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Economic growth versus economic development

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Resumen

El objetivo de este artículo es acercarse a los conceptos de crecimiento y desarrollo económico para poner de relieve los aspectos esenciales que los diferencian. Se trata de conceptos fundamentales que definen la economía de una nación y contribuyen a mejorar la vida de la misma. El crecimiento económico no conduce a una alta calidad de la educación o la tecnología, sino que contribuye a aumentar el valor añadido de los bienes y servicios obtenidos dentro de los sectores de la economía de un país. El desarrollo económico tiene como objetivo la economía de un país e implica el crecimiento en ambas formas, cualitativa y cuantitativa, incluyendo aspectos relacionados con la riqueza de las personas, incluye aspectos relacionados con la riqueza de las personas, su salud, su educación y la buena calidad de las condiciones de vida. Además, el desarrollo económico puede crear oportunidades en el ámbito del empleo y la conservación del medio ambiente, en la mejora de la tasa de alfabetización, la erradicación de la pobreza. El método está revisando la literatura especializada.

Abstract

The objective of this article is to approach the concepts of growth and economic development in order to highlight the essential aspects that differentiate them. These are fundamental concepts that define the economy of a nation and contribute for a better life for it. Economic growth does not lead to a high quality of education or technology, but contributes to increasing the added value of goods and services obtained within the sectors of a country's economy.
The economic development aims at the economy of a country and implies the growth in both forms, qualitative and quantitative, including aspects related to the wealth of the people, includes aspects related to the wealth of people, their health, their education and good quality living conditions. Also, economic development can create opportunities in the field of employment and environmental conservation, in improving the literacy rate, eradicating poverty. The method is revising the specialized literature.

Key words: economic growth, economic development

Códigos JEL: O4, O1

1. Introduction

Economic growth is represented by the increase of goods and services obtained within a time frame within the economy of a nation. Obtaining greater production of goods and services or keeping it constant in the economy of a country, can be determined by improving the quality of education, technology or by an added value of the goods and services obtained within the sectors of the economy. Economic growth is expressed as a percentage by real gross domestic product - GDP, which is adjusted by inflation. GDP represents the market value of the final goods and services that is produced within the economy of a country.

Economic development is defined as a process that focuses on the growth expressed both qualitatively and quantitatively in a country's economy. This measures all aspects related to the population of the country of a country and addresses issues related to wealth, health, education and access to high quality housing. Economic development involves providing possibilities in education, health, employment and environmental conservation, leading to an increase in income per capita of each citizen.

2. The concepts of economic growth and development in the specialized literature

"The standard of living" of the population includes various aspects related to: safe drinking water, increasing the number of jobs, improving hygiene systems, eradicating poverty, medical facilities, increasing the level of literacy, balanced infrastructure, etc. indicator of economic development. Thus, an upward evolution of economic development is very important and will be reflected in the „quality of life" of the population in the respective country, being more important than obtaining the status of developed nation. There are differences between economic growth and development outlined in aspects such as:

- Economic growth represents the growth of the real production of a country, in a certain period of time, while the economic development represents the achievement of higher production, a better "standard of living" and advanced technology.
- The economic growth does not take into account the incomes from the informal economy (it includes unregistered economic activities), while the economic development takes into account all the activities, formal or informal, and facilitates the poor people a place to live and the opportunity to work according to the training they have.
- Economic growth does not give us information about the degree of use of natural resources, about pollution, congestion or the degree of disease of the population. States through their governments have to deal with environmental issues, especially global warming. Economic development aims at Sustainability, that is, meeting the needs of people today but with concern for future generations.
- Economic growth can be included in the economic development.

- Economic growth is reflected by the size of a country's gross domestic product (GDP), and economic development is specific to developed countries and is a broader notion than economic growth. This refers to an increase of the real national income of the economic and social structure of a country for a long time. Economic development is also targeted by underdeveloped or developing countries.
- The economic growth is realized automatically compared to the economic development that involves the planning of the activities as regards the obtaining of results.
- This indicates the growth of the country's GDP or GNP every year, expressed as a percentage. It is also essential that the growth of the "national product per capita" within a defined period of time, ie the rate of growth of the total production, must be higher than the rate of growth of the population.
- Economic growth is necessary, but not sufficient to achieve economic development.
- Economic growth has specific measurement indicators, as well as economic development. Economic growth can be measured by the difference between the per capita income from one year to another and the economic development by "*increasing the life expectancy rate, the infant mortality rate, the literacy rate and the poverty level*".

3. Differencebetween economic growth and development

According to Amartya Sen, economic development refers to people's freedom and the removal of obstacles that can hinder it. Freedom allows people to tailor their own destiny and gives them self-confidence. Obstacles that arise in the path of freedom and development, as a result, result in *„poverty, lack of economic opportunities, corruption, poor governance, lack of education and lack of health".* (Sen A., 2001). For a better understanding and conceptualization of the two concepts, I will try to capture a few differences between them. The economic growth reflects the growth of the real production of a country over a period of time, compared to the economic development that indicates the increase of the production level by using an advanced technology, with the effect of increasing "*the standard of living*" of the population. The economic growth does not include the income realized in the informal economy being considered an economic activity that is not registered, which is an unregistered economic activity, while the economic development takes into account all the activities, both formal and informal, facilitating the people with low living standards, shelter and a job. Economic growth does not concern the limited nature of natural resources, pollution, life expectancy and mortality. There have been environmental issues that are increasingly difficult to manage by Governments, in particular global warming. Therefore, economic development is related to sustainability, taking into account „the needs of the present without compromising future generations" (EU 2020-2030 development strategy).

The main purpose of the economic growth is to record as high a GDP as it can be used as a unit of measure in developed, underdeveloped or developing countries and is considered a a feature of the economic development. Unlike economic development, which is the result of planned and result-oriented activities, economic growth is achieved

automatically. In order to record economic development we must have economic growth but it is not enough. The two concepts are represented by different indicators that measure them. Both economic growth and economic development have different indicators for measuring them. Economic development can be measured by improving the life expectancy rate, the infant mortality rate, the literacy rate and the poverty level. This can be expressed by the "Human Development Index (HDI)", which takes into account literacy rates and life expectancy that influences productivity and could bring to economic growth. Another difference would be that, the economic development is realized in the long term, while the economic growth is a short term process and it takes into account the annual growth of the economy having as a result quantitative changes, whereas the economic development brings as quantitative changes, as and qualitative.

Economies, in the process of economic development, are influenced by a number of factors, economic, social, political, etc. The factors are different from country to country, materialized in natural resources, skilled labor force and can influence the development of the economy. Among the most important economic factors affecting economic growth, we mention: natural resources, energy and energy resources, capital accumulation, technological resources, transport and communications, education, available labor force. Each factor influences the economic development or standard of living of a country depending on the current and available economic conditions. Naturally available physical resources in a country represent natural resources, represented by land, minerals, forests, oil, coal. These include trees, soil, water, minerals, coal, oil, etc. contributing to the development of the country by creating jobs and increasing revenues from their sales. The value of natural resources is given by the international interest towards them. Their limited character must be taken into consideration, which leads to their exhaustion, so they can bring greater to development but cannot secure and sustain the future of the economy. Energy and energy resources are obtained from natural resources through processing and exploitation by the labor force obtaining nuclear power, electricity and solar energy, which allow the industrialization and modernization of a country. The agricultural and industrial capacities are improved and reflected in *„the quality of life"* of a nation.

The accumulation of capital, the profits from financial transactions and investments influence its ability to pay wages and employ the labor force. The accumulation of capital by a country causes the creation of jobs, whereas in the countries with low capital they can have a low standard of living but high wages. Investments in physical capital such as infrastructure, advanced technologies, factories will help reduce costs and increase the efficiency of economic production. Modern equipment, advanced technology and new factories are far more productive than the physical workforce. Increased productivity leads to increased production and labor becomes more productive as the ratio of capital expenditures per worker increases, which results in a growth of the economy.

The labor force is a factor that influences the economic development through its level of qualification and education. Having a well-qualified and well-trained workforce means obtaining a high quality production that leads to an efficient economy. Lack of skilled labor, poor use of existing labor, illiteracy are factors that slow down economic growth and can lead to higher unemployment rates.

Improving technology is an important factor of economic growth. Science and technology have evolved rapidly over the last decades, which determines the application of these innovations as in production, which means that the same amount of labor will be more productive and economic growth will have a reduced cost.

Countries that attach particular importance to the four factors that determine economic growth will record high growth rates and increase "*the standard of living"* of the population. Technological innovation and workforce education will improve production, which will contribute to a quality living environment. High labor productivity can be achieved through to purchase high-performance equipment, which minimizes the effort made by the labor force. These factors affect both growth and economic development. Usually, the progress is measured by the advancement of the technology that contributes to the increase of productivity and comfort, the transition from an agricultural economy to an industrialized economy and to the increase of the living conditions of the population.

Economic development is influenced by different factors, which, at first glance, seem to be unrelated to the advancement of technology, industrialization and living conditions of the population. These factors are not considering values the social and cultural values, government policies and even the level of personal satisfaction and happiness of the population that forms the economic community. Companies that focus on personal gains, wealth accumulation, record a higher level of economic development faster than companies that discourage personal and group achievements. A society based on achievements is characterized by a strong professional ethics and well-defined values of the economy. Government policies have a particularly important role in economic development and are manifested by providing a favorable environment for processes at the level of the economy and the community. The key policies aim at financing the infrastructure within the community - public works projects, favorable legislation on the business environment - the system of taxes and fees.

Regarding happiness or well-being, this is a factor that directly affects the economic development, being correlated with the productivity in the workplace. Successful, high-productivity firms provide the economy with a boost for development by utilizing a productive workforce that is actually made up of happy people. Individualized happiness does not come from material aspects, but from personal development and interpersonal relationships. Instead, the result of success in these areas leads to the growth of the whole community.

In the following, I will refer to indicators that allow the measurement of economic development that is not as accurate as the measurement of GDP, being influenced by the factors mentioned above. I do not propose a theorization of them, but rather a synthetic and overall approach. It is a rather controversial section by economists who have different views on these indicators of economic development, due to the complexity of the phenomenon. At national and international level, economic development is measured by the World Bank. The Economic and Social Council (ECOSOC) is an international organization that aims at economic development and "*improving the quality of life"* of the population and keeping jobs. There are over 2,000 indicators for measuring and evaluating economic development, but five are the most eloquent.

The Human Development Index (IDU) was introduced in 1990, as a tool for measuring economic development over a period of time, in three important areas - per capita income, health and education. Its introduction at international level represented the acceptance of the fact in determining the degree of development should also take into account social and economic factors, which leads to the belief that economic economic development is much broader than economic growth.

The Human Development Index (IDU) came about because of the need to highlight the people and their qualities that should be essential criteria in assessing the development of a country, not just economic growth and reflecting the level of economic and social development of a country. IDU can be used to highlight the options used in national policy, raising, for example, the problem of obtaining different IDU results in countries that achieve the same level of GNI per capita. These contrasts lead to debates on government policy priorities. The Human Development Index (IDU) performs a summary measurement of some aspects that belong to human development: the highest life expectancy and health, the level of knowledge and the decent standard of living. The IDU is calculated as geometric mean of the normalized indices for each of the three dimensions. Health is assessed through life expectancy at birth, the size of education is measured by the average number of school years for adults and the expected school years for children starting school. The size of the standard of living is measured by the gross national income per capita, relative to the purchasing power parity (PPP). IDU has its limitations because it covers only a part of everything that involves, practically, human development. Not included aspects of inequality, poverty, human security, accountability, etc. The Office for Human Development Report (HDRO) supports IDU, providing indicators on inequality, gender difference and poverty that complement the picture of economic development.

Within the United Nations Development Program (UNDP) a "human development report" is drawn up annually, and in 1997 the concept of "human poverty", measured by the human poverty index (ISU), was introduced. It addresses aspects of human life and measures the deficit of four important aspects of it: to live long and healthy and healthy life; knowledge gained; economic means; participation in social life. ISU is calculated differently for developing countries - it takes into account the shortage to live long and healthy and healthy life by taking the standard of measure, the percentage of people at risk of dying before 40 years. The deficit in education is determined by the illiteracy rate. The deficit of the economic means is determined by the percentage of people lacking access to health services, drinking water, as well as by the number of children under 5 years, expressed as a percentage who suffer from insufficient weight. (Galbraith, 1997).

The Commission of the European Union has prepared a document entitled "Europe 2020 Strategy" which has as priority objectives: employment, research and innovation, climate change and energy, education and combating poverty. Each government has to orient its policies at national level according to these objectives. Adult education is based on literacy and plays a very important role, both economically and socially, in the context *"of a knowledge-based society"* and contributes to economic development. (Europe 2020 Strategy). It is a measurable indicator at international level, and replaces the human development index, with three dedicated programs: the adult literacy and life saving survey (ALL), *the international adult literacy survey* (IALS), the OACD program for

international evaluation. of adult competences (PIAAC). The data from ALL and IALS reflect that in the respective countries the abilities of adults are low which is a problem for people trying to adapt to the conditions of the society. (OECD).

Conclusions

The research aims at approach the concepts of economic growth and development, in the same context by presenting aspects that differentiate and unite them, how they work in the economy of a country and how they are reflected in the quality of life, which will allow a better understanding of them. As a research method used, I mention the scientific observation of the specialized literature.

Reviewing the ones presented above, we can conclude that economic development include economic growth. The degree of economic development is established by the use of indicators that measure progress in an economy as a whole, while economic growth is based on specific indicators, GDP, GNP, GDP, etc. Economic growth is often in contrast to economic development, and can be viewed as increasing the economic wealth of a nation in order to in order to ensure a better life for its inhabitants. As a result, economic growth is very important, but it is but it is not mandatory for recording economic development.

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