

# Does Economic Growth and Development Differ? Exploring the Theoretical Divide Between Economic Growth and Development

James E. Conable (Corresponding author)

Research & Academic Writing Mentoring Unit

College of Postgraduate Studies

University of Nigeria, Nsukka

E-mail: james.conable@unn.edu.ng

Imaobong Olsson

School of Behavioral Science

Southern California Seminary

2075 East Madison Avenue El Cajon

CA 92019 USA

E-mail: iolsson@socalsem.edu

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## Abstract

This paper delves into the nuanced distinction between economic growth and economic development, unravelling their theoretical underpinnings and divergent implications. Employing a comprehensive review of relevant literature, the study navigates through traditional definitions and contemporary perspectives to establish a theoretical framework that differentiates these two concepts. Drawing from prominent theorists like Hirschman, Wallerstein, and Tvaronavicienė, the analysis scrutinizes indicators such as Gross Domestic Product (GDP), Gross National Product (GNP), and Human Development Index (HDI). The theoretical exposition dissects the historical context, exploring how economic growth often

masks disparities and inefficiencies inherent in economic development. Furthermore, the paper investigates the impact of globalization, neo-liberal policies, and participatory approaches on shaping these paradigms. In conclusion, the study advocates for a nuanced understanding of economic progress, emphasizing the need for an inclusive, adaptive, and context-specific approach to foster genuine economic development.

**Keywords:** Economic Growth, Economic Development, Development Indicators, Globalization, Neo-liberalism, Participatory Approaches, Dichotomy, Core-Periphery Relations

## 1. Introduction

Economic growth is a fundamental concept in the realm of economics, denoting a sustained and progressive augmentation in the production and consumption of goods and services within a specific economy over a defined timeframe. A commonly employed metric to quantify economic growth is the escalation in a nation's gross domestic product (GDP), which encapsulates the aggregate value of all goods and services generated within the geographical confines of that nation (Costantini & Monni, 2008). This metric serves as a comprehensive indicator of the economic health and dynamism of a country.

Essentially, economic growth signifies the amplification of an economy's ability to manufacture goods and services, typically resulting in enhancements in living standards, heightened employment rates, and an overall improvement in economic well-being. This intricate process is underpinned by a multitude of contributing factors, including heightened productivity, technological advancements, population growth, and strategic investments in both physical and human capital (Acemoglu, 2013).

To unravel the layers of economic growth for undergraduates, it is imperative to comprehend the symbiotic relationship between various drivers. Productivity increases, fuelled by advancements in technology, enable more efficient production processes and resource utilization. Concurrently, a growing population can provide a larger labor force, potentially fostering economic expansion. Moreover, investments in physical capital, such as infrastructure and machinery, and human capital, such as education and training, play pivotal roles in augmenting a nation's economic capacity.

In essence, economic growth serves as a multifaceted phenomenon that transcends mere statistical increments in GDP. It encompasses a holistic transformation in the economic fabric of a nation, intricately linked to the advancements in technology, the dynamics of its population, and the strategic deployment of resources. Understanding these nuances equips undergraduates with a comprehensive perspective, fostering a deeper appreciation of the intricate interplay that propels a nation towards sustained economic growth.

Similarly, the concept of development, as outlined by the Oxford Advanced Learner's Dictionary (Hornby, 2018), signifies the gradual growth of something, rendering it more advanced and robust, akin to a baby's development in the womb. Particularly intriguing is the association of development with the evolution of capitalism, a system that has consistently advanced and strengthened over time. The scholarly discourse on development dates back to

the eighteenth century, yielding varied definitions. However, despite the plethora of definitions that have emerged since the late nineteenth century, a consensus among scholars on the essence of development remains elusive (Cowen & Shenton, 1996).

Development, according to Allen and Thomas (2004), is positioned as a means of escaping underdevelopment, akin to seeking economic salvation. Holm  n (2010) views development as a transformation of societal relations from mechanical to organic solidarity. These diverse perspectives underscore the complexity of the concept. Others broaden the understanding of development by presenting it as fundamental or structural change, encompassing increases in income, interventions for improvement, and a platform for future enhancements (Potter, Binns, Elliot, & Smith, 2008).

However, Sen (2001), in his seminal work on development as freedom, challenges conventional views by positing development as a process that expands the real freedoms enjoyed by people. According to Sen, development is not merely synonymous with economic growth or technological advancement; it is fundamentally about enhancing human freedoms. This perspective shifts the focus from transforming societies to empowering them with the freedom to choose their own path of development.

Despite the diversity of definitions, there persists a dominant paradigm in the field of development—the modernization theory. Originating from Western philosophical traditions, modernization theory dictates economic policies, techniques for increasing production, and the political organization required to attain modernity (Potter et al., 2008). This theory, while guiding human progress, has also generated challenges, particularly in the context of wealth maximization leading to increased poverty, unemployment, and inequality.

From the above perspectives, this paper aims to critically investigate the distinctions between economic development and economic growth, unravelling the complexities that arise from the juxtaposition of the development-as-freedom perspective against the backdrop of the prevailing modernization theory.

### *1.1 The Problem Statement*

The discourse on economic development has evolved over centuries, marked by a myriad of definitions and perspectives. Notably, the dichotomy between economic growth and economic development remains a subject of academic contention. Despite the proliferation of definitions, there exists an enduring lack of consensus among scholars regarding the fundamental nature and distinctive characteristics that differentiate economic growth from economic development. This ambiguity hinders both theoretical advancements and practical policy formulations.

Consequently, this study seeks to address the following key problem: the absence of a clear and universally accepted demarcation between economic growth and economic development impedes our understanding of the multifaceted nature of societal progress, hindering the development of effective strategies for sustainable and inclusive economic advancement.

### *1.2 The Study Objectives*

1. Clearly define the concepts of economic growth and economic development, examining existing literature and highlighting the nuances that differentiate the two terms.
2. Explore the influence of dominant development theories, especially the modernization theory, on shaping perceptions of economic growth and economic development. Evaluate the strengths and limitations of these theories in explaining societal progress.
3. Investigate the implications of the ambiguous distinction between economic growth and economic development for policy formulation and implementation, focusing on how this ambiguity may impact the effectiveness of development strategies.
4. Propose recommendations for fostering clarity and consensus in defining and differentiating economic growth from economic development, considering both academic discourse and practical policy considerations.
5. Contribute to the ongoing academic discourse by offering insights that contribute to a more nuanced understanding of economic growth and economic development, emphasizing the practical implications for policymakers and development practitioners.

### *1.3 The Organizational Structure of the Paper*

The paper adopts a systematic organizational structure to thoroughly explore the distinctions between economic growth and economic development.

The introduction sets the stage by presenting the context and significance of the debate, followed by clear objectives. The literature review delves into the historical evolution of development concepts, offering a foundation for the subsequent analysis. The conceptual framework defines both terms and establishes a theoretical foundation. Policy implications explore the practical consequences of the conceptual ambiguity, drawing on a case study.

The section on the influence of development theories critically assesses the role of modernization theory and explores alternative frameworks. The analysis of "Development as Freedom" scrutinizes Amartya Sen's perspective and its potential as an alternative paradigm.

Recommendations and conclusions consolidate the findings, proposing ways to enhance clarity and foster consensus. Future research directions identify gaps for further exploration. The conclusion synthesizes key insights, emphasizing the significance of a clear distinction between economic growth and economic development and suggesting avenues for future research and policy development.

## **2. Literature Review**

Economic development and economic growth, two interconnected yet distinct concepts, have been subject to extensive scholarly discourse. The literature presents diverse viewpoints, offering definitions, historical perspectives, and insights into the complexities that distinguish

these terms.

Hirschman's seminal work, "The Strategy of Economic Development," characterizes economic development as a stage marked by unbalanced growth, concentrating investments in specific sectors of the economy (Potter et al., 2008). This perspective aligns with the idea that inequality can be efficient for growth, especially when manufacturing expansion is considered a propulsive force. Furthermore, economic development is framed as a continuous process involving concerted efforts by policymakers and communities to enhance the standard of living and economic health of a specific area (Sen, 2001).

The link between economic development and modernization is a recurrent theme. It suggests a shift from traditional agrarian societies to modern industrialized economies, marked by the adoption of Western rationality derived from Enlightenment philosophers. Wallerstein (2000) and Potter et al. (2008) assert that Western colonization aimed not only at resource extraction but also at instilling Western rationality in other societies. This results in a division between core economies, typically Western, and peripheral economies in the global context.

Likewise, political regimes in peripheral economies are categorized as patrimonial, neo-patrimonial, or hybrid. Jordaan (2010), Erdmann and Engel (2006) describe hybrid regimes as political structures displaying formalities while wielding substantial power through informal clientelist networks. This hybridity extends to social relations, with traditional norms coexisting alongside Western-inspired contractual arrangements (Grugel, 2003). This clarification emphasizes that economic development is not solely based on Eurocentric assumptions but is an amalgamation of various influences.

Shifting the focus to economic growth, Tvaronavicienė and Lankauskienė (2013) define it as an increase in total real output or real income, measured by real GDP or GNP. Wankel (2009) refines this definition by emphasizing increases in real GDP per capita or real GNP per capita. However, the paper questions the assumption that economic development implies economic stagnation, arguing that every economy is in a constant state of advancement. The analogy between economic growth and a child's physical growth is employed to illustrate the continuous progression of economies. However, challenges such as colonization, the Cold War, and corruption are likened to illnesses that may impede growth in certain regions (Acemoglu, 2013).

Conclusively, economic development is characterized as a mixed political economy, promoting universalism such as capitalism, democracy, and human rights. In contrast, economic growth is seen as a capitalist political economy dominated by Western methods of economic production and political arrangements. The evaluation of performance using indicators like GDP, GNP, and HDI reinforces the nuanced nature of economic growth and development (Brazil, China, India vs. Greece, Russia, Spain, Italy). This paper challenges assumptions embedded in Modernization theory and advocates for a comprehensive understanding of the dynamic relationship between economic growth and economic development.

### *2.1 Conceptual Framework: Reassessing Development Theories*

This conceptual framework aims to navigate the complexities of development by critically reassessing mainstream theories and incorporating emerging perspectives. It synthesizes insights from modernization, dependency, and participatory approaches, recognizing the limitations of each and proposing a more nuanced, context-specific, and inclusive model. Modernization theory (150s-1960s), epitomized by Rostow's stages of economic growth, posits a linear path to development through Westernization. However, its applicability is constrained by a lack of consideration for diverse local contexts and unforeseen consequences (Jönsson, Jerneck, & Arvidson, 2012; Seligson & Passé-Smith, 2008). Dependency theory (1960-1970) challenges the unequal power dynamics between core and peripheral economies. While insightful, its emphasis on self-sufficiency encounters practical challenges, as seen in the limitations of Import Substitution Industrialization (ISI) (Desai & Potter, 2008). Participatory Approaches (mid-1970s till date), the turn towards participatory approaches acknowledges the importance of local knowledge and collaboration. However, concerns about power imbalances and cultural impositions indicate the need for refinement (Cooke & Kothari, 2004; Holmén, 2010).

These theories often assume universal applicability, neglecting the intricate web of cultural, historical, and economic factors that shape each society uniquely. Participatory approaches, while aiming for inclusivity, may inadvertently perpetuate power imbalances and fail to genuinely incorporate local perspectives.

## *2.2 Towards a Contextualized Development Framework*

From the preceding theoretical discussion, its evidence that development theories have evolved over time, each offering valuable insights yet falling short in capturing the dynamic and diverse nature of societies. This study proposes a new conceptual framework. This conceptual framework proposes an Adaptive Contextual Development Model (ACDM) that aims to address the limitations of existing theories and provide a focused, context-specific, and adaptive approach to development. The core components of ACDM model include local context integration (LCI), genuine local participation (GLP), global collaboration with fairness (GCF), tailored interventions (TI), adaptive implementation (AI); context-specific indicators (CSI), continuous learning mechanism (CLM); ethical standards (ES), and long-term sustainability (LTS).

### *2.2.1 Local Context Integration (LCI)*

LCI emphasizes the importance of understanding and incorporating the unique historical, cultural, and economic contexts of each community into the development process. It recognizes that development strategies must be tailored to the specific needs and challenges of the local population.

### *2.2.2 Genuine Local Participation (GLP)*

GLP involves dismantling power imbalances and ensuring the authentic involvement of local communities in decision-making processes. This component recognizes that sustainable development requires the active participation of those directly affected by interventions.

### 2.2.3 Global Collaboration with Fairness (GCF)

GCF acknowledges the interconnectedness of global economies and promotes collaboration without exploitative relationships. It emphasizes fair partnerships that contribute to mutual benefit, avoiding one-sided dependencies.

#### *Implementation Strategies*

### 2.2.4 Tailored Interventions (TI)

TI involves developing interventions that are specifically designed to address the unique needs and challenges of each community. It rejects one-size-fits-all solutions in favor of context-specific strategies.

### 2.2.5 Adaptive Implementation (AI)

AI encourages an iterative and adaptive approach to implementation. Recognizing that local conditions may evolve, this component promotes continuous learning and adjustments to development strategies.

#### *Monitoring and Evaluation Framework*

### 2.2.6 Context-Specific Indicators (CSI)

CSI involves the establishment of indicators that are specific to the local context, including qualitative and quantitative measures. It ensures a nuanced understanding of the impact of development interventions.

### 2.2.7 Continuous Learning Mechanism (CLM)

CLM incorporates mechanisms for ongoing learning and adaptation. This component fosters a dynamic approach to development that evolves with changing realities, minimizing unintended consequences.

#### *Ethical Considerations and Sustainability*

### 2.2.8 Ethical Standards (ES)

ES ensures the application of rigorous ethical standards in development practices. It prioritizes human rights, environmental sustainability, and social justice, preventing harm to communities.

### 2.2.9 Long-term Sustainability (LTS)

LTS emphasizes initiatives that contribute to the long-term sustainability of communities. It minimizes negative environmental and social impacts, prioritizing the well-being of future generations.

### **Summary: A New Paradigm for Development**

The Adaptive Contextual Development Model offers a focused and adaptive framework for development. By integrating local context, prioritizing genuine participation, fostering fair global collaboration, tailoring interventions, and incorporating ethical considerations, this

model aims to provide a foundation for sustainable, equitable, and context-specific development. It represents a departure from traditional approaches, embracing the dynamic and diverse nature of the development process.

### **3. The Emergence of Planet Slums: Unraveling Development Paradoxes**

This section is influenced by McMichael's seminal work, "Development and Social Change: A Global Perspective" (2008), shedding light on the emergence of planet slums – areas marked by severe deprivation and the absence of fundamental amenities.

McMichael (2008) characterizes planet slums as habitats inhabited by the world's most deprived individuals, lacking essentials such as decent housing, clean water, sanitation, healthcare, schools, and electricity. An exemplar is found in Dharavi, India, where slum dwellers engage in non-farm work, supporting the global working poor who struggle to afford necessities.

The introduction of the Green Revolution Technology (GRT) serves as a pivotal moment. Originating in Mexico in 1943, GRT promised increased crop yields. However, its expansion to India in the 1990s, facilitated by the Alliance for Green Revolution in Africa (AGRA), resulted in a catastrophic failure. Small Indian farmers, enticed by loans to adopt GRT, faced bankruptcy and a disturbing surge in suicides (McMichael, 2008).

The core issue lies in the power dynamics between AGRA, a collaboration between the Rockefeller and Gates Foundations, and the vulnerable Indian farmers. AGRA's role as both purveyor of GRT and primary buyer of produce creates an exploitative relationship. The top-down imposition of GRT, assuming success in Mexico would replicate in India, disregards the diverse socio-economic landscapes.

Immanuel Wallerstein's world system theory underscores the core's exploitation of the semi-periphery, evident in AGRA's influence over Indian farmers and banks. The aftermath highlights a power imbalance, reinforcing historical definitions of economic development imposed by the core.

The 1999 United Nations Millennium Development Goals aimed to eradicate extreme hunger and poverty (Sach, 2005). However, subsequent shifts toward privatization, driven by Global Capitalist Empire (GCE) entities – the World Bank, IMF, and Transnational Corporations – complicated the development landscape. The UN's adoption of Public Private Partnerships (PPPs), ostensibly for poverty alleviation, was co-opted by neoliberal policies and privatization (McMichael, 2008).

The proliferation of non-governmental organizations (NGOs) in developing countries, while conceived to empower, often serves as a facade. Cornwall (2012) challenges the notion that poverty can be alleviated solely by involving participants in projects, highlighting the inadequacies of participatory approaches that reinforce existing power structures.

In conclusion, the origin of planet slums intertwines with misguided development interventions, power imbalances, and the exploitation of vulnerable populations. The case of AGRA and the consequences of neoliberal policies underscore the urgency of reevaluating



global development strategies to foster sustainable and equitable outcomes.

#### **4. Discussion**

The empirical evidence presented reveals the shortcomings of traditional development models and the unintended consequences of interventions like the Green Revolution and Alliance for Green Revolution in Africa (AGRA). McMichael's insights, grounded in the reality of planet slums, emphasize the importance of considering local contexts and the socio-economic intricacies often overlooked by mainstream theories.

The modernization and dependency theories, while influential, fall short in addressing the complexities of global development. Modernization's top-down approach and Dependency's emphasis on core-periphery dynamics neglect the nuances of individual communities and fail to consider the adaptive capacity of local actors.

In response to these limitations, the proposed Adaptive Contextual Development Model (ACDM) recognizes the imperative of adaptive, context-specific strategies. ACDM acknowledges that development is not a linear process, but an intricate, context-dependent journey shaped by historical, cultural, and environmental factors.

##### **Key Components of ACDM:**

*Localized Problem Analysis:* ACDM begins with a meticulous examination of local challenges, incorporating insights from the people directly affected. This ensures a nuanced understanding of the issues at hand, moving beyond generalized assumptions.

*Community Engagement and Empowerment:* ACDM prioritizes the active involvement of local communities in decision-making processes. This not only ensures that development initiatives align with community needs but also empowers individuals to shape their own destinies.

*Flexibility and Iterative Planning:* Unlike rigid, one-size-fits-all approaches, ACDM emphasizes flexibility. Plans are iterative, adapting to changing circumstances and feedback from the community. This dynamic process allows for continuous improvement.

*Holistic Sustainability:* ACDM recognizes that true development goes beyond economic indicators. It incorporates social, environmental, and cultural dimensions, striving for a holistic and sustainable transformation.

#### **5. Conclusion**

In conclusion, the empirical evidence from planet slums, coupled with critiques of existing theories, necessitates a paradigm shift in development approaches. The proposed Adaptive Contextual Development Model (ACDM) emerges as a responsive framework, prioritizing localized problem analysis, community engagement, flexibility, and holistic sustainability. By adopting ACDM, the international development community can move beyond the limitations of traditional models, fostering inclusive and sustainable development that genuinely transforms the lives of those in need.

### *5.1 Recommendations for Implementation*

**Capacity Building:** Invest in local capacity building to equip communities with the skills and knowledge necessary for active participation in development processes.

**Multi-Stakeholder Collaboration:** Foster collaboration between local communities, governments, NGOs, and international organizations to leverage diverse expertise and resources.

**Policy Re-evaluation:** Encourage governments and international bodies to reassess existing policies, incorporating the principles of ACDM and moving away from one-size-fits-all solutions.

**Research and Innovation:** Promote research that delves into the specific needs and challenges of communities, encouraging innovative solutions tailored to local contexts.

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