



HUMAN DEVELOPMENT, PREMISE FOR SOCIO-ECONOMIC DEVELOPMENT

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Abstract

Development is a preamble of 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. People are instruments and beneficiaries, as well as victims of all development activities. Their active involvement in the development process is the key to success. An important feature of human development reveals that economic and social development is done by humans and, therefore, must be created and perfected human potential based on investment in humans and also in fields of education and culture, vocational training and health. In this approach, we will highlight the existence of correlations between human development and economic growth. Using the documentation and literature review identifies key factors of assessing the present situation of scientific research and European practice.

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, an 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).

Knowledge becomes the most important factor to create human wealth, but also the most effective means to achieve compatibility between the environment created by man and the natural environment. 'By putting the knowledge on base of the creation of the human economy, create real premises for clean economic activities, whose cleanup mechanisms will work continually within economic processes which, being synthetic integrated, will allow human control, with the levers of the mind, both upstream and downstream, companies developing this process on the beginning, during production itself, at the end of production and after the use of product or service.' (Toffler, A., 1993).

In literature, a number of authors (Amartia Sen; Megnad Dessai; Ranis, Stewart and Ramirez, 2000; Schultz, 2005; Suri et all. 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 it 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.

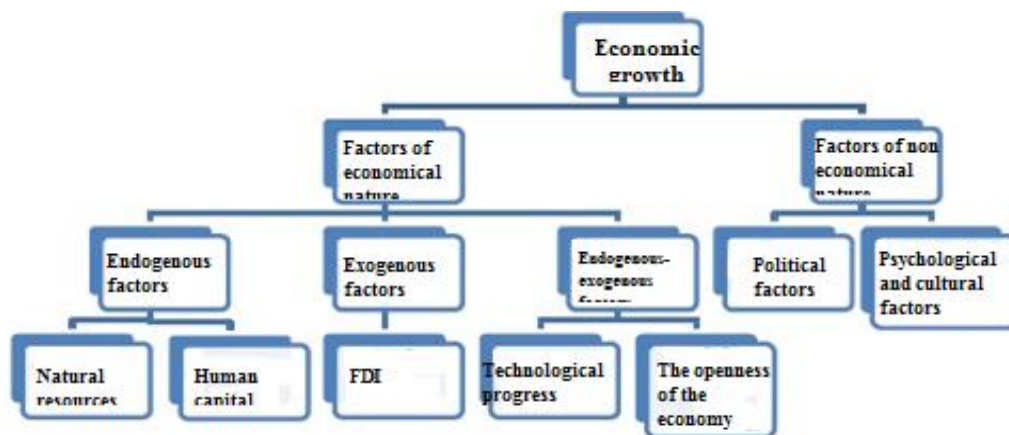


FIGURE 1. Determinant factors of economic growth

Source: Mihuț, Ioana Sorina, (2013), Growth and convergence criteria in the emerging economies of Central and Eastern Europe, doctoral thesis, Cluj-Napoca, p. 19.

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*”.

Theories of 1950s and 1960s regarded the economic growth process as a series of successive phases in the evolution of social trends. They compress models based on neo-classical assumptions. The best known neo-classical model is Solow-Swan model, which determines the level of output of an economy using mutual interaction between capital, labour and technology.

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 economies 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.

Boozer et al. (2003) have developed new empirical strategy to estimate the power double connections between human development and economic growth. They have come to the conclusion that human development should be given priority, in order to achieve both economic growth, as well as further human development. Chakraborty and Mukherjee (2010) confirm that there is a need for further investigation to determine influential factors (other than the income per capita), which underlie the development of a state.

According to Ranis, et al (2000) between economic growth and human development is a relationship in dual-purpose. Moreover, the first purpose is in economic growth, benefiting from human development through the gross national income (GNI). In particular, GNI encourages human development through family, governmental and organizational expenses as well as those of NGOs. With economic growth, will increase also family and personal income, so will spend more, and this will be known by an increase in human development. Moreover, once with the rise in consumption, health and education among the population increase, also contributing to the 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) " .

So people both as a group and look in their individuality, represents both the beneficiaries and the promoters of human development. So that human development, according to the study Human Development Report (2010) 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 presented in Figure 2.

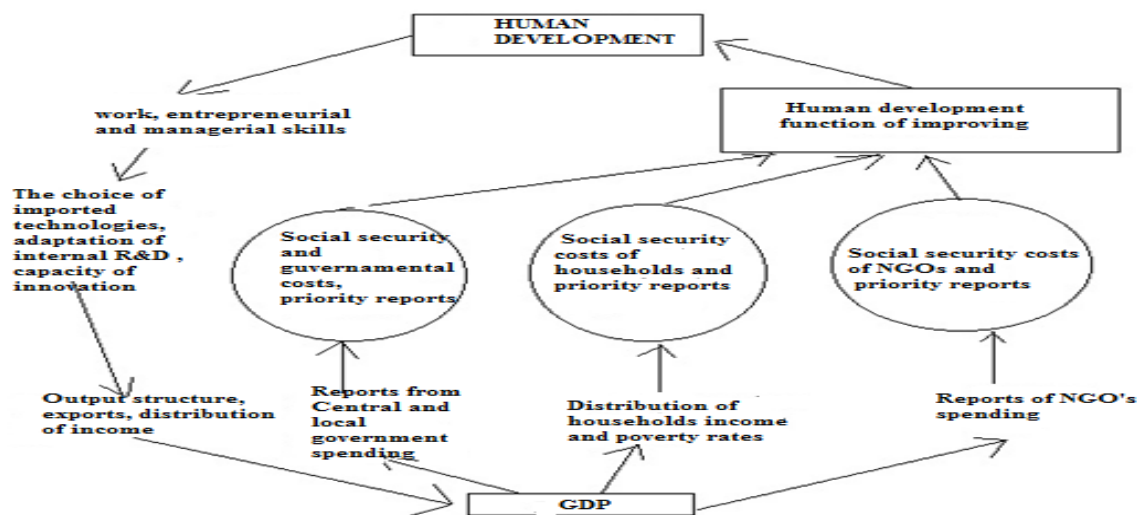


FIGURE 2. Economic growth and human development

Source: Adaptation of Ranis, G., Stewart, f., Ramirez, (2000), of Economic Growth and Human Development, World Development, vol. 2, pp. 197-219

4. Conclusions

Undoubtedly the fundamental human development is very wide. We support the fact that human development is not just a final product, as well as argue studies in this way, but also a means of achieving future economic growth. From the perspective of human development people's possibilities to choose extend in three important areas: the duration of life, level of education, access to economic resources needed for a decent living. In our vision, human development represents a concept linked in a manner that is consistent and complementary to human rights, that is the general concept of economic development. If human development affects extending possibilities and freedoms enjoyed by members of a community, human rights is an initiative to improve the social structures that facilitate or provide these possibilities and freedoms.

Also, we think all these are necessary for the constant improvement of the quality of life, to ensure a high level of welfare, for that human development is the development of people, for people and by people. *'The people are the real wealth of the nation.'*(Sen a., 2004). Economic growth is focused exclusively on extending a single possibility, to obtain revenue, but human development requires a consolidation of all opportunities - economic, social, cultural or political, so that income is a means to human development, but not the only one. Therefore, economic growth is a necessary condition but not enough for human development. According to the Human Development Report, for human development matters, in the first place the economic growth. Thus, if human development process is one of success, *"people can highlight their*

creativity and can really enjoy their proactive involvements in activities which they appreciate and which gives a social status and personal desired."

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