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UNIT -I
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Lecture Note # 1

Concept And Measures of Development and Under Development

This lecture note aims at explaining the concepts and definitions of development and underdevelopment. This will also explain various socio-economic and political factors which are influencing the process of development and underdevelopment.

Concept of Economic Development: In economic terms, development has been understood as achieving sustainable rates of growth of income per-capita to enable the nation to expand its output faster than the population (Todaro and Smith 2011). This definition fails to take into consideration problems of **poverty, discrimination, unemployment and income distribution**; the assumption being that increased output or economic growth would deal with these issues. It was believed that growth once achieved will trickle down and will result in better quality of life. In sociological terms, the term 'development' is used (often by Western sociologists) to mean industrialization, economic growth and the living standards associated with prosperity, such as increased life expectancy, health-care, free education, etc.

Industrialization – more and more exploitation of available resources raise standard of living. Higher income leads to more and more satisfaction of materialistic wants. A Religious view considers development as a positive change in whole of Human life- materialistic, social and spiritual.

An increase in real economic variables (National Output) over a long period of time is economic growth. Growth is Quantifiable- An important feature of growth is that it can be measured. For e.g. industrial production, road length, food production, educated persons, or per capita income of people can be measured or calculated. Growth rates can be calculated annually in percentage across various sectors. It can be positive or negative. It is measured over a short period.

Michael Todaro says, an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice is development. **Economic Development is the overall well-being of the citizens of a country.** It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. Economic development means both more output or production and changes in the technical and institutional arrangements by which factors of production are produced and distributed. **Economic growth on the other hand, is a narrower concept than economic development.** It is defined as the increase in the value of goods and services produced by every sector of the economy. It is usually expressed in terms of the gross domestic product or GDP of the country.

A country's economic development is usually indicated by an increase in citizens' **quality of life.** 'Quality of life' is often measured using the **Human Development Index**, which is an economic model that considers intrinsic personal factors not considered in economic growth, such as: Nutritional level, health, sanitation, drinking water, vaccination, education and other such indicators which makes quality of life better. Thus we can say economic development is both quantitative as well as qualitative progress;

Prof. Goulet there are three Core Values of Development:

Life Sustenance: The life-sustaining basic human needs include food, shelter, health and protection. When any one of these is absent or in critically short supply, a condition of absolute "underdevelopment" exists.

Self-esteem: A second universal component of good life is **self-esteem- a sense of worth and self-respect** of not being used as a tool by others for their own ends. Due to the significance attached to material values in developed nations, worthiness and esteem are now-a days increasingly conferred only in countries that possess economic wealth and technological power- those that have developed.

Freedom: Arthur Lewis stressed the relationship between economic growth and freedom from servitude when he concluded that "the advantage of economic growth is not that wealth increases happiness, but that it increases the range of human choice Goulet, D. (1971) *The Cruel Choice: A New Concept in the Theory of Development*, New York, Athenaeum.

Measurement of Economic Development:

. Economic development is measured as increase in **Gross National Product (GNP)**: GNP is the total value of all final goods and services produced within a nation in a particular year, plus income earned by its citizens (including income of those located abroad), minus income of non-residents located in that country. Basically, GNP measures the value of goods and services that the country's citizens produced regardless of their location. The GNP is one measure of the economic development and it is assumed that higher GNP leads to higher standard of living. Closely related to GNP is Gross Domestic Product (GDP) it is the market value of all final goods and services produced in a country in a given year.

Economic development is measured as increase in GNP over a long period of time. GNP as a measure of national development is faced with several **challenges** such as:

- i. If a rise in real national income is accompanied by a faster growth in population, there will be no economic growth but retardation.
- ii. The GNP figure does not reveal the costs to society of environmental pollution. It considers natural resources to be free.
- iii. It tells nothing about the distribution of income in the economy.
- iv. GNP is always measured in money terms, but there are a number of goods and services which are difficult to measure in terms of money e.g. taking care of the children by the mother.
- v. Double counting which arises from the failure to distinguish properly between final and intermediate products. GNP thus, is not a satisfactory measure of development it has not been successful in reducing poverty, unemployment and inequalities in the society

Economic development is measured as increase in **per capita income** this relates to increase in the per capita real income of the economy over the long period. However, several difficulties still remain:-

- i. An increase in per capita income may not raise real standard of living of the population.

- ii. There is possibility that the poor remains poor despite an increase in the real GNP per capita
- iii. International comparisons of the real GNP per capita are inaccurate due to exchange rate conversion of different currencies into a common currency.
- iv. The real GNP per capita fails to take into account problems associated with basic needs like nutrition, health, sanitation, housing, water and education. Despite these limitations, the real GNP per capita is the most widely used measure.

Welfare - Economic development is often measured from a welfare point of view. From this perspective, economic development is regarded as a process whereby there is an increase in the consumption of goods and services by individuals. Welfare as a measure of economic development has its own limitations:

- i. Consumption of goods and services depend on the taste and preferences of individuals. It is difficult to prepare a welfare index.
- ii. The composition of the total output between capital goods and consumer goods.
- iii. From the welfare point of view, we must also consider not only what is produced but how it is produced.
- iv. Income distribution is also very important.

Social Indicators: Some economists have tried to measure it in terms of social indicators. Some indicators are 'inputs' e.g. nutrition standards or number of hospital beds or doctors per head of population while others are outputs e.g. infant mortality rates, sickness rates etc. Social indicators are normally referred to as basic needs of development. The limitations of social indicators as measures of economic development include:

- i. There no unanimity among economist as to the number and type of items to be included in such an index.
- ii. There is the problem of assigning weights to the various items which may depend upon the social, economic and political set-up of the country.
- iii. Majority of indicators are 'inputs' and not 'outputs' such as education, health etc
- iv. They involve 'value judgments' still economists have prepared a HDI index which has now been accepted worldwide.

Difference between Economic Growth and Economic Development: Economic Growth is narrow concept. Economic development is broader in nature. Economic Growth includes the

quantitative changes economic development also includes certain qualitative changes in the economy. Economic growth means just Physical increase in the real per capita income where as Economic Development is the reduction in economic divide, poverty, illiteracy and unemployment. Thus, economic development includes both economic growth as well as social welfare. Economic development focuses on inclusive growth – Growth that includes all sectors of the economy and all sections of the society.

Economic Growth is Single dimension Concept: Economic growth is merely a quantitative concept. It is concerned with rate of increase in national income. Economic Development is Double / Multi dimension Concept: Concept of economic development is both quantitative and qualitative in nature. It is concerned with welfare of people (a qualitative aspect) along with increase in per capita income (a quantitative concept).

Growth Ignores Distribution of Income: Distribution of income is ignored in case of economic growth. In spite of increase in income, number of poor people may rise if the distribution of income becomes further unequal. Development Considers Distribution of Income: In case of economic development, distribution of income is given due consideration. Reduction in inequality (of income distribution) is one of the principal targets of economic development. Inequality of income and wealth must be reduced.

Independent of Structural, Institutional and Technical Changes: Economic growth may occur independent of any structural, institutional and technical changes in the economy. These Associated with socio-technological Change: Economic development is invariably associated with significant structural, institutional and technical changes in the economy. Development is a qualitative concept and relates to human development index (HDI) Gender Development Index (GDI) Human Poverty Index (HPI). Growth is quantitative concept.

Underdevelopment: Concept and Definition

The realization that traditional theories of development have not succeeded in resolving the problems of poverty, hunger, health etc led to a search for alternative formulations. As a result, explanations of underdevelopment became the focal point of this thinking. The origin of underdevelopment theories are outcome of two distinct sources i.e

- i. the theoretical debate within Marxism and
- ii. the experiences of development in Latin America.

In his book “Capitalism and Underdevelopment in Latin America” Andre Gunder Frank explains that development and underdevelopment are both necessary result and contemporary manifestation of internal contradictions in the world capitalist system. Economic development and underdevelopment are relational and qualitative. Each of them is actually different from, yet caused by its relations with the others. He substantiates his argument by stating that economic development and underdevelopment are the opposite faces of the same coin. Andre Gunder Frank considers underdevelopment as not merely the lack of development. He argues that before there was any development there was no underdevelopment. Development and underdevelopment are related through the common historical process both have shared during the past several centuries and the mutual or reciprocal influences that they have had, still have and will continue to have on each other through history. In this process colonization has got an important place and Frank writes that colonial exploitation which was part of the early expansion of the mercantilist system may have made critically important contribution to the development of capitalist successors now developed members. Thus this notion of development and underdevelopment is based on the concept of exploitation. It may be associated with the contradiction of one class and another, the exploitation beneficiaries and the exploiting contributors to the process of capitalist development. Another eminent economist Gunnar Myrdal defines development as “the process of moving away from underdevelopment” and characterizes under developed country as one where there is “a constellation of numerous undesirable conditions for work and life, outputs, incomes and levels of living are low, many modes of production, attitudes and behavioural patterns are disadvantageous and there are unfavorable institutions, ranging from those at the state level to those governing social and economic relations in the family and the neighborhood. They are considered as undesirable from the standpoint of the desirability of development, a characterization affiliated with vagueness, but definite enough to permit its use.

Major Characteristics of underdevelopment Underdeveloped countries generally refer to those countries or regions where levels of real income and per capita income are lower than the

standards of North America, Australia and the Western European countries. In the underdeveloped countries the fruits of scientific and technological advancement are not applied on large scale in the field of industries and agriculture. The underdeveloped world constitutes a group of nations with a diversity at two levels : i) national ii) international. But with the passage of time there is shift in parameters of assessment of development and underdevelopment. Now these are assessed with human development index.. There are many cities in these underdeveloped countries which have some standard of living, technical achievement and commercial sophistication as compared with that of the developed countries. Even some of the underdeveloped countries are more advanced than the developed countries from technological point of view.
