

Economic Growth and Development

Economic growth and development can be defined as "a process of sustained increase in real national income over a long period of time."

National Income is the sum total of the value of all final goods and services produced in the country during one year, calculated after making some necessary adjustments.

Real National Income is the money value of final goods and services is deflated by the price index to eliminate the changes that might have taken place in the value of national output, owing to changes in the price level. This rate of increase in the real national income indicates the growth rate of economy.

Economic Development signifies a process of changes in the overall economic activity and is not to be confused with some scattered development in some parts of the economy. Economic Development requires the generation of force of economic change. Economic Development refers to those changes which gather momentum and continuously lift the whole economy

to the higher level of economic activity.

Economic Development :- A Wider Concept

'Economic Growth' and 'Economic

Development' were used more or less as synonyms, both denoting a sustained increase in country's real GDP over a long period of time, other important objective of development such as employment generation, equitable distribution of income and wealth. As such, economic development studies the causes and cures of general poverty, backwardness, low per capita income, unemployment etc.

Economic Development now includes the development of agriculture, industry, trade, transport, means of irrigation, power resources etc. of underdeveloped countries

'Economic Development' concept refers to that process by which per capita income and economic welfare of an underdeveloped country increase over a time

'Economic Development' is a wider concept than 'Economic Growth'

“It is taken to mean both growth and change, whereas economic growth means growth only.”

The current thinking and approach to “Economic Development” is summed up by the “Mahbub - ul - Haq”, the leading Pakistan economist in the following words →

“The problem of development must be defined as selective attack on the worst form of poverty.”

Definitions of Economic Development

There are two main approach regarding definitions of economic development.

1. Classical or Traditional Approach or Per Capita Income Approach
2. New or Modern Approach or Welfare oriented Approach
3. Traditional or classical Approach or Per Capita Income Approach

In Traditional Approach economic

development may be defined in terms of increase in national income or per capita income.

(1) According to Paul Albert —

“Economic Development is the exploitation of all productive resources by a country in order to expand real income.”

(2) According to Paul Baran —

“Economic Development may be defined as an increase in overtime in per capita output of material goods”.

(3) According to Peterson —

“Economic Development involves an increase over time in the per capita actual output of goods and services as well as an increase in the economy's capability to produce goods and services”.

(4) According to Prof. G. M. Meier of Stanford University, —

“Economic Development may be defined as a process whereby the real Per capita income of the country increase over a long period of time, subject to the stipulation that the number of people below an absolute poverty line does not increase and that the distribution of

income does not become more equal."

The above definition has three features of the concept of economic development.

(i) Process

Process means long-term changes in the economy of a country.

It refers to those social, technological and economic forces, which stimulate economic development and help in accelerating its pace. Such forces are - the optimum use of capital, employment of modern techniques of production, technological development and control of population etc. Thus, the "Process" refers to the dynamic changes, which help in raising the real national income of a country.

Thus, "Economic Development is a dynamic Process."

(ii) Per Capita Income -

Economic Development is increase in Per capita Income

$$\text{Per Capita Income} = \frac{\text{National Income}}{\text{Population}}$$

Per capita income is estimated dividing national income by population as in given formula.

(iii) Long Period

According to Prof. Meier the rise in the real national income in the short period only helps in initiating economic development, whereas the increase in real national income in the long period is essential for sustaining economic development.

In this definition, in a state of economic development per capita income should increase in such a way that there is no increase in number of people below an absolute poverty line.

(5) According to Williamson and Buttrick

"Economic Development or growth refers to the process, whereby the people of the country or region come to utilise the resources available to bring about a sustained increase in Per capita production of goods and services."

(6) According to Lewis

"Economic Development means an increase in per capita output depends upon available natural resources on one hand and human behaviour on the other."

In Modern Approach, the Welfare definitions of Economic Development are as—

(1) According to Colin Clark

“Economic Development is simply an increase in economic welfare.”

(2) According to Kindleberger and Herrick

“Economic Development is generally defined to include improvement in material welfare, especially for the persons with the lowest incomes, diseases and early death.”

(3) According to Okun and Richardson

“Economic Development may be defined as a sustained secular improvement in material well-being which we may consider to be reflected in an increasing flow of goods and services.”

(4) According to United Nation's Export Committee

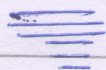
“Development concerns not only man's material needs but also the improvement of the social conditions of his life. Development is, therefore, not only economic growth but growth plus change—social, cultural and institutional as well as economic.”

(5) According to Michael P. Tadaro

"Economic Development is a multi-dimensional process involving major changes in social structures, popular attitudes and national institutions as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty."

Thus, all approaches conclude in the following words:-

"Economic Development is a dynamic process whereby the real per capita income of a country rises over a long period of time, and distribution of justice is secured by introducing the major changes in social, cultural, economic, technical structures, popular attitudes and national institutions as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty and also by making the optimum use of available resources (natural, human and material)."



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