

GROWTH AND DEVELOPMENT



CONCEPT OF GROWTH AND
DEVELOPMENT

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Presented by

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We can divide Growth and Development subject into three parts-

- ▶ Concept and measurement of growth and development
- ▶ Theory of Growth(Adam smith ,Recardo, Lewis etc.)
- ▶ Model of Growth(Harrod-Domar model, solow model , Joan Robinson model etc.)

Concept of Growth and Development:

- - GROWTH(Income/output):- Income Dimension only
 - Development:- Income+ Non- Income Dimension

Generally speaking economic development refers to the problem of underdeveloped countries and economic growth to those of developed countries. There are many economist who make the distinction between these two terms between growth and development.

According to Kindleberger, *“Economic growth means more output, while economic development implies both more output and changes in technical and institutional arrangement by which it is produced and distributed. Growth may involve not only more output derived from greater amount of input but also greater efficiency, i.e., an increase in output per unit of input. Development goes beyond this to imply changes in the composition of output and in the allocation of input by sectors”*

DIFFERENCE BETWEEN ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT:-

- ▶ ECONOMIC GROWTH:-
- ▶ Economic Growth refers to growth in GDP in a country.
- ▶ It is not concerned with the distribution of income.
- ▶ Increase in output on regular basis.
- ▶ Growth is quantitative and it may take place even without development. It can be obtained by using more resources and raising productivity and sacrifice from its population.
- ▶ It's narrow concept.
- ▶ In economic growth structural changes already taken place in economy.
- ▶ It is related to static equilibrium.
- ▶ The concept of economic growth is related to developed countries because in these type of country the resources of production have been developed in advance.

ECONOMIC DEVELOPMENT:-

- ▶ Economic development refers to qualitative improvement in life in addition to income.
- ▶ In addition to rise in income development emphasizes the equitable distribution, reduction in unemployment and poverty.
- ▶ The output growth should be sustainable and qualitative.
- ▶ Development includes human development, poverty alleviation, women empowerment, gender equality. It is not possible to have development without growth.
- ▶ The concept of economic development related to underdeveloped countries.
- ▶ it's related to dynamic equilibrium.

Measurement of Economic Growth and Economic Development

- ▶ How to measure economic growth and development? What should be the basis for measurement, in relation to that there has been always disagreement among economist. Therefore, not a single factor instead there are multiple factor which are taken to be as measurement tool for growth and development.
- ▶ Measurement of Economic Development:-
Economic development can be measure in four ways:
 - 1.GNP
 2. GNP per capita
 - 3.Welfare
 - 4.Social Indicators and basic needs

APPROACHES TO MEASUREMENT OF ECONOMIC DEVELOPMENT

▶ APPROACHES TO MEASURE ECONOMIC DEVELOPMENT OF COUNTRY:-

1. BASIC NEEDS APPROACH- mid 1970s
2. PHYSICAL QUALITY OF LIFE INDEX-1976
3. PURCHASING POWER PARITY METHOD-1993
4. HUMAN DEVELOPMENT INDEX-1990
5. HUMAN CAPABILITY APPROACH-1999

NOTE- INCLUSIVE GROWTH AND SUSTAINABLE DEVELOPMENT

Basic need approach:- This approach was developed in mid- 1970s. It attempts to define the absolute minimum resources for long term physical well being, usually in terms of consumption good. The poverty line then defined as the amount of income required to satisfy those need. Paul streeten and Hicks have discussed six basic needs- Food, Water, Clothing, Shelter, Health, Education.

Physical Quality life of index:-it was given by Morris. D. Morris. This index based on three indicators-

- Life exapectance(+ve)
- Infant mortality rate(-ve)
- Basic literacy rate(+ve)

- ▶ The PQLI shows improvement in the quality of life when people enjoys the fruits of economic progress with increase in life expectancy, fall in infant mortality rate, rise in basic literacy rate.

Each indicators have value on the scale is from 0(worst performance) to 100(best performance).

Acheivment level for positive indicators

$$\text{achievement level} = \frac{\text{Actual value- minimum value}}{\text{max value-min. value}}$$

$$\begin{aligned} \text{achievement level for} \\ \text{(negative indicator)} \end{aligned} = \frac{\text{max value-actual value}}{\text{max value-min value}}$$


$$PQLI = \frac{IMRI+BLRI+LEI}{3}$$

- ▶ **CONCLUSION-** The PQLI can be used to identify particular regions of underdevelopment and groups of society suffering from the neglect or failure of social policy. It points toward where immediate action is required. The state can take up such policies which increase the PQLI rapidly alongwith economic growth

HUMAN DEVELOPMENT INDEX:- Mahub-ul-haq and Amartya sen(nobel laureate) invented this index. Which is publish by UNDP every year.

This index have three indicators and four dimension, which are given below:-

Indicator	Dimension
A). LIFE	1) life expectancy at birth
B). EDUCATION	1) mean years of schooling
	2) expected years of schooling
C). INCOME	1). Per capita GNI, in US\$ per annum(at PPP conversion method)

To calculate any index there is minimum and maximum goal post.

INDEX VALUE CONVERSION:-
(dimension index)

$$\frac{\text{ACTUAL VALUE}- \text{MINIMUM VALUE}}{\text{MAXIMUM VALUE}-\text{MINIMUM VALUE}}$$

HDI = GM of all indicator's index value(calculation)

NOTE:- HDI value varies between 0 to 1.

1. Very high human development- 0.800 or more
2. High human development- 0.700 or more

3. Medium human development

4. Low human development

Human development index is a parameter which can assess or evaluate the impact of growth. GDP could not satisfy the proper assessment & it ignores completely the welfare of humanity. As a result economies used HDI which is not a ultimate measure of welfare but a better index to assess the quality of life which is referred as human development.

LIMITATIONS:-

However the limitation of HDI is that it is not necessarily measure well being.

For ex- when it measures life expectancy index then it is not measuring quality of life & life without any disability and illness. Same thing happened in the case of education index. Therefore HDI is not accurate measure of well being.

HUMAN CAPABILITY APPROACH:-

- ▶ Amartya Sen (1999), expanded the human development approach further and called it the human capability approach. The capability approach is the form of approach to welfare economics. Human development needs to be seen as a “*process of expanding the capabilities of people*”. The capability denotes the freedom and enjoyment. Amartya Sen brought this approach with the idea of real justice, real opportunity and real freedom in the assessment of a person's advantage, ability to transform resources into valuable activities, equal distribution of welfare within societies, nature of activities that give rise to happiness and well being. Sen talks about five types of freedom-
- ▶ Creative freedom
- ▶ Participatory freedom
- ▶ Transactional freedom
- ▶ Procedural freedom
- ▶ Productive freedom

These freedom could be assured only through provision of quality education and health.

THANK YOU