CORRELATIONS BETWEEN HUMAN DEVELOPMENT AND ECONOMIC GROWTH

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Abstract

The development is a preamble of the improvement of the quality of life and includes both materials such as infrastructure, housing quality and living standards in general, but also spiritual elements such as education, freedom of expression and cultural manifestation. An important feature of human development reveals the fact that socio-economic development is performed by people and, therefore, must be created and perfected human potential based on investment in man, namely in the field of education, education and culture, vocational training and health. Their active involvement in the development process is the key to success. Using the documentation and literature review identifies key factors of assessing the present situation of scientific research and European practice. The purpose of this paper is highlighting the existence of correlations between human development and economic growth from a theoretical point of view. The work is structured as follows: in Section 1, is presented the stage of knowledge of theme proposed for the research, in section 2, we present some theories concerning economic growth; in Section 3, we discuss about the connection between economic growth and human development by using the HDI, and, finally, Section 4 contains the main conclusions of the paper.

Keywords: human development; economic development; education; knowledge.


1. Introduction

Human development is a broad concept, which includes all areas of social-human life. A human development implies a healthy life as long as possible, access to education, which allows attractive and well paid employment, access to a diverse range of goods and services. Other aspects of human development require political freedom and respect for human rights, respect towards the man, what A. Smith called 'the ability to communicate with others and to get out in the streets without feeling a sense of shame'. As a last resort, human development is the development of people, for people and by people. In this way, a central objective of Human Development Reports of UNDP from the '90s and up to now, was "to underlined the fact that the development is in the first place and fundamentally linked to the people". (Klugman J, 2010). All these ideas were very good synthesized in the concept of human development introduced by the economist Amartya Sen, Nobel Prize winner for Economics, in connection with his concept of capability. Mahbub ul Haq, and Pakistani economist, has developed this concept and build it into the construction of Human Development Index (HDI), whose parent was. 'Human development, he says, can be so defined as a process of enlargement of the capacity of people's choices. The choices can be in various fields: political freedom and participation in community life, to be educated and to have freedom of expression, to survive and to have a healthy life and to enjoy a decent standard of living '. (Mahbub ul Haq, 1996)

In literature, a number of authors (Amartia Sen; Megnad Dessai; Ranis, Stewart and Ramirez, 2000; Schultz, 2005; Suri et al. 2011; Paul Streeten) as well as the Human Development Reports of the United Nations Development Programme, have tried to analyze both the effect of human development on economic growth and also feedback on the
economic growth of a higher level of human development, with special emphasis on the role that income has in getting a better human development.

2. Theories concerning economic growth

The phenomenon of economic growth is identified as being the most powerful engine that can generate long-term growth of the standard of living. The process of economic growth is considered to be extremely complex, influenced by a variety of institutional, policies, social and cultural factors. In comparison with the literature which is studying the concept of human development from the perspective of a positive effect of growth, specific literature presents an extensive classification of these factors, the contribution of each of them being supported by strong arguments.

Figure 1. Determinant factors of economic growth

In the elaboration of the classical theories of economic growth, Adam Smith had a significant influence, in whom vision the accumulation of human capital, technological advancement and specialization of labor are considered the main sources of economic growth. Starting from this consideration, Thomas Malthus, David Ricardo, and John Stuart Mill, shared some of the ideas contained in the Wealth of Nations, with regard to the role and place of ownership in economic growth and they confirmed that the private benefit derives from the pursuit of private interests, which guides the decisions of individuals and their activities, a concept that Adam Smith named it “the invisible hand”.

The vision of economic growth in the 1980s does not put great emphasis on the use of internal factors or external situation, but largely as a component whose efficiency depends on the degree of state intervention and regulation and standardization of the economy. This approach supports the effectiveness of open economies and privatization of ineffective public companies. Early 1990s brings a new approach known as the new economic growth theory: Barro (1991). Barro and Sala-i-Martin (1992) and G. Mankiw, Romer and Weil (1992). This proposes to widen the induced scope of classical theories and explaining the phenomena, which determines that certain economy to grow rapidly and other to stagnate.

The most important works for this purpose are those belonging to Paul M. Romer’s 1986, “Increasing Returns and Long-Run Growth” and Robert E. Lucas „On the mechanism of Economic Development” – 1988. They focused their research on the possibilities of measuring the capital. Another current of endogenous growth is closely related to the education analysis and research and development (RD), considered to represent factors of current economic growth due to propagation of beneficial effects and so their potential to generate future growth. Investment in human capital, education, research and development etc. give positive externalities. Thus, the successive increase of investment could have increasing yields, adding growing quantities to the total production.

3. Connection between economic growth and human development

Research carried out for investigating the link between economic growth and human development, such as that of Ranis (2004), explained that the extension of the capacity and freedom lead to increased economic performance, and human development would have a significant effect on development. Similarly, on the extent in which the revenue increase increases also the range of options and capabilities that benefit on the same extent households but also the governments; in this way growth will enhance human development.

Ranis and Steward (2005), confirms the importance of the many empirical connections in both directions along the time, from economic growth to human development, human development, including investment report.
Economic growth, which make an important contribution to human development, can be simultaneous or priority. Therefore, traditional political measures, which argue that improving human development should wait until economic growth permits, seem to be an error.

Ramirez et al. (1998) exploring connections between economic growth and human development, identifying two directions, one of the economic growth to human development and the other, in the opposite direction, from human development toward economic growth, they found that there is a strong positive relationship in both directions, and public spending on social services and education are important connections that determines the relationship between economic growth and human development, while investment rate and income distribution connections are important to determine the relationship between human development and economic growth.

We can argue that human development can be defined as a process of expanding people's opportunities to choose. According to the new paradigm, human development can be regarded as a process of expanding the real freedoms enjoyed by the people (Sen, 2004). The focus on freedoms people contrasts with the more limited visions about development, such as identifying the development with the growth of gross national product, with an increase in personal income or with social modernization. The increase of GNP or individual income can be, of course, important as a means of extending the freedom for people, in the same way as extensive industrialization, technological progress or social modernization. But freedoms also depend on other factors, such as social and economic arrangements (for example, access to education, health and social services, access to the labor market), as well as civil and political rights (for example, freedom to take part in the discussion and public debate).

One of the many ways of measuring human development which has enjoyed great success is that proposed by UNDP, (United Nations Development Programme), namely, the calculation of the Human Development Indicator (HDI) to highlight the evolution of living standards. It includes a three-dimensional approach covering landmarks such as life expectancy, literacy and per capita real GDP. Highlighting developments in the three areas is due to associated indicators, namely life expectancy index, education index and GDP index.

Education index is composed by aggregation of two parts: adult literacy and school enrolment level of the three levels of education. For each of the two is determined by an index. Combining the two indices is based on a two-thirds share index for adult literacy and one-third to the coverage rate in education. GDP index includes GDP per capita in purchasing power parity. HDI (human development index) is calculated as a simple average of these three indices, its values indicating the degree of development in reverse.

United Nations Development Program (UNDP) has made available to the public the classification on human development, in which 187 States are positioned according to the levels of income, education and life expectancy. Romania is ranked 50th among the 187 countries. On the top of the list, as human development is, as usual in the last few years, Norway, with a value of HDI/(human development index) 0,943, with the gross national income of $ 47,557 per capita, a life expectancy of 81,1 years and 17.3 years of schooling waited. It is followed by Australia and the Netherlands and United States was on the 4th place. Switzerland is ranked 11th, followed by Japan.

Romania is on the 50th position, as we said, with 0,781 HDI, with a gross national income per capita of $ 11,046 and a life expectancy at birth of 74 years. Our country is the third in the Group of countries with a high HDI, after Uruguay and Palau and is followed by Cuba. The ranking is ended by the Democratic Republic of Congo, with 280 dollars gross national income per capita and a life expectancy of 48,4 years.
So, we can say that the people, both as a group and look in their individuality, represent both the beneficiaries and the promoters of human development. So that human development, according to the study Human Development Report (2013) has three main components:

- Welfare - development of real freedoms of the people, so that people can thrive;
- Accreditation, and action - in order to allow people and groups to act - to monitor outcomes of value;
- Justice - increasing equity, sustainability of results and the respect of human rights and other social goals.

Human development has been lately considered to be "the goal of human activity and economic growth and, at the same time, a strategic instrument in advancing it". (Stewart, G., Ramirez, F., 2000). According to the remembered authors there is a double relationship of causality between the human development and economic growth. Economic growth makes it possible to achieve a high degree of human development, on the one hand, and on the other hand, the improvement of human development levels lead to increased opportunities for economic growth. The causal relationship between economic growth and human development is expressed in the following picture (Figure 3).

**Figure 3. Economic growth and human development**


**4. Conclusions**

In our vision, human development represents a concept related in a manner that is compatible and complementary with human rights, which is engulfed by the general concept of economic development. If human development aim to expand opportunities and freedoms on which benefits the members of a community, human rights represents an initiative to improve the social structures which facilitates or provide these possibilities and freedoms. In this context, we can say that between education and welfare there is certainly a positive relationship, but this relationship is not permanent mandatory and its connotations are not necessarily economic.

Economic growth is focused exclusively on the extent of a single possibility, to obtain revenue, but human development implies the consolidation of all the possibilities - whether economic, social, cultural or political, so that income is a means for human development, but not the only one. Therefore, economic growth is a necessary condition but not sufficient for human development. No matter how much we strive and no matter how well we plan everything, must not forget that education has been, it is and will remain primarily a social good. It serves mainly the society and only then to economy. No matter how we act on this, the leap from education to welfare, passing through economic specialization, it can't be done without taking into consideration an important step, namely social step. Or, if we jump over this 'social' stage and we focus directly to profit, success is for a while because there isn't a foundation, a base to absorb it.

Always a powerful economy is based on a powerful society, especially when we are talking about developing countries. Human development index is an innovative construction, mostly arbitrary, but interesting, and with the passage of time has proved particularly useful for disseminated information, analysis and possible guidelines for public policies at global and national level. It is an innovative construction because the only connection that is made with the past is sending at the idea of human good.
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5. References: