Assess the view that economic development is dependent on economic growth. Refer to examples of developing countries in your answer. (25 marker)

Economic development is when a country seeks to improve the economic wellbeing and quality of life by creating new jobs and supporting growing incomes. Economic growth is the increase in the amount of goods and services produced per capita over a period of time. The HDI is a measure of development, using life expectancy, education and per capita income to rank a country into a level of development.

One reason that economic development is dependent on economic growth is that (draw AD shifting to the right on an LRAS curve) an increase in economic growth ultimately leads to an increase in consumption. This is because as AD shifts to the right and gets closer to full employment, more people are employed and are earning wages. This means that the society of the developing country becomes richer and as this happens they consume more. Economic theory believes that as people consume more, they gain more utility as they improve their living standards and gain greater prosperity. This economic growth brings economic development and therefore, without growth people would not have the money to finance an improvement of their living standards.

However, an increase in economic growth can cause an increase in inequality. This could be if a small amount of people benefit from the growth and this does not go to the rest of the citizens who remain in poverty and therefore the overall development of the country does not improve due to more economic growth. (Draw the Lorenz curve to show the inequality)

Another reason that economic development is dependent on economic growth is that with economic growth there is an increase in tax revenue. This means that the government can invest more into public services, for example health care. In many developing countries such as malaria in Sub-Saharan Africa there is an outbreak of disease, with an improvement in health care, this can be tackled and ultimately improve the quality of life for these people. Furthermore, the government can use this tax revenue to improve education in order to give people more skills and literacy, providing them with increased opportunity and raising their living standards as education is a determinant of welfare and happiness in the long run. Therefore, economic development is reliant on economic growth because the government will raise the countries level on the HDI as education is a factor of development.

However, the government might not invest in public services due to corruption that exists in many developing countries such as Cambodia. This means that an increase in tax revenue due to economic growth may not actually benefit the people of the country resulting in no effect on economic development. Additionally, the government may not have the ability to collect tax effectively which means that the tax revenue may not be so significant if not all of it is received and the government's improvements in public services may only be minimal.

A reason that economic development is not dependent on economic growth is that aid can be given to the country without growth, which can improve healthcare and education from the foreign aid. therefore, growth is not a necessity for development and a country can gain economic development without it, through aid.