[Glossary]

Understanding Economic Development

Subject:	Business Economics
Course:	B. A. (Hons.), 6th Semester, Undergraduate
Paper No. & Title:	Paper – 641 Elective Paper E2 Economic Growth and Policy
Unit No. & Title:	Unit – 1 Economic Development – Definitions and Concepts
Lecture No. & Title:	Lecture – 2 Understanding Economic Development

Glossary

Development: Economic development connotes welfare and inclusion of all segments of the population and all sectors of the economy by equitable/just/appropriate distribution of growth.

Development is said to have occurred when there is an improvement in the way growth takes place and that growth leads to a condition of life better than before, for most sectors and segments of the population.

Income Inequalities: It refers to an inequitable distribution of national income where a small percentage of population gets a very large share of the national income while a very large percentage of population gets a very small share of the national income.

Long Run: A period of time in economics during which almost all factors of production can be altered in quantity and quality, new technologies can be introduced, new infrastructures can be set up; in a macroeconomic sense, it is a period defined by completion of a trade cycle.

Real GDP: It is the current GDP measured in prices of a base year. In other words, it is the current GDP measured in constant prices or adjusted for inflation. If 20 books and 30 chocolates are produced in an economy and the current price of one book is Rs. 100 and that of one chocolate is Rs. 50, then **GDP at current prices** is (Rs. 100 x 20) + Rs. (50 x 30) = Rs. 3,500. Now if the price per book in a selected base year was Rs. 80 and that of a chocolate was Rs. 60 then the **real GDP or GDP at constant prices** is (Rs. 80 x 20)+(Rs. 60 x 30) = 3,400.

Real Income: It is the purchasing power of monetary income. In simple terms, real income = monetary income ÷ price index.

[General price index is an average of the price indices of all important goods of an economy. A simple way of calculating a price index is (price of good A in the current year, p_1 ÷ price of the same good A in the base year, p_0) x 100.

$\frac{P1}{P0}$x100]

Trade cycle: A capitalistic economy exhibits typically regular alternating periods of rise, boom, recession and depression. Such movements are similar to wave-like movements or see saw movements. These indicate fluctuations in economic activity and are called trade cycles.

Welfare: An improvement in the state of wellbeing of people.