

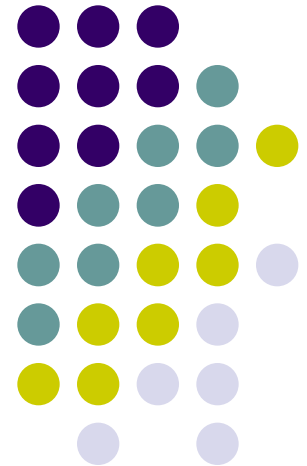
# Non Economic Factors of Economic Development

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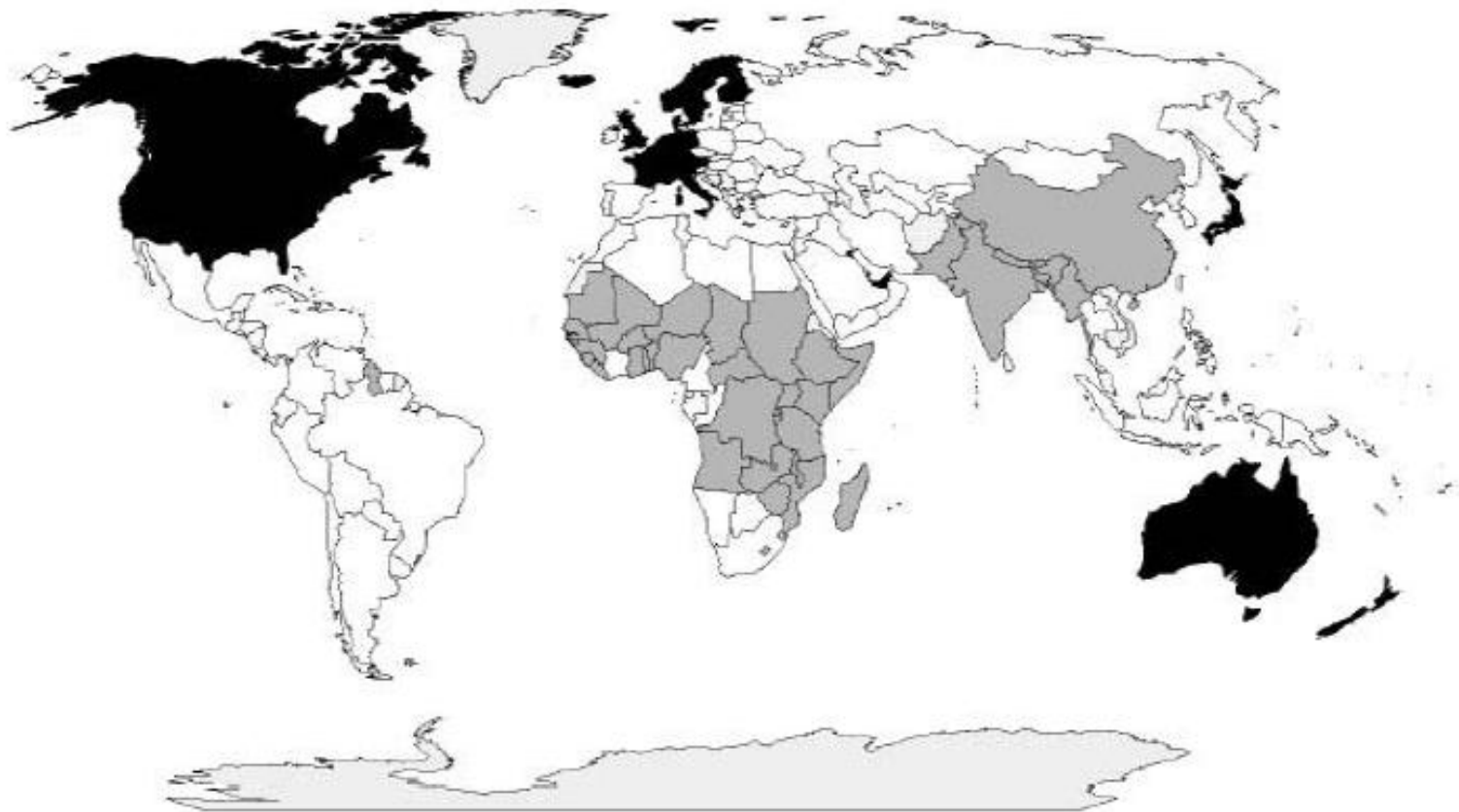
Mohammad Abdul Qayyum  
(Additional Secretary)

National Project Director, CDMP II

Ministry of Food and Disaster Management



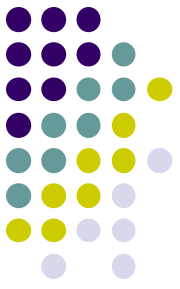
**Figure 1.1** The Rich and the Poor



The countries in black contain 15% of the world population but produce 50% of world gross domestic product (GDP). The countries in dark gray contain 50% of the world population but produce less than 15% of world GDP.

*Source:* William Easterly and Ross Levine, "It's Not Factor Accumulation: Stylized Facts and Growth Models," *World Bank Economic Review*, V. 15, No. 2, 2001, pp. 177–219. Reprinted with permission.

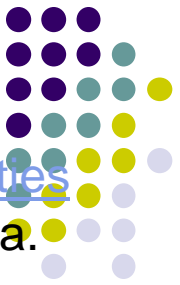
# What is Economic Development



A measure of the welfare of humans in a society

- development of economic wealth of countries or regions for the well-being of their inhabitants
- about building prosperity—a high and rising standard of living
  - Productivity and productivity growth are the fundamental drivers of prosperity and innovation is the key driver of productivity
- creation of jobs and wealth, and the improvement of quality of life
- a process that influences growth and restructuring of an economy to enhance the economic well being of a community
- progressive changes in the socio-economic structure of a country
- a steady decline in agricultural shares in GNP and continuous increase in shares of industries, trade banking construction and services
- Economic development is not possible without growth but growth is possible without development
- economic development encompasses many different disciplines, including economics, business, political science, public administration, marketing and communications, sociology, community planning, education, and many more

# What is Economic Development

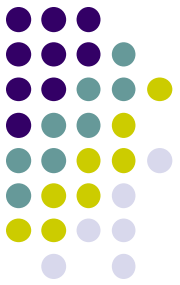


- refers to the sustained, concerted actions of [policymakers](#) and [communities](#) that promote the [standard of living](#) and [economic health](#) of a specific area.
  - development of [human capital](#), [critical infrastructure](#), regional [competitiveness](#), [environmental sustainability](#), [social inclusion](#), [health](#), [safety](#), [literacy](#), and other initiatives.

## **Phases of economic development theory**

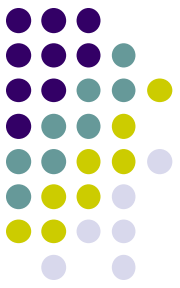
- Economic development originated in the post 2<sup>nd</sup> World war period of reconstruction initiated by the US - development of undeveloped areas and dealing with hunger was the priority
- 1940s to 1960s - promoting industrialization in developing countries following the idea of [modernization theory](#).
  - period of basic needs development focusing on human capital development
- 1970s – theory of entitlements and redistribution
- 1980s - Neo-liberalism emerged in the pushing an agenda of free trade and [Import Substitution Industrialization](#) (ISI), emphasizing [comparative advantage](#).<sup>[8]</sup>
- 1990s - [Postdevelopment theory](#) has emerged to challenge the ideas of western-based development by arguing against reductionism, universalism, and eurocentricity. Post-Development Theory is rooted in the experiences of [Latin America](#), [Africa](#), and [India](#).<sup>[9]</sup>

# Economic development encompasses three major areas



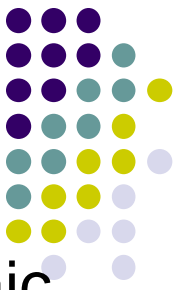
- Policies that government undertakes to meet broad economic objectives including inflation control, high employment and sustainable growth.
- Policies and programs to provide services including building highways, managing parks and providing medical access to the disadvantaged.
- Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others.

# Principles and Concepts: Economic Development



- Nature of development economics:
  - Traditional economics- efficient allocation of scarce resources
  - Political economics- social and political process
  - Development economics- Role of values, attitudes, and institutions
- What do we mean by development?
  - A multi dimensional process involving changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty.” (Todaro and Smith)

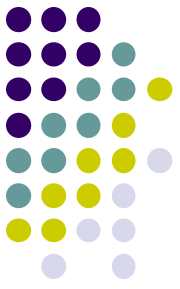
# Economic Factors of Economic Development:



Economic factors are all the units required in the economic activity of production of goods and services with the effective and efficient utility of resources and fulfill the consumption demand in any market and national economy.

- Land
- Labor
- capital
- Natural resources
- technology
- established markets (labour, financial, goods)

# Non-Economic Factors of Economic Development:



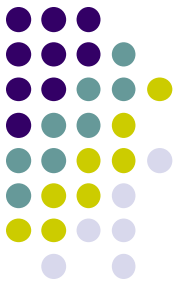
**Non economic factors** are those which are non-quantifiable and in general are not amenable to traditional tools of economic analysis. They are either not factored in economic theories and models or assumed as given

- **Natural factors** such as the weather or climate, natural disasters such as earthquakes or typhoons, etc.  
**Human factors** – population size and population growth rate, and the age and gender structure of the population
- **Social factors**- people's habits, values, religious beliefs, attitudes, orientations, and level of education and awareness
- **Technological factors** - the pace or rate of technological advancements and the annual percentage growth in R&D spending
- **Political factors** - wars, revolutions, etc)

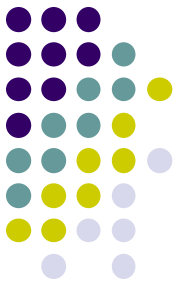


# Non-Economic Factors of Economic Development (*cont.*):

- Culture
- Religion
- class and family and tradition
- the role of individual
- sociopolitical dependencies
- the role of government
- existence of duality in the society



# Non-Economic Factors of Economic Development



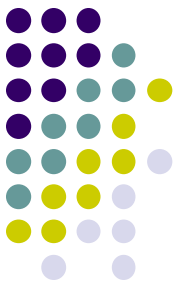
- Political stability
- Leadership
- Governance
- Legal system
- Pluralism
- Law and order
- Policy Continuity

# Measuring Economic Development: the traditional approach



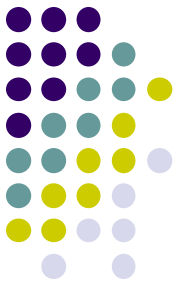
- **Economic growth** - A measure of the value of output of goods and services within a time period
  - rate of growth of income per capita or GNP per capita
- Gini Coefficient
- "Balance of Payments," "External Debt" and "National Accounts."
- Poverty incidence – absolute and relative
- Human Development Index – socio-economic measures, non-monetary factors included
  - Life expectancy – longevity
  - Literacy rates – knowledge
  - Standard of living – purchasing power parity
- economic welfare
- Physical quality of life index – PQLI
  - Life expectancy, Infant mortality, Literacy.

# Other Measures of Economic Development



- (a) Equality improvement.
- (b) Poverty alleviation
- (c) Quality of life
- (d) Capital formation
- (e) Fulfillment of basic needs.
- (f) Population growth rare
- (g) Increase in employment opportunities.
- (h) Decrease in dependence on agriculture
- (i) Increase in entrepreneurship
- (j) Utilisation of natural resources
- (k) Increase in export of finished goods.
- (l) Trade diversification
- (m) Extension of infrastructures
- (n) Extension of markets
- (o) Improvement in technology
- (p) Urbanisation, Gender equality, Human rights, etc.

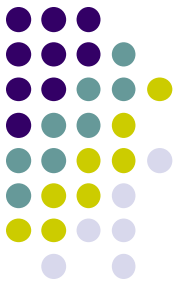
# Social Indicators of Development (WB)



Up to 94 indicators under:

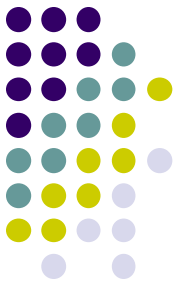
- size, growth, and structure of population
- determinants of population growth (including data on fertility and infant mortality)
- labor force
- education and illiteracy
- natural resources
- income and poverty
- expenditure on food
- housing, fuel and power, transport and communication
- investment in medical care and education

# Non-economic Measures of Economic Development



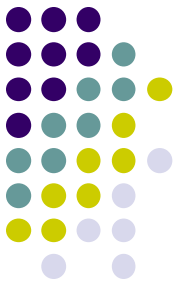
- Gross National Happiness – composite indicator
  - Includes psychological wellbeing, health, time use, education, culture, good governance, ecology, community vitality and living standards
- Relative/perceptual Poverty
- Social cohesion
- Gender equity/Women’s empowerment
- Malnutrition/under-nourishment
- Community resilience
- Quality of life

# Quality of Life



- **Material Wealth** – telephones, fridges, computers, cars, etc.
- **Mental State**
- **Stress** – caused by employment, unemployment, travel, etc.
- **Crime** – crime prevention, crime reduction, monitoring of crime and perceptions of crime

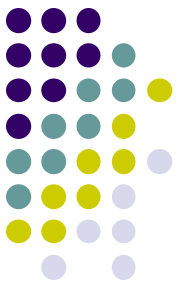
# Conclusion

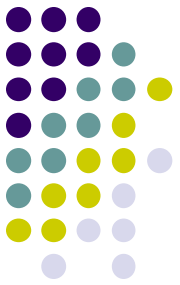


- No single best contender; measures of economic resources remain critical but there is scope for improvement
- An assessment of well-being needs to rely on complementary perspectives (monetary and non-monetary)



- Development is both a physical reality and a state of mind for attaining a better life.
- Three basic core values as a practical guideline for understanding development
  - Sustenance
  - Self-esteem
  - Freedom
- Specific components of better life vary from time to time and from society to society.
- Three Objectives of Development:
  - Increase availability and distribution of basic goods
  - Raise levels of living
  - Expand range of social and economic choices available to individuals





**Thank you**