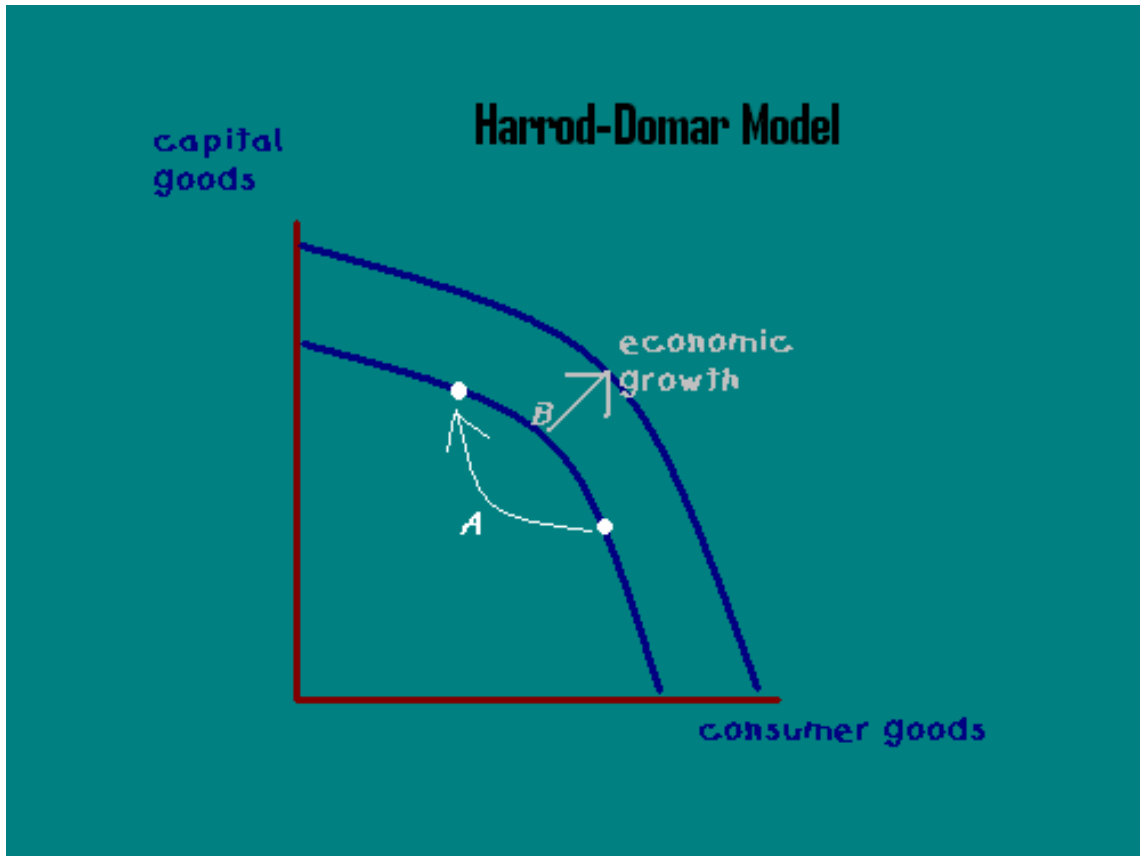


5.4a Growth and development strategies

The *Harrod-Domar Model* explains the connection between savings rates and growth rates.



The explanation goes something like this:

- Growth is dependent on capital
- Capital is dependent on investment
- Investment is dependent on savings
- Savings is negatively correlated to consumption