

NCERT CLASS 10

Economic Notes

Chapter – 1. Development

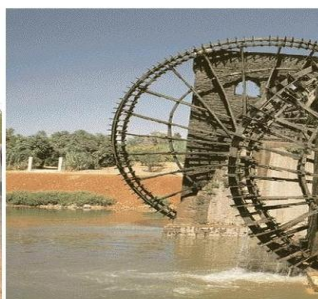
- Development is a complex issue as development means different things to different people.
- Development is a comprehensive term which involves development of political, social and economic life of the people.
- To understand development it is also important to understand our past as the way we live today is influenced by the past.
- We can achieve the goal of development through the democratic political process.
- Development means all round changes for betterment.

DEVELOPMENT – DIFFERENT PEOPLE, DIFFERENT GOALS

Different persons have different notions because each of them seeks different things. They seek things that are most important for them, i.e., which can fulfil their aspirations or desires. Different people have different goals because they are different and they are leading their life in different situation but their general goal is progress. There are two things (a) Different persons can have different development goals. (b) What may be development for one may not be development for other. It may even be destruction for other.

TRADITIONAL NOTION OF DEVELOPMENT:

- With the independence of the third world countries there arose a need for economic development. Till 1960s, the term economic development was generally used as a synonym of economic growth. But now it is no longer considered identical with economic growth.
- Definitely notion about the meaning of term development is changing but it is also a hard fact that there is no unanimity among economists with regard to the meaning on definition of economic development.
- However all agree that economic development is more than the economic growth. Hence it is taken to mean growth plus progressive changes in certain variables of material welfare.



CHANGES IN THE TRADITIONAL NOTION OF DEVELOPMENT:

- The increase in income is not sufficient for a nation. Income can be a major base of economic growth of a nation. But experiences had shown that economic growth could not automatically translated into the improvement of levels of living of the poor masses. Therefore, economists redefined the concept of economic development in terms of the reduction of poverty, unemployment and inequality in the context of a growing economy.
- Now-a-days redistribution and growth have become the popular slogan in most of the progressive nations, including India. The concept of economic growth is related to the increase in output of goods and services in an economy. This can be expressed in two ways: (i) increase in total output or increase in gross domestic product (GDP): and (ii) rise in per capita income or rise in per capita GDP.
- Economic development is a broader concept than economic growth. Development concerns not only man's material needs but also the improvement of social conditions of life. It is, therefore, not only economic growth but growth plus change in social, cultural and institutional pattern. It includes both growth aspect and distribution aspect. Development must, therefore, be conceived of as a multidimensional concept.

INCOME AND OTHER GOALS

- Sustained increases in income through wages, decent price for the crops are few primary goal of development.
- Money, or material things that one, can buy with it, is one factor on which our life depends.
- But the quality of our life also depends on non-material things mentioned above.
- If it is not obvious to you, then just think of the role of your friends in your life. You may desire their friendship.
- Similarly, there are many things that are not easily measured but they mean a lot to our lives.
- Apart from income people requires freedom, security and respect in the society which are non-material goods.
- There are many things that are not easily measured but they mean a lot for our lives.
- Sometimes people prefer regular and steady income, rather than fluctuating income
- Thus we can conclude that people look at mix of goals, for development. Goals are not only about income.

HOW TO COMPARE DEVELOPMENT INDIFFERENT COUNTRIES OR STATES?

For comparing countries, their income is considered to be one of the most important attributes. Countries with higher income are more developed than others with less income. To find the income of a country we have to find out the National Income of that country and its per capita income.

NATIONAL INCOME:

- National Income is defined as the total value of all the goods and services produced within a country plus income coming from abroad.

PER CAPITA INCOME: When the total national income is divided by the total population it gives us the Per Capita Income. In World Development Report 2006, brought out by the World Bank, this criterion is used in classifying countries. Countries with per capita income of Rs. 453000 per annum and above in

2004, are called rich countries and those with per capita income of Rs 37000 or less are called low – income countries. India comes in the category of low income countries because its per capita income in 2004 was just Rs 28000 per annum

"WHITE AVERAGES ARE USEFUL FOR COMPARISON, THEY ALSO HIDE DISPARITIES:

Let us consider two countries, A and B. For the sake of simplicity, we have assumed that they have only five citizens each.

Comparison of two countries

| Country | Monthly Income of Citizens in 2007 (in Rupees) | | | | | Average |
|-----------|--|-------|------|-------|--------|---------|
| | I | II | III | IV | V | |
| Country A | 9500 | 10500 | 9800 | 10000 | 102000 | 50,000 |
| Country B | 500 | 500 | 500 | 500 | 48000 | 50,000 |

Will you be equally happy to live in both these countries? Are both equally developed? Perhaps some of us may like to live in country B if we are assured of being its fifth citizen but if it is a lottery that decides our citizenship number then perhaps most of us will prefer to live in country A. Even though both the countries have identical average income, country A is preferred because it has more equitable distribution. In this country people are neither very rich nor extremely poor. On the other hand most citizens in country B are poor and one person is extremely rich. Hence, while average income is useful for comparison it does not tell us how this income is distributed among people.

INCOME AND OTHER CRITERIA

- Apart from income people require basic services like health and education facilities.
- High income alone cannot guarantee these basic services. These services are to be provided by the government then only Human development is possible.
- For example Punjab has a highest per capita income out of three states Kerala is at the bottom has very low (11) infant mortality rate as compared to Punjab (49).
- In Kerala literacy rate is 91% which is only 70% in Punjab.

SOME COMPARATIVE DATA ON PUNJAB, KERALA AND BIHAR:

| State | Infant Mortality Rate per 1,000 (2003) | Literacy Rate (%) (2001) | Net Attendance Ratio for Class I-V (1995-96) |
|--------|--|--------------------------|--|
| Punjab | 49 | 70 | 81 |
| Kerala | 11 | 91 | 91 |
| Bihar | 60 | 40 | 41 |

Explanation of some of the terms used in this table:

Infant Mortality Rate (or IMR) indicates the number of children that die before the age years as a proportion of 1000 live children born in that particular year.

Literacy Rate measure the proportion of literate population in the 7 and above age group

Net Attendance Ratio is the total number of children of age group 6-10 attending school as a percentage of total number of children in the same age group.

HUMAN DEVELOPMENT REPORT

Today human development is the core of United Nations Development Programme (UNDP), which presents it into a new perspective of political and economic freedom and deepening of democracy at global level, which is economically productive and socially and environmentally sound. The United Nations Development Programme (UNDP), in its first Human Development Report, 1990 introduces the concept of Human Development Index (HDI). The HDI is the cumulative measurement of the (a) Longevity, (B) Knowledge, and (C) Decent standard of living.

Longevity is a choice to live a long and healthy life. It is measured in terms of life expectancy (years). Knowledge is a choice to acquire literacy/ information. It is measured by educational attainment percentage, which is a combined gross enrolment ratio in primary, secondary and tertiary levels.

Decent Standard of living is a choice to enjoy a quality and standard life. It is measured by national income or income per capita in Purchasing Power Parity in US dollar (PPP, US \$).

The rank of, a country is determined by the overall achievements in these three basic dimensions of human development. HD ranks countries in relation to each other to tell them how far a country has traveled, and how far it has yet to travel the path of development. In this way HDI is indicative to the levels of human development and not the complete measurement of development.

SOME DATA REGARDING INDIA AND ITS NEIGHBOURS FOR 2004:

| Country | Gross National Income (GNI) per capita (2011 PPP \$) | Life Expectancy at birth (2017) | Literacy rate for 15+ yrs population | Gross enrolment ratio for three levels | HDI rank in the world |
|------------|--|---------------------------------|--------------------------------------|--|-----------------------|
| Sri Lanka | 11,326 | 75.5 | 91 | 69 | 93 |
| India | 6,353 | 68.8 | 61 | 60 | 126 |
| Myanmar | 5,567 | 66.7 | 90 | 48 | 130 |
| Pakistan | 5,331 | 66.6 | 50 | 35 | 134 |
| Nepal | 2,471 | 70.6 | 50 | 61 | 138 |
| Bangladesh | 3,677 | 72.8 | 41 | 53 | 137 |

Notes:

- HDI stands for human development index. HDI ranks in above table are out 177 countries in all.
- Life expectancy at birth denotes, as the name suggests. Average expected length of life of a person at the time of birth.
- Gross Enrolment Ratio for three levels means enrolment ration for primary school, secondary school and higher education beyond secondary school.
- Per Capita Income is calculated in dollars for all countries so that it can be compared. It is also done in a way so that every dollar would buy the same amount of goods and services in any country.

- On the basis of HDI, 177 countries of the world have been classified into high, medium and low human development categories. India is placed into the group of medium human development countries with 126th rank.

Life Expectancy in years = 64 years

Combined gross enrolment ratio = 60

GDP per capita US \$ = 3139

HUMAN DEVELOPMENT AND ECONOMIC DEVELOPMENT:

Economic development is a broader concept. It is economic growth plus something more than economic growth. The basic ideas in economic development are rise in productivity decline in unemployment, poverty and inequality from high levels. Economic development alone cannot promote human development. Human development is the process of both quantitative change and qualitative growth.

The concept of human development was taken into a broader sense. It touches social, economic, political and cultural aspects of human life with special emphasis on reduction in poverty and minimizing gap between rich and poor. There should not be unemployment problem in the economy. The concept of human development touches all aspects of human life.

SUSTAINABILITY OF DEVELOPMENT

- The concept of sustainability of development has gained momentum due to environmental concerns and the rate of resource depletion
- Ground water is an example of renewable resource but the rate at which we are using then it may not be replenished by rain water.
- Sustainability of development means that development should take place at the same time environment should be conserved from degradation.
- Sustainability of development also means that needs of the present generation should not be compromised and at the same time resource should be conserved for coming generation.
- Non renewable resources are those resources which will get exhausted after years of use. So we have to use them Judiciously.
- The consequences of environmental degradation do not respect national or state boundaries and is no longer region or nation specific.
- Sustainability of development is a new area of knowledge in which scientists, economists, Philosophers and other social scientists are working together.
- Few examples to suggest the need for sustainable development.

Crude Oil Reserves:

| Region / country | Reserve (Billion) | No. of years it will last |
|------------------|-------------------|---------------------------|
| Middle east | 89 | 93 |
| USA | 4 | 10 |
| World | 137 | 43 |