought that TFP growth should be about the same for rich countries. In Solow's opinion, TFP growth happens on its own and policymakers don't have much control over it. This made a lot of economists unhappy. Since growth rates determine how well countries compete internationally, it was strange that Solow didn't guarantee that countries with "good" economic policies would have higher TFP. In richer countries, we see a lot of new technology being used. It's not surprising that people are resistant to the idea that a country's economic growth can't be easily controlled by government policies. But it doesn't fully understand Solow's thoughts in many different ways. First, Solow wants to know what makes technology better in countries that are already very advanced. New ideas likely help countries grow, so it doesn't make sense for them to only stay in one place. A new product made in Germany could also be made in other countries by companies that are part of the same company. Productivity would increase in all these countries, even though the invention came from only one of them. Next, he discusses how countries continue to grow once they reach their stable growth point. This may have already happened for wealthier countries, but it will take much longer for countries with limited capital. When Kenya or India reach Solow's balanced growth path, they will be much wealthier and use many or all of the newest technologies. Their lack of money might be the reason why they don't have advanced technology.

Finally, and this might be the most difficult part to understand, countries that are on the path to balanced growth may be improving their technology faster than those that are already there. Certainly, the most impressive advancements like self-driving cars and 3D printers will always be in the more developed countries. However, most technology upgrades are just moving from slightly older technology to older technology. This is usually easier than trying new things because it's already been done and we know exactly how to do it. It's easier to use what's already there instead of creating something new. For these reasons, Solow chose not to talk about why different countries grow at different rates. He thought that the improvement in TFP was caused by forces that were unknown and not related to the countries, their culture, or their policies. This means he didn't have much to say about what we can do to help the economy grow in the long term once we've built up a lot of money and the profits are not very high. Solow's growth model was driven by outside influences that we can't control, and it was used by economists to study long-term growth. In simple words, we can't control growth [11], [12].

The evidence showed that many poor countries weren't getting better, and the Solow model couldn't help figure out how to make long-term growth happen. So, economists started looking for other answers. They really wanted to be able to talk about what could help countries to become stronger. Robert Lucas, a famous economist, confessed in 1985 that he wanted to know if the Indian government could do something to make the economy grow as much as Indonesia's or Egypt's. But Lucas had more than just a dream to give. He said that we are overlooking something important. India is poor not just because of a lack of skills and money. He realized that India had fewer money and abilities than the United States, possibly because of its past as a colony or its caste system. To understand why two countries have very different GDP per person just because of a lack of resources, the resources would have to be extremely rare. If there aren't many of them, then they should be worth a lot. For instance, if there was only one tractor, it would be used a lot on many fields by lots of workers. The cost to rent this tractor would be very expensive. Using this reasoning, Lucas calculated that if the difference in GDP between the United States and India could be attributed solely to the lack of capital in India, then the price of capital in India would have to be fifty-eight times higher than in the United States. "But then why wouldn't all the money in the United States go to India. He wondered since it seemed clear that it wasn't the case, he decided that the price couldn't be that high. In simple terms, the amount of money made from investing in India is not as much as in the United States. This means that India's resources are not being used as effectively as in the US.

Lucas was being overly optimistic about how markets work. We now understand that the economy is slow and doesn't move quickly, especially from the United States to India. However, many others have also rediscovered a similar idea to his and are still trying to figure out the TFP puzzle. First, if you try to explain why different countries have different GDPs just based on the resources they have, you'll see that even though poor countries are very low on skills and money, their GDP per person is even lower than you'd expect based on their lack of resources. Paul Romer, a student of Lucas, was one of the people who wanted to answer Lucas's request for a better way to explain growth. The challenge was that Solow's answer was based on two very simple ideas in economics. First, rich people invest money to try to make more money. When they can't make as much money, they stop collecting as much money. Second, when rich people have more and more money, the money doesn't make as much as it used to because there aren't enough workers to help it grow. In economics, this is called diminishing returns. It has a long history. In 1767, French economist Anne Robert Jacques Turgot, who briefly worked as France's finance minister, tried to prevent the economic chaos that led to the French Revolution. Karl Marx believed it was true. He thought capitalism was going to fail because the rich people’s never-ending desire for money would cause the value of money to go down and lead to problems that would destroy capitalism.

The idea that you get less and less benefit from something as you use more of it makes sense. Certainly, there are examples that go against this. Amazon saves money because it sells a lot of stuff. Creating the storage and delivery systems it's known for wouldn't work if people didn't keep buying its products. It also needs a lot of money to support this. Amazon, if it were much smaller, would not be able to make a profit. Actually, Amazon didn't make much money at first. But once it got bigger, it started making a lot of profit. In July 2018, Amazon made 2. 5 billion dollars in profit.

Solow's generation of economists knew that things could get better if they got bigger. But if a company is making more money, it's more likely to be the most successful and able to beat other companies in the market. These types of markets will eventually have only one company selling everything. This is really what is happening with online shopping. However, most important markets like cars, clothes, and chocolate have many firms, with only a few dominant players in some industries. That's why economists usually avoid theories that rely too much on getting more returns. Romer thought that a company would start making less money as it kept growing. His idea was that to reverse the Solow effect, we just need to believe that when an economy has more money, it also has more efficient money. This might be true even if every company started to make less profit and there was no tendency for companies to become huge monopolies. To show how this could happen, Romer asked us to imagine how new ideas are made in a place like Silicon Valley, even though his paper was written before Silicon Valley became famous. Companies in Silicon Valley are like other companies in the world described by Solow, but they rely more on specialized skills (human capital) rather than traditional physical resources (capital). A lot of companies in Silicon Valley give money to smart people, hoping they will think of a great idea that will sell well. And it actually does happen sometimes.

These companies also experience the usual decrease in efficiency as they grow. There are too many smart and moody people and not enough responsible workers to handle the money and make sure that playing games at work doesn't cause problems. This is a big problem. Romer says that the Valley has changed in many ways. You can hear ideas in many places, like coffee shops, bars, parties, and public transportation. A random idea from someone you will never see again could inspire others and lead to big changes in the world. What's important isn't only the number of smart people you work with, but also the number of smart people you are competing with or just happen to be around in the Valley. Silicon Valley is special because it brings together really smart people from all over the world to share their ideas and help each other out. The increasing profits are at the industry, city, or even the local area level. Although every company experiences less increase in output as they add more high-skilled workers, having twice as many skilled people in the Valley makes all companies work better.

Romer says that the same is true for all successful industrial cities: like Manchester in the 1700s, New York and London during times of financial change, and Shenzhen or the Bay Area nowadays. In all of these places, he believed that the challenge of having limited land and workers was overcome by the excitement and energy of learning from each other and coming up with new ideas. So, if a lot of talented people keep working together, the economy can keep growing without needing any extra help. Eliminating the decrease in benefits for the whole country helps us understand why money doesn't go to India. In Romer's world, money makes about the same amount of profit in India and the United States even though there is less money in India. This is because in richer countries, new ideas come faster and make up for the fact that there is less money. The question is whether this is just a smart way of thinking, a story that makes us feel better, or whether the important thing that Romer talks about is really significant in the world.

CONCLUSION

The Glorious Thirty was a time when things changed a lot. People were making lots of money because they were working better and smarter, and learning new things. Technology was also improving really quickly. But, the good times ended suddenly in 1973. The OPEC (Organization of the Petroleum Exporting Countries) oil embargo caused an economic slowdown, which was unexpected after a period of prosperity. In the years that followed, different factors affected how things grew. Experts like Robert Gordon and Joel Mokyr had different ideas about what would happen next. Gordon thinks the future won't be as good as the past because there aren't any big new inventions like electricity or the engine. Mokyr thinks that in the future, competition between countries in science and technology will keep making things better. The argument about how well the economy will do shows that it's hard to predict what will happen in the future. As the world deals with new technology, changes in the population, and unexpected discoveries, the paper shows that it's hard to make accurate predictions. The important ideas of economists like Robert Solow, who predicted that economic growth would slow down because of less productive investments, show us how complicated it is to keep the economy growing for a long time.

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CHAPTER 12

REALM OF ECONOMIC GROWTH: FROM THEORIES TO REAL-WORLD CHALLENGES

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ABSTRACT:

The theories of prominent economists such as Solow and Romer, the discussion navigates through the complexities of translating abstract concepts into tangible economic realities. As the theories grapple with the dynamics of entire economies, the challenge lies in distilling the richness of diverse occupations, enterprises, and skills into fundamental building blocks. The essay scrutinizes the empirical testing of these theories, emphasizing the inherent difficulties in comparing entire economies with varied attributes. Addressing the limitations of growth measurement, the narrative questions the profession's fixation on perpetual growth, advocating for a shift towards enhancing the quality of life for citizens. The discourse extends to the practical implications of economic theories on regional development, infrastructure investment, and the concept of charter cities. Assessing the impact of taxation on innovation and growth, the essay scrutinizes long-standing economic beliefs, challenging the notion that tax cuts for the wealthy invariably spur economic expansion. Additionally, it explores the repercussions of increasing concentration in economic activity, considering its potential impediment to innovation and barriers to entry for new players. A reflection on the role of capital in the global context, the essay contemplates how sending investments to fast-growing developing countries could serve as a countermeasure to stagnating growth in affluent nations. This comprehensive analysis transcends theoretical abstractions, offering a nuanced perspective on the multifaceted challenges and opportunities within the realm of economic growth.

KEYWORDS:

Investment, Labor Productivity, Monetary Policy, Private Sector, Public Sector, Technology Adoption.

INTRODUCTION

Before we talk about that, it's important to mention that as soon as we started talking about economic growth theory, the conversation became more complicated. Solow and Romer are explaining the economy over a long time. To do this, they are putting a lot of real-life complexity into as few parts as they can. Solow says that as a whole, the economy gets less and less efficient over time. Romer believes that the exchange of ideas between companies is where the money is, but we don't get to see the ideas themselves, just the good things they are supposed to bring to the whole economy. With so many different jobs, businesses, and abilities in an economy, it's difficult to understand any of these big ideas. Solow wants us to understand what happens in an economy when it has more money to use. But usually, economies don't save money; people do. Then they choose how to use that money: they might lend it to others, start a new bakery, or buy a new house. Every decision can affect a lot of things. The price of houses might increase, the price of bread might decrease, and it might be more difficult to find skilled pastry chefs. Solow wants to make things simpler by focusing on just one thing: how the amount of workers compared to money and equipment changes. Similarly, when a lot of tech people move to a city, a few things change. For example, the coffee gets better, but also, many people with low incomes have to leave. However, Romer focuses on one important thing:

the sharing of ideas. Both Romer and Solow may have good ideas about what is important, but it is hard to apply their theories to real life. To make things even worse, the data we've been using a lot can't help us much in this situation. Because the theories are about whole economies, we will need to compare different economies instead of just companies or people. As we talked about in the business, it's always difficult to compare economies because they are all different in many ways [1], [2].

Also, even if we wanted to compare whole economies, it's not clear what we would find out. Think about how the economy produces less additional benefit as it keeps growing. We want to see if having more money in a country makes it less productive. The issue is that individuals, not countries, save money and build wealth. Those people can put their money into companies. These companies purchase machines and buildings, and then look to hire workers to use the new equipment. This makes job competition higher, so companies can only hire a few workers, which lowers how much work gets done with the money they have. Now imagine if we notice that when more money comes in, the capital becomes less effective. How do we know for sure that Solow's reason is the real cause? It might be possible that the money was put in the wrong place and that's why it didn't work. Or that it wasn't invested in the first place. Maybe if the money is used in the right way, the profit would increase [3], [4].

So, in the end, even though we will try to gather the best evidence for these theories, the conclusion will be uncertain. We know it's difficult to measure how much something is growing. It's really difficult to understand what causes it and how to make policies to make it happen. We think it might be a good idea to stop focusing so much on making our profession bigger. The most important thing to think about in wealthy countries is not how to make them even wealthier, but how to make the average person's life better. In poor countries, growth is often stopped by bad economic decisions. We might have some helpful advice for these countries, but it's not much.

The million-dollar plant

The most important part of Romer's happy story was about spillovers. This means that skills can help each other grow, and when skilled people work together, it can make a big impact. People in Silicon Valley think this is true. Many nice places in California are more beautiful than Silicon Valley, and they usually cost less. Why do companies still want to move there? States and cities in the United States and other places offer big money to attract businesses. In September 2017, Wisconsin gave Foxconn at least $3 billion in money benefits to get them to invest $10 billion in a factory that makes LCD screens. They will get $200,000 for each job they said they would make. Similarly, Panasonic got more than $100 million to relocate its main office in North America. Another idea, similar to Romer's hypothesis but not limited to Silicon Valley and its copycats, is that having more educated people around makes everyone else work better. However, it seems that there isn't strong evidence that having more educated people around us is making everyone more productive. We notice that people make more money in cities with more educated people, but there could be many different reasons for this. Cities with a lot of educated people may also attract many well-paying companies because they can find the workers they need there. The issue is when more people get a higher education but other things don't change at the same time. However, cities can benefit a lot from a big investment. Michael Greenstone, Rick Hornbeck, and Enrico Moretti want to know if cities benefit from bringing in a big company like Amazon's HQ2. To find the answer, researchers looked at the companies that won competitive deals and compared them to the companies that came in second place. They discovered that the productivity of the plants in the successful county increased a lot, showing that there were great benefits for the surrounding areas. Five years after the plants were built, the productivity was 12% higher in places that got the plant compared to those that didn't, which meant the county made an extra $430 million per year. Both people's pay and the number of people with jobs increased. Many times, we don't know how much the average state or city spent to attract the company, but we do have some examples. For example, the BMW plant chose to go to South Carolina instead of Nebraska and was offered a $115 million subsidy. If they received a 12 percent return on their investment, it was definitely worth it. In New York City, people said it was a good idea to give money to Amazon because it would be a good investment.

Another way to bring businesses to a place is to construct roads, buildings, and other facilities. The Tennessee Valley Authority used public money to build things like roads, dams, and hydroelectric plants in Tennessee and nearby states from 1930 to 1960. The plan was that building roads and buildings would bring in companies, and then those companies would bring in more companies, and so on. Jane Jacobs, who was very important in city planning, had doubts. She wrote a story about it in 1984 but it was successful. Enrico Moretti and a colleague looked at the TVA region and six other areas that were supposed to get the same investment, but for political reasons, nothing happened in the other areas. Between 1930 and 1960, the counties with TVA had more jobs in farming and making things compared to other counties. When the funding for the program ended in 1960, the improvements in farming went away. However, the improvements in making things kept getting stronger until 2000. This matches the idea that spillover effects are more important in making things than in farming. The TVA will bring in $6. 5 billion more money than it cost to make [5], [6].

Two reasons show why this might not work. First, the companies need to make more money than they put in at the beginning. They need to make enough to overcome the usual things that make growth slow down: not enough land, workers, and skills. Moretti believes that if there is a 10 percent increase in employment now, it will only lead to a 2 percent increase in employment in the future. This small increase will not help the economy grow for a long time, and the initial boost will quickly disappear. Secondly, when one region grows, it might not help the entire country grow, because it could be taking resources like money, skills, and workers from other places. The cities where Amazon decides to set up will get bigger, but this might make other American cities smaller. Moretti thinks that both effects might cancel each other out, so the overall national growth will not be affected much. Moretti believes that after reading all the information, regional development will probably not be able to prevent the end of growth. His assessment might be a little too negative, but the warning is still important. It might seem like a good idea for a city to take jobs from another city, but it's probably not a big win for the whole country, unless it's a very tiny country that can grow by taking from others.

New cities

It's important to note that most of this evidence is from the United States or Europe. The developing world might be very different in this way. Good city infrastructure is mainly found in a few cities in these countries. It would be good to build more good quality cities and improve the big cities so they are better places to live and help the economy grow. This is an important focus for the World Bank. For instance, a report from 2016 about cities growing in India talks about a lot of poor and messy neighborhoods, and buildings spreading out in all directions. Basically, cities spread outwards instead of building taller buildings. In South Asia, around 130 million people live in informal cities. The distances are very far, the traffic is really bad, and there is a lot of pollution. This makes it harder to bring in talented people to cities, and also reduces how well cities can make and exchange things. Improving cities could create new opportunities for countries to grow without affecting other areas.

For many years, Romer studied cities in developing countries. It's still really important to him. He wants these countries to create cities where creative people can gather and come up with new ideas together. Cities that are good for businesses and nice to live in, like Shenzhen but without the pollution and traffic. Unlike most scholars, he cared deeply about his ideas and set up a non-profit organization to help create "charter cities," which would be large, protected areas following specific rules within countries that do not. The national government would make a deal with a government from a rich country to make sure the rules are followed. Up to now, only Honduras' government has agreed to create around twenty areas for jobs and growing the economy. Unfortunately, even though it said it was inspired by Romer's ideas, the Honduran plan seemed more like the banana plantations that the United Fruit Company and other companies controlled in the early 1900s, where the company had all the power. They changed the project right from the start by deciding not to have a third-party government oversight. The Honduran government was more interested in Romer's reputation than his advice. They signed a deal with an American entrepreneur who liked unregulated capitalism. Romer left because of this. This story shows that charter cities may not be the answer for long-term growth in developing countries. This is because the political issues the charter is meant to control often come back and cause problems.

Innovation and change

In short, it seems like spillover effects between different regions are real, but the evidence we have suggests that they may not be strong enough to keep the economy growing at a national level. Maybe Romer had another idea ready. In this idea, he says that companies come up with new ideas that make technology better and help the economy grow. Romer was talking about a power that makes sure that technologies will always get better, especially in countries that support new ideas and innovation. In Solow's world, we wouldn't have to worry about technological progress being something we can't control. Romer wanted to create a system that keeps coming up with new ideas and keeps growing. But he knew it's hard to think of something new when so much has already been invented. Romer believed that once someone comes up with a new idea, anyone can use it to make more new ideas. Information is overflowing. It is good to use old ideas because it helps the new inventor to make their own ideas better. The inventor just needs to make some small changes to the old invention, not create a brand new one. This means that the growth process can keep going without stopping. Romer is very positive, as you can see from his belief that he could keep his charter city project separate from the politics of Honduras. He is hopeful and positive about the innovation process. In his world, new ideas come in easily, like the smell of roses on a summer breeze. In the real world, it appears that coming up with new ideas is a much more difficult process. Companies come up with a lot of marketing ideas, and they usually want to keep their ideas to themselves. Drug companies and computer companies, for example, do a lot of things, both legal and illegal, to get and keep control over new ideas. Today, spying on companies is a big industry around the world, and so is the law that protects inventions. A well-known study by Philippe Aghion and Peter Howitt, which came out a few years after Romer's work, suggested that economic growth could still happen through innovation, even in a very competitive environment. In their view, companies innovate not so much to gain knowledge, but to stay ahead of their competitors. However, new ideas are still being created as long as patents don't completely stop people from building on old ideas. This change in the way people see things has results. In Romer's world, innovation is a great thing that innovators give to the world. They make some money, but what the economy gets in return is much more valuable because future generations of innovators can use it for free. Romer believes that we should make the world a better place for innovators by lowering taxes on profits and capital gains, providing support for new ideas, and protecting the rights of innovators for as long as possible [7], [8].

Aghion and Howitt have a less idealistic view of innovators. Aghion is one of the few economists who got to see how innovation happens up close. His mother, who came from a French-speaking Jewish family, started the famous designer brand Chloé when she moved to France. She had to leave her home in Egypt in the early 1950s. During the same years that Philippe was growing up, Chloé went from being a dressmaker to a global brand. However, Aghion is influenced by Joseph Schumpeter and believes that innovation is a process of making new things but also getting rid of old things. In his world, sometimes creativity wins, but other times destruction is in charge. New things are made not because they are helpful, but because they beat someone else's invention. Rewarding innovation more could have negative consequences. People who come up with new ideas might be concerned that the time between when they replace someone else's patent and when they lose their own patent to someone else is too short and frustrating. Having a patent is good for encouraging new ideas, but having too many patents can make companies lazy and stop them from thinking of new things. Instead, we need to have a balance between coming up with new ideas and using other people's ideas.

You might remember that economists like Lucas didn't like the Solow model because it didn't tell policy makers what to do. Romer's model explains. Conveniently, the advice is not really innovative. In simple words, Romer believes that the government should not make it difficult for people to work hard and create new technologies that can help everyone become more productive. In other terms, reduce taxes. Romer belongs to the Democratic Party in the US. Or at least that's what people are saying in the economics world. His dad was a Democrat and he was a governor in Colorado. The idea that lower taxes can help the economy grow in the long-term by sparking new ideas is very important to US Republicans. From Reagan to Trump, Republican leaders have always said they will lower taxes, and their reason is that it helps the economy grow. We need to keep the tax rates low for rich people like Bill Gates so they have a reason to work hard, come up with new ideas, and create new things that will help everyone. It was not always that way. Taxes were really high from 1936 to 1964. They were over 77% for all those years, and over 90% for about half of that time, mostly in the 1950s when a Republican government was in charge. The highest tax rate was lowered to 70 percent in 1965 by a more liberal Democratic government, and has since decreased to around 30 percent. All Republican leaders have wanted to reduce it, and all Democratic leaders have wanted to increase it, but they have always been very cautious about doing so. It's surprising that for the first time in more than fifty years, some Democrats in 2018 are considering the idea of a tax rate over 70 percent for the highest earners. However, when we look at how fast the economy has grown since the 1960s, it's clear that the low tax rates introduced by Reagan didn't make the economy grow faster. The economy was not doing well when Reagan became president, but then it got better and the growth rate went back to normal. The economy grew a bit more in the Clinton years, but then slowed down. In general, the economy has been growing steadily since 1974, staying between 3 and 4 percent. There is no proof that the tax cuts made by Reagan and Bush, or the tax increase made by Clinton, had any effect on the long-term growth rate.

Paul Ryan is correct about something. It's difficult to tell if tax rates have an impact on growth by just looking at the changes over time. It might be true that there is a real connection, but it is hard to see because of all the other things going on. The connection between how fast a countries grows and how much tax it collects doesn't change when we compare different countries. There is no connection between how much the cut changed from the 1960s to 2000s in a country and how much the growth rate changed during the same time. In the United States, each state's experience is also important to consider. In 2012, the Republican leaders in Kansas made big tax cuts, saying it would help the economy grow. That didn't happen. The state ran out of money and had to spend less on education, so the school week got shorter and the teachers went on strike.

A new research at the University of Chicago's Booth School of Business uses a clever method to find out if tax cuts for rich people help the economy grow more than tax cuts for everyone else. Income is not spread out the same in every state. This means that tax cuts for wealthy people will affect each state differently. Connecticut has a lot more rich people than Maine. The study looked at 31 changes to taxes since the war. It found that cutting taxes for the richest 10 percent of people didn't help the economy grow. But cutting taxes for the other 90 percent did help the economy grow. We can also see if people who make a lot of money work less when taxes are higher. This question can be answered more accurately than looking at the overall growth, because tax reforms impact different people in different ways. We can compare how people's behavior changes when they are more or less affected by the reforms. The main idea from a lot of research, summarized by two experts, Emmanuel Saez and Joel Slemrod, is that there isn't clear proof that high-income people change their economic behavior because of tax rates.

Many economists agree that simply lowering taxes for rich people may not always help the economy to grow. This was seen in how a group of top economists reacted to the Trump tax cut in 2017. The tax cut gives big and long-lasting tax cuts for businesses. This includes lowering the corporate tax rate from 35 percent to 21 percent. The new bill makes the richest Americans pay a higher tax rate of 37 percent. It also raises the income threshold for the richest people and gets rid of the estate tax. - The tax reductions for the majority of people are modest and might be temporary. Only one person agreed with the statement that the US GDP will be a lot higher in ten years if a new tax bill is passed, and 52 percent of people either disagreed or strongly disagreed.

Even though everyone agreed, a memo from the government's treasury department said the money impact of the bill would assume a 0. 7% yearly growth from lower taxes. How could they say something that no one believes? One reason is that they've said other untrue things to support their decisions. But we think that people believed the idea that tax cuts for rich people make the economy grow because they have heard it from famous economists for a long time. Back then, there wasn't much evidence and people would often use their intuition to make arguments without any data. Economists have been saying this mantra for a long time, so now it feels like a comforting lullaby. Every day, we still hear from many business experts who don't feel limited by the data. Now, most people believe it too. In our survey, when we asked people a question similar to the one asked by the IGM booth panel, 42 percent of people agreed or strongly agreed that the tax cut would make the economy grow in the next five years. 20% of the people we asked did not agree or strongly did not agree. The administration received backing from a letter signed by nine established conservative economists. They argued that economic growth would increase by just over 3% in the long run, or 0. 3% per year for ten years. It was quickly said that this letter was based on basic ideas and a careful reading of the research. However, it matched what people and the media expect from economists, so it seemed completely reasonable. Again, this shows the important need to put aside beliefs and support the ideas that most economists agree on, based on new studies. In a world where policies are often not logical, we need to speak up or we will become unimportant. Let's make it clear. Cutting taxes for rich people doesn't make the economy grow.

DISCUSSION

There are other important changes happening in the US economy in addition to the noticeable tax changes.Another big change is that more and more economic activity is happening in just a few places. This could affect how much the economy grows. The reason the economy keeps getting bigger, in the Solow and Romer models, is because of new technology. People keep investing in new things and finding better ways to do stuff. This makes the TFP and the economy grow. However, as Aghion and Howitt pointed out, innovation doesn't just happen by itself; someone needs to be motivated by money to come up with something new. Innovative companies need to be able to sell their products in order to be successful. Some proof shows that it is getting harder for new people to join. In the whole country, just a few companies are taking over most industries. In 2016, a report found that the top fifty corporations earned more money in most industries from 1997 to 2012. This focus is mostly caused by more and more very successful businesses, partly because the US allows lots of mergers. For instance, the top four companies in each sector are making more money than before. In 1980, the top four manufacturing businesses made 38% of the money. By 2012, they made 43% of the money. In retail, the portion more than doubled, going from 14 to 30 percent [9], [10].

It's still not certain if higher prices have been harmful for customers. Some economists find that prices have gone up a lot, but others don't. One reason prices haven't gone up as much is because big companies have merged nationally, but not locally, which helps keep prices lower for consumers. When big stores like Walmart come to town, they push out smaller family-owned stores. However, this doesn't mean that the market is less competitive for customers. Superstores have more options and often offer lower prices. And Amazon has made it so sellers have to compete a lot with each other on its website.

The big issue with companies getting bigger nationwide is that it can make it harder for new, smaller companies to compete and bring new ideas. This can lead to less innovation in the industry. In Aghion and Howitt's thinking, getting a patent for a new invention makes companies work harder to come up with even better ideas. This means that in the future, everyone will benefit from these new technologies. This is what makes things get bigger. If one company can control a market forever, then new ideas and progress might not happen as much. The company might not feel the need to create new things. Some proof shows that this might be happening at the moment. A study discovered that when a big planned business deal in an industry doesn't go through for an unexpected reason, the industry stays more competitive for many years. These industries that almost had accidents are now getting more new businesses, more money put in, and more new ideas. This finding implies that the slow increase in productivity may be due to the rise in focus on certain companies [11], [12].

Expanding to other countries

Although the increase in industry concentration has contributed to slower growth in the United States, it would not be fair to say that breaking up monopolies will completely solve the problem and make growth faster. Europe hasn't been growing much and their regulators are really trying to stop companies from having too much control. This shows, once more, the only clear thing we've learned in the last few decades. We don't really know how to achieve long-lasting faster growth. If rich countries don't grow rapidly, what will they do with all their extra money. The business community has been thinking of other ways to invest their money instead of following the usual messages. We saw this 20 years ago, when businesspeople started asking us about developing countries. They were worried about the economy in the West. We got used to the look of discomfort on the faces of business people when they found out that we study poor countries. They were looking for someone else to assist them and were attempting to politely distance themselves from us.A few decades ago, poor countries became more important suddenly. They were interesting because some of them were growing quickly, and any place growing quickly needs money to keep growing. This money could help rich countries make more money instead of losing it. One way to keep the economy growing is to invest money in countries where people work really well. This won't be good for workers in wealthy countries because the work won't be done there. But at least the country's overall income will continue to increase because people who invest their money in other countries will be paid well.

Good news

Many economists and business people believe it's important for poor countries to grow because it can improve the lives of the people who live there. The world's poor have been doing well in the past few decades. Between 1980 and 2016, the incomes of the poorest half of the world's people grew faster than the incomes of almost everyone in Europe and the United States. The richest 1 percent in wealthy countries did the best, getting 27 percent of the world's economic growth. In comparison, the poorest half of the population only got 13 percent of the world's economic growth. However, most Americans think that world poverty has either increased or stayed the same, even though the reality is that poverty rates have been reduced by half since 1990.

This is definitely because the economy is getting bigger. When people are very poor, even a small increase in their income can help them improve their situation. So, even though they usually only got a little, that little bit was enough to help them have more than $1. 90 each dayThis could be because our definition of extreme poverty sets the bar too low. However, in the last thirty years, not only has poverty decreased, but there have also been significant improvements in the lives of poor people. Since 1990, the number of babies and mothers dying has been reduced by half. Because of this, over 100 million children have been saved from dying since 1990. Today, almost everyone, including boys and girls, can go to primary school unless there is a big problem in society. 86 out of 100 adults can read and write. Even fewer people are dying from HIV-AIDS now compared to the early 2000s. The poor have actually made real money, not just on paper. The new sustainable development goals want to stop extreme poverty by 2030. It's possible this goal will be reached if the world keeps growing like it has been.

This shows how much poor countries need economic growth. For people who trust the Solow model or the Romer model, seeing extreme poverty in the world is very sad because there is a simple solution. In the Solow model, countries with little money can grow faster by saving and investing. If poor countries are not actually growing faster than richer ones, it means they have bad policies, according to the Romer model. In 2008, Romer said that the advanced countries already have the knowledge needed to help the people in the poorest countries live better.

If a poor country spends money on education and lets its people learn from other countries, it can quickly use knowledge that is available to everyone in the world. If the country gives rewards for using privately owned ideas and allows foreign businesses to invest and operate there, its people can start working in modern and efficient jobs. This sounds like the typical conservative idea: lower taxes, fewer rules, and less government involvement, except maybe in education and protecting private property. In 2008, when Romer wrote this, we knew a lot about this topic and were already questioning it.

In the 1980s and 1990s, a popular task for growth economists was comparing the economic growth of different countries. The goal is to use information to guess how much a country will grow. This can be based on things like education, money put into the country, how fair the country is, and how people are treated. It can also be related to culture, religion, and how close the country is to the ocean or the equator. The goal was to figure out which parts of a country's rules could show how well its economy will grow. But then, the literature stopped making progress. There were two issues. At first, Bill Easterly, who doubts that "experts" can predict economic growth, has shown that a country's growth can change a lot from one decade to the next without any obvious reason? In the 1960s and 1970s, Brazil grew a lot. But in 1980, it stopped growing for 20 years. Then it started growing again in the 2000s, but stopped once more after 2010. Lucas thought that India, a country that didn't grow well, started growing faster around the time he wrote about it. He was trying to figure out why India's growth was so slow. For the past 30 years, India has been a very successful and fast-growing country. The countries Lucas wanted India to be like, Indonesia and Egypt, didn't grow well. Bangladesh was called a "basket case" in the 1970s. But in the 1990s and 2000s, it grew at a rate of 5 percent per year. In 2016 and 2017, it grew even more, at above 7 percent. - It ranks as one of the twenty countries experiencing the fastest growth globally.

Secondly, these efforts to find out what causes growth don't make much sense. Most things in a country are made from other things. For example, let's look at education, which was an important factor in early studies on the growth of countries. Education depends on how well the government runs schools and gives money for education. A government that does a good job with education is likely to be good at other things too. Maybe the roads are better in the countries where teachers are dedicated to their work. If we see that places with more education have more growth, it might be because of other policies that come with education. It's possible that when the economy is good, people are more eager to educate their children. So, maybe economic growth leads to education, not just the other way around.

In general, countries and their policies are very different. There are so many factors that affect growth, including ones that we may not even be aware of or able to measure. Therefore, the effectiveness of these exercises relies on how much we believe in the specific things we include in them. We don't have much reason to support these choices, so we think it's best to just forget about the whole project. That doesn't mean we haven't learned anything. Some of the most unexpected findings came from trying to clearly separate what caused something from what the result was. A famous set of papers written by Daron Acemoglu, Simon Johnson, and Jim Robinson has the most surprising information. They found that countries where many early settlers died in the beginning of European colonization still don't do well today. AJR says that Europeans didn't want to live there, so they made colonies where a few Europeans could control many natives and make them work for them. The natives had to grow sugarcane, cotton, and mine diamonds for the Europeans to sell. On the other hand, the places where there were not many people at first and where settlers didn't get sick as often, were the places where Europeans moved to in large groups. So, these places got the organizations that Europeans were creating, which would lead to modern capitalism. AJR found that the number of settlers who died hundreds of years ago can predict how business friendly a country's institutions are today. In the past, countries with few settlers dying and good for business are now much wealthier. Although being business friendly may not directly cause growth, it suggests that long-term factors greatly contribute to economic success. Many other studies have also agreed with this general understanding, which historians have always emphasized. The data suggests that countries experiencing high growth in the modern era had lower populations and less prevalence of malaria from 1600 to 1900.It also helps to have had many Europeans settle in the country. Does it mean countries should try to get European people to come and live in their country in today's very different world? Most likely not. In the old days, settlers didn't care about local customs and people's lives when they set up their own rules. This probably wouldn't be allowed today.

In addition, it seems that countries with similar business friendliness do not necessarily have higher GDP per person, even if they have good economic policies. On the other hand, it's true that countries with bad policies grow more slowly. But they are also more likely to have worse institutions by the measures used in this research. So it's not clear if they are doing poorly because of their policies or because of other negative effects of their institutions. There isn't much proof that policies are effective on their own, without considering how well the institution works. It's pretty obvious that we should stay away from some things like prices going extremely high, fixed exchange rates being too high, communism like in the Soviet Union, China under Mao, or North Korea, and total government control over businesses like in India in the 1970s. This doesn't solve the problems most countries have today because hardly anyone, except maybe the Venezuelan leaders, seems to like any of these extreme choices. Vietnam and Myanmar want to know if they should copy China's economic model because it has been very successful, not if they should be like North Korea. The issue is that China, Vietnam, and Myanmar have market economies, but they don't follow the same capitalist model as the UK or Europe. Seventy-five out of the ninety-five Chinese companies on the 2014 Fortune Global 500 list were owned by the government, but they operated like private businesses.

The government owns most banks in China. The government, both in local areas and all over the country, has been very important in deciding how land and money should be given out. It also decides who can go where and brings labor to different industries. The value of the money exchanged between countries was kept low for about twenty-five years. The United States received billions of dollars at highly favorable interest rates. In farming, the government decides who can use the land because it belongs to the state. If this is capitalism, it has a lot of Chinese influence.

Truly, even though people are excited about how well China is doing now, hardly any economists in 1980 or 1990 saw it coming. Many times, after we talk, someone asks why a country we are discussing doesn't copy China. We never know exactly which part of the Chinese experience we are supposed to copy. Should we begin with Deng's China, a very poor economy with good education and healthcare, and fair income for everyone? Or with the Cultural Revolution, where they tried to get rid of advantages for the elites and make things equal for everyone. Or with the Japanese invasion and how it hurt Chinese pride. Or with China's long history of five thousand years. Japan and South Korea had a similar challenge. Their governments made decisions about what products to make and sell to other countries. They also decided where to put their money for building factories and businesses. In Singapore, everyone had to save a big portion of their money in a central fund so the government could use it to build homes.

In these situations, economists argue about whether the economy grew because of different policy choices or despite them. And every time, the discussion has ended without a clear decision. Did countries in East Asia just get lucky, or is there something we can learn from their successes? These countries were also affected by war before they started growing quickly, so some of the fast growth may have been a result of recovering from the war. People who use the experiences of East Asian countries to show the goodness of one approach over the other are wrong. It's not possible to prove that one approach is better than the other.

Just like in rich countries, we don't know the best way to make poor countries grow and develop. Even people who know a lot about it agree. In 2006, the World Bank asked Michael Spence, who won a Nobel Prize, to lead the group that studies how countries can grow and develop. Spence didn't want to at first, but he changed his mind after seeing how excited the other people on the panel, who were very successful like Robert Solow, were about it. However, their report found that there are no set rules and every period of growth is different. Bill Easterly, in a not-very nice way, said that after a lot of effort and money, the experts still couldn't figure out how to make the economy grow. He said they just told people to trust the experts to figure it out.

CONCLUSION

Understanding economic growth goes beyond theories and requires a detailed understanding. Theories are important because they help us understand how the economy grows and improves. However, the difficulties that economies actually face are often more complicated than simple models can explain. It requires a complete approach that takes into account many different factors and how they interact with each other. As we try to figure out how the economy is growing, we see that one solution won't work for everyone. The differences between economies around the world, along with the always-changing technology, politics, and society, show that we need to be able to change and make new plans. People who make decisions, companies, and individuals need to stay alert and responsive to new trends and problems. They should create an environment that promotes new ideas, includes everyone, and protects the environment. Furthermore, we should not sacrifice the well-being of people and the environment in the pursuit of making more money. A careful and ethical way of doing things is really important in development. It's crucial to make sure that everyone is included in growth, that we work to decrease inequality, and that we take care of the environment. Achieving sustainable economic growth means finding a good balance. This means making sure the benefits are shared fairly and the costs are managed carefully.

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CHAPTER 13

CRITICAL EXAMINATION OF GROWTH THEORIES IN DEVELOPING COUNTRIES

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ABSTRACT:

The prevalent belief among young social entrepreneurs in Silicon Valley is that the adoption of the latest technologies, particularly the internet, is the key to fostering economic growth in the developing world, the paper challenges these assumptions. Drawing on insights from the Acumen Fund, a venture fund dedicated to supporting innovation in poor countries, the study explores the limitations of technology-centric views of growth, reminiscent of the engineering-dominated aid approaches of the 1960s. It delves into the difficulties faced by frugal engineering initiatives, emphasizing the importance of context and connection to the lives they aim to impact. The paper also addresses the issue of misallocation of resources, both technological and human, within developing economies. It highlights instances where the best firms may not necessarily grow due to factors such as poorly functioning capital markets, inadequately developed land markets, and psychological biases of business owners. The study contends that the assumption that resources smoothly flow to their most productive use is often unfounded in developing economies, leading to suboptimal productivity. Furthermore, the paper explores the psychological and cultural aspects influencing the growth agenda, questioning whether the owners of businesses in these countries prioritize growth and efficiency over other considerations. It discusses the reluctance of some firms to embrace changes that would enhance productivity and profitability, even when external interventions demonstrate substantial improvements.

KEYWORDS:

Economic Development, Endogenous Growth, Human Capital, Industrialization, Infrastructure, Neoclassical Growth.

INTRODUCTION

The young business people in Silicon Valley who are passionate about making a positive impact through their work may not have read the Spence report. They say that the developing world needs to use the newest technologies, especially the internet, to grow. Mark Zuckerberg, the boss of Facebook, believes that the internet connecting people is a really good thing. Many reports and papers also agree with him. A report from Dahlberg says that the internet is a big help for making money and changing society in Africa. The report doesn't need to show a lot of evidence because it's clear that there isn't any evidence to show. In rich countries, there is no proof that the internet caused a new period of growth. The World Bank's main book, called The World Development Report, said in 2016 that it's not clear yet how much the internet is helping. Many people who like technology think the Internet can make money and help poor countries grow. Many new inventions are being made to help poor people and make them healthier and more powerful. Some examples include better stoves, medicine given over the phone, computers that are powered by a crank, and kits that quickly test for arsenic in water. Many of these technologies were created by engineers who were good at saving money, like students at MIT's D-Lab or entrepreneurs supported by Acumen Fund, a well-known investment company. These funds believe that developing countries are poor because the technologies developed in wealthier countries are not right for them. They use a lot of energy, a lot of educated workers, and very expensive machines. Furthermore, these products are usually made by a single company in the northern part of the world, and the southern part has to pay extra to buy them. The South needs its own technology, but it doesn't have enough money to buy it. This is maybe the reason why some countries don't grow by themselves. Acumen Fund tries to help fill this gap [1], [2].

The Acumen Fund thinks of itself as a new kind of organization, not a charity but a fund to help poor countries. It focuses on technology for growth, which is similar to what engineers did in the 1960s when they tried to help poor countries catch up with rich ones by building big projects like dams and train lines. Even though there isn't much proof that it has helped those countries to grow, people are still really interested in using electricity for growth and progress. Ecuador is having a hard time with money because they borrowed a lot of money from China to build a big dam, but the dam didn't work like it was supposed to. Acumen gives small loans to individuals, not governments. They hope that engineers can solve the world's problems with these loans. One of Acumen Fund's main areas is providing electricity. The best way to get energy has changed. Instead of big dams, now people are using power from things like grain husks or the sun. Another new idea is to make cheaper ways for poor communities to get energy without using the main power grid. But people have been focusing on electricity for a long time, about fifty years. But it's difficult to create useful technologies that are also profitable in a poor country. Many of the projects that Acumen funds do not succeed. In social investing, a general rule is that only 10 percent of the ventures are successful and only 1 percent become really big. The problem is that it's hard to find new products and services that can really change people's lives, and when we try to find them, people don't seem to be interested. Electricity is a good example. In a recent study in Kenya, researchers worked with Kenya Rural Electrification Authority to provide electricity to communities at different prices. The demand dropped a lot when the price got higher, and people in the village didn't want to pay enough to cover the cost of connecting to the grid. The inexpensive engineering world has many disasters like the $100 laptop, cleaner cook stoves, water filters, and innovative latrines that nobody wanted. Many of the new ideas don't work well because they are not connected to the people they are trying to help. The main ideas are usually smart, and it's possible that someday they will work out, but it's difficult to believe strongly in this possibility [3], [4].

Fishing with cell phones

One important idea in all the growth theories we talked about is that resources are used in the best way possible. This is a common idea if markets are working perfectly. The top companies should be able to bring in the top employees. The land that is best for growing crops should be used for farming a lot, and the land that isn't as good for crops can be used for industry. Those with money should lend it to the most skilled entrepreneurs. This idea lets macroeconomists talk about the total amount of "capital" or "human capital" in an economy, even though the economy is not actually a huge machine. As long as resources go where they're most needed, each business is like a small part in a well-working machine that covers the entire economy. But this is usually not the case. In an economy, there are businesses that make things and businesses that don't. Resources don't always go to where they can be used best.

Not using the technology that is already available is a problem for both poor families and businesses in developing countries. In a lot of cases, the top companies in an industry use the newest technology from around the world, but other companies don't, even if it would make sense financially. Many times, this happens because they don't make enough products. For example, in the past, most clothes in India were made by one tailor in a small shop, instead of a company that makes a lot of clothes at once. The reason why TFP is low is because the tailoring firms are too small to benefit from the best technology, not because the tailors are using the wrong technology. The question is why these companies exist. The issue with technology in developing countries is not that the advanced technology is not there, but that the economy doesn't seem to use the available resources well. This is also true for land, money, and skills, not just technology. Some companies have too many workers and some can't find anyone to hire. Some people with good ideas may not have the money to make them happen. And some people who aren't very good at their job keep working. This is called misallocation by macroeconomists.

The introduction of cell phones changed fishing in Kerala, India. Fishermen in Kerala go out to fish in the morning and come back to shore to sell their catch by mid-morning. Before cell phones, they would arrive at the closest beach and meet their customers there. The market would stay open until there were no more customers or the fish were all sold. Because the amount of fish caught changed a lot each day, some beaches had a lot of fish wasted and other beaches had unhappy customers because they didn't catch many fish. This is a clear example of putting things in the wrong place. When fishermen got cell phones, they started to call ahead to figure out where to go. They would choose to go where there were many customers and not many other boats. As a result, there was less waste, prices stayed the same, and both customers and sellers were happier [5], [6].

The first story caused another one to be created. A fisherman's most important thing is his boat. Good boats last longer than bad ones. The way fishing boats are made doesn't change, but some people are better at it than others. Before there were cell phones, fishermen would buy their boats from the closest boat makers. However, when they went to other beaches to sell their fish, they found that there were people who were better at making boats. So, they asked these people to make their new boats for them. The better boat makers got more jobs and the worse ones went out of business. The average boat got better and cheaper because the boat makers were able to use their resources more efficiently. The workers, equipment, wood, nails, and ropes used to make boats were used more effectively, improving the allocation of resources.

Both stories have something in common: a misunderstanding caused by a problem with communication. When people were able to communicate better, they used the same resources more efficiently. - This resulted in increased TFP as they were able to achieve greater productivity with the same level of effort. Many developing countries have a lot of misallocation. Tirupur is a city in South India known for making lots of T-shirts. There are two types of entrepreneurs in Tirupur: some people come from other places to start a T-shirt business, and others are local to the area. The second group mostly consists of kids from rich farming families, the Grounders. They want to try something new in their lives. People who go there to make T-shirts are usually really good at making T-shirts. They often have family ties in the T-shirt business. Because of this, outside companies can make the same amount of T-shirts using fewer machines, and their businesses grow faster [7], [8].

However, even though they worked harder, Abhijit discovered in a research with Kaivan Munchi that the businesses owned by immigrants were smaller and had fewer resources compared to the businesses owned by local people. The Gounders put their money into their children's businesses instead of lending it to migrants and giving the interest money to their sons. This means that in a town, there can be both good and bad businesses that stay in business. When Abhijit asked why the Gounders sponsored their sons instead of lending money to more talented people and living off the profits, the Gounders said they were not sure they would get their money back. When there was no good way to invest their money, they chose to give it to their unskilled sons instead of getting higher but riskier profits. They probably thought it was their responsibility to give their sons money and the ability to make a good living. Family businesses are found everywhere, and they don't always follow economic rewards all the time. Businesses are often inherited by sons, even if their daughters would actually be better at running them. Also, all the resources and support in the family goes to one person's project, when it would be better to share it among everyone. This is true not only for small farms in Burkina Faso or family businesses in India and Thailand, but also in the United States. The researcher studied 335 cases where the CEO of a family-owned company was replaced. In 122 of these cases, the new CEO was a family member, such as a child or spouse of the previous CEO. On the day the new leader took over, the stock market did better for companies that hired a CEO from outside. Companies that hired a CEO from inside didn't see as much improvement. The market was happy about the outsider being appointed. And it seems like the market knew something. Companies who chose family members as CEOs did not do as well as companies who selected CEOs who were not related to them. The companies with family CEOs saw their return on assets drop by 14 percent over the next three years.

This tells us that we can't assume resources will always go to where they are needed the most. If they don't get along in a family or a town, we can't expect them to get along in a whole country. Using resources in the wrong way will make the work go slower. One reason why poor countries are poor is because they are not good at using their resources effectively. On the other hand, it is possible to grow just by using the existing resources in better ways. In recent years, economists have worked hard to figure out how much economic growth could happen if resources were distributed more efficiently. This is difficult to do just right, but the outcomes have been very positive. One important estimate says that in 1990, moving resources around within specific industries could have made India's productivity go up by 40-60% and China's productivity go up by 30-50%. If we let people move their money between different types of expenses, the amount of money would probably be even more. And then there are the times when we don't realize that we are using our resources in the wrong way, and the amazing ideas that never get a chance to be used. Since venture capital invests more in new ideas in the United States than in India, it's likely that India is also not finding as many undiscovered geniuses.

Banking

Why do Indian companies grow slower than US companies? Indian companies are less likely to go out of business than US companies. In simple terms, in the United States, people either succeed or fail when they try something new. On the other hand, the Indian economy is really slow to change: successful companies don't get bigger and struggling companies don't go out of business. These two things might be connected: because good companies can't grow quickly, it also makes it easier for bad companies to survive. If the top companies got bigger quickly, they would lower the prices of their products and push out everyone else except the companies that were good at making money even with lower prices. Similarly, they would increase wages and the price of raw materials, making it harder for bad companies to compete. On the other hand, if they stay small and only serve local customers, a less effective company can still do well in the nearby market. One reason is the stock market. It shows up in the Tirupur case, where the best entrepreneurs in the best T-shirt group in India can't borrow enough money to grow as big as the less successful local companies. In India and China, it is thought that moving money from one company to another could reduce most of the productivity gap caused by inefficient allocation. This idea fits with the common belief that the banking industries in China and India have big issues. Indian banks prefer to lend money only to well-established and reliable borrowers. Chinese banks have changed a lot since the 1990s to let new people join and make the state-owned banks better. However the biggest state-owned banks still lend money to risky projects if they have good political connections. A young entrepreneur with a great idea is having a hard time finding money because they don't have influential connections.

Indian banks also have a similar problem, and they are also known to have too many employees. Overstaffing means they have to charge firms a high-interest rate while paying depositors a low-interest rate to make a profit. As a result, the interest rates on loans from banks in India are higher compared to other countries, even though people who put money in the bank don't earn much interest. This also makes it harder for people to borrow money to invest and helps people who have wealthy relatives to help them, like the Gounders of Tirupur. Corrupt banks make it harder for people to save money, causing lower savings rates and mismanagement of savings. Companies also need money that can help them when they have problems, which is different from the money they get from banks. The stock markets in general do well, but many people still don't trust the Chinese stock market. The Indian stock market is older and well-managed, but it mainly consists of big, safe companies.

One more reason why companies don't grow is because the land markets are not well developed. To grow, a successful company will need to buy more land and buildings to have space for new machines and workers. Also, you can use land and buildings as security to get a loan. This is a big problem when the buying and selling of land doesn't work well. For example, in many countries, people often argue about who owns land and buildings. A person says they own someone else's land, so the court takes control of it. It usually takes a long time to figure out who owns the land. A new study shows that in India, land and buildings are often not used properly. In many parts of India, more successful companies often have less land and buildings than the less successful ones. This could be a big problem in countries where land ownership rights are not clearly defined.

One life to live

However, there are also other reasons related to our thoughts and feelings about why the top companies are not expanding into India, Nigeria, or Mexico. Maybe the owners want to keep the business in the family and not have others control it. They may not want to raise money by selling shares because they would have to give up some control to outside directors. This could interfere with their plans for their son to take over the business. And maybe the owners don't care about making the business bigger and better. If no one else is growing quickly, they are safe from being forced out. They have enough money to live and a place to do their job. Why make things harder by trying to expand? A recent study looks at problems in how Indian companies are managed. According to the United States, companies in developing countries are not managed well. One might ignore this because they don't like other ways of doing things. Indians are proud of their way of doing business with very little money, which they call jugaad. This means being creative with what you have, and maybe that's what the managers are doing. But managers are not doing well in ways that don't make sense. For instance, it's okay for garbage to build up on the floor of the store, until it could cause a fire. Unused items are put into bags and placed in a storage room, but no one marks or lists them. This makes it very hard to use them again. The researchers sent a group of expensive consultants to work with managers from some companies. The profits of each company went up by $300,000, which was a big increase. Furthermore, many of the changes that made this happen were fairly easy, such as putting labels on items and getting rid of garbage. It's difficult to understand why the managers would need expensive outside help if they want to make more money. They only make changes when people tell them to and make them feel bad, but not on their own. The owners must not care very much about doing their very best.

DISCUSSION

Companies also need people to work for them. One might think this would not be a problem in a poor country with a lot of workers, but it's not true. Even workers who don't have much training in Odisha, which is one of India's poorest states, ask for a fair wage. They would rather not get a job than accept a low wage. Other workers will treat those who accept less money badly. In 2009 and 2010, 26 percent of Indian men aged twenty to thirty with at least ten years of school were not working, according to a survey that represents the whole country. This is not because there were no jobs: There was a 3 percent unemployment rate for individuals under the age of 30 with less than eight years of education. Actually, only about 2 percent of people with more than ten years of education and over thirty years old were not working. We noticed the same thing happening in 1987, 1999, and 2009, so it's not because young people today are less likely to get a job. There are many jobs available, but these young men don't want any of them. As they get older, they might accept jobs they turned down when they were younger because they need the money more and have fewer job choices [9], [10].

Esther found something almost the same in Ghana. More than ten years ago, around two thousand young people in Ghana passed the exam to go to a higher secondary school but couldn't start because they didn't have enough money. One third of the students were chosen by chance and given a free scholarship for all their years in high school. Before they got the scholarship, Esther and her friends asked their parents if going to high school would help them make more money. The parents were hopeful and positive. On average, they believed that their child could make nearly four times more money if they finished high school than if they didn't even begin. Also, they thought they would get these benefits because they would have more opportunities to work for the government in jobs like teaching and nursing. It's not surprising that 75% of the kids who were given a scholarship went to secondary school, while only about 50% of the kids who didn't get a scholarship went. Esther and her coworkers have been keeping track of these young people's growth over time and talking to them about once a year. They found good things: students learned helpful things in school that made their lives better. They did better on a test that measures how well they can use what they know in real life. Girls waited longer to have a family and had fewer children.

The average earnings didn't go up by much for most people, except for those who got a government job. The parents were correct about one thing: going to high school is very important to be able to go to college and get good jobs. High school graduates were more likely to become teachers, work for the government, or have steady, well-paying jobs in the private sector. But the problem is that while high school education is important, it's not enough. Students who received scholarships in high school were more likely to attend college, but there was still a low chance of it happening. Only a small number of them were able to find a job in the government. The scholarship made it twice as likely, but it only increased from 3 to 6 percent, which is still a small chance. Meanwhile, even though they were already 25 or 26 years old, most of the people who had finished secondary school were still hoping for something better. Many of them were not working at all: only 70 percent of the kids in the study had made money in the past month [11], [12].

We were curious about what these young people were doing instead of working, so we visited some of them. Steve, a friendly and well-spoken young man, welcomed us into his house. He finished high school more than two years ago but hasn't had a job since then. He wanted to go to college and study politics so he could be a radio anchor. But his test grades were not good enough yet. He kept trying it again and again. Meanwhile, he was relying on his grandmother's pension to survive. He didn't see a reason to give up on his dreams yet. Maybe he will do it later, but right now, he thinks he is still young. In some countries where a lot of people don't have jobs, like South Africa, companies are having trouble finding workers who have some education, a good attitude, and are willing to accept the pay they offer. In India, the government has spent a lot of money to train workers for the jobs available in the economy. A few years ago, Abhijit worked with a company that provides training and helps people find jobs in the service industry. The company was concerned that they were not doing a good job at finding jobs for their students. The information proved this. 450 out of 538 young people finished the course. Out of those people, 179 received job offers and 99 accepted them. But after six months, only 58 were still working in the jobs the company had found for them, which is only about 10 percent of the original number. Another 12 people were working somewhere else. We surveyed a cohort of individuals who were extended job offers but chose not to accept them or left shortly thereafter, regarding their subsequent activities. They were either taking tests to get a job or studying to finish their college degree and then apply for a government job.

We heard a lot of reasons, but it all boiled down to them not liking the job - too much work, long hours, standing too much, moving around too often, and not enough pay. One issue is that people have different expectations. The young people we talked to in India come from families where not many people go to school after high school. Their dads went to school for about 8 years, and their moms even less, about 4 years. They were told that if they worked hard at school, they could get a good job, like working in an office or becoming a teacher. This was truer for their parents' generation than it is today. Government job growth slowed and stopped because of money problems, but the number of educated people, even those who haven't had as many opportunities in the past, kept increasing. In simple words, the goal has changed. The same thing happened in countries like South Africa and Egypt, as well as other countries in the Middle East and North Africa. These countries were more advanced than India from the beginning. Back then, just finishing high school wasn't enough. You needed a bachelor's degree to get a government job. If you had a BA degree, you could easily get hired. This is not true anymore. But these countries are still making a lot of degrees in subjects like Arabic and political science even though there are not many jobs for them. Many people around the world, including in the United States, complain that new graduates don't have the skills that employers are looking for. However, things are really bad in those countries.

Not having enough knowledge about the actual job market makes the difference between what we expect and what actually happens even bigger. Sandra Sequeira and Abhijit analyzed a South African program that gives young workers in townships free transportation to find jobs in other places. The people who received the transportation subsidy traveled more, but it did not affect their employment. However, their view of the job market did change. Almost everyone was more hopeful than they should have been; they thought they would make 1. 7 times more money than what people in similar jobs actually make. Being in the real job market made them realize their expectations were too high, and they started to expect a more realistic wage.

The job market is not working well because there are too many unfilled jobs and too many people looking for work. It's a waste of resources. These young people are waiting for jobs that they probably won't be able to find. In India, newspapers often talk about the huge number of people applying for government jobs. For example, there were 28 million people who applied for 90,000 low-level jobs in the government railways. From the point of view of poor countries, some of these problems are caused by themselves. One issue is that only a few jobs are much more appealing than others, even though it's not because they are more productive. Government jobs are the best examples. In the poorest countries, public sector workers are paid much less than private sector workers. In the poorest countries, people who work for the government get paid more than twice as much as people who work for businesses. And don't forget about the good health and retirement benefits. This difference can cause a lot of problems in the job market. Government jobs are better than private jobs, but there aren't many of them. It's worth waiting in line for them. If you have to take tests as part of the waiting and checking process, you might spend a lot of time studying for them during your career. If people didn't want government jobs as much, the economy would benefit from many years of productive work that are currently being wasted on jobs that are hard to get. Certainly, jobs working for the government are also appealing in other countries because they usually guarantee job stability. However, the pay difference is not as big and the waiting line is not very long. Reducing pay for government workers might be tough, but it wouldn't be as hard to make it harder for people to apply for government jobs or to set stricter age limits. This would stop everyone from wasting time waiting. It might make getting a job a little more random, but it's not clear that it would be worse than the way it is now, which gives an advantage to people who can afford to wait. In Ghana, Steve was waiting around doing nothing, while some other young graduates had to find work because they didn't have anyone to help pay for their expenses. They had a lot of imagination: we met a person who grows nuts, a DJ who plays music at funerals, a person learning to be a preacher, and two people who play football on a small team. The job issues in poor countries aren't just because a lot of people want to work for the government. In Ghana, high school graduates are interested in private jobs that offer good pay, benefits, and some job security. In lots of poor countries, there are two types of jobs: informal jobs with no protection where people work for themselves because they have no other choice, and formal jobs where employees have lots of benefits and are well protected. However, the rules for working are so strict that they really prevent resources from being moved around efficiently.

Chasing the growth mirage

If this story is true, India should be concerned about what will happen when those chances to succeed are gone. Sadly, we don't know much about how to make things grow, and we also don't know why some countries stop growing but others don't. We don't know why South Korea continued to grow while Mexico did not, or how a country can get out of this situation. One big problem is that India might make decisions that harm poor people now in order to grow quickly in the future. It is important to support businesses to keep the economy growing. But sometimes, this can lead to policies that only help the rich and hurt the poor. This happened in the US and UK during the time of Reagan and Thatcher. The policies they had didn't help the economy and only made the rich richer. If we look at what happened in the US and UK, when we ask poor people to spend less money while giving more to the rich, it doesn't help the economy grow and it doesn't help poor people either. Inequality is growing in the economy, which is not good for its growth. This could lead to electing leaders who promise quick fixes but usually make things worse. Surprisingly, even the IMF, which has always believed in putting economic growth first, now admits that hurting the poor to help the economy was a mistake. Now, each country team must think about inequality when giving advice to countries and deciding when they can get help from the IMF.

The main thing is to remember that GDP is just a tool, not the ultimate goal. Certainly helpful, especially when it leads to more jobs, higher wages, or more money for the government to give to people. The main aim is to improve the lives of all people, especially those who are struggling the most. Quality of life is about more than just buying things. As we learned before, many people want to feel valued and respected. They feel unhappy when they believe they are letting themselves and their loved ones down. Improving lives is not just about having more things. Even very poor people still care about their family's health, educating their children, being heard, and following their dreams. Increasing GDP can help the poor, but it’s not the only way and may not always be the best way. Actually, the way people live can be very different in middle-income countries. For instance, Sri Lanka and Guatemala have similar GDP per person, but Sri Lanka has lower rates of mothers, babies, and kids dying.

CONCLUSION

Countries growing shows that we need to have a more detailed and specific plan for making their economies better. Many people think that new technologies, like the Internet, can make these areas grow fast. However, this study found that this might not be true. Projects like the Acumen Fund show us that just focusing on technology is not enough. It's also really important to understand the community and the people who will benefit from the project. The study also shows that resources are not being used properly in poor countries. Problems with how money and land are used can make productivity worse. This challenges the idea that resources always go to the best use. The thoughts and traditions of business owners make it harder to figure out how to grow and make it harder to decide what is most important, like being efficient. This study shows that using the same solution for everyone, especially if it's based only on being hopeful about technology, is not enough to solve the different problems that developing countries have. This needs a better understanding of how economic, social, and cultural factors work together to shape how things grow. Sustainable development means creating plans that fit the specific needs of each area and help all people legally make progress.

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