

PPT Notes
B A PART 3 Paper 5

**Economic Growth And
Development**

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Economic Growth

- Economic growth is the increase in the money value of all the final goods and services produced by all the sectors of the economy per head within a time period.
- It is a quantitative measure.
- It can be measured in terms of increase in the aggregate market value of additional goods and services produced in a country.
- GDP and GNP are the measures for economic growth.

Economic Development

- Till 1960s the term 'Economic Development' was often used as a synonym of 'Economic Growth'.
- But now economic development is no longer considered same as economic growth.
- Economic development is considered to mean growth with the progressive changes in certain crucial variables which determine well being of the people.
- It includes qualitative dimensions which may be missing in the growth of an economy expressed in terms of an increase in GDP and GNP.
- It is the qualitative improvement in the life of citizen of a country and in most appropriately determined by HDI.

Three main values of Development

According to Prof. Goulet and others there are three main basic components for the understanding the meaning of development, they are.

1. **Life-Sustenance**: The ability to provide basic needs. People should have certain basic needs (Food, Shelter, health and protection) without which life would be impossible.
2. **Self Esteem**: Essence of worth and self respect, of not being used as a tool by others for their own ends.
3. **Freedom from Servitude** - Freedom from misery institutions and dogmatic believes.

In short development is both a physical reality and a state of mind.

Difference Between Economic Development and Economic Growth

	Economic Development	Economic Growth
1	Economic development is a process of change over a long period of time.	Economic growth refers to an increase over time in a country's real output of goods and services (GNP) or real output per capita income.
2	It implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socio economic structure of country.	It relates to a gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.
3	Qualitative.HDI (Human Development Index), gender- related index (GDI), Human poverty index (HPI), infant mortality, literacy rate etc.	Quantitative. Increases in real GDP.
4	Economic development is more relevant to measure progress and quality of life in developing nations.	Economic growth is a more relevant metric for progress in developed countries. But it's widely used in all countries because growth is a necessary condition for development.
5	Concerned with structural changes in the economy	Growth is concerned with increase in the economy's output
6	Its a broader concept	Its a narrow concept

Economic growth is a necessary but not sufficient condition of economic development.

Measurement of economic Growth and Economic Development

Economic Development

Qualitative

HDI (Human Development Index),

Gender- related index (GDI),

Human poverty index (HPI),

Infant mortality,

literacy rate etc.

Economic Growth

Quantitative

Increase in the Real GDP

THANK YOU