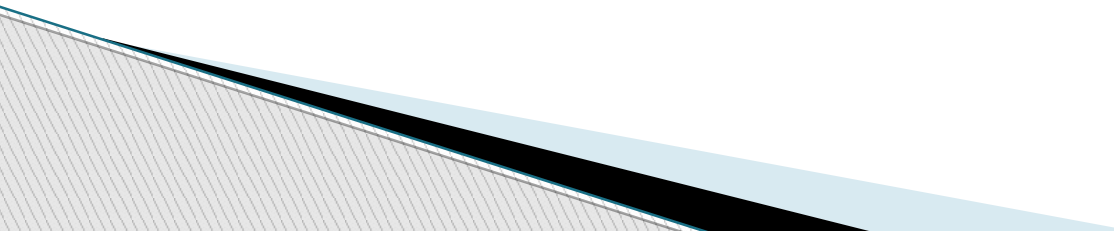


# Principles and Concepts of ECONOMIC DEVELOPMENT

It involves **QUALITATIVE** and **QUANTITATIVE** improvements in a country's economy. **POLITICAL** and **SOCIAL** transformations are also included in the concept of economic development in addition to **economic CHANGES**. Literally, **economic development** can be defined as “**passage from lower to higher stage which implies CHANGE**”.



## The Important ROLE OF VALUES in Development Economics

***ECONOMICS*** is a social science that is concerned with human beings and the social systems by which they organize their activities to satisfy basic material needs (e.g., food, shelter, clothing) and nonmaterial wants (e.g., education, knowledge, spiritual fulfillment).

It is necessary to recognize from the outset that **ETHICAL** or **NORMATIVE VALUE** premises about **WHAT IS** or **IS NOT DESIRABLE** are central features of the economic discipline in general and of development economics in particular.

## The Important ROLE OF VALUES in Development Economics

The very concepts of economic development and modernization represent **implicit as well as explicit value premises about desirable goals** for achieving what Mahatma Gandhi once called the “**real – ization of the human potential.**” Concepts or goals such as **economic and social equality, the elimination of poverty, universal education, rising levels of living, national independence, modernization of institutions, rule of law and due process, access to opportunity, political and economic participation, grassroots democracy, self–reliance, and personal fulfilment** all derive from **subjective VALUE JUDGEMENTS** about **what is good and desirable and what is not.**

So too, for that matter, do other values—for example, the sanctity of private property, however acquired, and **the right of individuals to accumulate unlimited personal wealth**; the **preservation of traditional hierarchical social institutions and rigid, in egalitarian class structures**; **the male head of house – hold as the final authority**; and the supposed “**natural right**” of some to lead while others follow.

# Economies as Social Systems: The Need to Go Beyond Simple Economics

**Economics and economic systems, especially in the developing world, must be viewed in a broader perspective than that postulated by traditional economics. They must be analyzed within the context of the overall social system of a country and, indeed, within an international, global context as well. By “social system,” we mean the interdependent relationships between economic and noneconomic factors.**


The latter include attitudes toward life, work, and authority; public and private bureaucratic, legal, and administrative structures; patterns of kinship and religion; cultural traditions; systems of land tenure; the authority and integrity of government agencies; the degree of popular participation in development decisions and activities; and the flexibility or rigidity of economic and social classes. Clearly, these factors vary widely from one region of the world to another and from one culture and social setting to another.

At the international level, we must also consider the organization and rules of conduct of the global economy—how they were formulated, who controls them, and who benefits most from them. This is especially true today with the spread of market economies and the rapid globalization of trade, finance, corporate boundaries, technology, intellectual property, and labor migration.

# Economies as Social Systems: The Need to Go Beyond Simple Economics

Resolving problems to achieve development is a complicated task. Increasing national production, raising levels of living, and promoting widespread employment opportunities are all as much a function of the local history, expectations, values, incentives, attitudes and beliefs, and institutional and power structures of both the domestic and the global society as they are the direct outcomes of the manipulation of strategic economic variables such as savings, investment, product and factor prices, and foreign-exchange rates. As the Indonesian intellectual Soedjatmoko, former rector of the United Nations University in Tokyo.

Just as some social scientists occasionally make the mistake of confusing their theories with universal truths, they also sometimes mistakenly dismiss these noneconomic variables as “nonquantifiable” and therefore of dubious importance. Yet these variables often play a critical role in the success or failure of the development effort.



- ▶ **Values** – Principles, standards, or qualities that a society or groups within it considers worthwhile or desirable.
- ▶ **Attitudes** – The states of mind or feelings of an individual, group, or society regarding issues such as material gain, hard work, saving for the future, and sharing wealth.
- ▶ **Institutions** – Norms, rules of conduct, and generally accepted ways of doing things. Economic institutions are humanly devised constraints that shape human interactions, including both informal and formal “rules of the game” of economic life in the widely used framework of Douglass North.
- ▶ **Income per capita** – Total gross national income of a country divided by its total population.
- ▶ **Gross National Income (GNI)** – The total domestic and foreign output claimed by residents of a country. It comprises gross domestic product (GDP) plus factor incomes accruing to residents from abroad, less the income earned in the domestic economy accruing to persons abroad.
- ▶ **Gross Domestic Product (GDP)** – The total final output of *goods* and *services* produced by the country’s economy, within the country’s territory, by residents and nonresidents, regardless of its allocation between domestic and foreign claims.
- ▶ **Functionings** – What people do or can do with the commodities of given characteristics that they come to possess or control.
- ▶ **Capabilities** – The freedoms that people have, given their personal features and their command over commodities

Development means “improvement in country's economic and social conditions”. More specially, it refers to improvements in way of managing an area's natural and human resources. In order to create wealth and improve people's lives.

## OVERVIEW: Economic Development

Type	<i>Economics</i>
Definition	<i>The process of improving the quality of life, of a nation, region and or community.</i>
Related Concepts	<i>Economics Quality of Life Sustainability Infrastructure Efficiency Internet Backbone</i>

# What is ECONOMIC DEVELOPMENT?

It is often defined by others *based on what it is trying to accomplish*. Many times these **OBJECTIVES** include *building or improving infrastructure* (i.e.–Roads, Bridges etc).; *improving our education system* (i.e.– through New Schools); *enhancing our public safety* (i.e.– through Fire and Police service); and or *incentivizing new businesses to open* (i.e.– a Location in a community). Literally, economic development can be defined as *“passage from lower to higher stage which implies change”*.





# Economic Development often is categorized into the following 3 MAJOR AREAS:

1.) Governments working on *big economic objectives*  
i.e.– Creating JOBS or Growing an economy.

( These initiatives can be accomplished through *written laws, industries' regulations,* and *tax incentives* or *collections*)

2.) *Programs* that provide *infrastructure and services*  
i.e.– Bigger Highways, Community Parks, New School Programs and Facilities, Public Libraries or Swimming Pools, New Hospitals, and Crime prevention initiatives

3.) *Job Creation* and *Business Retention* through workforce development programs to help people get the needed skills and education they need. This also includes *small business development programs* that are geared to help entrepreneurs get financing or network with other small businesses.

What are the MEASURES of Economic Development?

The more commonly used criteria to measure **Economic Development** are:

- ▶ ***Increase in National Income***
- ▶ ***Per Capita Real Income***
- ▶ ***Comparative Concept***
- ▶ ***Standard of Living***
- ▶ ***Economic welfare of the community***  
(*i.e. –Housing/Education/Leisure Time/Job Satisfaction/Real Income etc. )*

## Measuring Economic Development

### **Gross Domestic Product**

GDP – total value of goods and services produced in a country (US\$)

### **Gross National Product**

GNP – Including income from investments abroad (US\$)

### **Purchasing Power Parity**

PPP – Takes into account local cost of living and is usually expressed per capita (US\$)

### **GDP/GNP per capita**

Total value divided by the total population

## MEASURES OF ECONOMIC DEVELOPMENT

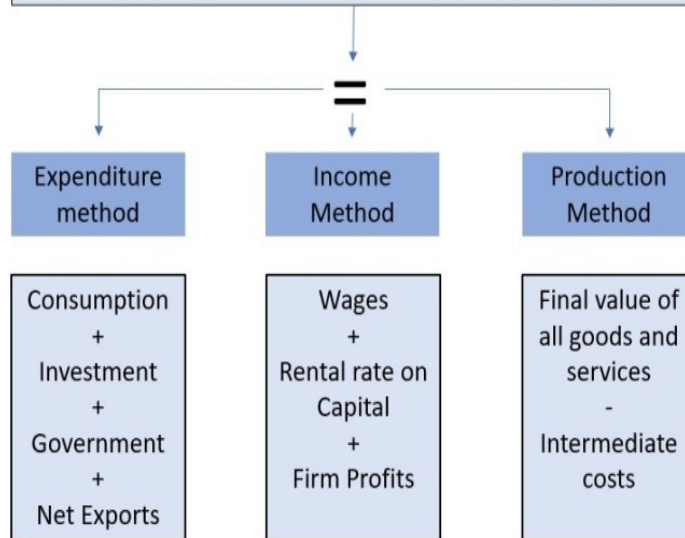
### – **GNP PER CAPITA**

- GNP per capita (or income per person)= **(GNP/Population)**.
- **GNP = GDP + NR** (Net income inflow from foreign investment or Net Income Receipts) - NP (Net payment outflow to foreign assets).

### – **OCCUPATIONAL STRUCTURE OF THE LABOR FORCE**

- **PRIMARY ACTIVITIES** are those that directly remove resources from the earth. Generally they include Agriculture, mining, fishing.
- **SECONDARY ACTIVITIES** involve converting resources into finished products. These are the MANUFACTURING activities.
- **TERTIARY ACTIVITIES** comprise the SERVICE sector of the economy.

# GROSS DOMESTIC PRODUCT (GDP)



## Measure of economic welfare (MEW)

$$\text{MEW} = \text{Value of GDP} + \text{Value of leisure time} + \text{Value of unpaid work} - \text{Value of environmental damage}$$

## TRADITIONAL ECONOMIC MEASURES

In strictly economic terms, *development* has traditionally meant achieving sustained rates of growth of **income per capita** to enable a nation to expand its output at a rate faster than the growth rate of its population. Levels and rates of growth of “real” per capita **Gross National Income (GNI)** (**monetary growth of GNI per capita MINUS the rate of inflation**) are then used to measure the **overall economic well-being of a population**—how much of real goods and services is available to the average citizen for consumption and investment.

Economic development in the past has also been typically seen in terms of the planned alteration of the structure of production and employment so that agriculture’s share of both declines and that of the manufacturing and service industries increases. Development strategies have therefore usually focused on rapid industrialization, often at the expense of agriculture and rural development.

# TRADITIONAL ECONOMIC MEASURES

With few exceptions, such as in development policy circles in the **1970s**, **development** was until recently nearly always seen as an **economic phenomenon** in which rapid gains in overall and per capita GNI growth would either “trickle down” to the masses in the form of **jobs and other economic opportunities** or **create the necessary conditions for the wider distribution of the economic and social benefits of growth**. Problems of poverty, discrimination, unemployment, and income distribution were of secondary importance to “getting the growth job done.” Indeed, the **emphasis is often on increased output**, measured by **Gross Domestic Product (GDP)**.

## THE NEW ECONOMIC VIEW OF DEVELOPMENT

The experience of the first decades of post-WW II and postcolonial development in the 1950s, 1960s, and early 1970s, when many developing nations did reach their economic growth targets but the levels of living of the masses of people remained for the most part unchanged, signaled that something was very wrong with this narrow definition of development. An increasing number of economists and policymakers clamored for more direct attacks on widespread absolute poverty, increasingly inequitable income distributions, and rising unemployment. In short, during the 1970s, economic development came to be redefined in terms of the reduction or elimination of poverty, inequality, and unemployment within the context of a growing economy. “Redistribution from growth” became a common slogan. Dudley Seers posed the basic question about the meaning of development succinctly when he asserted:

*“The questions to ask about a country’s development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result “development” even if per capita income doubled.”*

# THE NEW ECONOMIC VIEW OF DEVELOPMENT

This assertion was neither idle speculation nor the description of a hypothetical situation. A number of developing countries experienced relatively high rates of growth of per capita income during the 1960s and 1970s but showed little or no improvement or even an actual decline in employment, equality, and the real incomes of the bottom 40% of their populations. By the earlier growth definition, these countries were developing; by the newer poverty, equality, and employment criteria, they were not. The situation in the 1980s and 1990s worsened further as GNI growth rates turned negative for many developing countries, and governments, facing mounting foreign-debt problems, were forced to cut back on their already limited social and economic programs.



## TYPES OF ECONOMIC DEVELOPMENT

- ▶ **Infrastructure** – foundational services that improve the efficiency of an economy such as the internet backbone.
- ▶ **Education** –institutions, systems, tools and facilities that support the acquisition of knowledge and skills.
- ▶ **Health & Wellness** –health care like HOSPITALS and wellness programs such as After-School Sports Program.
- ▶ **Justice** –an open and fair system of law provided by law enforcement, administrative bodies, courts and other systems such as HUMAN RIGHTS TRIBUNAL. Fairness is a Key, a justice system that isn't perceived as FAIR can hinder ECONOMIC DEVELOPMENT.
- ▶ **Safety** –the system that make feel they live in a safe and stable environment including areas such as CRIME PREVENTION, DISASTER PREPARENESS and INFORMATION SECURITY.

# TYPES OF ECONOMIC DEVELOPMENT

- ▶ **Human Rights** – principles and frameworks that guarantee human rights such that PEOPLE ARE FREE TO PURSUE HAPPINESS.

For example, a CONSTITUTION that upheld by the branches of the government.

- ▶ **Consumer Protection** –regulating the quality, commercial terms and safety of the products/services.

For example, a SYSTEM that ensures that food products are safe and healthy.

- ▶ **Fair Competition** –bodies that ensure free competition to prevent ANTI-COMPETITIVE practices that inhibit the efficiency of market.

- ▶ **Markets** – markets for securities, assets, goods/services that are fair, efficient and liquid.

- ▶ **Finance** – stable, reputable and efficient financial institutions and systems. For example, a NATION where it is easy to get a loan when you are reasonably likely to pay it back.

- ▶ **Political Stability** –a fair system of politics such that a population has trust in its leaders and administrators and feel the things are always getting better.

# TYPES OF ECONOMIC DEVELOPMENT

- Culture***–preservation of the things that people value like art, performance art, literature, festivals, rituals and pastimes. Support creative pursuits and cultural industries.
- ▶ ***Transportation***– accessibility and efficient in terms of both time and money.
  - ▶ ***Energy***– a system of energy production and distribution that provides ample energy w/o polluting the environment.
  - ▶ ***Water***– infrastructure that provides a region with water security such as infrastructure for groundwater recharge.
  - ▶ ***Food***– about food security, a region that grows much of its food including a diversity of crops.
  - ▶ ***Information Technology***– technology companies, IT infrastructure and a significant pool of people who are knowledgeable about technology.

(i.e– Software Developers, Computer Engineers and Architects)

# TYPES OF ECONOMIC DEVELOPMENT

- ▶ **Research**– research and related things such as Science Facilities, Universities and Space Program.
- ▶ **Service Economy** – developed economies are undergoing a shift whereby services are increasingly large component of economic output. As such, the transition from an industrial economy to economic development.
- ▶ **Knowledge Economy**– a shift to jobs that require and produce significant knowledge such as MEDICAL RESEARCH or SOFTWARE DEVELOPMENT
- ▶ **Experience Economy**– products and services that compete at the level of customer experience such as VIDEO GAME or RESORT HOTEL.
- ▶ **Sustainability & Resilience** – a nation that has a systems and practices designed to endure TIME & STRESSES. For example, Industries that don't create harmful waste or consume excessive resources.

## Other EXAMPLE of ECONOMIC DEVELOPMENT:

- ▶ ***Tax Incentives For New Businesses***

- ▶ ***When a country begins to produce more products and increase its overall wealth.***

(measured by an increased in GDP or other measure of AGGRERATE INCOME)

- ▶ ***Political concerns***

i.e.– US and China Trade war/ OPEC Oil Embargo/ Economic sanctions with Iran/ Countries that violate Human Rights/Engage in Nuclear Weapon Proliferation etc. Etc.

- ▶ ***Concerns that protect the public***

i.e.– Zoning Laws/ Building Codes/ Bayanihan Heal As Once Act during covid19 pandemic/Mandatory use of facial mask/Hard Lockdown/ ECQ

A developed country is A NATION THAT OFFERS **ECONOMIC SECURITY** and a **HIGH QUALITY OF LIFE** to its POPULATION. The following are the **BASIC CHARACTERISTICS** of a **DEVELOPED COUNTRY**.

▶ ***GROSS NATIONAL PER CAPITA***

A high per capita INCOME calculated as the ECONOMIC OUTPUT OF A NATION divided by its POPULATION.

It should be noted that in some countries this number is heavily influenced by a small number of individuals who hold significant wealth.

▶ ***HEALTH***

Access to modern healthcare. Often measured with AVERAGE LIFE EXPECTANCY and UNDER-FIVE MORATLITY RATES.

▶ ***EDUCATION***

Access to education. Often measured as the PERCENTAGE OF THE POPULATION who complete a minimum number of years of school.

▶ ***INDUSTRIALIZATION***

An industrialized nation is a country with a large manufacturing sector. Historically, developed and industrialization were virtually synonymous.

▶ ***SERVICE ECONOMY***

The service economy is a NATION'S OUTPUT OF SERVICES. For example, TRAVEL, RESTAURANTS, SOFTWARE & BUSINESS SERVICES. Developed nations are experiencing a shift whereby services are increasing important to ECONOMIC OUTPUT.

▶ ***KNOWLEDGE ECONOMY***

The knowledge economy is the development of VALUABLE KNOWLEDGE such as PROCESSES, PROCEDURE, METHODS, DESIGNS, FORMULATIONS & SOFTWARE. This includes creative OUTPUTS such as an ADVERTISING CAMPAIGN that generates feelings for a BRAND. It is possible that highly developed nations of the future will mostly shift into a SERVICES and KNOWLEDGE ECONOMY and INDUSTRIAL PRODUCTION will be viewed as a smaller part of the WORLD'S ECONOMIC OUTPUT.

▶ ***INFRASTRUCTURE***

SOFT INFRASTRUCTURE such as public institutions and HARD INFRASTRUCTURE such as bridge.

INFRASTRUCTURE makes a nation more productive, efficient, stable and attractive to the LABOR and CAPITAL. As such, it is one of the PRIMARY ADVANTAGES that highly developed nations have over developing countries.

▶ ***STABILITY***

Another condition for economic prosperity is POLITICAL , ECONOMIC and SOCIAL STABILITY. This includes physical and information security such that people feel they live in a SAFE PLACE.

Economic security such as public health care and pension system shelters people and gives them room to pursue knowledge and experimentation required to innovate.

▶ ***QUALITY OF LIFE***

As the world becomes economically prosperous, competition between nations is shifting towards the happiness of people. All else being equal, a nation with CLEAN AIR is considered more developed than a nation with polluted air. This is usually captured as a MEASUREMENT known as a QUALITY OF LIFE that is based on asking a population if they are HAPPY.

Quality of life is an ECONOMIC ADVANTAGE in a knowledge economy where global competition for talent can be intense. In many cases, TALENTED INDIVIDUALS WILL AVOID WORK IN A POLLUTED, DANGEROUS, UNSIGHTLY or UNINTERESTING CITY.



## Example of HIGHLY Developed Countries

- ▶ Norway
- ▶ Singapore
- ▶ Ireland
- ▶ Italy
- ▶ Australia
- ▶ Hong Kong
- ▶ USA
- ▶ Belgium
- ▶ Switzerland
- ▶ Canada
- ▶ Japan
- ▶ South Korea
- ▶ Germany
- ▶ Denmark
- ▶ France
- ▶ United Kingdom