

①

26357-Maheen Qureshi - 319

Economics Paper 2 Subjective Part II

Question 2: Differentiate Economic Development & Economic Growth.
Discuss characteristics of under-development

Answer:

Introduction:

Economic development and economic growth, both are means to lift a country from under-developed state. Although both indicators have the same motive, their scope, measurement, effects, etc. are extremely different.

Difference between economic growth and economic development:

Factors	Economic Growth	Economic Development
Concept	It is the positive change in indicators of economy	It is the qualitative and quantitative change in an economy
Definition	Increase in real national income and national output	Improvement in quality of life and living standards.
Term	Short term phenomenon	long term phenomenon

(2)

<u>Factors</u>	<u>Economic Growth</u>	<u>Economic Development</u>
Scope	Single dimensional as it only focuses on income of people in a country	Multidimensional as it focuses on income and improvement of living standards
Related to	Developed countries of the world	Developing or underdeveloped countries
Indicators	Gross Domestic Product, Per capita income, Gross National Income	Human Development Index, Gini Coefficient, Human Poverty Index
Impacts	Gradual increase in one of the components of GDP; consumption, or net exports	Growth in human capital, indexes and decrease in inequality
Concerns	Concerned with increase in economy's output	concerned with structural changes in the economy
Involvement of government	Automatic process that may or may not require government intervention	Requires government intervention in form of policies and legislations

(3)

<u>Factors</u>	<u>Economic Growth</u>	<u>Economic Development</u>
Magnitude	Precursor and prerequisite for economic development. It is a subset of economic development.	Economic development comes after economic growth. It is a positive impact of growth.

Characteristics of Under-Development

Underdevelopment refers to low economic level of industrial production and standard of living. Following points highlight basic characteristics of under development:

1) Poverty

Existence of mass poverty is common in under developed countries due to poor standard of living. Basic necessities like food, shelter, medical facilities are available in limited quantities.

2) Dependence on Agriculture

Most ~~has~~ under developed nations heavily rely on the agriculture sector of the economy. Although majority of the ^{Population} sector is engaged in this sector, it is in a backward stage with extremely low yield per acre.

3) Population pressure

Having greater size of population than resources is another indicator of underdevelopment. High birth rate with low economic growth is a main obstacle in the way of economic development.

4) Lack of Capital

The non availability of capital is one of the primary reasons for underdevelopment. Governments do not have the means to establish industries or utilize available resources.

5) Unemployment

Excessive population and lack of opportunities result in high unemployment ratios. Such phenomenon's are extremely common in under developed states and another cause of hinderance in further development.

6) Lack of Technology:

Countries with under development face low level of technology and skilled labour. This leads to inefficient and insufficient production in the economy, decelerating growth.

7) Unequal Distribution of Wealth

The increased and vast gap between the rich and poor in the society is another feature of underdevelopment.

(5)

The rich class enjoys all facilities while poor suffer from hunger and poverty.

8) Deficit in Balance of Payment (BOP)

Under developed countries are producing and exporting primary goods while importing finished, capital goods. The staggering difference in price of both types of goods results in unfavourable BOP.

9) Limited Home Market:

Low purchasing power of people is another feature of underdevelopment. Producer is unable to increase supply due to low demand. Hence, limited market is another obstacle faced by such economies.

10) Burden of Debt

Under developed or developing states are heavily dependent on foreign aid, loans and grants for development. For example, Pakistan spends a huge amount of money repaying debt interest which is an obstacle in economic development.

11) High Rates of Inflation

The rate of inflation is always high in such countries which affects their economic performance. The increasing

(6)

level of prices restricts both buying and production power of people in the economy.

12) Lack of education

Illiteracy is another characteristic of ~~the~~ underdevelopment. This causes the people to be very superstitious, low confidence resulting in lack of initiative from the public.

13) Poor performance of Industrial Sector

In nations suffering from underdevelopment, the limited number of industries are in the hand of few families. There is lack of efficiency due to their monopoly in the market. This also blocks new entrepreneurs and small industries to establish.

14) Imperfection of Market

Varying prices of commodities from shop to shop, immobile labour and capital in search of high returns; all are indicators of underdevelopment of an economy.

15) Lack of Infrastructural Development:

Backward countries always lack infra-structural facilities. These include: limited: transportation and communication; generation and distribution of electricity; credit facilities; etc. Thus, a slow pace of growth and development.

(7)

Question 3: Factors hindering economic progress in Pakistan and measures for sustainable growth in the economy.

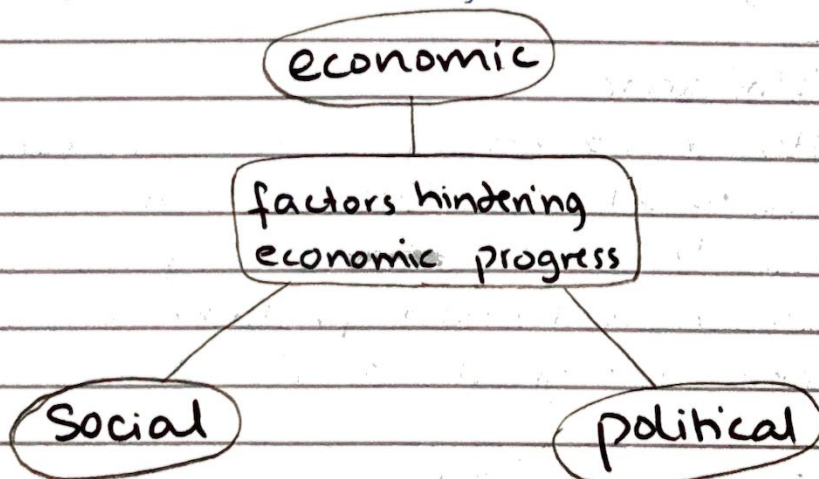
Answer:

Introduction: Economic Progress of Pakistan:

Pakistan has made some progress in terms of economic development with GDP standing at \$376 billion as of FY22. However, currently it is at a challenging juncture facing a number of political, social and economic difficulties. The resultant economic overheating has resulted in large deficits, increasing inflation and more; hindering economic progress and sustainable growth in the country.

Factors hindering the economic progress of Pakistan:

There are a myriad of factors that hinder economic progress of Pakistan. However, they can be broadly categorised as:



⑧

Main components of these factors are described as follows:

1. Low levels of productivity:

Pakistan has a low level of investment in research and development and has a weak infrastructure. This has made it difficult for businesses to grow and expand, hindering the economic growth.

2. Limited access to finance:

Pakistan's financial sector is not well developed, which has limited access to finance for businesses. Due to this, businesses cannot innovate or increase productivity obstructing economic growth.

3. Poor quality of education

The outdated curriculum and education system produces workers with limited skills. This makes it difficult for the country to compete in the global economy stalling Pakistan's growth.

4. Inflation

Pakistan has a history of high inflation, it rose to 24.5% in December. This reduces the purchasing power of consumers and makes production difficult effecting the growth of Pakistan.

5. Imbalance ~~is~~ trade:

Pakistan produces and exports primary goods

(9)

such as textiles while imports capital goods like hydrocarbons. The staggering difference in prices of both causes unfavorable BOP hindering economic growth.

6) High level of poverty

Over 30% of Pakistan's population lives below the poverty line, limiting ability of many people to participate in the economic growth progression of the country.

7) Income Inequality

A small minority of the country's population controls a large share of country's wealth. This too, limits the individuals participating to increase economic progress of Pakistan.

8) Political Instability:

Frequent changes in government and era of military rules causes lack of policy continuity and deters FDI, hindering the economic progress of Pakistan.

9) Security Threats

Multiple terrorist and separatist movement threats make it difficult for business to operate in Pakistan and also make it unfavourable for foreign investors.

10) Increased Corruption:

Corruption has led to lack of transparency and abuse of power in Pakistan. This culture of impunity plays an integral role to hinder

economic progress.

Measures proposed for sustainable growth of Pakistan's economy:

There are multiple measures Pakistan can take for sustainable growth of the economy. The Sustainable Development Goals (SDGs) would be the ideal way to achieve sustainability. These goals serve as a "shared blueprint for peace and prosperity for people and planet now and in the future". These goals measured are proposed below:

1. Investing in education and training:

Improving education and skills of Pakistani workforce could increase productivity and competitiveness. This can be done through increase funding in universities, vocational training, etc.

2. Supporting Small and medium sized enterprises (SMEs):

SMEs are a vital part of Pakistan's economy. Supporting them via ~~incubation~~ development services, less barriers could increase economic growth and job creation.

3. Promoting Foreign Investment:

Promoting a favourable business environment and reduced regulations would attract much needed funding

for sustainable growth.

4. Improving Energy Sector

The energy sector is a major constraint on Pakistan's economy. Investing in renewable energy, improving efficiency and reliability will lead towards sustainable progress.

5. Reducing corruption:

This will boost confidence in the economy as strengthened institutions, improved transparency and strict accountability would allow sustainable environment for growth.

6. Investing in Infrastructure:

As aligned with SDG 9, resilient roads, bridges and public transportation can help increase connectivity and improve productivity in Pakistan.

7. Promoting Innovation:

Encouraging innovation and entrepreneurship can drive economic growth and competitiveness. This can be done through supporting incubators and accelerators; grants for R & D; and more

8. Improving business environment:

Reducing regulatory burdens, creating transparent environment can attract FDI and encourage local investors too

(2)

for growth in the economy.

9. Integration of Climate Action:

Integrating climate change measures into strategies, planning and policies to mitigate the harmful impacts of global warming is one of the integral steps required. Since the devastating floods of 2022, it is important for Pakistan to look into this for sustainable development.

Conclusion:

Sustainable development and growth of Pakistan's economy is a vital way to ensure distribution of facilities among every individual in the country and help Pakistan meet its goals and potential.

