

Lesson-3

Economic Growth And Economic Development

Summary

The concept of economic growth and economic development is related to proper utilization of available resources of an economy. Economic growth is quantitative in nature which can be measured in terms of increase in real national income and per capita income whereas economic development reflects qualitative changes over period of time. In recent years, the concept of sustainable development and human development index(HDI) plays an important role to preserve our resources and also to improve quality of life.

Economic Growth

The term economic growth is defined as the process whereby the country's real national income and per capita income increases over a long period of time.

Features of economic growth

- Economic Growth implies process of increase in National Income and Per Capita income.
- Economic Growth is measured by increase in Real National Income.
- Increase in real income should be Over Long Period
- Increase in income should be based on increase in Productive Capacity.

Economic Development

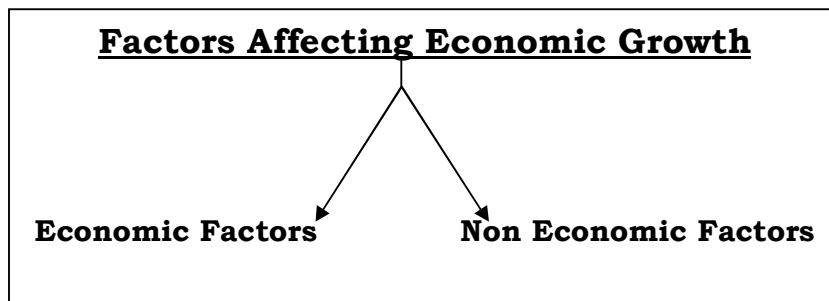
Economic Development is a process consisting of a long chain of interrelated changes in fundamental factors of supply and in the structure of demand, leading to rise in the net national product of a country in the long run.

Features of Economic Development

- The concept of economic development is based on sustained improvement in material well being of society.
- Economic Development brings changes in supply of resources, rate of capital formation, technology, skill and efficiency, institutional and organizational set-up.

Comparison between Economic Growth and Economic Development

	Economic Growth	Economic Development
Meaning	Economic growth refers to an increase in the real output of goods and services in the country	Economic development implies income, saving and investment along with progressive change in socio-economic structure of economic
Factors	Growth relates to gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.	Development relates to growth of human capital, decrease in inequality figures and structural changes improve the quality of life of people.
Measurement	Economic Growth is measured by quantitative factors such as increase in real GDP or per capita income.	The qualitative measurement such as HDI (Human Development Index), gender related index, Human poverty index, infant mortality, literacy rate etc are used to measure economic development.
Effect:	Economic growth brings quantitative changes in the economy	Economic development leads to qualitative as well as quantitative change in the economy.
Relevance:	Economic growth reflects the growth of national or per capita income	An economic development reflects progress in the quality of life in a country.



Economic Factors

- Natural Resources
- Capital Formation
- Technological Progress
- Human Resource Development
- Population Growth
- Social Overheads

Non-Economic Factors

- Political Factors
- Social and Psychological Factors
- Education
- Desire for material benefits

Sustainable Development

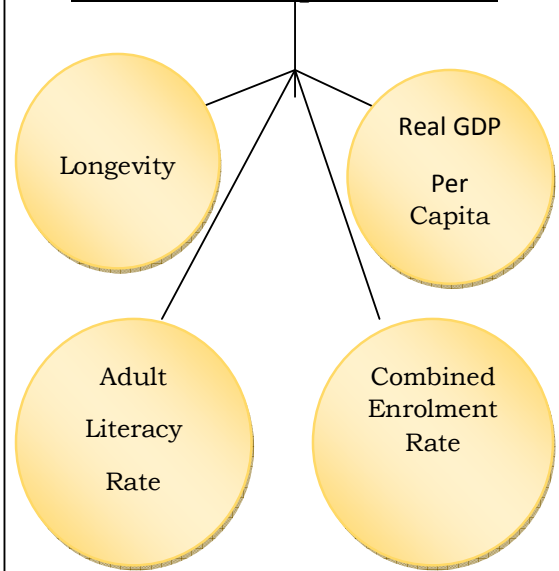
Sustainable development is a process of development in which economic and other policies are designed to bring about development which is economically, socially and ecologically sustainable

- Security Preservation of Ecological Resources and greater use of renewable resources.
- Encouragement to the use of environmentally –safe technologies for development purposes i.e. focus on reduction of all kind of pollution involved in the economic activity
- Formulation and implementation of policy framework for people security and human justice, including ecological and economic security

Human Development Index

According to UNDP, human development may be defined as a process of enlarging people's choices. At all level of development, the three essential choices for people include living a long and healthy life, to acquire better knowledge and to have access to resources

Human Development Index



As per latest human development report(HDR) 2013 published by the UNDP which estimates the human development index(HDI) in terms of three basic capabilities; to live a long and healthy life, to be educated and knowledgeable and to enjoy a decent economic standard of living. The HDI for India was 0.554 in 2012 with an overall global rank of 136 out of 186 countries.

Common Features of Underdeveloped Economy

- Low per Capita Income
- Low Standard of Living
- High rate of growth of population
- Prevalence of mass poverty
- Low level of productivity
- Low rate of capital formation
- Technological backwardness
- Higher level of unemployment
- Low social Indicator

Evaluate Yourself

Q. Distinguish between economic growth and economic development

Q. “Economic growth is quantitative changes where as economic development is qualitative changes over a long period of time.” Justify the statement.

Q. Identify some non-economic factors which create obstacles in the way of economic development.

Q. List out various components which are taken into consideration to measure HDI.