

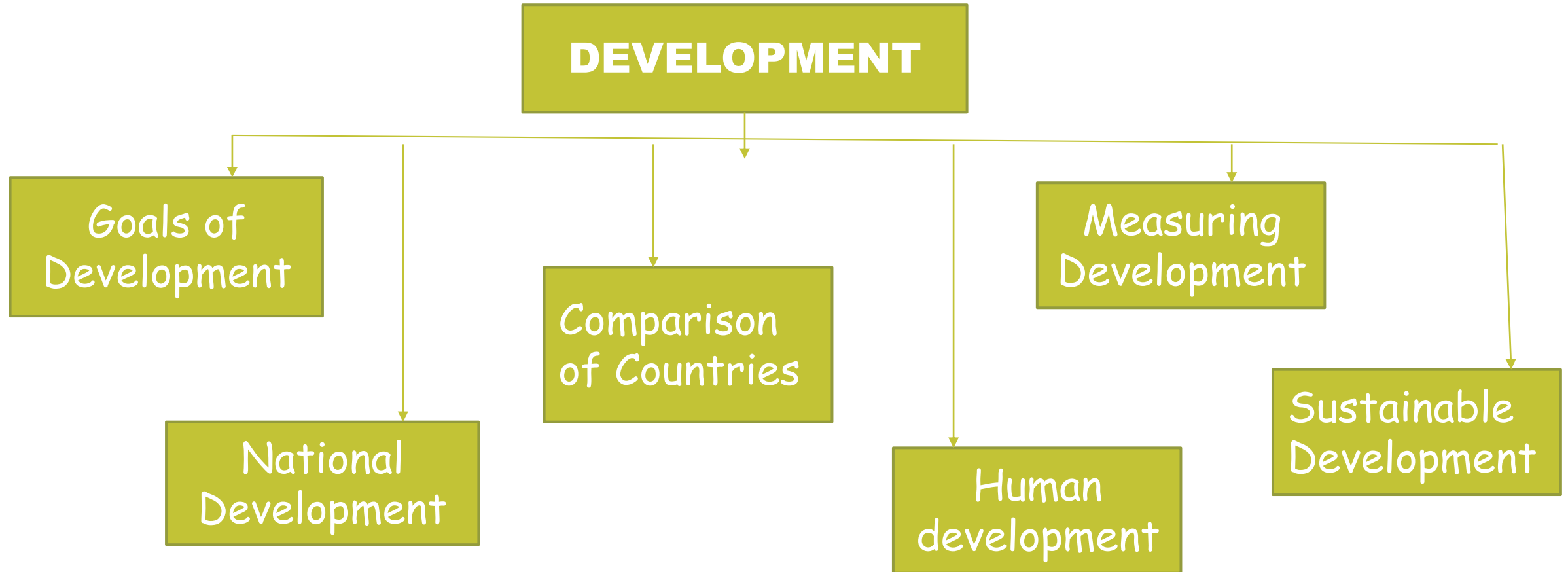
# ECONOMICS



CH-DEVELOPMENT

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# MIND MAP OF DEVELOPMENT



# IMPORTANT TERMS

- **Development-** Development is a process that creates growth, progress, positive change or the addition of physical, economic, environmental, social and demographic components.
- **Environmental degradation** -is the **deterioration** of the **environment** through depletion of resources such as air, water and soil; the destruction of ecosystems; habitat destruction; the extinction of wildlife; and pollution.
- **Economic development** - is the growth of the standard of living of a nations people from a *low-income* (poor) economy to a *high-income* (rich) economy. When the local *quality of life* is improved, there is more economic development.
- **Economic activity**-is an activity of providing, making, buying or selling commodities or services by people to satisfy day-to-day needs of life. Any activity that includes manufacturing, distributing or utilising products or services.
- **Non-economic activity**-is an activity performed with the purpose of rendering services to others without any consideration to financial gain. Those activities which are initiated for personal content or to meet human sentiments are non-economic activities.
- **The United Nations Development Programme (UNDP)** - is the United Nations' global development network. It advocates for change and connects countries to knowledge, experience and resources to help people build a better life for themselves.

# IMPORTANT TERMS

- The **Human Development Index (HDI)** is a statistic composite **index** of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of **human development**. ... Examples include—Being: well fed, sheltered, healthy; Doing: work, education, voting, participating in community life.
- **Per capita income (PCI)** or **average income** measures the **average income** earned **per** person in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total **income** by its total population.
- **Infant mortality rate** – indicates the number of children that die before the age of one year as a proportion of 1000 live children born in that particular year.
- **Literacy rate** – Total number of **literate** persons in a given age group, expressed as a **percentage** of the total population in that age group. The adult **literacy rate** measures **literacy among** persons aged 15 years and older, and the youth **literacy rate** measures **literacy among** persons aged 15 to 24 years.
- **Net attendance ratio** is defined as the **ratio** of the number of persons in the official age-group **attending** any educational institution in a particular class-group to the total number persons in the age-group. Data is disaggregated by Social Groups.
- **Life expectancy** at birth denotes, as the name suggests, average expected length of life of a person at the time of birth.



# MEANING OF DEVELOPMENT

- The idea of development or progress has always been with us.
- We have aspirations or desires about what we would like to do and how we would like to live.
- Development is the process in which something grows, become more mature and advance.
- A branch of economics that focuses on improving the economies of developing countries. Development economics considers how to promote economic growth in such countries by improving factors like health, education, working conditions, domestic and international policies and market conditions. It examines both macroeconomic and microeconomic factors relating to the structure of a developing economy and how that economy can create effective domestic and international growth.

# DIFFERENT PEOPLE, DIFFERENT GOALS

- **Development for different people :-**
- **Category:-**
- **Landless rural labor:-** More days of work and better wages.
- Local school is able to provide education for their children.
- **Prosperous farmers:-** Assured high family income through higher support prices for their crops.
- **A girl from rich urban family:-**
- She wants as much freedom as her brother and is able to decide what she wants to do in life.

## DIFFERENT PEOPLE, DIFFERENT GOALS

- DIFFERENT PEOPLE CAN HAVE DIFFERENT DEVELOPMENT GOALS.
- WHAT MAY BE THE DEVELOPMENT FOR ONE MAY NOT BE THE DEVELOPMENT FOR OTHERS.

# INCOME AND OTHER GOALS

- Besides seeking more income, people also seek things like **equal treatment, freedom, security, and respect of others.**
- They resent discrimination.
- In some cases, these may be more important than income, because material goods are not all that you need to live.
- Similarly, for development, people look at a mix of goals.
- Money or material factors we can buy with it, is one factor on which our life depends.
- But the equality of our life also depends on non-material things.

- If women are engaged in paid work, their dignity in the household and society increases.
- There would be more sharing of housework and a greater acceptance of women working outside.
- A safe and secure environment may allow more women to take up a variety of jobs or run a business.
- There are many things that are not easily measured, but they mean a lot to our lives.

# NATIONAL DEVELOPMENT

- DIFFERENT PERSON COULD HAVE DIFFERENT AS WELL AS CONFLICTING NOTIONS OF ! COUNTRY'S DEVELOPMENT .
- However, can all the ideas be considered, equally important?

Or, if there are conflicts how does one decide?

What would be fair and just path for all?

We also have to think whether there is better way of doing things.

Would the idea benefit a large number of people or only a small group?

National development means thinking about these questions.

## LET'S WORK THESE OUT

**Discuss the following situations:**

1. Look at the picture on the right. What should be the developmental goals for such an area?
2. Read this newspaper report and answer the questions that follow:

A vessel dumped 500 tonnes of liquid toxic wastes into open-air dumps in a city and in the surrounding sea. This happened in a city called Abidjan in Ivory Coast, a country in Africa. The fumes from the highly toxic waste caused nausea, skin rashes, fainting, diarrhoea etc. After a month seven persons were dead, twenty in hospital and twenty six thousand treated for symptoms of poisoning.

A multinational company dealing in petroleum and metals had contracted a local company of the Ivory Coast to dispose the toxic waste from its ship.



- (i) Who are the people who benefited and who did not?
  - (ii) What should be the developmental goal for this country?
3. What can be some of the developmental goals for your village, town or locality?

# HOW TO COMPARE DIFFERENT COUNTRIES OR STATES?

- The criterion we may use to compare depends on the purpose of comparison.
- We use different criteria to choose a sports team, a music team, a debate team or team to organize a picnic.
- Usually we take one or more important characteristics of persons and compare them based on these.
- For comparing countries, their income is considered to be one of the most important attributes.
- Greater income is considered to be one important goal.
- Whatever people like and should have, they will be able to get with greater income comparing countries, their income is considered to be one of the most important attributes.
- *Greater income is considered to be one important goal.*

*Whatever people like and should have, they will be able to get with greater income.*



# COMPARISON OF DIFF. COUNTRIES OR STATES:-




- Comparison of countries are particularly based on **their income** i.e., it's the *basic attribute of comparison*.
- Countries with higher income are more developed than those with less income.
- Here more income means more of things available that human needs.
- For comparison between countries, **total income is not such a useful measure**.
- *Since countries have different populations, comparing total income will not tell us what an average person is likely to earn.*
- In World Development Report, brought out by the World Bank, the criterion used is per capita income.

# WORLD DEVELOPMENT REPORT

- The World Development Report, 2012, brought out by the World Bank has given the following criterion in classifying countries-
- Rich or High-income countries- Countries with the per capita income of *US \$12056 per annum and above in 2017, are called rich countries.*
- Poor or Low-income countries- The countries with the per capita income of *US \$955 or less, are called low income countries.*
- *India comes in the category of low middle income countries because its per capita income in 2017 was just US \$1820 per annum.* The rich countries, excluding countries of Middle east and other small countries, are generally called the developed countries.

# PER CAPITA INCOME

- Per capita income gives a better comparison.
- It is calculated by dividing total income of country(GDP) by its total population.
- Average income may be the better parameter than total income for comparison, but it has also drawback as it hides disparities.
- Ex When a small section of people has very high income, the average income also gets high and do not gives proper idea about the actual situation.


$$\text{GDP Per Capita Formula} = \frac{\text{GDP of the Country}}{\text{Population of that Country}}$$


## Average Income

While 'averages' are useful for comparison, they also hide disparities.

For example, let us consider two countries, A and B. For the sake of simplicity, we have assumed that they have only five citizens each. **Based on data given in Table 1.2, calculate the average income for both the countries.**

**TABLE 1.2 COMPARISON OF TWO COUNTRIES**

Country	Monthly incomes of citizens in 2007 (in Rupees)					Average
	I	II	III	IV	V	
Country A	9500	10500	9800	10000	10200	
Country B	500	500	500	500	48000	

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.

**COUNTRY WITH NO RICH AND NO POOR**

WE  
MADE THE  
CHAIRS  
AND WE  
USE  
THEM.



**COUNTRY WITH RICH AND POOR**



country	Monthly Income of citizen In 2007 ( in Rupees)					
	I	II	III	IV	V	PCI
Country X	8500	9500	8800	9000	9200	9000
Country Y	500	500	500	500	43000	9000

- Let us consider two countries , A and B. We have assumed that they have only 5 citizens each. Both the countries have identical average income . But country A has more equitable distribution People are neither very rich nor extremely poor.
- While 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.

# AVERAGES HIDES DISPARITIES

## USEFULNESS

- We use averages for a better understanding .
- For comparison between countries, total income is not much useful measure.
- Since countries have different population, comparing total income will not tell us what an average persons is likely to earn.

## LIMITATION

- Although country may be rich, there may not be equal distribution of income.
- A small number of people may be extremely rich and the masses may be poor.
- Hence averages are useful for comparison it does not tell us how this income is distributed among people.

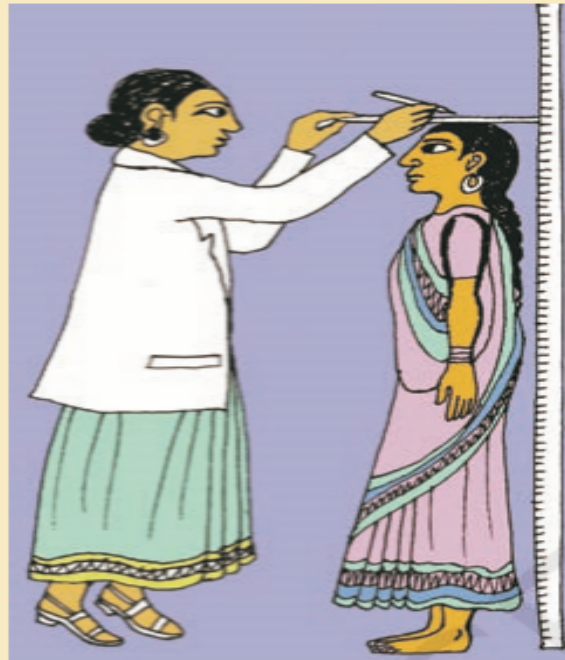


# PUBLIC FACILITIES

- Monetary development or more average income may not procure a better life.
- Money cannot buy all goods and services which are required for your well being.
- Money in your pocket cannot buy all the goods and services that you may need to live well.
- e.g. a pollution free environment, unadulterated medicines, protection from infectious diseases etc.
- Kerala has low IMR because it has adequate provision of basic health and educational facilities.
- Similarly in some states, the Public Distribution System functions well.
- Health and nutritional status of people in such states is likely to be better.

### ACTIVITY 3

One way to find out if we are properly nourished is to calculate what nutrition scientists call Body Mass Index (BMI). This is easy to calculate. Let each student in the class find out his or her weight and height. Take the weight of each student in kilograms (kg). Then, take the height by drawing up a scale on the wall and measuring accurately with the head straight. Convert the height recorded in centimeters into meters. Divide the weight in kg by the square of the height. The number you get is called BMI. Then, look at the BMI-for-Age tables given on pages 90–91. A student's BMI could be within the normal range or less than that (underweight) or more (obesity). For example, if a girl student is 14 years and 8 months old and the BMI is 15.2, then she is undernourished. Similarly, if the BMI of a boy aged 15 years and 6 months is 28, then he is overweight. Discuss the life situation, food and exercise habits of students, in general, without body shaming anyone.



### HUMAN DEVELOPMENT REPORT

*Once it is realised that even though the level of income is important, yet it is an inadequate measure of the level of development, we begin to think of other criterion. There could be a long list of such criterion but then it would not be so useful. What we need is a small number of the most important things. Health and education indicators, such as the ones we used in comparison of Kerala and Haryana, are among them. Over the past decade or so, health and education indicators have come to be widely used along with income as a measure of development. For instance, **Human Development Report** published by UNDP compares countries based on the educational levels of the people, their health status and per capita income. It would be interesting to look at certain relevant data regarding India and its neighbours from Human Development Report 2018.*



**TABLE 1.6 SOME DATA REGARDING INDIA AND ITS NEIGHBOURS FOR 2017**

Country	Gross National Income (GNI) per capita (2011 PPP \$)	Life Expectancy at birth (2017)	Mean Years of Schooling of People aged 25 and above (2017)	HDI Rank in the world (2018)
Sri Lanka	11,326	75.5	10.9	76
<b>India</b>	<b>6,353</b>	<b>68.8</b>	<b>6.4</b>	<b>130</b>
Myanmar	5,567	66.7	4.9	148
Pakistan	5,331	66.6	5.2	150
Nepal	2,471	70.6	4.9	149
Bangladesh	3,677	72.8	5.8	136

*Source : Human Development Report, 2018, United Nations Development Programme, New York*

**NOTES**

1. HDI stands for Human Development Index. HDI ranks in above table are out of 189 countries in all.
2. Life Expectancy at birth denotes, as the name suggests, average expected length of life of a person at the time of birth.
3. 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.



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# SUSTAINABLE DEVELOPMENT

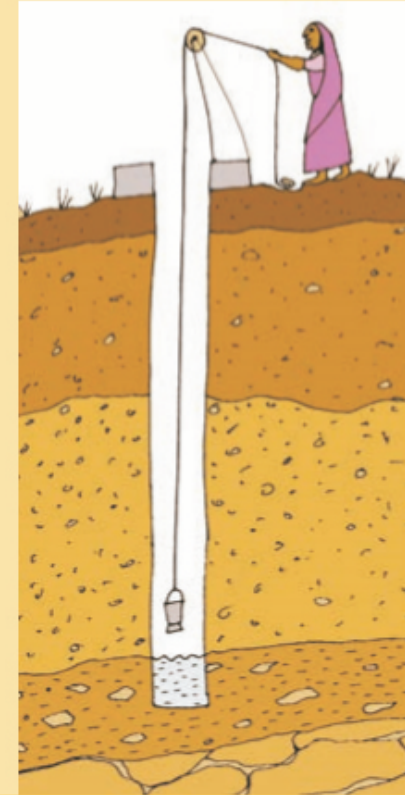
- MEANING –THE WORD SUSTAINABLE MEANS SOMETHING WHICH IS NOT SHORT LIVED BUT CAN CONTINUE IN FUTURE ALSO.
- ACC TO ROBERT REPETTO,” SUSTAINABLE DEVELOPMENT IS A DEVELOPMENT STRATEGY THAT MANAGES ALL NATURAL RESOURCES AND HUMAN RESOURCES AS WELLAS FINANCIALAND PHYSICAL ASSESTS FOR INCREASING LONG TERM WEALTH AND WELL BEING .”

LET'S UNDERSTAND WHY  
THIS IS SO THROUGH THE  
FOLLOWING EXAMPLE:

## Example 1: Groundwater in India

*"Recent evidence suggests that the groundwater is under serious threat of overuse in many parts of the country. About 300 districts have reported a water level decline of over 4 metres during the past 20 years. Nearly one-third of the country is overusing their groundwater reserves. In another 25 years, 60 per cent of the country would be doing the same if the present way of using this resource continues. Groundwater overuse is particularly found in the agriculturally prosperous regions of Punjab and Western U.P., hard rock plateau areas of central and south India, some coastal areas and the rapidly growing urban settlements."*

- (a) Why ground water is overused?
- (b) Can there be development without overuse?





## Example 2: Exhaustion of Natural Resources

Look at the following data for crude oil.

**TABLE 1.7 CRUDE OIL RESERVES**

Region/Country	Reserves (2017) (Thousand Million Barrels)	Number of Years Reserves will last
Middle East	808	70
United States of America	50	10.5
World	1697	50.2

Source : BP Statistical Review of World Energy, June 2018, P.12.

The table gives an estimate of reserves of crude oil (column1). More important, it also tells us for how many years the stock of crude oil will last if people continue to extract it at the present rate. The reserves would last only 50 years more. This is for the world as a whole. However, different countries face different situations. Countries like India depend on importing oil from abroad because they do not have enough stocks of their own. If prices of oil increase this becomes a burden for everyone. There are countries like USA which have low reserves and hence want to secure oil through military or economic power.

The question of sustainability of development raises many fundamentally new issues about the nature and process of development.

- Is crude oil essential for the development process in a country? Discuss.
- India has to import crude oil. What problems do you anticipate for the country looking at the above situation?

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