

Economic Growth and Human Development “A Theoretical Comparison of Select Countries”



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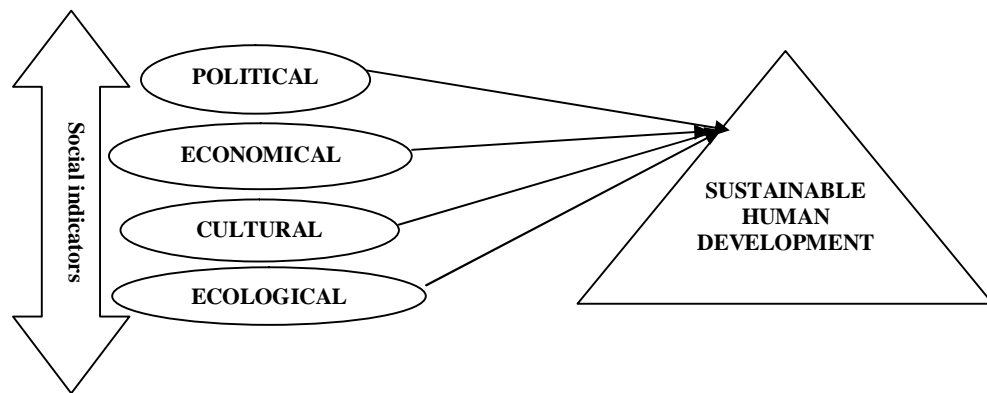
Human development in the era of globalised and glocalised world has adopted the center stage role and has been advanced as the ultimate objective of human activity in place of economic growth. The intellectual antecedents may be traced to the earlier basic needs approach of the ILO and the World Bank, as well as the concept of capabilities. Human development refers to the enlargement of the portfolio of choices for people or enlargement of people's choices in a way, which enables and empowers them to lead longer, healthier and fuller lives. The definition of HD as "enlarging people's choices" is multidimensional. Human being, being a complex biological, social and psychological creature makes the definition of human development more challenging and thus demands a broader research perspective for justification. For exploring the links between HD and EG theoretically and qualitatively, we need to channel down the relationship between two in specific terms. The research paper will primarily consider the HD of a country as consisting of the health and education of its people (social indicators), recognizing that this is very much a reductionist interpretation. Clearly, there exists a strong connection between economic growth (EG) and human development (HD). On the one hand, EG is an essential ingredient for the development of sustained improvements in HD. On the other, improvements in the quality of the work force are an important contributor to EG. The two-way relationship between HD and EG may now be widely accepted, the specific factors linking them have not been systematically explored. The policy implications of prioritizing the policies of a particular country need to be taken into consideration. Nor has the question of priorities in the phasing of policy. The purpose of this paper is to sharpen understanding of the two-way links between HD and EG at both theoretical and qualitative levels. Thus an introspection to analyze priorities in the phasing of policy and to examine the usual assumption that EG must precede progress on HD. HD in the paper will act as the central objective of human activity and economic growth potentially a very important instrument for advancing it and thus cross-country comparisons can be drawn to testify this notion of centrality and advancement. At the same time, achievements in HD themselves can make a critical contribution to economic growth. There are thus two distinct causal chains to be evaluated: one runs from EG to HD, as the resources from national income are allocated to activities contributing to HD; the other runs from HD to EG, indicating how, in addition to being an end in itself, HD helps increase national income. The paper will attempt to qualitatively evaluate the equation of causality in context of comparative evaluation of countries under study.

Keywords: Economic growth, Developing countries, National income, Resource allocation, sustained improvements.

1. Introduction

Economic growth and human development are two pillars of socio-economic infrastructure of a nation that work best when they are parallel to each other. Economic growth act as a fuel for driving the engine of human development and on the other side of the equation human development strengthens the economic growth by focusing on equitable distribution of wealth. Economic growth more or less is considered to be a quantitative entity, but human development is more controlled and influenced by the behavioral aspects of the individuals that shape the development in societies, communities and nations at large. The area of concern lies in the fact that looking into the causal relationship between economic growth and human development, it appears to be uniform but across nations and societies the EG → HD and HD → EG equation operates under a context that is influenced by number of variables such as national income, spending patterns, consumption patterns, household allocation and distribution of resources, control on household income and more importantly spending priority of households for after tax income. Households' propensity to spend their after- tax income on items which contribute most directly to the promotion of HD in poor countries, e.g., food, potable water, education and health, varies, depending on such factors as the level and distribution of income across households as well as on who controls the allocation of expenditure within households. In general, poor households spend a higher proportion of their incomes on HD items than those with higher incomes, and similar results flow from greater female control over household income. The nations that are economically backward with their economic indicators almost paralyzed and either because per capita income is low or badly distributed, the expenditure of many households on HD is bound to be low. The human development in these cases act as a successor of economic activity while evidence indicates that, in general, poverty is reduced with economic growth, the extent of the reduction varies greatly with the distribution of income and its change over time. Growth that is purely economic in

nature need to settle down into the sea of human development that is more socialistic, hence the channels of translation will impact the degree of conversion of economic growth into social development. This will further shape up the growth process which varies significantly across nations. The way in which growth translates into income distribution and poverty reduction depends on the nature of the growth process in particular, the extent to which it is based on the generation of employment and on increasing rural incomes, e.g., if the output mix is labor intensive and rural incomes rise rapidly income distribution is more likely to improve and poverty reduction to occur than if growth is urban biased and capital intensive. The paper thus inquires about the development paths created and followed by nations to address the economic and social issues and also the underlying difference between the growth trajectories. With the advent of globalization the world has faced significant amount of precariousness that had created an invisible ceiling between developed and developing countries. The two sets differ in the world today—in terms of livelihoods, in personal security, in the environment and in global politics. These factors further make translation process more vulnerable to instability which results into inequitable distribution of economic benefits. High achievements on critical aspects of human development, such as health and nutrition, can quickly be undermined by unstable economic growth followed by institutional problems. This leads to the creation of societies that are psychologically impoverished and try to move to the greener pastures thereby leading to the immigration scenarios. Corruption and unresponsive state institutions can leave those in need of assistance without recourse. Political threats, community tensions, violent conflict, neglect of public health, environmental damages, crime and discrimination all add to individual and community vulnerability. It means that human development that surrounds under the definition of enlarging people choices is subject to various conditions such as how sustainable the real progress on human development is in terms of not only a matter of enlarging people's critical choices and their ability to be educated, be healthy, have a reasonable standard of living and feel safe. It is also a matter of how secure these achievements are and whether conditions are sufficient for sustained human development. Sustainable human development revolves around different circles of sustainability i.e. political, economic, cultural and ecological. Diagram 1a shows that sustainable human development paths make countries to differentiate their policies and practices from each other

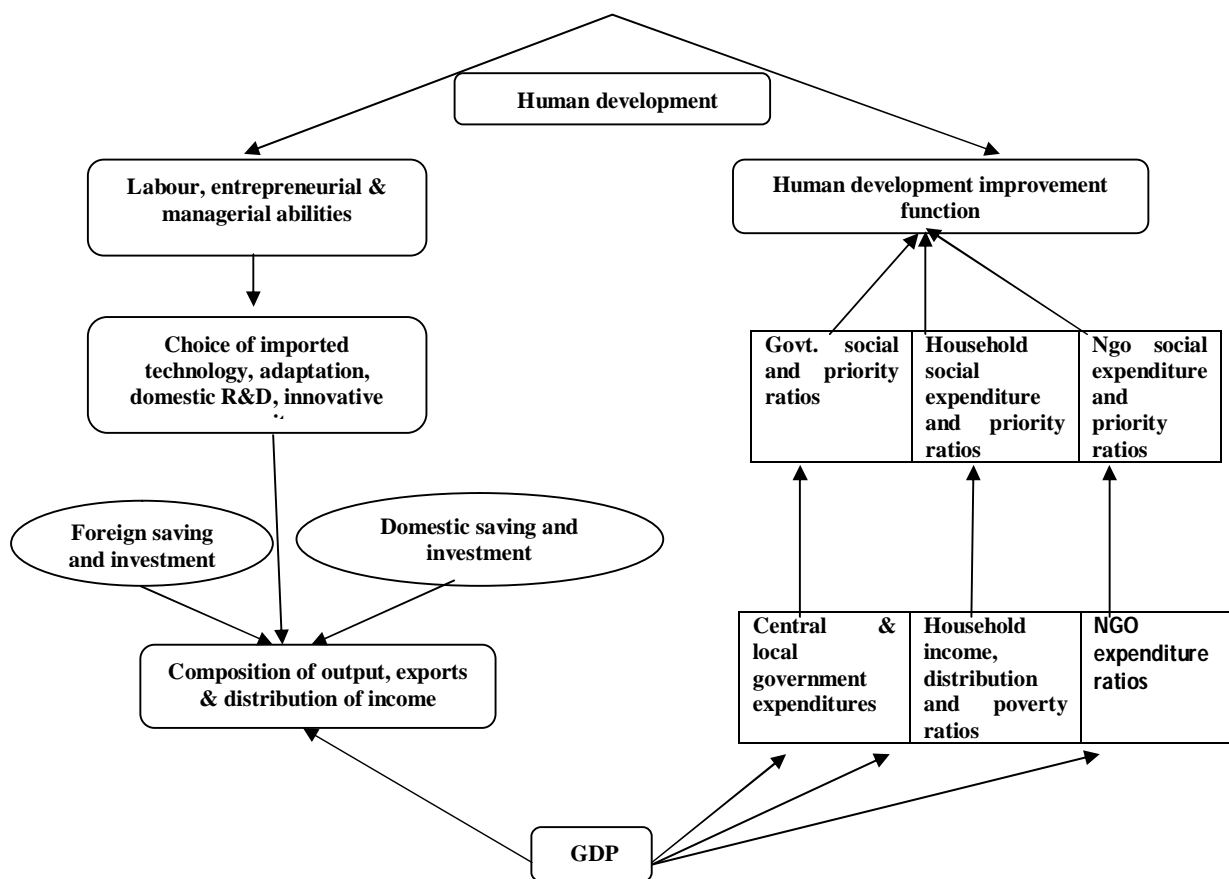


The above diagram shows that sustainability is achieved when there is interplay amongst various factors such as political stability, economical stability, cultural acceptance and ecological sustainability. The countries that rank high in above parameters should be developed only if they possess the potential to convert political, cultural, ecological and cultural outcomes into sound social infrastructure. An account of progress in human development is incomplete without exploring and assessing the degree and efficiency if the conversion process. A case with reference to above proposition is the Africa's progress on the Millennium Development Goals remains uneven. Remarkable advances have been made in some areas, such as net primary school enrollment, gender parity in primary education, the representation of women in decision-making, some reduction in poverty, immunization coverage, and stemming the spread of HIV/AIDS. Notwithstanding this progress, there is ample room for more good. Some areas have been neglected when they should have been put upfront, for example malaria, the number one killer of children in sub-Saharan Africa and many other places in the world. Additionally, the goal for school enrollment did not take into account the need for quality education. the past decade, Africa has made great strides in instituting political and economic reforms that are starting to bear fruits. These future successes are, however, vulnerable to many factors that are not within Africa's control but can be redressed through collective engagement and a new international development partnership. Although some parts of the continent still grapple with political instability, this is now a rarity, no longer the rule. The new global development agenda that will be agreed upon in 2015 presents an opportunity for Africa to take stock of these challenges and our position in the world. Economic transformation is a particular priority on my continent. It will help us to reduce our vulnerability to social, economic and environmental shocks, but it is not a priority for Africa alone. The recent economic meltdown that plunged the world into recession, the widening gap between rich and poor with its attending inequalities that fuel social unrest, and the rising scourge of youth unemployment, as well as global environmental threats created by negative economic policies, clearly show that transformation is needed everywhere, not just in Africa. When the UN High-Level Panel on Post-2015 met in Liberia in January 2013, under the general theme of "economic transformation," we identified six key areas which we believed must form part of a transformative agenda: the pursuit of

inclusive growth that reduces inequalities; the promotion of economic diversification and value addition; the creation of a stable, enabling environment for the private sector and free enterprise to flourish; the necessity to change our production and consumption patterns to protect our ecosystems; the creation and strengthening of fair and transparent institutions; and, finally, the necessity to create equal opportunities for all. There are opportunities today that can make the transformation not only plausible but very affordable. We live in an era where rapid technological change, especially empowered by the information revolution, is deepening the integration of the world economy, changing the structure of jobs, offering new economic opportunities for all countries, facilitating green growth and enabling many low-income countries to leapfrog through economic transformation. We have the means and capacities to effect changes. The current global consultations on a Post-2015 Development Agenda bode well for a world with a common vision, with opportunities and shared responsibilities. Africa will contribute to develop a world where no one is left behind, where all have equal opportunity to prosper, and a world where we show respect for our environment. The imbalances across regions at times can be attributed to imperfections in the policy making that does not cater to the indigenous development issues. The basic reason for this kind of anomaly is that most of the developing and underdeveloped countries across the region have adopted west model of development, which in other context faces issues of national capacity and infrastructure.

2. Human Development as a Futuristic Tool for Economic Growth

Economic growth in most of the studies is considered to be the determinant of human development but there are evidences where human development impacts growth trajectory for future period.



Source: Ranis et al. (2000)

A labour entrepreneurial and managerial capability which is a predictor of human development function varies across regions. The Asian subcontinent provides a significant evidence for being labor intensive and hence the Asian countries enjoy comparative advantage. This advantage yields high rates of per capita income, but the income bracket to which an individual belong is linked to the skill portfolio that is possessed by individual. The labour force of countries like India, China, Bangladesh and Nepal are semiskilled or possess skills that are indigenously valued in the marketplace. On the other hand semiskilled workforce faces difficulty to bargain in terms of wages and social security benefits. This effects economic growth and human development chain to the deepest, reason being that per capita income being less affects disposable income on

essential commodities and which further eats away the share that a household spends on health, hygiene and education. People living in these nations with limited set of skills thus either enter into the process of flagship security or move to greener pastures (migration). There were 191 million international migrants in 2005, including almost the same number of migrants from developing countries in industrial countries as from one developing country in another. About half of the world's migrants are in the labour force, making 10 percent of the workers in high-income countries migrants. This boosts the labour pool of the developed countries thereby fuelling associated entities like savings, investment and spending. More spending strengthens the public exchequer and government act as a resource facilitator for social and economic development. However, there are about as many migrant workers from other industrial countries as from developing countries in industrial-country labour forces. The World Bank's Global Economic Prospects report advocated more migration from developing to high-income countries in order to increase remittances, reduce poverty, and speed development in the migrants' countries of origin (World Bank, 2005).⁴ A 50 percent increase in developing-to-industrial country migration would add 15 million migrant workers and, according to the World Bank, generate a net global economic gain of \$356 billion, or 0.6 percent of global GDP.⁵ Other estimates of the global economic gains from more labour migration reach similar conclusions (Hamilton and Whalley, 184) However, given the expected increase in developing country labour forces, it is clear that most workers in developing countries are likely to remain in the developing world.⁶ International labour migration in Asia and elsewhere is likely to continue to be the exception rather than the rule. People move from one place to another because of differences in items that range from weather and political freedom to economic opportunity. The decision to cross national borders is usually a carefully considered individual or family decision, and is often made only after weighing both economic and noneconomic factors. The economic factors motivating international migration are often summarized as demand-pull, supply-push, and networks. Demand-pull factors highlight the higher wages and job opportunities that attract migrant workers over national borders, as potential migrants are made aware of foreign wages and jobs by returned migrants as well as government, employer or recruiter efforts to encourage workers to consider foreign jobs. Supply-push factors center on lower wages and un- or underemployment that may prompt especially young people to consider foreign jobs. Human development improvement function is a yard stick against which nations differ. Nations have tendencies to vary from each other on their behavior to exhibit certain abilities, capacities, saving and investment scenarios, export and import quotas and hence the constituting element which is GDP. It is certainly true that the higher the average income of a country, the more likely it is given other things-that it will tend to have a higher average life expectancy, lower infant and child mortality rates, higher literacy, and in fact, a higher value of the "human development index." A number of recent studies have confirmed this general pattern. The associations are, however, far from perfect. For example, in intercountry comparisons, income differences tend to explain not much more than half the variations in life expectancy, or in infant or child mortality, and they explain a smaller proportion of variation in adult literacy rates. Many countries, such as Sri Lanka, China, Jamaica, Costa Rica, and the state of Kerala in India, have achieved levels of human development that are enormously higher than what would be expected on the basis of their GNP or real income per head. The human development which was defined as "the process of enlarging people's choices", include the choices being allowing them to "lead a long and healthy life, to be educated, to enjoy a decent standard of living", as well as "political freedom, other guaranteed human rights and various ingredients of self-respect. This calls for equity amongst three factors that are health, education, and political participation. The nations that significantly allow its citizens to participate in the polity are more likely to frame policies that are developmental from the grass root level. An exemplary case for this kind of proposition is India, where people participate in policy making even at grass root level that has three operating levels: Gram (village, it can comprise more than one village), Janpad (taluka or block) and Zilla (district). Despite of these structures the policy making is fractured, reasons being poor system efficiency, corruption, leakages, poor governance and decision making. This applies to other countries also that are Pakistan, Bangladesh and Nepal. The second pillar of human development; education is of major concern, although certain countries have flagship schemes to promote education at primary and secondary level. The flagship schemes which were primarily targeted to increase gross enrolment ratios lost its sheen to peripheral benefits like free meals. Hence it can be put straight that nations although facing same structural and demographic problems differ in their approaches to tackle development issues because of variations in national capacities and policy frameworks. Equity which is the idea of fairness for every person, between men and women; we each have the right to an education and health care, what makes the differences accessibility and power to exercise right in different contexts. We need to develop sustainable models that ensure that we all have the right to earn a living that can sustain our lives and have access to a more even distribution of goods. The full participation of people in the process of income generation means that the government needs more efficient social programs for its people so that citizens are empowered and influence development and decisions that affect their lives. This calls for cooperation, participation and belonging to communities and groups as a means of mutual enrichment and a source of social meaning.

3. References

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