



Economic Growth and Economic Development

By Dr. Rajani Sontakke

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Concept of Economic Growth

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Concept of Economic Growth

Some economists defined "Economic growth" in terms of increase in aggregate output of real goods and services.

Some have considered it in terms of rise in per capita product.

Simple definition of economic growth,"an increase in aggregate output of real goods and services over a period of time."

INDIAN ECONOMY



Economic Development

Economic development is taken to be broader term which implies, "higher output plus qualitative changes in technical, structural and institutional arrangements by which higher output is made possible and distributed."

Economic growth means more output in quantitative terms, economic development implies changes in socio-economic structure of an economy.



Economic Growth and Economic Development

According to Kindleberger and Bruce Herrick," Economic Development is generally defined to include improvements in material welfare, especially for persons with the lowest income, the eradication of mass poverty with its correlates of illiteracy, diseases and early death, changes in the composition of inputs and outputs that generally include shifts in the underlying structure of production away from agriculture towards industrial activities ,the organisation of the economy in such a way that productive employment is general among the working age population rather than the situations of a privileged minority and the corresponding greater participation of broadly based groups in making decisions about the direction, economic and otherwise,in which they should move to improve their welfare."

Indicators of Economic Growth

1. National Income index

In terms of this indicator, economic growth is said to take place if real national income increases overtime.

This index is not useful when we are comparing the performance of two economies with totally different population base. Thus, it will be inappropriate to compare the national income of India and USA as they have different rates of growth of population.

NATIONAL INCOME



Economic variable or magnitude.

It's the total amount of income accruing to a country from economic activities, at market prices, during a year.

Formula: $NI = C + G + I + X + F - D$

There are different criteria for its distribution.

2. Per capita income Index

In terms of this indicator growth is said to have taken place when the growth rate of national income real he is more than the growth rate of population.

CALCULATION OF INCOME PER CAPITA

total income of individuals 15 and older in a specific area
total population in that specific area



$$\begin{array}{c} \text{→} \quad \frac{\$82,000}{5} \quad \text{←} \end{array}$$

3. Physical quality of life index

The index is composite index for three elements namely the life expectancy the infant mortality and the literacy the country with the most favourable life expectancy ,the lowest infant mortality and the highest literacy will have the highest index. In the other hand, the country with the most unfavorable life expectancy, the highest mortality rate and the lowest literacy will get the lowest index.

Although this approach is superior to per capita income Index,it is not very suitable for countries with vast and rapidly rising population as these countries have very less amount for improving the ingredients of physical index. In such countries per capita income is so low that it has to accept income Index as the right index of Economic welfare.

4. Basic needs approach

According to this approach, the growth of an economy should be judged in terms of the extent to which the basic needs of the masses are satisfied. The basic needs include such items as food, shelter, pure drinking water, sanitation, health and education etc.

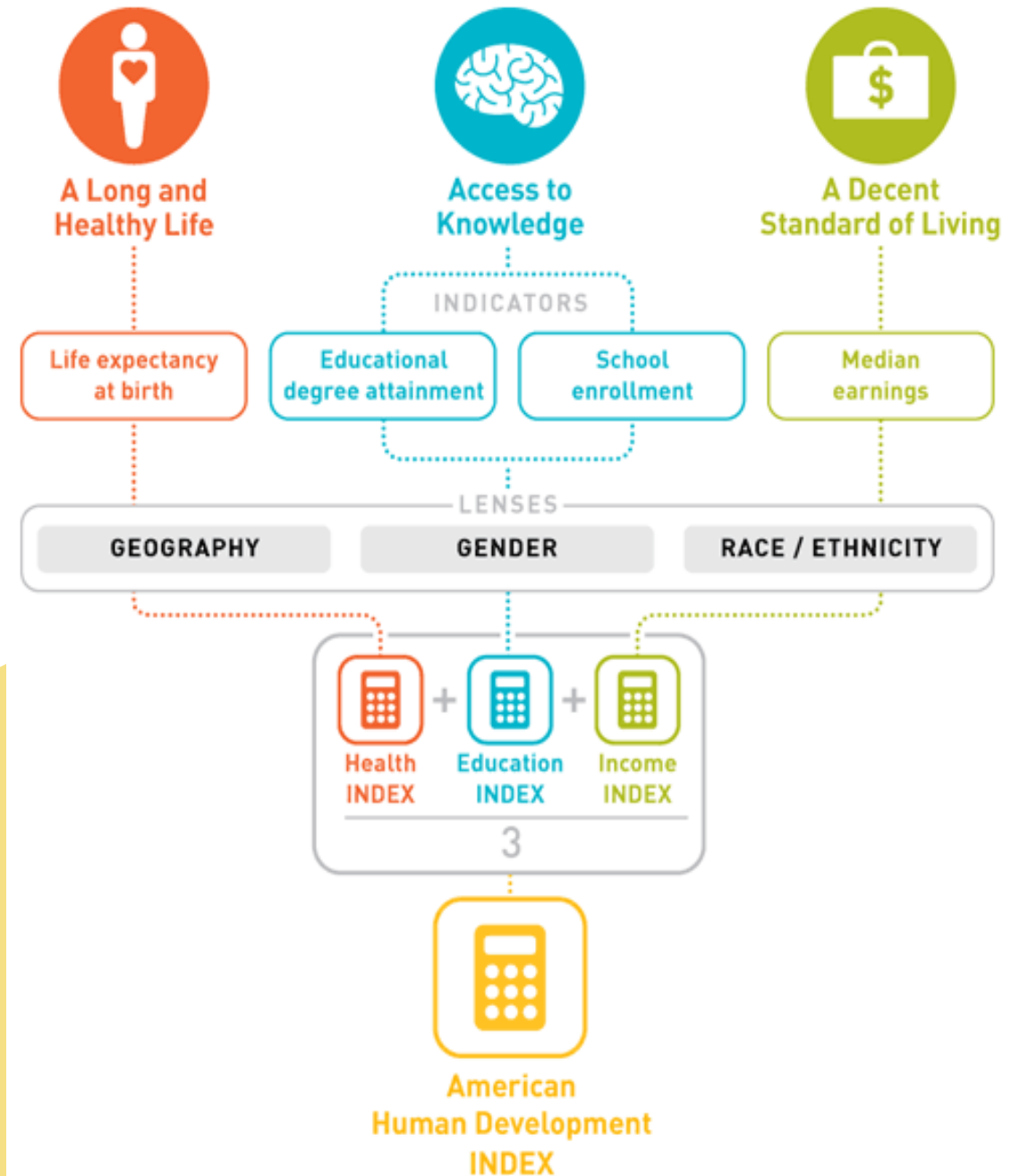
This approach is useful especially from the common man's point of view as he is more concerned with his basic needs rather than the total production in the economy.



5. Human Development Index

A new index has been prepared by the United Nations called Human Development Index (HDI). It has three components namely, per capita income (as an economic indicator) educational attainment and life expectancy (as non-economic indicators). HDI is a useful index which helps us to analyse the national policy choices of different HDI levels.

HDI also highlights wide differences within countries, between states, across gender, and other social economic groupings.



Economic Growth in India

Economic Growth has always remained the main objective of Five- Year Plans. And for measuring it, growth in the national income has been used as the major index.

Five-Year Plan	Target Growth in National Income (%)	Target achieved (%)
1951-56	2.1	3.6
1956-62	4.5	4.00
1961-66	5.6	2.2
1969-74	5.7	3.4
1974-79	4.4	4.9
1980-85	5.2	5.2
1985-90	5.00	6.00
1992-97	5.6	7.0/6.5
1997-2002	6.5	7.5 to 10.5
2002-07		



Thank You!