

**Economic development** is the process by which emerging economies become advanced economies. In other words, the process by which countries with low living standards become nations with high living standards. Economic development also refers to the process by which the overall health, well-being, and academic level of the general population improves.

During the development, there is a population shift from agriculture to industry, and then to services.

A longer average life expectancy, for example, is one of the results of economic development. Improved productivity, higher literacy rates, and better public education, are also consequences.

Put simply; economic development is all about improving living standards. 'Improved living standards' refers to higher levels of education and literacy, workers' income, health, and lifespans.

The *Cambridge Dictionary* has the following definition of the term:

"The process in which an economy grows or changes and becomes more advanced, especially when both economic and social conditions are improved."

**Development economics** is a field of economics that examines economic development.

Wikipedia says: "Economic development is the process by which a nation improves the economic, political, and social well-being of its people."

## Economic development vs. growth

Although the terms economic development and economic growth cover similar concepts, they are not the same.

### Economic growth

Economic growth is all about expanding GDP, i.e., making the size of the economy bigger. **GDP** stands for **gross domestic product**.

GDP is the sum of all economic activity in a nation over a specific period. It is the net value of all the products and services that an economy produces.

### Economic development

Development, on the other hand, looks at a much wider range of statistic than simply GDP or **GDP per capita**. GDP per capita is GDP divided by the total population.

Economic development looks at how the citizens of a country are affected. Apart from their living standards, it also looks at the freedom they have to enjoy those living standards.

Economic development takes into account the following information:

An increase in the money/nominal national income may not indicate economic development as it may be due to rise in prices of goods and services. (Nominal/ money national income means real national income multiplied by the price level).

Therefore economic development considers an increase in real income ie an increase in production of goods and services.

8) **Increase in real per capita**

$$\text{Real income} = \frac{\text{REAL NATIONAL INCOME}}{\text{POPULATION}}$$

Economic development should result in an increase in the real per capita income. This reduces poverty and the inequality in the distribution of income and wealth.

9) **Increase in economic welfare** & *Living Standard*

When there is an increase in the real per capita income, the benefits of economic development are realized by even the lower income group of people. In other words there is an increase in the economic welfare of the people.

10) **Economic development is a dynamic process**

Economic development is a dynamic process not a