

Economic Growth and Economic Development

Economic Growth and Economic Development are the two objectives of any economic policies of the states worldwide. Both growth and development are continuous processes and involve the allotment and utilization of resources and the increase of efficiency. The finality of growth and development together is the improvement of the standard and quality of life. Overcoming any economic difficulties, whether decreasing of the unemployment rate or about the external equilibrium, a correlation exists with the economic growth and development.

The economic development of a country or society is usually associated with rising incomes and related increases in consumption, savings, and investment. In contrast and compared to development, economic growth is sustained increase in country's output of goods and services, more precisely produce per capita. In a limited sense Economic growth measures an increase in Real GDP and related indicators like GNP and GNI, or an increase of the national income per capita. It basically measures the total volume of goods and services produced in an economy. Economic growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country. When the rate of economic growth is big, the production of goods and services rise, consequently and supposedly, unemployment rate decreases, the number of job opportunities rises, as well as the population's standard of life

Do high levels of GDP necessarily correspond with high levels of development? Not necessarily. It is not aggregate GDP that is important, but GDP per capita. Certainly, statistics reveal that the most developed countries are those with the highest GDP per capita but clearly, GDP per capita doesn't tell the whole story. GDP per capita is calculated by dividing GDP by the population. It says nothing about how incomes are distributed or spent. Growth in GDP per capita could result from growth in the incomes of richer groups in society, with incomes of poorer groups remaining largely unchanged. It happens when spending patterns are skewed towards the rich and exclude the needs of the poor. It doesn't necessarily follow that growth in per capita GDP will lead to a reduction in poverty or to broader social and economic development. Indeed many argue that in many countries economic growth is associated with increasing levels of poverty, rather than the reverse. While some people highlight the negative effect of growth on low income groups, stressing the need for new approaches to economic development others believe that the benefits of current growth models will eventually 'trickle down' to poorer groups in society.

Of course, economic development means far more than income growth. If income distribution is highly skewed, growth may not be accompanied by much progress towards the goals that are associated with economic development. It is probable that a country manages to raise the output of goods to keep up with a growing population but the basic structure of economy remains same. Empirical evidences show that if the state does not directly strive for eliminating poverty, inequalities, and unemployment, growth has a tendency to bypass those very people who need the benefit of it. Thus "growth without development" can occur with increasing per capita national income but existent mass poverty. Many Less Developed Countries show this in the form of dualism. Dualism refers to coexistence of developed and underdeveloped sectors side by side in the country. In such an economy one sector or sub-sector experiences perceptible growth while the rest of economy more so remains stagnant.

It is possible to have economic growth without development i.e. an increase in GDP, without most people not seeing any actual improvements in their living standards.

1. Economic growth may only benefit a small % of the population. For example, if a country produces more oil, it will see an increase in GDP. However, it is possible, that this oil is only owned by one firm, and therefore, the average worker doesn't really benefit.
2. Corruption. A country may see higher GDP, but the benefits of growth may be syphoned into the bank accounts of politicians
3. Environmental problems. Producing toxic chemicals will lead to an increase in real GDP. However, without proper regulation, it can also lead to environmental and health problems. This is an example of where growth leads to a decline in living standards for many.
4. Congestion. Economic growth can cause an increase in congestion. This means people will spend longer in traffic jams. GDP may increase but they have lower living standards because they spend more time in traffic jams.
5. Production not consumed. If a state-owned industry increases output, this is reflected in an increase in GDP. However, if the output is not used by anyone then it causes no actual increase in living standards.
6. Military spending. A country may increase GDP by spending more on military goods. However, if this is at the expense of health care and education it can lead to lower living standards.

Development looks at a wider range of statistics than just GDP per capita. The process of development is far more extensive. Development is concerned with how people are actually affected. It looks at their actual living standards and the freedom they have to enjoy a good standard of living. It implies changes in socio-economic structure of a country. It involves a steady decline in agriculture's share on GNP and continuous increase in the share of industries, trade, banking, construction and services. This change in production structure is inevitably accompanied by a change in occupational structure of the working population and improvement in the skill and productivity of labour. Further, whereas economic growth merely refers to a rise in output, development implies change in technological and institutional organisation of production as well as in distributive pattern of income. Besides economic development involves changes in composition of output, shifts in allocation of resources, elimination or reduction of poverty, inequalities and unemployment. The object of economic development is an all-around and wholesome improvement in quality of human life.

We can broadly conceptualize development as the sustained elevation of an entire society and social system towards a 'better' and 'more humane' life. The three basic components or core values that serve as conceptual basis in understanding the inner meaning of development are: Sustenance, Self-esteem and Freedom.

Sustenance: The life sustaining basic needs of all human beings include food, shelter, health and protection. When any of these is absent or critically short in supply the condition of absolute underdevelopment exists. The basic function of all economy is therefore to provide as many people as possible with these basic needs. Without sustained and continuous economic progress at individual and at societal level the realisation of human potential will

be impossible. The economy should keep building its ability to meet the basic needs of the population.

Self-Esteem: Another universal component of good life is self-esteem- as sense of worth and respect, of not being used by others as a tool of their own ends. The nature and form of this self esteem may vary from society to society and culture to culture. However in modern times national prosperity has become almost a universal measure of worth. Due to the significance attached to material values in developed nations, worthiness and esteem are generally being conferred to the countries which possess economic wealth and technology.

Freedom from Servitude: The concept of freedom here refers to the sense of emancipation from alienating material conditions of life and from social servitude to nature, other people, misery, institutions, and dogmatic beliefs. Freedom involves an expanded range of choices for the societies and their members. Arthur Lewis stated “the advantage of economic growth is not that wealth increases happiness, but that it increases the range of human choice”. The concept of human freedom should also encompass political freedom including personal security, the rule of law, freedom of expression, political participation, equality of opportunity etc.

Objectives of Development:

We may conclude that development is both a physical reality and state of mind in which a society has through some combination of social, economic and institutional processes, secured the means of obtaining a better life. Development in all societies must have the following three objectives:

1. To increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection.
2. To raise the levels of living including addition of higher incomes, the provision of more jobs, better education and greater attention to cultural and human values, all of which will serve not only to enhance the material well-being but also to generate greater individual and national self-esteem.
3. To expand the range of social and economic choices available to individuals and societies and nations by freeing them from servitude and dependence not only in relation to other people and nations but also to the forces of ignorance and human misery.