

## The Overview of Economic Growth and Economic Development in nexus to political Ideology in the 21<sup>st</sup> Century.

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**Abstract:** With unprecedented and unstoppable change and explosion happening to the global economy. The growth and developmental phenomenon and competition are the goals of becoming a strong and sustainable power. Since the time of human evolution on earth division of labour and production activity were a stimulus to growth of the economy. So development, in present context has multi-facet dimension. Development constitutes growth plus change that takes into consideration many key factors like poverty, unemployment, standard of life, environment concern, productivity and marketable surplus etc. In economics we study scarcity of resources how to maximize utility how to maximize profit and how to minimize cost, and how to fight stability of price and to stop the fluctuation in Business Cycle etc. In Today's world Government have become a rudder to do welfare activity for the masses and becomes the foundation pillar of growth and development of every sovereign nation, in such a scenario the classical belief Laissez faire were outdated and the economy are being teem with Keynesian ideas of aggregate demand in which Government intervention is necessary evil and sought all activities of the dynamics economy. The developmental activity of sovereign nation is in tune with the political Ideology that are being practiced in relevant to constitutional provision and moves the gear of growth with huge responsibilities to arrest poverty, unemployment, inflation, corruption etc. A state with strong transparent and corruption free and having alignment with other nations in international arena has undoubtedly move forward and the economy grows speedily. In such situation the political ideas are imbedded to increase GDP or GNP as well as to increase PCI, to have Better grades in HDI and PQLI are some goals especially of developing economy. The problems and issues facing developing economy is ever bulging population, un-exploitation of resources or underutilization, lack of saving and investment, lack of capital, low rates of literacy, lack of technology, unskilled labor, lack of technology know-how, corruption and debt management etc. The market failure in case of private and public goods provision etc. In such circumstances the role and function of the Sovereign government are to pro-poor, pro-growth and pro-developmental and looking at the environmental concern for maintaining carrying capacity of the natural endowment of resources. The main policy of every govt. is to give more happiness and safeguard its people from external aggression and stand strong to meet the tough competitive age of global knowledge driven economy. In this light the paper will try study some growth models in order to grab an insight to political ideology for boosting growth and development so as to relate sustainable and progressive economy and come to logical conclusion. Which will be helpful by to come out of 'Vicious cycle of Poverty' and eradicated social evils that eats up the end results of development goals. The study will try fully to address not just mere human but development makes a person more humane, more responsible, more accountable and be able to stand on its own feet and become ideal citizen with Ideal Government and to makes the consumer a king and to life a dignify and becomes an efficient and sound person in body, mind and souls.

**Keywords:** (dynamic economy, sustainable development, GDP/GNP, PCI, carrying capacity, laissez faire, aggregate demand, aggression)

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### I. INTRODUCTION

Aristotle the great philosopher opined that the origin of state is due to economic consideration. He vividly mentioned in his book 'the republic' where all people lived together and shared resources and produced goods for transaction. Since human wants are unlimited and resources available to them are scarce and limited. So trade and exchange were established due to specialization and division of labor that bring about the formation of state as a natural instinct. He further said that man as a political animal and state as a creation of nature. He considered state as a natural organism and advocates private property to stimulates growth of a nation state. For self-interested individual benefit the society over time. It is in this perspective that the political ideology of any people who ruled the people committed to work and promotes the wellbeing of one and all,

hence it becomes necessary evils for government to shoulder economic activities and greater responsibility felt upon the sovereign govt. to ensure freedom and justice to all people. Long before economic science was considered as science, it is called political economy. Economics subject as of now is growing as a separate and distinct subject and have become imperfect science which studies human behavior and scarcity of resources and how to optimized its utility for consumer and how to maximized it profit for the producer. Since all human wants cannot be fulfilled by the invisible hand of the market forces as propounded by Adam smith therefore the Government sector has become part and parcel of developing economy to move them forward in the race of development. Gone are the maxim of Laissez faire which were the logical stand of the classical school where they follow non-interference and the fates of economy was decided by supply side economic. After the great depression of 1920s the classical school views of full employment and wages flexibilities were greatly refuted and Keynes himself in his book; the general theory of employment output and interests' published in 1936 gave a new impetus to classical view and as such full employment is possible in the long run. but in short period there can be under employment equilibrium. He delves deeply on effective demand, aggregate demand and aggregate supply that are of demand side argument and sought government interference for removing unemployment and say that the wages are rigid on account of labor union and bargaining power of the people and many organizations. For him we are all dead in the long run. The economic methodology to study were deductive logic and inductive logic to arrive at any logical conclusion. This is usually verified by empirical evidence. The political Ideology of the 21<sup>st</sup> century was technology driven, knowledge driven, and skilled formation and cut throat competition and to make a niche in the global arena particularly in manufacture products and tertiary sector with hospitality to the world economy. International trade has become the global agent to meet every developmental needs thereby bring foreign exchange and make the balance of payment in equilibrium and make it surplus in balance of trade. The economy today confines to rapid growth in internal economy and external economy. The whole world has indeed become a global village with the information technology and information communication technology that have becoming driving force toward reaching the zenith of growth path that is boom in the real business cycle (trade cycles) and making high growth in GDP and PCI by raising standard of living, making efficient production and efficient consumption and efficient distribution as propounded by contract curve of Pareto optimality in exchange and production.

#### **Conceptual ideas of growth and development:**

Technically, growth implies quantitative expansion or increase in GDP or PCI of a nation. It is single dimensional it talks about length and breadth of increase in National Income of a country.

Economic growth is generally defined as a sustained increased in per capita national output over a long period of time. In essence the rate of increase in its total output must be greater than the rate of population growth.

For layman economic growth and economic development are synonymous. But for economist's economic development implies growth plus change. Usually growth concept confined to developed economy and development relates to developing economy. Economic development can be defined as growth plus progressive changes in certain crucial variables which determine the wellbeing of the people.

Development means multi-dimensional, qualitative changes, discontinuous and spontaneous changes, thereby relating to underdeveloped countries.

#### **The gist of Harrod-Domar growth model:**

Prof. Harrod an eminent economist developed a model of growth which are applicable for developed economies concentrated on the need for steady growth of the economy. He opined that the rates of income that will provide a dynamism in the path of equilibrium from time to time are basically the power of capital accumulation that play a crucial role in the process of economic growth. This models revolved around J.B. Say principles of supply creates its own demand and enough attention are not being paid to the aggregate demand of Keynesian economic. The model is a synthesis of classical and the Keynesian analysis of economic growth.

He believes that there exists steady growth in developed nation along with integration of multiplier effect of income and accelerator effect of investment in the economy. The model is a single sector models of economic growth. He gave three types of growth for an economy:

They are: 1) Actual Growth  $G$ : it determines the saving ratio and capital-output ratio.

2) Warranted Growth rate  $G_w$ : it is full capacity growth rate of an economy

3) Natural growth rate  $G_n$ : it is the welfare optimum or full employment rate of the growth.

Solving his equation of growth i.e.  $GC=S$ , putting  $G=\frac{\Delta Y}{Y}$  and  $S=\frac{I}{\Delta Y}$

Then,  $\frac{\Delta Y}{Y} * \frac{I}{\Delta Y} = \frac{S}{Y}$

$Y=S$ , this is dynamic equilibrium.

In stable equilibrium:  $G=G_w= G_n$ . this is called a knife edge equilibrium

Case 1: when there is disequilibrium, when  $G_n > G_w$  then, capital formation is less than growth rate of population.

Case 2: When  $G_n < G_w$  then there will be deflation since capital formation is greater than the supply of labor force, which means there exist excess capacity which ultimately lead to depression in the economy.

Case 3: when  $G > G_w$  then there occur an inflation in an economy. Since the total demand are in excess of total supply that lead to a phenomenon increase in price of the commodities. if total demand greater than total supply the economy would move towards secular stagnation.

#### **A cursory overview of Robert Solow growth Model:**

Robert Solow and Swan in 1956, independently developed neo-classical growth model. Solow was being awarded Nobel prize for his model and contribution to the economic science. The Solow – Swan model have become a standard theoretical explanation of why some countries grow faster than others, and it plays an important role in many policy discussions related to the long run significance of saving and investment. The gist of his model are-

- ✚ Effect of technology change to growth
- ✚ Effect of Capital formation to growth
- ✚ Effect of labor to growth

A.K. model also stated the fact that technological progress plus human capital bring about economic growth. Solow maintained that there was no fixed capital-output ratio and fixed capital-labor ratio as maintained by Harrod –Domar in their model. He said that technological progress, population and Depreciation are determined exogenously.

He used production function and consumption function to construct his model. According to him when investment exceeds than depreciation, the availability of capital stock grows and vice-versa. He gave his Golden rule of capital as  $C^* = F(k^*) - \Delta K^*$ . The model does not consider neither fixed capital-output ratio nor fixed capital -labor ratio but there can be substitution between the capital and labor at each other to determines growth. This model also tells us the fact that to have growth in the economy given that it is a closed economy, the govt. of a sovereign nation can decide at what rates output should be determined and which method of input should be undertaken whether capital intensive or labor intensive, how to control population growth and how to reduce depreciation etc. In this connection the political ideology of the sovereign govt. come into force to decides about the kinds of goods and services that are to be made available for the masses and to raise the GDP or GNP of a country.

#### **Political Ideology in 21<sup>st</sup> century from developed and developing economy.**

##### **In context of USA:**

The key features of American Political Ideology Centre around Liberal, Progressive and Conservative or Moderate. The reason why the Govt. is strong and efficient are due to its assertion of positive rights that are in principles the preservation, extension of human, social and civil rights which are progressivism similar to that being practice in the European Social Liberalism. Conservatism relates to combination of economic liberalism and libertarianism and inclusion of social conservatism. The US political ideology contemplates on small govt. and individual liberty taking account of promoting traditional values on some social issues. As on June 2010, It reveals that 40% voters are Conservatives, 36% are Moderates and 22% as Liberals. From this fact, there are strong implication that US are super power and number one strong economy basically imbedded from vibrant and efficient adoption of political Ideology that suits the needs and necessity of their masses.

##### **In context of UK**

UK political Ideology was found in the rise of Mercantilism that took place in 15<sup>th</sup> to 17<sup>th</sup> century. The policy of colonization and rise of Industrial revolution were some historical and economic growth of the country. They have Monarchy system of Govt. during those time.

The keys feature of British Political Ideology can be broadly divided into 7 features:

- Liberalism
- Conservatism
- Socialism or Social Democracy and Labor
- Anarchism
- Nationalism
- Racism, Fascism and Populism
- Multi-culturalism

The United Kingdom have been having parliamentary democracy under a constitutional Monarchy. They have two houses 1. House of Commons 2. House of Lords.

These two houses are key player for the socio-economic and political growth and dynamic activities of the country. Besides, the country has Judiciary which are independent of the executive and the legislature. They

have a multi-party system. The two dominant party amongst them were Conservative party and Labor party. Thus, the insight is that British are not less in development in compare to US. They also have strong international relationship with other country being the mother of many colonies of the past. They are highly educated people and contributes ideas and Ideology from those times of their colonial rule in Europe and other part of the world.

### **An insight of India's political Ideology**

Indian political Ideology were very good for it is a synthesis of many European Constitutional Ideology in spirit. We have a democratic and federal structure where Centre's plays a vital role in the political domain. We have three political wings namely, 1. The Left (CPI, CPM, AamAadmi Party, RPI and BSP etc.)

2. Centre (liberal wings) i.e. Indian National Congress the dominant player for nearly 6 decades or more.

3. The Right wings (BJP, Shiv Sena, Akali Dal, and Telugu Desam etc.)

Political and Constitutional principle are really good but the implementation part is partially perfect.

Normally votes bank are created not on accountability and transparency but mostly based on Favoritism, Identity basis, Ethnicity criteria etc. at times incapable persons are elected and many social and economic issues are ignoring knowingly. Despite the rise in growth rates to 9 % and 7-8% yet the major issues like poverty and unemployment are increasing day in and day out.

In principle Left wing were against free market capitalism, imperialism, Secularism and adopt a socially liberal stance. The Right wings were against communism, state intervention in Market, adopt a conservative in social and religious matter. So the constitution is undoubtedly lengthiest and exceptionally sound best. The real hurdles are due to mass ignorant and illiterate nature of the masses. The rampant corruption and unhealthy competition which eat away much of the development effort of any new development and innovation. So Indian economy should get along with the world economy and need fair and drastic competition in all fields. We need more challenging task on modern gadgets, technology driven in primary sector, secondary and tertiary sector. And most Industries and tertiary sector are usually confined or concentrated to the metropolitan cities and inequality between region are escalating. Many of the rural areas in the country does not get urban amenities of life. So mass internal migration from rural areas are the common phenomenon facing the country. In such a situation we need sound and logical political stance to increase the welfare of all. Government schemes and budget formulation are not sufficient. The country need transparency and work culture giving prior attention to skilled building and vocational courses. The expenditure or outlay for education sector are also seemingly low. We need to push up human capital by more investment on Human to bring up more ideal citizen who are humans as well as humane to competes for robust economic growth and development.

### **Major Recommendations:**

- ✚ To optimally utilize the natural wealth
- ✚ To focus on human capital formation
- ✚ To end corruption
- ✚ To choose the intellectual as the political heads
- ✚ To respect dignity of labor
- ✚ Political freedom
- ✚ Opening more vocational and skilled oriented enterprise
- ✚ Fair competition between private enterprise and public enterprise.
- ✚ To spend more on Education and Health sector.
- ✚ Making a country a global hub for trade and foreign direct investment.

## **II. CONCLUSION**

A nation that stand together becomes dynamic and strong. So there are many sensitive issues pertaining to the country. There are issues that put a challenge to democracy principles and some elements are trying to pull apart division of people and land within the country is very much common. Many peoples feel unprotected and insecure and the gap between have and have not are increasing. Therefore, right and logical diplomatic tactic should be used to make the citizen equally feel and experience oneness. That is unity in diversities must be preserved and act accordingly to the wish and desire of all people despite their language and cultural differences together with economic equality. We have come up so far from nothingness at the time of Independence to highly expanding and blooming economy that should go up till its reaches the zenith of development and has a name in the international arena in all fronts. So the political Ideology cannot work alone, it has to go along with Economic and development agenda of the endless human wants with limited means.

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