

Some theoretical aspects and real dimensions of economic development in historical and contemporary context

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Abstract

In theoretical literature exist a lot of terms for “economic development”. This variety could be explained with the wide envelopment and meaning of the notion. By this meaning, founding some scientific methods, this study aims to outline some different dimensions of the development by using a survey and an analysis of some theoretical aspects of historical and a more contemporary context.

Key words: *economic development, dimensions, process.*

There are numerous definitions for "economic development" in the specialised economic literature focusing on the problems of international economic development. This variety can be explained by the wide scope and meaning of the concept itself. The comprehensiveness and ambiguous use of this concept suggest there is a need of more detailed clarification of its scope in the lines that follow. Historically, the concept of "development" started being used in a different context for the first time in the middle of the last century, by being defined as progress in the economic and social aspect¹. Nevertheless, as early as in 1776, A. Smith (1723-1790) discussed the issues of prosperity and social welfare in his scientific paper entitled "An inquiry into the nature and causes of the wealth of nations". In this context, the category of development became the subject of serious and in-depth discussions particularly because of its importance for the modern socio-economic life. The basis for discussions in this topic turned out to be its diverse aspects and "dimensions" that do not fit into restricted frameworks and extend to questions of

different nature - economic and social, political and legal, institutional and technical, religious and cultural.

At present, the concept of "economic development" is widely used in social and humanitarian studies. Aside from its purely economic sense and considering the definition in the Bulgarian Thesaurus, development, in its nature, can be defined as the "constant transition from one stage to another, upper and improved one". In this sense, economic development cannot be interpreted unambiguously and narrowly, since it combines both qualitative and quantitative components. It is not just an economic phenomenon in its nature (Todaro, Smith, 2011). At the same time, its purely economic aspect should not be divided from its other significant aspects (Adjie, 2010). In this respect, development constitutes a special process, combining economic progress with the favourable changes in the social, socio-political, institutional, technological and cultural environment of a country, with the restructuring (transformation) of its economy. At the same time, in a deeper sense, the studied economic category integrates and reflects a whole range of different "social and cultural values".ⁱⁱ On this basis and in this respect, its contextual framework is predetermined by the perception and discussion of the concept of "development" as equivalent or similar to "social progress" (in its broadest aspect) or, as the phrase, which became very popular back in history, is traditionally quoted in relation to this – "the society of tomorrow should be better than the society of today."ⁱⁱⁱ

The traditional understanding of the concept of "economic development", as a rule, generally identifies it and defines it as a certain economic condition, or, more commonly - an evolutionary stage, in which a given national economy is found. From another perspective, this concept is also defined as a process that identifies the "capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its Gross National Product (GNP) at rates perhaps 5% to 7% or more" (Todaro, Smith, 2003, 15 in Obi & Nwanegbo, 2006). From an economic point of view and within this conceptual context, the "measurement" of development and its "rate" particularly through the increase of GNP, has become very common (Adjie, 2010). This is why the latter is generally recognised and evaluated from the middle of the last century through reporting the presence of an accelerated economic growth. Considering this, it is particularly economic growth, as a key indicator of economic progress, that has become the initial starting point and basis for numerous

different definitions.^{iv} In contrast to what has been discussed here, according to the renowned economist and Noble laureate Lewis, over time it has become clear that: "...the advantage of economic growth is not that welfare increases happiness, but that it increases the scope of human choices" (Todaro, Smith, 2003, 22). Therefore, considering history and practice, in many cases it turns out that the registration of high economic growth does not necessarily mean that soon there will be a positive change towards qualitatively better living conditions for the population, which is of particular importance. In parallel, as highlighted by Savov *et al.* (1998, 442): "The main objective of each economic policy is to improve the nation's standard of living and this depends primarily on the GDP generated and the ratio between the dynamics and volume of savings, investment and consumption." This leads to the logical conclusion that the key parameters for each national economy are strongly influenced both by the level and dynamics and by the structure of economic growth (Savov, 1998). Indeed, historically and at present, the achievement of economic development has turned into and continues to be among the main tasks of each economy and economic policy (Spasov *et. al.*, 2010). In this context, considering the fact that economic growth and development are usually considered to be relatively close economic categories, it should be noted here that the two concepts should not be mixed, because their essence is different, albeit close. In this sense, economic development is a category that is much wider than economic growth by definition. Based on these specifics, currently the traditional concept about development and its parameters and "dimensions" is only viewed as a good basis to be used for building some additional meaningful components that reflect the new aspects and projections of the complex phenomenon studied.

The objective clarification and studying of the category of development requires to make an important statement that the latter is historically determined. During the different periods and spatial and territorial borders, its definition and meaning have been significantly expanded and supplemented and have experienced some essential changes. Its scope changes dynamically, reflecting the current changes in the global economy, whereas the issues of socio-economic progress are inevitably within the focus of public attention. On this background, economic concepts related to and referring to development can be said to be of diverse content and somehow differing from each other in their methodological base. Thus, the overview and detailed study of theoretical literature on this topic gives us the ground to conclude

that during the last century, the views on the issue of what is included in the development of an economy and how this development is measured, have undergone significant changes (Stiglitz, Hoff, 2008). Therefore, the summarised overview and brief analysis of some main concepts retrospectively and in the present context allow for the distinction of some basic trends and patterns.

Historically, there are numerous scientists and researchers that have given their own definition of economic development. One of the most prominent French scientists Perroux (1964) has also presented his view on the nature of this concept. He defines economic development as a combination of mental and social changes happening within a society, which also support the continuous and progressive increase of the gross national product. At the same time, Perroux is one of the first authors to clearly distinguish development from economic growth, by pointing out that even though the first one is impossible without the second one, the two concepts do not overlap. (Bend, 2007, 78-79) According to the findings of American economist and Noble laureate Kuznetz (1966), economic development refers to growth, accompanied by qualitative changes in the structure of production and employment, primarily referred to as structural changes. (Szirmai, 2005, 6) Several years later, based on the ideas detailed by Okun and Richardson (1962), the studied phenomenon is identified as the sustainable and long-term improvement of social welfare. During the same period, a relatively similar opinion, expressed in the view that economic development should not be viewed just as an increase in productivity, but also as a way to achieve a higher living standard, was argued by a number of other world famous authors, including Baran (1957), Buchanan (1957) and Ellis (1955). The British economist Clark also made a similar conclusion, stating that the economic progress can be defined just as improvement in the economic welfare. (Anon, 2007, 4)

A different interpretation of the question was presented by the American scientist Galbraith (1964), who pointed that development is defined as expanding the favourable opportunities for those who are willing to overcome the restrictions of the understanding about poverty. As noted by Bairoch (1975), the latter would undoubtedly ensure improvement in the general living conditions beyond the mere raise in the living standard. According to Meier and Baldwin (1957), economic development is the process by which the real national income of the economy grows for a long period of time. It is evident that this definition puts emphasis on three main points that are of significant importance for the current analysis, particularly:

the development, understood as a process, the long-term nature of this process and the fact that national income should grow in the course of this process. On the other hand, the ideas of the Canadian economist Viner about the successful process of development suggest that there should be high productivity of labour, which requires the population of a given country to be educated and in good health. According to Viner, the presence of these important factors will contribute to the expansion of human capabilities, will increase productivity and will result in high economic growth (Théodore, Wentz, 1998). Based on the assumption that economic development is not based just on growth acceleration, but also on a number of other key changes, Seers (1979) formulates some important prerequisites for the presence of such progress, particularly - elimination of poverty, malnutrition, uneven distribution of income and provision of employment. Economic development, according to the ideas of Bell (1989, 1-3), is a process, where a group of countries that are not so well-advanced in their economic development, attempt to "catch up" with the other group, which has already achieved higher economic progress. During the same period, another reputable author, Porter (1990), defined development as a long term process of creating many interrelated potential microeconomic opportunities and incentives supporting the more advanced forms of competition. Several years later, based on the brief formulation of definition suggested by Meier (1995), the latter is expressed by an economic growth combined with structural transformations. On this logical ground, according to the views of the researchers Wentz and Théodore on this topic (1998), "development" should be understood as a concept defining and outlining the structural and qualitative aspect of growth. In this sense, the authors describe it as a more specific event, that could only be observed in the long run.

At the beginning of the 20th century, Darendorf (2000) recognised culture as an important qualitative aspect and, at the same time, an important component of social and economic progress. Several years later, a much more simplified and specific definition on development was suggested by Chambers (2004). Based on the brief formulation given by him, the latter is considered as a "good change". Actually, this definition was subject of harsh criticism regarding its two main points. First, it does not clarify what should be considered by "change" and second - it does not specify which change is considered "good". Therefore, although it provides a valuable logical guidance, the definition of Chambers cannot be interpreted

unambiguously.(Sumner, Tribe, 2007, 10) Another important summary for presenting the nature of development was made by the renowned researcher on this topic - Thomas (2004), who defined it in his papers on this issue as a "disputed, complex and ambiguous" phenomenon (Sumner, Tribe, 2007, 10). Another famous Russian author - Didenko (2007) discussed economic development as a complex, multi-layered process. On this basis, Didenko pointed that accelerated economic growth leads to changes in the living conditions of the population in a country toward better education and healthcare, nutrition and living environment (Didenko, 2007, 9). Particular attention shall be also given to the definition of Stiglitz and Hoff (2008), based on the thesis that the latter should not be viewed as a process of capital accumulation; it should rather be viewed as a process of organisational changes.(Stiglitz, Hoff, 2008, 154) Finally, it may also be added that in its more narrow sense, as a strictly economic concept, according to Todaro and Smith (2011, 14) development means achievement of continuous growth in the income per capita that allows growth in production at higher rates than the population growth. Based on this assumption, the authors summarise that development should be considered broadly, as a versatile process, which involves making fundamental changes in the existing social structures, public attitudes and national institutions and, at the same time increasing economic growth, reducing inequality and eradicating poverty. (Todaro, Smith, 2011, 15) In this respect, Todaro and Smith point that development undoubtedly results in and aims to improve the quality of life and to expand opportunities.

The definitions presented in the preceding paragraphs display a wide variety of different viewpoints on the nature, essence and significance put in the category of development. At the same time, they constitute a good basis for deriving its main characteristics and parameters in the socio-economic context. On the other hand, the attempt for systematisation and analysis by using a historical and analytical approach allows us to simultaneously distinguish between certain similarities and some essential and fundamental differences between the proposed theoretical assumptions and approaches. In this sense, the wide variety of definitions and characteristics describing the studied phenomenon existing in literature is indicative for illustrating the difficulty in finding an unambiguous and, at the same time widely recognised definition. Nevertheless, regardless of the differences in the methods of defining and characterising development, the general overview discussed allows us to formulate some important conclusions as to the scope and

specifics of this concept. As seen from Figure 1, three key "dimensions" can be distinguished based on the different viewpoints, justifications and theoretical approaches, which predetermine, supplement and intertwine with each other. Practically, the conditional distinction, familiarising with and discussing these "dimensions" both individually and in their entirety, would contribute to a more detailed discussion of the concept's diverse nature, since it provides a field for tracking the changes that have occurred over time through the prism of these different approaches.

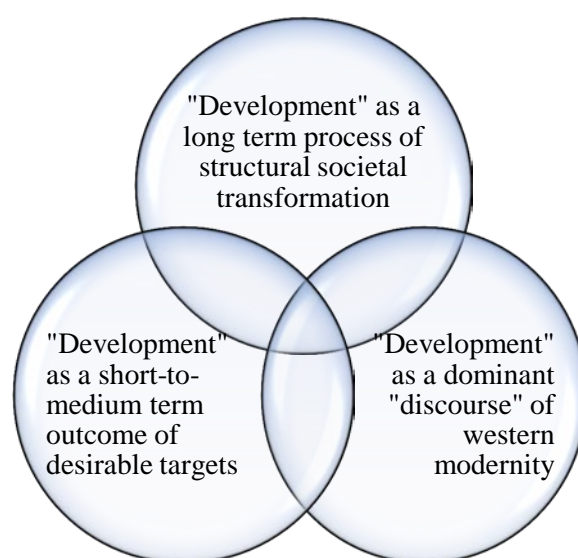


Figure 1. What is “Development”?

Source: Sumner, A., M. Tribe. (2007) International Development Studies. Theories and Methods in Research and Practice: Sage Publications Ltd., pp.11.

At the same time, based on what was discussed so far, one may deduce some important characteristics and basic patterns of the studied phenomenon.

First, development is a process of qualitative transformations, accompanied by acceleration of economic growth as an important quantitative indicator and "metric" of these fundamental changes. In this sense, development constitutes one of its important components. As key categories, both development and growth are associated with a change, however, in the first case, this change is of qualitative nature, whereas in the second case it is of quantitative nature. At the same time, the understanding that development specifically involves changes in different

aspects of the modern social life and socio-economic environment is outlined as a common feature of the definitions discussed in the previous paragraphs.

In the second place, development is not a rapid, but a continuous process, for which certain basic accumulations are necessary. The need of certain prerequisites for development and the versatile nature of the studied phenomenon result in "extended opportunities", which, on the other hand, are the basis for improvement and utilisation of the human potential.

In the third place, development means continuous improvement in the living standard, which, on the other hand, is the result of the favourable changes in the public and political, socio-economic, cultural and ecological environment. The positive transformations in the social environment also constitute a key parameter for development. They are expressed as long-term changes in the structure, functioning, organisation and culture (norms and values) within a society.^v The more detailed discussion of the studied economic category requires to also add that the social aspects of development have only become subject of serious attention by the public and researchers in the 70s-80s of the past century. This is also the period when development started to be considered as a fundamentally new evolutionary stage, related to the fundamental change in the social environment and conditions, not just in the economic ones, measured by using its quantitative characteristics. In this sense, the latter is already recognised not just as an equivalent to accelerated economic growth; the focus is now put on other parameters of similar significance, the most important of which is the limitation of the spread of poverty, unemployment and social inequality.

In the fourth place, it should be noted that the process of development is directly and/or indirectly influenced by numerous external and/or internal factors. Therefore, its realisation follows a different pattern in each national economy. It is well-known that there are no universal models and concepts that can be successfully applied and match the situation and specifics in each developing country. It is also necessary to clarify that transition to a higher stage of economic development means availability of a combination of some key prerequisites for achieving progress in the economy, which imposes, on the other hand, some significant structural and institutional reforms that usually cannot be implemented in the short run. This, the process of development in each economy is distinguished by a range of certain characteristics that are the result of the objective economic characteristics.

Next, based on the definitions discussed above, which present development from numerous perspectives, in different time and conceptual contexts, several individual but mutually complementing and presumed aspects of development are outlined, particularly the economic, social, political, cultural, technological and environmental aspect. Although such a distinction may be perceived conditionally, development reflects the whole range of these different aspects. Practically, none of them can be qualified as more important and essential than the others, because no success in the economic development of a country may be reported if there is prominent progress just in one of these aspects; progress in each aspect is necessary. This fact is a strong evidence that the different aspects are actually inseparable and only their combination provides a thorough reflection of the parameters of the studied phenomenon.

Last, but not least, it should be noted that the influence and the results of the process of development within the national economy are also of a different nature (economic, social, political, cultural, technological, ecological) and can be observed in many perspectives. An important feature of the positive effects of this process is their "sustainability", or stability and durability over time. Based on the essential theoretical points and principles discussed, it can be also concluded that economic development is a versatile, complex and continuous process, covering to one extent or another, directly or indirectly, all aspects of economic activity and social life. In its nature, development is a complex phenomenon, resulting in numerous qualitative changes and transformations in different directions. In this regard, the improvement of the systems for public education and healthcare, the establishment of the fundamental human rights and freedoms, the emergence of new social values and norms and the strengthening of institutions can be considered in two perspectives - as a natural expected result and as a key prerequisite for the successful process of development. As it was already noted, the process of development also requires and necessitates an institutional change, which, on the other hand, is essential for achieving economic progress. Considering the important aspects listed above, it is evident that the process of development inevitably aims to achieve a higher living standard, better satisfaction of basic human needs, together with reduction of poverty and inequality to match the expanded opportunities for choices.

Finally, the attempt to discuss, analyse and arrange the definitions and characteristics of economic development offered in specialised literature allows us to draw the conclusion that development turns out to be a complex and, to some extent, controversial and widely discussed category, which does not lose its relevance and importance since its factual "occurrence" until today.

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ⁱIn January 1949, American president Harry Truman used the concept of "underdevelopment" in his speech, thus laying the foundations of the idea for the need to support poorer countries and regions in the world. In his speech, he highlighted: "We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." Quote from: Inaugural Addresses of the President of the United States, January 20, 1949, Harry S. Truman's Inaugural Address, <http://www.bartleby.com/124/pres53.html>.

This is how, according to the findings of Sachs (2007, 1), the beginning of a new evolution period in the history of global economy was put – "the era of development".

ⁱⁱSee *Introduction: le concept du développement durable*, <http://www.ethique-economique.fr/uploaded/1-introduction.pdf>.

ⁱⁱⁱSee *L'Encyclopédie du développement durable*, <http://www.encyclopedie-dd.org/encyclopedie/developpement-durable/1-1-de-l-eco-developpement-au/le-concept-de-developpement.html>.

^{iv}See Bend, P. (2007) *Repenser le concept de développement, des impasses d'un processus de standardisation des sociétés à la nécessaire émergence d'un sens historique et culturel, Afrique et développement*, Vol. XXXII, N 3, 2007, pp. 78

^vSee *Introduction: croissance, développement et changement social*, <http://www.ecophile.net/>.