



# The evolution of idea of socio-economic development

MICHAŁ LITWIŃSKI

Poznan University of Economics and Business, Faculty of Economics, Department of Sociology and Business Ethics, al. Niepodległości 10, 61-875 Poznań, Poland

✉ [michal.litwinski@ue.poznan.pl](mailto:michal.litwinski@ue.poznan.pl)

## Abstract

**Motivation:** The way of understanding of development concept in economics has been changing since the beginning of the discipline: from economic growth, through economic development to socio-economic development. The author of the paper believes that it is important to indicate features of socio-cultural context that shape understanding of this phenomenon. It will make it possible to explain why and how the understanding of development in economics has changed and appropriately understand definitions of this process that are proposed by contemporary researchers.

**Aim:** The purpose of the paper is to reconstruct features of socio-cultural context in which it has changed the way of understanding of development concept in economics.

**Results:** Division of economic development and economic growth took place in 1960s. Change of understanding of development concept was caused by the following factors:

(1) influence of new sociological and philosophical ideas, (2) historical events (mainly the Second World War and decolonisation process), (3) growing meaning of formalism and scientism in economic considerations, (4) appearance of mechanistic ideas in economics, (5) international cooperation for development that allows to formulate preferred development goals.

**Keywords:** *socio-economic development; economic growth; social development; socio-cultural context*

**JEL:** O10; O40; B10

## 1. Introduction

There are a lot of definitions of development and it was not achieved consensus on this issue in economics (Piontek, 2010, p. 117). It is also worth realising that the way of understanding of development concept in economic theories was changing while the discipline was evolving. There could be indicated the following main steps in the process of defining of development by economists of different epochs: from economic growth, through economic development to socio-economic development.

The author of the paper believes that it is essential to indicate features of socio-cultural context that caused change of definition of development. It will allow to understand appropriately definitions of this process that are proposed by contemporary researchers.

The purpose of the paper is to identify features of socio-cultural context in which the way of understanding of development concept has changed in economics. The specific objectives are as follows: (1) identification of period in which it was recognised that development is something more than economic growth, (2) identification of sociological, philosophical, historical reasons and circumstances of evolution of development definition: from economic growth to socio-economic development. In order to achieve these aims there will be described considerations in history of economic thought that were taken by the most influential researchers, as well as socio-cultural background that affected the way of thinking in economic theories.

## 2. Literature review

In the literature there exist many approaches to defining the term of development. However, there is no agreement on this issue (Piontek, 2010, p. 117). Generally, development could be understood as a process of change or as an objective (Bellu, 2011, p. 2). As regards the former the considered phenomenon could be defined as a process of transformation of a particular system to better forms and optimal (according to approved criteria) states through a set of quantitative and qualitative changes (Słodowa-Helpa, 2015).

As regards development of economies and societies there are indicated many terms that are important for understanding of this process — crucial concepts (that are the most popular ones in economic discourse) are as follows:

- economic growth — reproduction in material sphere; increase of volume of goods and services that are produced, in real terms; this process encompasses quantitative changes;
- economic development — this phenomenon is more complex process than economic growth as it encompasses both quantitative and qualitative changes, e.g. transformation of production structure, implementation of new methods of management of resources; economic development in-

creases opportunities of economic growth as it allows to achieve higher trajectory of the latter (Kubiczek, 2014; Fritz, 2004, p. 2);

- social development — this phenomenon is associated with qualitative changes in social structure — these changes regard, among others, social integrity and social trust; it changes opportunities of individuals whose goal is to achieve higher social status (Fritz, 2004, p. 2);
- socio-economic development (definition is presented below).

On the basis of literature research (see: Stemplowski (1987, p. 5), Chojnicki (2010, pp. 7–9), UNDP (2012), Bellu (2011, pp. 5–6)) there was adopted a following definition of socio-economic development: it is a process of quantitative, qualitative and structural changes that are a result of actions of subjects taken within social (economic) practice. This changes influence life conditions in the following fields: material conditions (possibility to satisfy needs associated with consumption of goods and services; it is related with the phenomena of economic growth), economic structure and entrepreneurship, access to public goods and services (that results in changes of education level, a way of taking care of someone's health etc.), relations within social system (integration between individuals, trust, security, social conflicts), environment condition, and life satisfaction.

### 3. Methods

A basis for making conclusions will be research of literature (mostly publications in English). In the paper there will be used induction method as a fundament of reasoning used in the process of detailed analysis of facts and elements of reality that contribute to socio-cultural background, in order to make general conclusions concerning factors affecting the way of understanding of socio-economic development in economic theories.

### 4. Results

#### 4.1. Development concept in economics

Development is not a new concept in economics. Rostow (1975, pp. 1–30) indicates that the concept of development appeared in Western Europe in the 18th century, after transition of the society to modern one. The way of understanding of that concept was taken from biology that defines development as the process of maturation. At the same time history began to be seen as the ceaseless process of improvement (Sachs, 2000, p. 5) and industrialisation became the indicator of modernity what resulted in Industrial Revolution (Arndt, 1987, p. 9).

Nevertheless, before the latter took place, it had been necessary reorientation of habits, ideas and objectives — intellectual sources of The Industrial Revolution should be sought few centuries earlier in (1) gradual application



of science and technology in the process of goods and services production and (2) promotion of ideas of modern society that were present in protestant ethics, Newtonian vision of physical world, and considerations of empiricists and rationalists. Protestant reformation sanctioned new rules, according to which it was necessary to concentrate on temporal world and development in present life. Bacon (1863, p. 416) claimed that the genuine sense of science is to enrich human life with achievements and inventions — thereby he related science and idea of material progress. Newton (compare: Rostow (1975, pp. 1–30)) indicated that a man is able to forecast, understand and manipulate nature. Promotion of that idea made entrepreneurs to look for new solutions and implement improvements to the process of manufacturing.

In the second half of the 18th century material progress of the whole country became possible and desirable. That period is associated with A. Smith (1776) who articulated popular, at that time, belief that universal and steady effort of citizens, that aim to improve their living conditions, will be favourable for the whole England to ensure opulence in the future. Moreover, popularity of nationalistic ideas and a care for enhancing a power and independence of a nation became reasons why there were taken considerations on development of a country as a whole.

It should be underlined that J.S. Mill (1848, p. 324) created a basis for gradual leaving of growth economics — in the first half of the 19th century a majority of Western economists took material progress for granted and began to take considerations on economic welfare (precisely, allocation effectiveness, distribution of income, stability).

However, in mainstream economics the term ‘development’ was not used deliberately. The first who referred directly to the concept of economic development was Marks (1887, p. 251) — he said about Capital: ‘it is the ultimate aim of this work, to lay bare the economic law of motion of modern society’ (Marks, 1887, p. 7). Marks (1887, pp. 250–251) was the first to use the term of economic development in the meaning similar to contemporary one. The author claimed that it is necessary to increase productivity of a man (of labour).

## 4.2. Development identified with economic growth

Lummis (1996) indicates that until the end of the first half of the 20th century development was not believed to be successfully created by a man. It was rather spontaneous than target-oriented process. It was not until the second half of the 20th century that development became a subject of deliberate action.

The Second World War changed a balance of power. European countries became too weak to stop independency movements that appeared in colonies. The meaning of colonial empires decreased and national autonomy of colonies began to increase. In that period military power was replaced by economic one because of activity of the United States that were not so seriously wounded during the War as the European countries. The United States began to support ac-

tively decolonisation process, trying to get through the own pattern of governing (liberalisation, free market, democracy, international cooperation, individualism etc.). A basis for getting independence became development understood as material progress (Sachs, 2000, p. 7).

It should be underlined that in that time the level of development has been measured mainly by economic performance. Arndt (1987, p. 35) indicates that the expression of such approach is the first attempt of compilation of national accounts (from different countries) that was made by C. Clark (1940). His paper *Conditions of Economic Progress* was an incentive to evolution of numerous theories and models of growth.

It is worth realising that one or two decades after The Second World War, both rise of differences in satisfaction of needs between rich and poor countries and the increasing meaning of humanitarianism made this differences unacceptable. Therefore in mainstream economics it appeared a belief that economic development should be understood as increasing living standard. However, the latter could be defined in different ways. Economists very quickly narrowed development definition and continued to understand it as an improvement of material welfare — economic development became no more than economic growth that was believed to be the only way to ensure satisfying living standard (Arndt, 1987, pp. 49–51). Lewis (1955, p. 29) claimed that economic development means rise of real national income per person. Even if national income per capita was not ideal measure of living standard, it was still a main element in the process of development evaluation.

On the other hand, in economic theories there appeared also opinions that economic development means something more than economic growth. Myrdal (1968), proposing a pretty wide definition of considered phenomenon, indicated that this process means enhancement of essential conditions in social system that are causes of underdevelopment. Lewis (1949, pp. 153–176; 1950, pp. 1–51) indicated that even if individuals believe in the possibility of production increase, they are not obliged to treat the latter as an important issue. Hierarchy of values is essential here. However, despite mentioned contributions pro-growth understanding of economic development dominated until the beginning of 1960s.

Prevalence of material values in understanding and quantified categories in measuring of development should not be surprising. It is a result of growing meaning of scientism in economics that began to dominate this discipline since the end of the 19th century. During the first half of the 20th century knowledge that is accumulated through empirical research (including statistical data) yielded greater value for economists. Moreover, quantitative analyses came out more popular. Glapiński (2006) realises that in that time formalism became crucial too as economists would have liked to ensure scientific standard of their research, along with the pattern of natural sciences.

### 4.3. Distinction of economic development and economic growth

It should be noted then that still two decades after the Second World War development was identified with economic growth (Sachs, 2000, p. 9). Physical capital accumulation was believed to be the core of the former (what could be realised in considerations of Singer and Lewis, among others). However, at the very beginning of 1960s Singer (1961) underlined importance of human capital, indicating that wealth creation is significant, but capability of doing it is an essential issue. This capability is placed in individuals (power of brains).

A reason for such a radical turn was realising that a share of national income that is created due to contribution of physical capital and labour in production process is very low. It was indicated then that a residual factor should exist. Technical progress or, more widely, application of knowledge (from education) to manufacturing process was believed to be the latter (Arndt, 1987, p. 61). Schultz (1963, p. 45) was the one who made the concept of human capital essential for economic analyses. The author, doing research in the United States, noticed that productivity of labour and capital is rising steadily as people invest in themselves, using education opportunities.

The idea of identification of development with economic growth was challenged also because of concentration on the situation of poor people. It was realised then that unequal distribution of economic growth effects leads to increase of the level of poverty (Sachs, 2000, p. 9). Therefore the concept of social development was taken into consideration (mainly thanks to activity of the United Nations that was promoting social welfare). This process was supposed to relate economic growth with support for families and children.

Importance of social dimension of economic development increased. Singer (1965) underlined aspects like education, health and nutrition, indicating that the problem of underdeveloped countries is not only to stimulate growth but also— development. It was a significant point in the history of economic thought as two mentioned concepts were divided. Since that moment economists began to understand development as combination of two elements: economic growth and a change (social and cultural, quantitative and qualitative) of the system and participation of every agent in considered process. The aim of the latter was to improve quality of life for the whole society.

Reasons for such a change were sociological and philosophical ideas that appeared at the beginning of 1950s. It was believed that ensuring equality of opportunities to satisfy everyone's needs is essential. Furthermore, welfare of an individual became to be considered as an objective, rather than as a mean to achieve other aims (Stewart, 2013, p. 16; Arndt, 1987, p. 89). Rawls (1971) contributed also to these considerations with his theory of justice. The author claimed that consequences of natural distribution of resources (including initial material status and abilities) should be alleviated by distribution of material resources in a way that ensures equality of opportunities.

The second half of the 20th century was also the period of intensified considerations on models of development of economic system in terms of generating possibilities of high economic growth (Bellu, 2011, p. 3). Stacewicz (2003) claims that significance of models in economic considerations is an expression of influence of mechanistic ideas. Economy is perceived as a system of interrelated elements — change of one category causes modification of the level of other variables. Analysis of the most popular models allows to observe gradual modification of understanding of economic development and economic growth.

#### 4.4. Socio-economic development

Nowadays an expression of preferred definition of development and a factor that influences a way of understanding of considered phenomenon are mainly documents of international institutions (e.g. development agencies, UNDP, FAO, International Monetary Fund, World Bank) and declarations of countries that cooperate in order to achieve development goals (Bellu, 2011, p. 7). For instance, Millennium Development Goals, proposed by UNDP (2000), encompass reduction of poverty, health, sustainable use of resources, education, food security and good governance. Considerations on development are no longer taken mainly in the context of poverty alleviation in lagging regions (Massey, 1988, pp. 383–413). Widely understood socio-economic development plays a major role.

This turn is associated with growing meaning of humanitarianism but also philosophical and sociological ideas concerning equality of possibilities. Obviously, popularity of taking care of environment and realising of the role of social capital are significant factors too (Fritz, 2004, p. 2).

### 5. Conclusion

To summarise, it should be realised that economists noticed the existence of development at the very beginning of economic research (probably K. Marks was the first to use this term deliberately). However, until the second half of the 20th century this process was identified only with material progress. Moreover, the phenomenon was believed to be linear. Nevertheless, in 1960s development was divided from economic growth and, later, got a wider definition as its social dimension was strongly emphasised — definition of the considered process evolved to the concept of socio-economic development. Furthermore, this phenomenon began to be treated as a non-linear and asymmetric process.

Reasons (socio-cultural context) of change of understanding of development concept are as follows:

- appearance of new sociological and philosophical ideas that led to realising of development existence (among others considerations of F. Bacon and Newtonian vision of physical world) and noticing that development is

- something more than material progress (humanitarianism, theory of justice, a shift from treating people as means to give them the status of ends),
- historical events — mainly the Second World War that led to change in balance of power and decolonisation process which, in turn, was a cause of realising the existence of underdeveloped areas in the world,
  - growing meaning of formalism and scientism in economic considerations that resulted in publishing of national accounts data and noticing of income differences between countries — it was a reason for analysing causes of underdevelopment of some countries,
  - mechanistic approach in economics that caused appearance of economic growth models — it allowed to observe that technology (application of knowledge) is crucial in production process and to indicate that development is not linear — it should be treated as series of multiple shifts to new paths of changes,
  - international cooperation for development that allows to formulate preferred development goals and define the considered phenomenon more widely.

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## Acknowledgements

**Author contributions:** author has given an approval to the final version of the article.

**Funding:** this research was undertaken as part of the (*Nierówności dochodowe a rozwój społeczno-ekonomiczny w Polsce i innych krajach Unii Europejskiej*) project and was fully funded by a grant (MNiD (UEP) 511031554).

**Supplementary information:** author acknowledge following people for help with the preparation of the article: Professor. B. Pogonowska, Poznan University of Economics and Business.