

Answer on Question #37793 – Economics – Macroeconomics

Every nation strives after development. Economic progress is an essential component, but it is not the only component. Economic development is not purely an economic phenomenon. In an ultimate sense, it must encompass more than the material and financial side of people's lives. Economic development should therefore be perceived as a multidimensional process involving the reorganization and reorientation of entire economic and social systems. In addition to improvements in incomes and output, it typically involves radical changes in institutional, social, and administrative structures. Finally, although development is usually defined in a national context, its widespread realization may necessitate fundamental modification of the international economic and social system as well.

The classical theories of economic development consist of following four schools of thought:

1. Linear-stages-of-growth model
2. Theories and patterns of structural change
3. International-dependence revolution
4. Neoclassical or free-market counterrevolution.

Contemporary models of development attempt to incorporate one or more of the following ideas:

1. Problems of coordination among agents
2. Increasing returns to scale
3. Finer divisions of labor
4. New economic ideas of information
5. Learning by doing
6. Imperfect competition, such as monopolistic competition