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Elkan says,Economic development means a process which makes people, in general better off by increasing their command over goods and services and by increasing the choice open to them.This definition does not clearly spell out the meaning of development.Prof. Kindle Berger definesEconomic development implies both more output and changes in the technical and institutional arrangements by which it is produced and distributed.This definition highlights production and distribution aspects of development.Prof. Friedman defines development asAn innovative process leading to the structural transformation of social systems.According to this definition, structural change in social system is required for development, whereas it should have emphasised structural change in the economy.Prof. W. F. Williamson says,Economic Development is a process whereby the people of a country utilize the available resources in such a way that the per capita income of the country increases.This definition requires an increase in per capita income for development, but it ignores the distribution of income in a society.Prof. Paul Alpert says,Economic development is the process through which a country increases its national income by utilizing the productive resources within the country.This definition also ignores the distribution of income in the country as a pre-requisite for development.Prof. Watson,Economic Development shows the excess of consumption and production of a country as compared with increase in population. This increase in production is due to better combination and increase in the productivity of the factors of production.Prof. HigginsEconomic Development is the increase in per capita and the National Income of a country.Prof. Arthur Lewis,Economic Development represents the per capita increase in the production of a country.In the literature on economic development the most comprehensive definition is given by Meier and Baldwin.Meier and Baldwin defined economic development asEconomic Development is the process whereby an economys real national income increases over a long period of time, and if the rate of development is greater than the rate of growth of population, then per capita real income will increase.It is expressed Mathematically as:If Y/P represents real national income (NI) and P represents population, then economic development will take place ifd(Y/P)/dt> 0.In case(Y/P)/dt=dP/dt, it would representeconomic stagnation.While if d(Y/P)/dt < dP/dt or dP/dt > d(Y/P)/dt , it will representbackwardness.This definition of economic development consists of five important points i.e. A processIncrease in real National IncomeGrowth rate of populationIncrease in per capita income.Long period of time,1. PROCESS: Economic development is a process through which a country utilizes its resources in a better way, valuable changes appear during this process, which result in a growth in real national income and per capita income. Normally these changes are of two typesa) Changes in the supply of inputs.b) Changes in the demand for goods and services.a) Changes in the Supply of Inputs:During the process of economic development, inputs are implied to be used in a better way, sophisticated techniques of production are found, all the valuable resources are utilized to have better results for growth in real per capita income.Changes in the supply of inputs include the following:Supply of natural resources e.g. gas, petrol, coal and iron etc.Capital accumulation, that is growth in the supply of capital goods e.g. growth in industry, roads, rails, bridges etc.Use of sophisticated techniques of production.Growth in the supply of labour.By acting on new techniques of production and producing on the line of job specialization, production cost is reduced, which results in high rates of profit and causes an increase in real per capita income. Increase in real per capita income causes high consumption and high saving and more investment, which promotes the process of economic development.b) Changes in Demand for Goods and Services: These changes are of following types:Changes in level of production and distribution.Changes in population according to age.Changes in tastes and fashions.Changes in administrative structure of production sector.During the process of economic development an increase in real national income of a country will lead to the stage of equal distribution of income along with the distribution of basic needs2. INCREASE IN REAL NATIONAL INCOMEDuring the process of economic development real national income increases, which is the basic objective of this process. Due to increase in national income. per capita income also increases; which causes high consumption and better living standard. Thus, it would be suffice to say that target of economic development achieved. It is because of continuous increase in real national income.3. GROWTH RATE OF POPULATION:Due to the availability of basic health facilities, death rate decreases, which causes an increase in population. If the rate of economic growth of country rate of real G.N.P. is greater than the rate of growth of population, per capita income increase and hence there will be development in real sense.4. INCREASE IN REAL PER CAPITA INCOME: Increase in real per capita income is essential for economic development. If a country s real per capita income increases for a long time, then the country moves towards economic development.5. LONG PERIOD OF TIME: Process of economic development requires a long period of time. This period consists of twenty years or more because during the process whole of the infrastructure of the economy is changed. Thus, economic development is a long period process. FacebookWhatsAppXPinterest Economic development can be defined as the process of improving a nation's, community's, or region's economic well-being and quality of life in accordance with predetermined goals and objectives. Economic development is a result of a combination of market productivity and national welfare values. For example, enhanced productivity, greater literacy rates, and improved public education are all effects of economic development in a nation. Economic Development is one of the important concepts in the UPSC/IAS 2023 Economy syllabus which is discussed in this article in detail. What is Economic Development? Economic development means the sustained improvement in society's material well-being. In other words, economic development refers to programs, policies, or initiatives aimed at enhancing a community's economic health and quality of life. Economic development includes a broader range of concepts than economic growth. Apart from national income growth, it includes social, cultural, political, and economic changes that contribute to material progress. It includes changes in resource supplies, capital formation rates, population size, and composition, technology, skills, and efficiency. as well as institutional and organisational structure. These changes contribute to the larger goals of ensuring more equitable income distribution, increased employment, and poverty alleviation. It is a long chain of interconnected changes in fundamental supply factors and demand structure that leads to an increase in a country's net national product in the long run. Features of Economic Development Economic development includes changes in income, savings, and investment, as well as gradual changes in the country's socioeconomic structure (institutional and technological changes). Development here is related to human capital growth, a reduction in inequality numbers, and structural changes that improve the population's quality of life. To assess economic development, qualitative indicators such as the HDI (Human Development Index), gender-related indexes, Human Poverty Index (HPI), infant mortality, literacy rate, and so on are used. Economic development results in both qualitative and quantitative changes in the economy. Economic development reflects progress in a country's quality of life. Factors Affecting Economic Development 1) Infrastructural Development Infrastructural development generally improves people's quality of life. As a result, an increase in the rate of infrastructural development will result in a nation's economic development. 2) Education Improving literacy and technical knowledge will result in a better understanding of how to use various pieces of equipment. This will increase labor productivity and, as a result, a country's economic development. 3) Increase in Capital Formation An increase in capital formation will result in more productive output in an economy, which will have a positive impact on economic development. Measurement of Economic Development 1) National Income and Per Capita Income This is the traditional method of assessing economic development. The World Bank employs the concept of per-capita Gross National Income (GNI) as a means of comparing and categorizing countries based on their economic development stage. The World Bank divides the world's economies into four income categories: Low-income Less than $1036 Lower-middle income $1036 - $4045 Upper-middle $4046 - $12535 High income More than $12535 According to this classification, India, with a per-capita GNI of U.S $ 1900 (as of 2020 figures), belongs to the Lower-middle income countries. 2) Purchasing Power Parity (PPP) Gustav Casell, an economist, proposed the PPP approach in 1918. The concept is based on the law of one price, which states that in the absence of trade and non-trade barriers, identical goods in different countries will have the same price when expressed in the same currency. The PPP is defined as the number of units of a country's currency required to purchase the same amount of goods and services in the domestic market as one dollar would in the US. For example, if we have to spend 30 to buy the same amount of goods and services as are purchased in spending $1 in United States, then the exchange rate in the PPP approach is $1 = 30. 3) Green GDP Green GDP is a term that refers to GDP after accounting for environmental degradation. Green GDP is an attempt to measure an economy's growth by deducting the costs of environmental damage and ecological degradation from GDP. The concept was first introduced as part of a System of National Accounts (SNA). The System of National Accounts (SNA) is an accounting framework for measuring an economy's economic activities of production, consumption, and wealth accumulation over time. When data on the economy's use of the natural environment is integrated into the national accounting system, it is referred to as green national accounts or environmental accounting. The environmental accounting process consists of three steps: physical accounting, monetary valuation, and integration with national income/wealth accounts. Physical accounting determines the state, types, and extent (qualitative and quantitative) of resources in spatial and temporal terms. Monetary valuation is used to determine the tangible and intangible components of a business. Following that, the net change in natural resources in monetary terms is incorporated into the Gross Domestic Product to arrive at the Green GDP value. 4) Human Development Index (HDI) The Human Development Index (HDI) is a statistical tool used to assess a country's overall performance in social and economic dimensions. The social and economic dimensions of a country are determined by people's health, educational attainment, and standard of living. In 1990, Pakistani economist Mahbub ul Haq developed the HDI, which was later used by the United Nations Development Program (UNDP) to assess the country's development. The index is calculated by combining four major indicators: life expectancy for health, expected years of schooling, mean years of schooling for education, and Gross National Income per capita for a standard of living. Currently, India ranks 132 out of 191 countries in the United Nations Human Development Index. Importance of Economic Development It is very important to make informed decisions and efforts to increase our economic development just as the conscious efforts to increase our income and growth. Development has not been possible anywhere in the world without a conscious public policy. Similarly, we can say that there can be no development without growth. If economic growth is used properly for development, it will re-accelerate growth and eventually bring a larger population into the development arena. Similarly, high growth with low development leads to a decline in growth. Economic development is a more relevant indicator of progress and quality of life in developing countries such as India, where inequality in wealth distribution is prevalent. Conclusion Thus, economic development is the process through which basic, underdeveloped national economies are upgraded to modern industrial economies. Each community has its own set of opportunities, challenges, and priorities. People who live and work in the community must be included in the economic development planning. Question: What is the difference between economic growth and economic development? Answer: Economic growth refers to the increase in a country's output or income over time, while economic development includes growth along with improvements in living standards, poverty reduction, and social welfare. Question: How does economic development benefit society? Answer: Economic development benefits society by increasing employment opportunities, reducing poverty, improving infrastructure, and enhancing living standards through better access to education and healthcare. Question: What are the key indicators of economic development? Answer: Key indicators of economic development include GDP growth, per capita income, literacy rates, life expectancy, and poverty reduction. Question: How do governments promote economic development? Answer: Governments promote economic development through policies such as infrastructure investment, educational reforms, healthcare improvements, and social welfare programs that stimulate growth and create jobs. Question: What is inclusive economic development? Answer: Inclusive economic development ensures that the benefits of economic growth are shared across all segments of society, reducing income inequality and promoting equal access to resources. 1. What is the primary objective of economic development? A) Increase in government revenueB) Reduction of unemployment and povertyC) Increase in productionD) Expansion of exports Answer: (B) See the Explanation The primary objective of economic development is the reduction of unemployment and poverty, leading to improved living standards for all citizens.2. Which of the following is NOT a key indicator of economic development? A) GDP growthB) Life expectancyC) Literacy rateD) Military expenditure Answer: (D) See the Explanation Military expenditure is not considered a key indicator of economic development. Instead, indicators like GDP growth, life expectancy, and literacy rates are used to measure development.3. Economic development leads to which type of transformation in an economy? A) Industrial to agrarianB) Agrarian to industrialC) Service-based to agrarianD) Export-oriented to self-sufficiency Answer: (B) See the Explanation Economic development often involves a transformation from an agrarian economy to an industrial and service-based economy, signifying structural changes and diversification.4. Which sector typically expands the most during the early stages of economic development? A) AgricultureB) ManufacturingC) ServicesD) Mining Answer: (B) See the Explanation During the early stages of economic development, the manufacturing sector typically expands the most as economies industrialize and transition from being agrarian-based.5. What is a key characteristic of inclusive economic development? A) High GDP growth with income inequalityB) Sustainable growth with job creation and poverty reductionC) Export-oriented growthD) Rapid industrialization without regard for social welfare Answer: (B) See the Explanation Inclusive economic development is characterized by sustainable growth that creates jobs, reduces poverty, and ensures that all sections of society benefit from economic progress. GS Mains Questions and Model Answers Q1: Analyze the role of government policies in promoting inclusive economic development in India. Answer: The government plays a critical role in promoting inclusive economic development in India by implementing policies that focus on poverty reduction, job creation, and equitable access to resources. Programs like Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Pradhan Mantri Jan Dhan Yojana, and Ayushman Bharat have contributed to improving access to employment, financial inclusion, and healthcare. Additionally, initiatives like Skill India and Make in India focus on generating employment and fostering industrial growth. These policies aim to ensure that economic growth benefits all sections of society, especially marginalized groups. Q2: Discuss the importance of human development in the context of economic development. Answer: Human development is a vital component of economic development as it focuses on improving the well-being and quality of life of individuals. Key aspects of human development include access to education, healthcare, and social services, which empower people to contribute more effectively to the economy. Economic development that prioritizes human development leads to a more productive and skilled workforce, resulting in sustainable growth. Additionally, addressing issues like inequality, poverty, and gender disparities through human development initiatives ensures that growth is inclusive and benefits all sections of society. Q3: Evaluate the impact of infrastructure development on India's economic growth. Answer: Infrastructure development is a key driver of economic growth in India, as it enhances productivity, improves connectivity, and fosters industrial expansion. Investments in transportation, energy, telecommunications, and urban infrastructure have facilitated the movement of goods and people, reduced transaction costs, and promoted regional development. Projects like Bharatmala Pariyojana and Sagarmala have improved road and port connectivity, boosting trade and investment. Moreover, infrastructure development creates employment opportunities, stimulates local economies, and attracts foreign investment, contributing to sustained economic growth. Previous Year Questions on Economic Development Question: Discuss the relationship between economic development and poverty alleviation in India. Answer: Economic development and poverty alleviation are closely related, as sustained growth leads to job creation, improved income levels, and access to basic services. In India, economic reforms and programs like MGNREGA, National Rural Livelihoods Mission (NRLM), and Pradhan Mantri Awas Yojana have helped reduce poverty by providing employment opportunities, financial inclusion, and affordable housing. However, challenges such as regional disparities, income inequality, and slow job growth in certain sectors still need to be addressed to achieve comprehensive poverty alleviation. 2. UPSC CSE Mains 2020 (GS Paper 3) Question: Examine the role of infrastructure development in achieving sustainable economic development in India. Answer: Infrastructure development is crucial for achieving sustainable economic development as it supports industrial growth, improves productivity, and enhances connectivity. In India, projects like Smart Cities Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), and Jal Jeevan Mission focus on sustainable urbanization and providing access to basic services such as water and sanitation. Sustainable infrastructure also involves the adoption of green technologies and renewable energy sources to minimize environmental impacts. The integration of sustainable practices in infrastructure development ensures that growth does not come at the cost of environmental degradation. *The article might have information for the previous academic years, please refer the official website of the exam.Share on FacebookShare on TwitterHow likely are you to recommend Prepp.in to a friend or a colleague?Test will end in 00:00:00English, Hindi, Marathi +4 MoreTest will end in 00:00:00View MoreView MoreView MoreDevelopment is the overall improvement of economic, social, and political conditions. It is not limited to specific regions and times. The concept of development varies from region to region over time. Economists have contributed the most to the discussion of the concept of development. They have provided the concept of development from an economic perspective. According to them, development is a multifaceted process through which economic growth leads to the eradication of poverty and inequality. Changes in economic and social infrastructure also occur through development. The term development has different meanings in different contexts and may be explained in multiple contexts. Development should be considered as progress toward multidimensional goals such as poverty alleviation, employment generation, inequality reduction, and protection of human rights. Hurlock(1959) defines, Development means a progressive series of changes that occur in an orderly, predictable pattern as a result of maturation and experience. Pearson (1992) defines development as an improvement, qualitative, quantitative, or both, in the use of available resources. He also claims that development does not relate to a single viewpoint on social, political, or economic progress. Instead, it is a hybrid word for a variety of tactics used to transform socioeconomic and environmental conditions from their existing to desired ones.According to Liebert, Poulos, and Marmor (1979), Development refers to a process of change in growth and capability over time, as a function of both maturation and interaction with the environment. J.E. Anderson (1950) defines, Development is concerned with growth as well as those changes in behavior which result from environmental situations.According to Todaro and Smith (2006:22), development is both a physical reality and a state of mind in which society has secured the means for obtaining a better life. Coetzee (200 1:126) defines, Development is therefore less concerned about human wealth than well-being as its ultimate end, the basis of which are livelihood, security, and sustainability. Gran (1983) defines development as a social and practical process which aims at the liberation of human potential so that people acquire the maximum socially feasible and practical control over all the available resources needed for the realization of basic human needs and security. According to Burkey (1993:35), development is also a process by which an individual develops self-respect and becomes more self-confident, self-reliant, cooperative, and tolerant towards others through becoming aware of his/her shortcomings as well as his/her potential for positive change. This takes place through working with others, acquiring new knowledge, and active participation in the economic, social, and political development of their communities.Rogers (1990:30) says, Development is a long, participatory process of social change in a society whose objective is the material and social progress of the majority of the population through a better understanding of their environment. Tayebwa states (1992:261) that development is a broad term which should not be limited to meaning economic development, economic welfare, or material wellbeing.As per Tayebwa, development in general includes improvements in economic, social, and political aspects of a whole society, like security, culture, social activities, and political institutions.According to Perroux (1978:65), development is defined as the combination of mental and social changes among the population that decide to increase their real and global products, cumulatively and in a sustainable manner. Development is a procedure that leads to growth, advancement, positive change, or the extension of physical, economic, environmental, societal, and demographic parts. The goal of development is to raise the publics standard of living and quality of life, as well as to establish or expand local regional income and job possibilities while protecting the environments resources. Development is observable and beneficial, but not always instantly, and involves an aspect of quality change as well as the establishment of an environment for that change to continue.Read More: Definition of Society By Different Authors Facebook Twitter Email Print Copy Link More Passion-driven mentors & instructors who believe in exam-oriented preparationExplore IAS coursesPassion-driven mentors & instructors who believe in exam-oriented preparationExplore IAS coursesDownload the app from Google Play & App StoreDownload the app from Google Play & App StoreWhen a group of people lives together for a common purpose is called a society. Society is an abstract concept. It has no definite boundaries. Society can be small and big. Some features of the society unity and cooperation, dependence, interaction, similarity-contrast, etc.Society gives a better and safer social life by meeting the peoples multifaceted needs. The human qualities and social values of the people develop within the society. The first and foremost element of society is human beings. Another essential element of society is family. Society consists of many families, schools, colleges, mosques, temples, commercial establishments, and other social institutions.Definition of Society By Different Authors According to Galings, Society is a number of people who have and enjoy their kin-mate ties and are therefore able to work together for a common purpose in social relations.R.M. Maciver defines, Society as a web or social relationships pattern formed by people, gave one of the most important definitions of society. Morris Ginsberg defines, A society is a collection of individuals united by certain relations or modes of behavior which mark them off from others who do not enter into these relations or who differ from them in behavior.According to George Douglas Howard Cole, Society is the complex of organized associations and institutions within the community. Definition of Society By Different AuthorsMacIver and Page define, Society is a system of usages and procedures, authority and mutual aid, of many groupings and divisions, of human behavior and of liberties.According to Green A.W. A society is the largest group to which any individual belongs. Leacock defines, Society includes not only the political relations by which man are bound together but the whole range of human relations and collective activities.According to Talcott Parsons, Society may be defined as the total complex of human relationship in so far as they grow out of action in terms of means and relationship, intrinsic or symbolic. What are the characteristics of society?Society is made up of people.Society is dependent on every human being.Every level of society is entirely dependent on each other.The goal is achieved through the division of labor and division of responsibilities in society.There is a feeling of unity and cooperation in society. It is more or less a standing association.Society is ever-progressive, and society is a controlled and orderly structure.The members of the society have a spirit of cooperation and tend to share common interests.Society is made up of many similarities and differences. Similarities such as needs, rules, and activities and differences such as attitudes, looks, talents, and personalities are known as part of society.The prevailing society is abstract because we can feel it but we can not touch it.Society is governed by the mutual understanding and mutual awareness, and maintaining the interrelationships.Society is important because it gives a platform to work together for the betterment of the society.Society helps to develop the rules, and accordingly people determine how they should behave and what is wrong.Society is formed on the basis of certain rules and regulations so that people can easily live there, and can move forward in danger of each other. So, society can be said to be well organized and based on governance. So everyone should build their living society as an ideal society. Read More:Correct spelling of words list Facebook Twitter Email Print Copy Link More Economic development is the process of improving economic welfare in an economy. Economic development can involve a stronger economy enabling a greater range of social services that improve a nations welfare. For example, an undeveloped economy will be primarily based on agriculture and very limited social services such as health care and education. Economic development involves an increase in real incomes, higher life expectancy, lower poverty and a greater provision of basic amenities. Real GDP per capita gross domestic product. The nations total economic output which is the same as a nations income.GDP at purchasing power parity (PPP) takes into account the local purchasing power of the currency and is a better guide to actual living standards;Levels of absolute poverty, e.g % of population with income less than minimum necessary to meet basic necessities of life.Malnutrition levels. Percentage of population with insufficient food levels of malnutrition.Access to safe water. Percentage of population with access to safe water supply and sanitationLiteracy rate The percentage of a population that can read and write. Also consider gender discrepancy;Mean years of education Length of education gives indication on deeper education standards.Number of doctors per 1,000 of population. Average life expectancy. Life expectancy generally rises with economic development.Openness of economy to international trade. Also, levels of foreign direct investment.Quality of nations infrastructure quantity and quality of roads, railways and airports.Share of agriculture in economy. Over 90% indicates an undeveloped economy. Less than 10% of economy in agriculture suggests more developed economy.Political stability and security.Wildlife DiversitySpecific Measures of economic development1. Human Development Index (HDI)Life Expectancy Index. Average life expectancy compared to a global expected life expectancy.Education Indexmean years of schoolingexpected years of schoolingIncome Index (GNI at PPP) 2. Index of Human Poverty HPIThe human poverty index (HPI) was introduced by UN Development Programme (UNDP)To measure rates of economic development for low-income countries it examines education, life expectancy, rates of absolute poverty and access to health care and safe drinking water.(HPI-1) It involves combiningProbability at birth of not surviving to age 40 (times 100)Adult illiteracy rateArithmetic average of these three characteristics:The percentage of the population without access to safe water.The percentage of malnourished children under five.3. Genuine Progress Indicator (GPI)The GPI seeks to take a more accurate account of a nations well being than just GDP (gross domestic product). GPI starts with GDP as its base but also takes into account environmental and social factors such asPollutionPoverty ratesHealth standardsInequality ratesCrime ratesCost of pollution abatementCost of commutingCost of road accidentsValue of educationValue of housework and parentingThe GPI Suggests that as economies gain increased GDP, economic welfare generally increases, however, there comes a point where GPI starts to grow more slowly and eventually stagnate. In other words, higher GDP does not automatically lead to economic development because the costs of growth become as high as the benefits. GDP vs Genuine Progress Indicator (GPI) in US1950-2004TC SA TrinitarEvaluationIncome indicators of economic development are fairly straightforwardPoverty reductionIncreased levels of educationIncreased provision of health carelncreased life expectancy.However, some measures may be more controversial. For example, building an airport would generally be seen as economic development, however, if GPI is used to measure, the benefits of air travel may be offset by carbon emission, noise from airports and congestion in cities.RelatedPublished 21 May 2020,Tryan Pettinger. www.economicshelp.orgResources for those looking to understand economics. Essays, e-books, blog posts and latest developments on the UK and global economy.A-level Revision Products | Glossary of terms |Microeconomics | Macroeconomics | Recent ArticlesPeople often observe my videos/articles on the UK economy tend to be doom and gloom, this is partly the youtube alogorithm, but mainly because the UK economy really hasnt been doing very well, whether you look at average wages, productivity or housing costs, its pretty grim and you cant change these facts. And there isWhy are Bond Yields RISING FAST Everywhere?Watch this video on YouTube For decades, Japan had artificially low interest rates, but since 2022, bond yields have risen, and the pace of increase is getting steeper. And when you have debt at 270% of GDP, this is a big deal. Japan has a double crisis risingOn Wednesday 16 September 1992, the UK economy was in deep recession, with unemployment of 10% interest rates of 10%, and the Pound was struggling to maintain its value against the D-Mark. As soon as markets opened, financial investors piled in to sell pounds to a beleagured government, and Sterling fell, reaching the floor ofThe A-level essays I bought from your website are really helpful in improving my writing. Also Im always interested in the writings on your economics blog, they are clear & concise while able to describe complicated economics theories applied to the real world. JanRead more reviews about Economicshelp.org products Cracking EconomicsAn easy to read an overview of economics. Cracking Economics gives explanations of main topics with images and diagrams to bring economics to life.The book is aimed at anyone with a general interest in economics but would like a better understanding. Available in hardback at major bookshops and online. Read More Economics without the Boring bitsA Enlightening Guide to the Dismal Science published by Wellbeck.It includes topics such as common economic fallacies, middlemen, recycling, debt, finance, trade, money, taxation and why some people get rich and others dont.Read moreSelection of videos explaining economics concepts. Unemployment - Economics at Help.org Economic Development, Literature Review, Outlook, Definition, Measurement Economic development is an increasingly popular topic in different research areas. However, there is not a definite, categorical, and settled definition for economic development, nor a comprehensive measure that is agreed upon. This study aims to fill this gap through a literature review of the scholarly publications 19502020 in all the English-language peer-reviewed journals in the subject areas of public administration and development. On this basis, the article identifies 19 themes as well as 14 types of improvements around which it is possible to group this multi-faceted topic. Specifically, the article highlights for each of the identified themes and types of improvements how economic development is defined and measured. In addition to that, our review reveals issues and research questions that go unaddressed. We conclude the article by providing our recommendations in this regard. Downloads All BlogsEconomics ResourcesEconomic DevelopmentEconomic Growth and DevelopmentSustainable DevelopmentSustainable DevelopmentPeace DividendEconomic Growth and DevelopmentBOOT CAMP - Financial Modeling (6 Hrs)Boot Camp: LEARN Financial Modeling in Just 6 HoursTable Of ContentsEconomic development is the process by which a country or nation progresses from a low-income economy to a thriving modern industrial economy. It is broader than economic growth and typically indicates a country's transformation that involves qualitative and quantitative improvements.The goal of being economically developed is to raise the per capita income to improve material living standards. Therefore, understanding economic development, especially in its policy dimensions, is crucial for policymakers and economists working to fulfill their governments' goals. Furthermore, it is believed that political stability can only be guaranteed with minimum economic development.Economic development is the process of wealth production from which the community gains in equal parts. It usually refers to an economy's transition from a low-income to a high-income state. Economic development is a crucial element that depends on the economic growth, generating new job possibilities and facilitating an enhanced quality of life for current and future citizens by facilitating more access to opportunities brought about by economic growth. Essential phases of development are linked to three distinct transitions: structural, demographic transition, and urbanization process. Economic development measuresinclude parameters such as Gross National Product (GNP) and Gross Domestic Product (GDP).Economic development is the process of wealth production from which all members of the community gain. It usually refers to the economy's transition from a low-income to a high-income state. From a public standpoint, local economic development entails distributing scarce resources, such as land, labor, capital, and entrepreneurship, to improve business activity, income, income distribution patterns, employment, and fiscal solvency. It is a key factor in what makes an economy flourish. It does this by generating new job possibilities and enabling citizens of the present and the future to have greater access to the opportunities that come with economic growth.The study of economic development is a branch of economics developed out of conventional economics, which was solely concerned with the nation's gross domestic product- the total output of goods and services. The development now concerns the growth of people's rights and their associated capacities, morbidity, hydration, nutrition, literacy, and many other socioeconomic indicators. Economic development is thought to follow a rise in per capita income. Therefore, it is the best indicator of the value of goods and services available in the country per person per year. Although measuring per capita income and its growth rate both present several measurement challenges. These two indicators are the finest available to evaluate the level of economic well-being inside a country and its economic growth.Given below are a few characteristics possessed by a developing economy:Sectoral shift: Economic development starts when the economy shifts from the primary sector. The transition begins with the development of agriculture and progresses to the manufacturing and service sectors. The concepts of urbanization, industrialization, and modernization greatly contribute to the development and transformation of society and, therefore, the economy. Technological shift: Urbanization, industrialization, and modernization force development to be squeezed into short periods. An increase in the production of goods and services is required, which needs innovations and improvements. As a result, technological advancements are unavoidable. Capital-intensive technologies give better methods of production and income opportunities. Increase in real national income: Economic opportunities help people get jobs and earn wages. When people earn wages, they spend more on goods and services, raising economic activity. The situation would eventually increase income-earning opportunities, reducing poverty and the resulting inequalities. In short, they can be summarized by increased levels of sustainable production and growing industrialization processes with significantly higher rates of goods and service consumption. A high quality of living for the majority of people. Diversification of the productive sectors: Areas in the main sectors are mostly occupied by a few people actively seeking employment. Economic development introduces diversification through which science and technology can make significant advancements.There is no precise definition of the stages of economic development. However, the majority of development economists consider that the essential phases of development are linked to three distinct transitions:Structural transformation refers to a shift in the composition of the GDP. The agriculture sector serves as the initial focus for economic activity and employment, gradually accepting a percentage of the Gross Domestic Product (GDP) declines as economic activity and employment move to the industrial sector, particularly manufacturing.After a few decades of industrialization, the service sector will gradually overtake industry, while agriculture's share will continue to decline. In other words, when an economy reaches its ultimate stage of development, people depend mostly on the service sector for their livelihoods, with the industry occupying a smaller but still significant role.Changes in life expectancy and fertility rates, or the number of children per woman, are the two main factors influencing the demographic shift. Although fertility rates are initially strong, population expansion is constrained by relatively high death rates, especially high infant mortality rates. As a result, the next stage sees a dramatic rise in population size as life expectancy and fertility rates rise. Life expectancy continues to rise due to progress, but population expansion will be constrained by significantly dropping fertility rates.Urbanization is characterized by the migration of people to cities as the opportunities and living standards increase. The key causes causing the urbanization process are:The movement of individuals from rural regions searching for employment in newly developing urban centers. The conversion of formerly semi-urban suburbs into completely urban centers. And disparities in the demographic dynamics of rural and urban areas.The major factors affecting economic developmentand economic growth are as follows:Increased investment: This brings in more economic and employment opportunities. Higher labor productivityhigher labor productivity typically results in greater productivity and increased profits. Increased labor force participation: Increased labor force participation contributes to increased labor productivity. Technological improvements: Technological improvements open new avenues of economic activity and investment opportunities. This, in turn, contributes to increased employment and growth. Higher real wages: With more employment opportunities, people get employed more and earn more. They spend on health and education when they earn well, contributing to economic growth. Tax cuts: When the government cuts taxes, people have more money to spend, which results in productive spending on things like health, education, and entertainment.Otherfactors affecting economic developmentinclude Government spending, lower interest rates, etc., an increase in the money supply in the economy, and a boost in economic activities and favorable conditions for growth.Check out these examples to get a better idea:Suppose there is a country "A", and the gross national income (GNI) there is $1000. This nation is a low-income country. Low-income nations have a GNI per capita of less than $1,035; lower middle-income nations with GNI between $1,036 and $4,085; upper-middle-income nations are a GNI between $4,086 and $12,615; and high-income nations are those with GNI over $12,615 per capita. However, after a decade of industrial development, the GNI of country A is $12700, which means that due to its economic development, it has now fallen into the category of a high-income country.India is an emerging economy. As of 2021, the country's GNI was$2170, but there had been a significant jump since the 1960s (in1963, it was at $100). Since the 2000s, India has significantly reduced absolute poverty. Over 90 million individuals were rescued from extreme poverty between 2011 and 2015. In FY22, the nominal GDP of India was predicted to be Rs. 232.15 trillion ($3.12 trillion) at current prices. This exemplifies how economic development could influence a country's wealth.Economic development is a crucial element that fuels economic growth, generating new job possibilities and facilitating an enhanced quality of life for current and future citizens. It is done by facilitating more access to opportunities brought about by economic growth. A few points that demonstrate the importance of economic development are given below:Job creation: Development provides new opportunities for people to work, through which they can earn more and improve their standard of living. Industry diversification: development results in transitioning from primary sectors to industry and service sectors. They provide better opportunities and play an important role in the overall development of the economy. Economic diversification is a key component of economic development since it lessens a region's dependence on a single industry. Higher tax collections: increased income tax provides the government with increased revenue. Increasing tax revenue and the development of local infrastructure result from the increased business presence in the area. It gives scope for government spending to aid development. Quality of life: Inclusive economic development supports the community's quality of life through programs that promote the local workforce's upskilling opportunities. It also improves the regional transportation network, affordable housing, innovation, health, education, and entrepreneurship. In addition, these programs give the existing workforce the necessary access and skills to take advantage of the new, high-paying job possibilities brought about by economic development initiatives and result in further development. Better living quality: As the region's economy grows and its population's standard of living rises, better infrastructure and more jobs benefit the residents.BasisEconomic developmentEconomic growthSustainable development MeaningIt describes how a country's quality of life as a whole has evolved, including economic growth.Economic growth is meant by an increase in a country's monetary growth during a specific period.The development that will remain forever is termed sustainable development.Applicable toDeveloping economiesDeveloped economiesBoth developed and developing economies.MeasuresGDP and GNP measure it.It is measured by HDI, per capita income, industrial development, etc.The sustainable development index measures it.Does economic development lead to democracy? Economic development does not necessarily lead to democracy, but it sure can affect it. Both can go hand-in-hand with increasing the prosperity of a nation and reducing inequality. What is socioeconomic development? A society's social and economic development is known as socioeconomic development. Life expectancy, literacy, and employment rates evaluate socioeconomic development.In addition, economic development indicators like GDP are also included. What are the indicators of economic development? Economic development indicatorsinclude many indices such as life expectancy at birth, National Income, and Per Capita Income (PCI). It also includes health indices, employment and unemployment rates, and gender equality. The coverage is quite wide as it is a broad concept. What is the role of entrepreneurship in economic development? Entrepreneurship in economic developmentis indispensable. They create new employment by developing new goods and services, which eventually accelerates economic growth and standard of living. Economic development is characterized by a focus on a global economy requiring regional thinking and cooperation among businesses across nations. While Michael E. Porter defines it as a long-term process involving the development of microeconomic capabilities to enhance competition, the International Economic Development Council notes that it encompasses diverse objectives such as job creation, wealth generation, and improving quality of life through various government policies and programs. Given the absence of a singular definition, economic development strategies must be tailored to the unique challenges faced by individual communities.Economic development is a concept that has evolved over time, shaped by the ideas of many thinkers and economists who have contributed to how we understand progress and prosperity. Over the centuries, various schools of thought have emerged, each offering a unique perspective on what drives economic growth and what constitutes a thriving society. In this blog post, we will explore the diverse views and definitions of economic development, starting with classical economists like Adam Smith and David Ricardo, moving through the neo-classical era, and examining the structuralist and modern approaches, including the human development theory introduced by Amartya Sen.Table of ContentsWhen we talk about the history of economic development, we cannot ignore the classical economists who laid the groundwork for understanding how economies function and the factors that drive growth. Figures like Adam Smith and David Ricardo are at the heart of classical economic theory, which emerged in the 18th and 19th centuries. Their ideas focused primarily on the role of capital, labor, and trade in achieving economic progress.Adam Smith and the invisible hand Adam Smith, often referred to as the father of economics, is perhaps best known for his theory of the invisible hand, a metaphor for the self-regulating nature of markets. Smith argued that individuals acting out of self-interest, in a competitive market environment, could unintentionally contribute to the overall economic welfare of society. According to Smith, economic development is driven by the efficient allocation of resources, particularly labor and capital, through trade and specialization.Smiths view emphasized the importance of free markets in fostering growth. He believed that as nations engaged in international trade, they would specialize in producing goods where they had a comparative advantage, leading to a more efficient global economy. This specialization, in turn, would increase productivity, which would drive economic development. Smiths ideas laid the foundation for modern capitalism, with an emphasis on individual enterprise and minimal government intervention.David Ricardo and the theory of comparative advantage Building on Smiths ideas, David Ricardo developed the theory of comparative advantage, which has become a cornerstone of international trade theory. Ricardo argued that countries should specialize in producing goods for which they have the lowest opportunity cost and trade them for goods that other countries produce more efficiently. This specialization would lead to more efficient resource use, thus driving economic growth.Ricardos view of economic development highlights the role of trade in expanding markets and promoting productivity. Like Smith, he believed in the power of markets to bring about economic growth. However, Ricardo added a more detailed understanding of how trade between nations could benefit everyone involved, even if one country was more efficient at producing every good than another.Neo-classical views: Efficiency, equilibrium, and marginal returns As economic theory progressed into the late 19th and early 20th centuries, neo-classical economists introduced a new set of ideas that focused more on market equilibrium and the role of marginal returns. This set of thought built upon the foundations laid by classical economists but introduced new concepts aimed at achieving optimal growth.The focus on equilibrium and efficiency in resource allocation became a hallmark of neo-classical economics is based on the idea of markets reaching equilibrium when supply and demand are balanced, leading to optimal resource allocation and efficient outcomes.According to this view, economic development occurs when markets are allowed to function without interference. If markets are left alone, prices will adjust to reflect the value of goods and services, leading to optimal resource allocation and, ultimately, growth.In this framework, the role of the state is minimized. Government intervention is seen as disrupting the natural flow of markets. This belief in the efficiency of free markets became a dominant ideology in the 20th century, influencing policies in both developed and developing countries. According to neo-classical economists, economic development happens when markets reach equilibrium and when resources are allocated to their highest-valued uses.Marginal returns and diminishing returns to capital Another key idea in neo-classical economics is the concept of marginal returns. According to this theory, the additional output produced by an extra unit of capital or labor tends to diminish as more units are added. For example, adding one more worker to a factory may lead to an increase in production, but this increase becomes smaller as more workers are hired.This idea was important for understanding the limits of economic growth. Neo-classical economists argued that economies would eventually face diminishing returns on investment, which would slow down the rate of growth. This led to a focus on technological progress and innovation as key drivers of sustained economic development. The theory also emphasized the importance of education, skills development, and capital accumulation in fostering long-term growth.Structuralist perspectives: Examining rigidities in economic structures By the mid-20th century, structuralist economists began challenging the assumptions of neo-classical economics, particularly the idea that markets would always reach equilibrium efficiently. Structuralists argued that economic development was hindered by various structural factors like the concentration of wealth and power, inadequate