NEW PERSPECTIVES ON ECONOMIC DEVELOPMENT

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Abstract: *In the first decades of the 21st century, in a period characterized by turbulent, liberalized economic environment, in a world marked by a strong demographic growth, depletion of natural resources, climate change and destruction of ecosystems, we are more concerned than ever about the issues related to economic growth and development. In the first part of the paper, we presented the result of an overview study, based on which we synthesized the dynamics of the determinants of economic growth, after which we carried out a comparative study of economic growth and development. The second part of this paper presents a review of those economic indicators that are considered to be the most relevant in measuring economic development.* The conclusions of the paper converge on the idea that, despite controversies regarding the importance of GDP as an indicator of economic development, it continues to remain the most present and important reference indicator in economic statistics*. However, in order to obtain an accurate and more complex image of the economic and social performance, it is recommended to use several indicators in combination with GDP.*

Keywords: *development, development indicators,* economic growth determinants

JEL Classification: A12, B20, N10, O10

1. Introduction

As of 1960, we can talk about "development" as an academic discipline (Potter, 2014), the foundations being laid by economists and social scientists. The importance of this field also reveals the establishment of the Institute for Development Studies in 1966 within the University of Sussex (England).
According to Robert B. Potter (2013), studying development is an interdisciplinary activity, as it unites knowledge of several fields of science with the purpose of studying inequalities and poverty. This interdisciplinary character of development is represented in Figure 1.

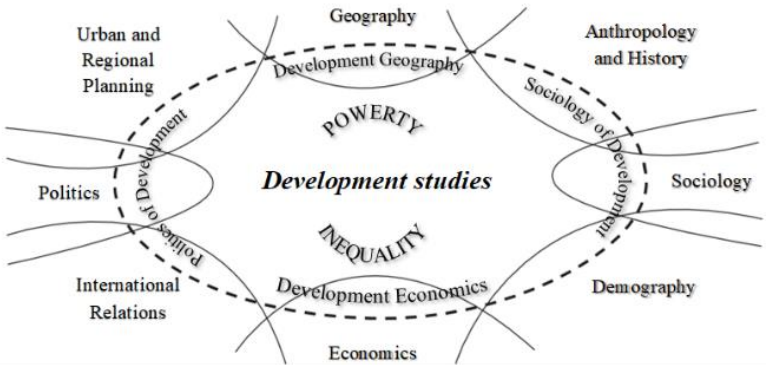

Figure 1 Disciplines contributing to the interdisciplinary character of the Development Study
Source: created by the author based on Potter, R. B. (2013). The various disciplines contributing to the cross-disciplinary field of development Studies, p. 17

2. Growth, development and economic progress

Economic growth and development represent an important and interesting field to study for several reasons. Despite the relevance and importance of the topic, there are still so many unknown aspects and so many major challenges that this area of research has attracted intense intellectual activity and will probably continue to do so in the future. Secondly, economic growth has many facets, which requires a holistic approach to the entire process, requiring a detailed analysis of both economic, political, social, and demographic elements, combining micro- and macroeconomic levels.
In common words, the terms growth, development and progress are frequently used as if they were synonymous. Figure 2 shows the differences but also the overlaps in terms of meanings of the three terms.

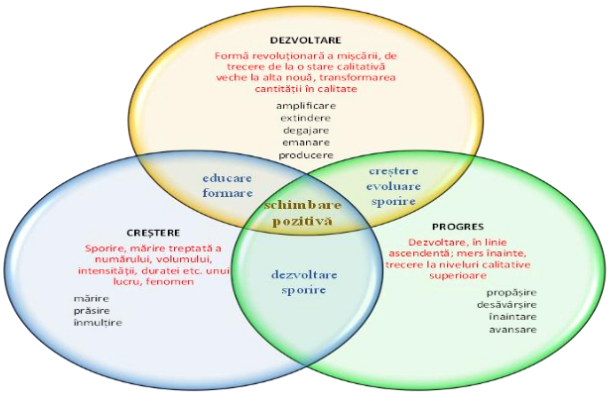

Figure 2 Semantic similarity of concepts: growth, development, progress
Source: created by the author based on dexonline.ro

According to the Online Synonym Dictionary, the three concepts have similar meaning. It is pertinent to note the terms inserted in the common fields of the Venn diagram. Development and growth occur in the common field of progress, suggesting the inseparability of the three concepts. Training and education appearing as a common sphere of growth and development describes the interdependence of these concepts. Analysing Figure 1, it can be noted as a common feature of the discussed terms that each produces a positive change that contributes to achieving the set objectives.
Although in Figure 1 we presented the semantic similarity of the three concepts, it has been proven that growth, development and progress cannot be equated despite the fact that their interdependence has been demonstrated many times. From a scientific point of view, and especially in economics, it is imperative to distinguish between them, even if there is no unanimity regarding the clear definition of these terms. Several well-known authors draw attention to this need: Kindleberger, 1977; Román, 1977; Bronfenbrenner-Sichel-Gardner, 1984; Camaron, 1990, 1994; Bartelmus, 1994; Lombardini, 1996; Daly, 1994; Dabóczi, 1998.
Understanding these concepts is not only interesting and important in itself, but also holds the key to understanding the causes of differences between countries in respect to the current per capita income and the stage of development at which a given country and nation is situated.
In order to cover the determinants of economic growth and different approaches over time, we created an overview of the specialised literature combined with a tabular, chronological representation.

Table 1 summarizes the dynamics of the determinants of economic growth following the specialised literature selected

Table 1 Summary of the dynamics of economic growth determinants

Authors	**Publications**	**Factors of economic growth**
Adam Smith (1723 -1790)	Smith, 1776 (1959)	- division of labour - saving
David Ricardo (1772 -1823)	Ricardo in Cypher, (2014)	- technology - free trade
Friedrich List (1789 -1846)	List, in Olah (1997)	- all branches of activity represent the force to create wealth
Karl Marx (1818 - 1883)	Marx, 1867 (1955)	- production expansion - investments - capital accumulation
John Maynard Keynes (1883 - 1946)	Keynes (1970)	- avoiding crises or unemployment - stimulating consumption and demand - capital accumulation - State
Joseph Schumpeter (1883 - 1950)	Schumpeter, (1947)	- innovations - entrepreneurship
Roy Harrod (1900-1978)	Harrod (in Olah, 1997)	- capital accumulation - saving and investment rate - State
Paul Samuelson (1915-2009) William Dawbney Nordhaus (1941-)	Samuelson, Nordhaus, 1948 (2009)	- "general welfare state": budgetary policy, monetary policy - market mechanisms
Simon Kuznets (1901-1985)	Kuznets (1961, 1973)	- advancement of technology - institutional and ideological adjustments - human resource development
Robert Solow (1924 - 2023)	Solow (1956)	- efficient combination of factors of production - saving - investments
Gheorghe Olah (1941-2022)	Olah (1997)	- investments - economies - external loans
Constantin Anghelache (1946 -)	Anghelache (2022)	- investment in factors of production - cutting-edge technology
Leszek Balcerowicz (1947-)	Balcerowicz (Ed) (2014)	- innovations - institutional reforms
Jeffrey Sachs (1954-)	Sachs (2001)	- geographical factors
Philippe Aghion (1956-)	Aghion (2004)	- technological innovations
Paul Marer (1961-)	Marer (2013)	- innovation - productivity increase - government investment
Daron Acemoglu (1967-)	Acemoglu (2008, 2012)	- investments - average years of schooling - human resource competences - innovations - standardisation
Cosmin Marinescu (1976-)	Marinescu (2007)	- institutional structures

António Afonso, Juan González Alegre (1977-)	Afonso, Alegre (2008)	- State investment - investment in education
Alina-Petronela Haller (1978-)	Haller (2012)	- efficient use of available resources
Florin Teodor Boldeanu, (1989-) Liliana Constantinescu	Boldeanu, Constantinescu (2015).	- government efficiency and institutions, - political and administrative systems, corruption - cultural and social factors - geographical factors and natural resources - human resources and technology.

Source: created by the author

Table 1 shows that the determinants of economic growth are multiple and vary according to the approaches of different authors, the concrete conditions of the market economy and its dynamics. However, it can be noted that material and human resources, and later institutions are found in the development models of all economists.
The complexity of economic development makes it difficult to find a widely accepted definition. It can be noted the inclination of most economists to talk about economic growth as a predominantly quantitative process and about economic development as a predominantly qualitative one. The essential differences and similarities between the two concepts are presented in Table 2.

Table 2 – Comparison between economic growth and economic development

SIMILARITIES	**DIFFERENCES**	
	Growth	**Economic development**
- represent the basic objectives of any economy - are continuous processes with stimulating effects in the economy - involve both the allocation and use of resources and increase of efficiency - their purpose is to improve the standard and quality of life - growth and development are the cause and result of the general trend, influencing its pace and ensuring the transitions from one level to another - the most widely used and accepted measurement indicator is GDP - are interdependent phenomena	refers to the quantitative side of economic activity	development is a qualitatively higher stage of macroeconomic evolution.
	a purely economic concept	shows interdisciplinary interference
	discussions about growth are often centred around developed countries	addresses economic problems that are specific to developing or less developed countries
	measurable	a complex phenomenon, it cannot be described with a single indicator
	an objective phenomenon	a phenomenon with a high degree of subjectivity
	can be accelerated through various measures	a process with its own pace, (slower) but can be sustained or facilitated
	a reversible process, with a situation of economic decline	there is no reverse process, in the worst case one can speak of stagnation
	refers to the increase in various aggregated macroeconomic indicators	involves many more cognitive dimensions

Source: created by the author based on Haller (2012)

Following the analysis and comparison of the two concepts we can formulate the following statements:

- against the background of economic development, economic growth is achieved in time and space;

- investment and technological progress are the most important sources of growth;
- economic growth is not the only important and necessary factor for increasing human well-being;
- economic development can be considered only that growth that is also associated with a structural-qualitative change in the national economy and in the people's quality of life.
- economic progress is a complex phenomenon determined by economic growth and development, which actually refers to the progressive evolution of society, which implies an improvement of the human condition, a higher rung of the standard of the human being.

3. Indicators for measuring economic development

Indicators for measuring economic development are essential tools used to:

- provide an overview of economic health;
- evaluate and quantify the economic progress and pace of development of a country or region;
- provide an image of the stage and direction taken by the economy;
- determine the extent of the population's economic and social well-being, without which future development plans cannot be achieved;
- analyse and evaluate economic performance, providing essential information for economic, social, political and investment decisions;
- monitor, evaluate and control implemented development programmes;
- facilitate spatial and temporal comparison of development;
- identify trends, opportunities and imminent risks.

There is common agreement on the need to measure development, but in terms of the method and tool used for this purpose, it divides specialists into several groups, especially in the works published in our century.

The most relevant indicators, widely accepted and used by most established economists for measuring economic development are: Gross Domestic Product, Gross Domestic Product per capita, Industrial production, Agricultural production, Net national income, Consumer price index, External trade indicators, Trade balance, Public debt, Foreign direct investment, Innovation and technology, Distribution of income and wealth, Gini coefficient, Quality of life indicators, Environmental indicators and Human development index.

Gross domestic product (GDP) is already, by inertia, considered as a measure of progress, prosperity, frequently used in comparative analyses of well-being and as an indicator of living standards, although it was not designed for this purpose.

In the specialised literature, one can note a break in the appreciation and acceptance of GDP as the most important indicator of the level of economic growth and development. On the one hand, there are those specialists who are firmly convinced that GDP and GDP per capita, namely economic and income growth are reasonable measures to gauge and compare the level of development of nations.

On the other hand, more and more scientists believe that increasing production and income is not enough to ensure development and progress, and GDP does not reflect the well-being and happiness of a nation, as Kuznets himself pointed out (Kuznets 1934, 1962, Tinbergen 1971, Nordhaus and Tobin 1972, Cobb-Halstead-Rowe 1997, Görbe – Nemcsicsné 1998, Dabóczi 1998, Abdallah and others. 2009, Jacobs, G., Šlaus, I. 2010, Ivković 2016).

Starting from these ideas and based on the work of Henderson (1996), Cobb-Halstead-Rowe (1997) Table 3 highlights the advantages and disadvantages of GDP as an indicator of economic development:

Table 3: Advantages and disadvantages of GDP as an indicator of economic development

Advantages	Disadvantages
➢ **Indicator of global economic activity:** - provides an objective overview of a country's economic activity over a given period of time; - can provide hints about the direction of an economy; - shows everything in monetary terms – thus, ensuring the avoidance of the uncomfortable problem of moral position; - widely used, it offers the possibility of conducting extensive studies and comparisons. ➢ **Ease of measurement:** - uses up-to-date and accessible data; - the basic formula of GDP is simple and ensures consistency in measurement at worldwide level; - useful for monitoring short-term economic changes, such as economic cycles and fluctuations in economic activity. ➢ **International standardisation and comparability:** - the data can be converted into a common currency; - allows macroeconomic comparisons both in terms of time and studied field; - is calculated using the same methodology in each reporting period, so it is possible to compare the evolution of the economy in the long term. ➢ **Use in public policies:** - summarises a range of economic information helping to determine the strengths and weaknesses of different sectors; - facilitates decision-makers and analysts to easily guide, adjust and implement economic, fiscal and public policies; - can provide clues about the effectiveness of economic and social policies and serve as a basis for decisions; - as a barometer of the economic climate, it provides the public and private sectors with useful information in order to adapt to emerging macroeconomic opportunities and threats. ➢ **Setting economic priorities:** - can help identify key sectors of the economy, be useful for guiding economic policies and investment in sectors that can generate the greatest impact in terms of growth and development. ➢ **Information for investors and businesses:** - can provide clues about the market size, growth potential and economic stability of a country or region, so investors and businesses use GDP to evaluate investment opportunities and make strategic decisions. ➢ **Recognition and familiarity**	➢ GDP includes only intra-market transactions; ➢ reflects only activities involving the movement of money, barter transactions are largely omitted, although the decrease in their frequency is clearly a negative economic process; ➢ when calculating GDP, unpaid work is completely ignored, for example domestic work, caring for the sick, elderly by family members and volunteering; ➢ never takes into account environmental damage during the growth process ➢ natural resources are not considered as capital, so their amortisation is not recorded. ➢ all transactions are accounted for as positive values and are seen as economic benefits, although not each contributes to a better life for individuals ➢ public goods and services provided by the State represent costs for society. ➢ is an aggregate indicator, so it does not consider inequalities in income distribution. ➢ can also be augmented by increasing public debt, which can lead to economic instability; ➢ the family is loss-making and does not contribute to GDP growth, as it provides free services and performs activities outside the market; ➢ according to GDP data, only work represents a value. If better productivity contributes to an increase in the number of products, GDP increases, but if it contributes to an increase in the employee's time off (because the same number of products is produced in a shorter time), GDP does not change; ➢ can be manipulated by the government.

Source: created and processed by the author based on Dabóczi (1998, 2013), Henderson (1996) and Cobb-Halstead-Rowe (1997)

GDP measures the marketed economic activity, without taking into account the wider impact of this off-market activity that can have both positive and negative impact on GDP levels, such as: ignoring social costs or environmental costs, ignoring many valuable activities of the economy, which exist outside the market (volunteering, housework).
In Table 4 we highlight, for guidance purposes, alternative indicators considered by specialists to be relevant in measuring economic development.

Table 4: Main alternative indicators considered to be relevant in measuring economic development and population's well-being

Indicator/Author	Characteristics
Measured Economic Welfare – ***MEW*** (Nordhaus, Tobin, 1972)	Obtained by subtracting from GDP those activities that are not a source of direct utility for consumers.
Social Welfare Function – ***SWF*** (Sen, 1976)	A measure of both equality and efficiency because it reflects both overall economic performance and income distribution.
Economic Aspects of Welfare -***EAW*** (Zolotas,1981)	Based on private consumption.
Green GDP (80s Boyd, 2007)	Measures nature's contribution to human well-being by valuing environmental degradation and gradual resource depletion.
Net Economic Welfare – ***NEW*** (Henderson, 1985, Samuelson, Nordhaus, 1990)	Improved version of MEW.
Sustainable Economic Welfare ***ISEW*** (Daly, Cobb, 1989)	Developed and supported by environmental economists. A composite that adjusts economic growth measured by GDP, with its associated positive and negative effects.
Genuine Progress Indicator – ***GPI*** (Cobb, Halstead, Rowe, 1995)	
Sustainable Net Benefit Index ***SNBI*** (Lawn, Sanders, 1999; Lawn, 2000)	
World Database of Happiness (Veenhoven, 1995)	An archive of research results on happiness. Access to the archive is free of charge.
Human Development Index ***HDI*** (Mahbubul Haq, used by the UN since 1990)	Widely used on the basis of which a comparative ranking of world states according to three main indicators - income, health and education - is carried out using easily available data.
Environmentally Sustainable National Income ***eSNI*** (Tinbergen, Hueting 1991)	Represents the level of production that does not threaten future generations.
Economic Welfare Index – ***EWI*** (Jacobs, Šlaus, 2010)	Reflects the part of inequality that negatively impacts economic well-being, as measured by household consumer spending.
Human Economic Welfare Index ***HEWI*** (Jacobs, Šlaus, 2010)	Provides a holistic perspective on a population's well-being, integrating economic, social and environmental aspects.
Social Progress Indicator - ***SPI*** (Social Progress Imperative, 2013)	Based on 52 indicators grouped into three dimensions, reflecting the hierarchy of needs set by Maslow.
Weighted Index of Social Indicators ***WISP*** (Estes, 1970-2000)	A composite index that processes data from 10 fields.
Better Life Index - ***BLI*** (OECDE, 2011)	Mixed well-being index that takes into account 11 dimensions of well-being.

Source: created and processed by the author

4. Conclusions

Analysing the three concepts of growth, development and economic progress, we can state that each produces positive changes at both micro- and macroeconomic levels and can be regarded as targets of any economy. In general, the difference between progress and development is much smaller than between development and growth, which is also reflected in the works of many authors where development and progress are very often mentioned as concepts with the same meaning. We can also conclude that any economic development implies economic growth, but not every economic growth also means economic development and progress is the achievement of development.
The final conclusions of the paper converge on the idea that, despite controversies regarding the importance of GDP as an indicator of economic development, it continues to remain the most present and important reference indicator in economic statistics. However, in order to obtain an accurate and more complex image of the economic and social performance, it is recommended to use several indicators in combination with GDP.

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