Scheme of work for second term

SS3

Weeks	Topics
1	Economic Growth Development
2	Economic Development Planning
3	International Economic Organisation
4	Current Economic Plans,MDGs,Needs,Vision 2020
5	Economic Development Challenges
6	Economic Reform Programs
7-12	Mock and Exams

WEEK1: ECONOMIC GROWTH AND DEVELOPMENT

Economic Growth

A country's general economic health can be measured by looking at that country's economic growth and development. Let's take a separate look at what indicators comprise economic growth versus economic development.

Let's first examine **economic growth**. A country's economic growth is usually indicated by an increase in that country's **gross domestic product**, or **GDP**. Generally speaking, gross domestic product is an economic model that reflects the value of a country's output. In other words, a country's GDP is the total monetary value of the goods and services produced by that country over a specific period of time.

Economic Development

Now let's take a look at **economic development**. 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 literacy rates, life expectancy and poverty rates.

While economic growth often leads to economic development, it's important to note that a country's GDP doesn't include intrinsic development factors, such as leisure time, environmental quality or freedom from oppression. Using the Human Development Index, factors like literacy rates and life expectancy generally imply a higher per capita income and therefore indicate economic development.

Economic Development vs. Economic Growth

Economic Growth is a narrower concept than economic development. It is an increase in a country's real level of national output which can be caused by an increase in the quality of resources (by education etc.), increase in the quantity of resources & improvements in technology or in another way an increase in the value of goods and services produced by every sector of the economy. Economic Growth can be measured by an increase in a country's GDP (gross domestic product).

Economic development is a normative concept i.e. it applies in the context of people's sense of morality (right and wrong, good and bad). The definition of economic development given by Michael Todaro is an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice. The most accurate method of measuring development is the Human Development Index which takes into account the literacy rates & life expectancy which affect productivity and could lead to Economic Growth. It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. It implies an increase in the per capita income of every citizen.

Economic Growth does not take into account the size of the informal economy. The informal economy is also known as the black economy which is unrecorded economic activity. Development alleviates people from low standards of living into proper employment with suitable shelter. Economic Growth does not take into account the depletion of natural resources which might lead to pollution, congestion & disease. Development however is concerned with sustainability which means meeting the needs of the present without compromising future needs. These environmental effects are becoming more of a problem for Governments now that the pressure has increased on them due to Global warming.

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

Comparison chart

	Economic Development	**Economic Growth**
Implications	Economic development implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socioeconomic structure of country (institutional and technological changes).	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.
Factors	Development relates to growth of human capital indexes, a decrease in inequality figures, and structural changes that improve the general population's quality of life.	Growth relates to a gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.
Measurement	Qualitative.HDI (Human Development Index), gender- related index (GDI), Human poverty index (HPI), infant mortality, literacy rate etc.	Quantitative. Increases in real GDP.
Effect	Brings qualitative and quantitative changes in	Brings quantitative changes in the

	Economic Development	Economic Growth
	the economy	economy
Relevance	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.
Scope	Concerned with structural changes in the economy	Growth is concerned with increase in the economy's output

Difference between economic growth and development

***Economic growth*:**Economic growth measures an increase in Real GDP (real output). GDP is a measure of the national income / national output and national expenditure. It basically measures the total volume of goods and services produced in an economy.

Economic Development

Development looks at a wider range of statistics than just GDP per capita. Development is concerned with how people are actually affected. It looks at their actual living standards and the freedom they have to enjoy a good standard of living.

Measures of economic development will look at:

- Real income per head – GDP per capita
- Levels of literacy and education standards
- Levels of health care e.g. number of doctors per 1000 population
- Quality and availability of housing
- Levels of environmental standards
- Life expectancy.

Measures of economic development

Measuring economic development is not as precise as measuring GDP, because it depends what factors are included in the measure.

There are several different measures of economic development, such as the Human development index (HDI)

Human development index (HDI)

The HDI combines:

1. Life Expectancy Index. Average life expectancy compared to a global expected life expectancy..

2. Education Index
    1. mean years of schooling
    2. expected years of schooling
3. Income Index (GNI at PPP)

More on Human development index (HDI)

Factors affecting economics growth in developing countries

- Levels of infrastructure – e.g. transport and communication
- Levels of corruption
- Educational standards and labour productivity
- Labour mobility
- Flow of foreign aid and investment
- Level of savings and investment

Economic growth without development: It is possible to have economic growth without development. i.e. an increase in GDP, but most people don't see any actual improvements in living standards.

1. Economic growth may only benefit a small % of the population. For example, if a country produces more oil, it will see an increase in GDP. However, it is possible, that this oil is only owned by one firm, and therefore, the average worker doesn't really benefit.
2. Corruption. A country may see higher GDP, but the benefits of growth may be siphoned into the bank accounts of politicians
3. Environmental problems. Producing toxic chemicals will lead to an increase in real GDP. However, without proper regulation it can also lead to environmental and health problems. This is an example of where growth leads to a decline in living standards for many.
4. Congestion. Economic growth can cause an increase in congestion. This means people will spend longer in traffic jams. GDP may increase but they have lower living standards because they spend more time in traffic jams.
5. Production not consumed. If a state owned industry increases output, this is reflected in an increase in GDP. However, if the output is not used by anyone then it causes no actual increase in living standards.
6. Military spending. A country may increase GDP through spending more on military goods. However, if this is at the expense of health care and education it can lead to lower living standards.

Underdevelopment

In economics, **underdevelopment** is when resources are not used to their full socio-economic potential, with the result that local or regional development is slower in most cases than it should be. Furthermore, it results from the complex interplay of internal and external factors that allow less developed countries only a lop-sided development progression. Underdeveloped nations are characterized by a wide disparity between their rich and poor populations, and an unhealthy balance of trade. Symptoms of underdevelopment include lack of access to job opportunities, health care, drinkable water, food, education and housing.

The main characteristics of an underdeveloped countries or how would you differentiate between a developed and an underdeveloped economy?

Developing Economy :-
According to Prof. Nurkse, *"Under developed countries are those which when compared with the advanced countries are under equipped with capital in relation to their population and national resources."*

According to United Nations experts. *"A developing economy is that in which per capita income is low when compared with the per capita incomes of U.S.A. Canada, Australia and Western Europe."*

There are various definitions which have been offered by the different writers but these are not satisfactory. Any how we describe here the basic features of developing economy which are commonly found in the developing countries.
These are following:

1. Poverty :-
In the less developed countries the standard of living is very poor. Basic needs like food, clothing, housing, education and medical facilities are not available. People are leading miserable life.

2. Dependence on Agriculture :-
Most of the less developed countries like India and Pakistan depend upon agriculture sector. The majority of population is engaged in agriculture. But unfortunately agriculture is hopelessly in a backward stage in the developing countries, the average land holding and per acre yield is low.

3. Shortage of Natural Resources :-
There is a shortage of natural resources like land, forests, rivers, and minerals in the poor countries; on the other hand, these are not utilized properly to achieve prosperity. So national product remains very low in these countries.

4. Population Pressure :-
In the under developed countries the size of population is greater than the size of natural resources. The rate of population growth is very high while the rate of economic development is very low. So high birth rate is the main obstacle in the way of economic development.

5. Lack of Capital :-
It is the main cause of poverty in the under developed countries. These countries can not

establish the industries and cannot utilize their resources due to the non-availability of capital.

6. Unemployment :-
In the less developed countries rate of unemployment is very high. Disguised unemployment is also found in these countries. It is an obstacle in the way of economic development and in India and Pakistan it is increasing with urbanization and spread of education.

7. Lack of Technology :-
In the developing countries like India and Pakistan there is a use of low level technology in various sectors. So the cost of production is very high and rate of production is very low.

8. Unequal Distribution of Wealth :-
It is an important feature of under developed economy. In these countries society is divided into two classes rich and poor. The rich class enjoys all the facilities of life while poor class suffers poverty and hunger.

9. Political Instability :-
In the under developed countries political condition is also not favorable. For example in Pakistan the rate of development remained low due to political crises. An uncertain condition creates many problems for the investors.

10. Deficit Balance of Payment :-
The less developed countries are producing and exporting the primary commodities while these are importing the finished and capital goods. In the international market the prices of raw material are very low while the prices of capital goods are high. So balance of payment remains unfavorable , due to this reason.

11. Limited Home Market :-
In the less developed countries like Pakistan, the purchasing power of the people is low. Producer is unable to increase the supply of various goods due to low demand. So limited market is also an obstacle in the way of economic development.

12. Burden of Debt :-
It is an important characteristic of the under developed countries. All these countries receive foreign aid of their development program. For example Pakistan spends a huge amount of foreign exchange for the repayment of debt interest every year. It is an obstacle in the way of economic development.

13. International Forces :-
The rate of economic growth in the third world has also been adversely affected by the advanced countries economic policies. The advanced countries are not ready to transfer technology in these countries.

14. Inflation :-
The rate of inflation is high in all the less developing countries which affects the economic performance. In these countries level of prices is rising which is creating the problems for

producer and consumer.

15. Imperfection of Market :-

In the under developed countries prices of commodities vary from shop to shop and place to place. Labour and capital are less mobile in search of higher returns. So imperfection of market is an obstacle in the way of development.

16. Poor Performance of Industrial Sector :-

In the under developed countries there is…