

Economics

CHAPTER 1

DIFFERENT NOTIONS OF DEVELOPMENT

Different people have different notions of development because their life situations are different.

Sometimes developmental goals can be conflicting and contradictory. What may be development for one may be destructive for others. For ex an industrialist may want construction for a dam to get more electricity but this may not be liked by tribals who may be displaced because of this. Sometimes development is not a single goal but a mix of goals.

AVERAGE INCOME AS A MEASUREMENT OF DEVELOPMENT

Average income is used as criteria for comparing countries, states and regions. More income means people can buy more goods and services that they need to live a good life. Countries with better average income have better standard of living of people.

WHAT IS AVERAGE INCOME?

It is also known as Per Capita Income.

It is the total income of a country divided by its total population.

Per Capita Income= National Income/ Mid Year Population

DEVELOPMENT MEASURED BY WORLD BANK

World Bank measures development on the basis of Per Capita Income or Average Income. It classifies countries into three categories:

Rich Countries- Countries with per capita income more than US \$ 12056 per year.

Poor Countries- Countries with per capita income less than US \$ 955 per year.

Middle Income Countries- Countries with per capita income more than US \$ 955 but less than US \$ 12056 per year.

India comes in *low middle income countries* with per capita income US \$ 1820 per year.

LIMITATIONS OF AVERAGE INCOME

Average income is not a useful criteria to measure development as it does not tell us about the distribution of income.

It ignores other aspects such as health and education which ensures good quality of life.

It hides disparities. It is

affected by the size of population.

It is a narrow concept as National Income may rise but its distribution may make rich more richer and poor more poorer.

DEVELOPMENT MEASURED BY UNDP

It measures development on the basis of HDI rank given to each country.

HDI rank of countries is calculated on the basis of average income, health status, educational status of its people.

Countries with better performance in these fields have better HDI rank.

Advantages- It is a broader concept of development. It considers other important parameters such as health and education as well. It is more reliable index of economic development.

SUSTAINABLE DEVELOPMENT

Development should take place without damaging the environment.

Development in present should not compromise with the needs of future generations.

It should prevent the

reckless exploitation of natural resources.

Steps- Increase the use of renewable sources of energy. Measures to reduce global warming. Minimize wastage and over use. Careful planning. Control on pollution.