

Exploring Alternative Models of Economic Growth and Development: A Cross-Comparison

Ajay Kumar

Research Scholar

Kurukshetra University

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* Corresponding author

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Abstract

Economic growth is the increase in the production of goods and services in an economy, while economic development refers to the improvement of economic and social welfare in a society. There are various models of economic growth and development, each with its own set of assumptions, variables, and outcomes. The will compare the main features of the following models of economic growth and development: neoclassical growth model, endogenous growth model, human development approach, and post-development model. The neoclassical growth model assumes that technological progress is exogenous and that capital accumulation is the main driver of economic growth. The endogenous growth model, on the other hand, considers the role of human capital and innovation in driving economic growth. The human development approach focuses on the improvement of people's well-being, such as health, education, and quality of life, as the main goal of economic development. The post-development model challenges the mainstream development paradigm and aims to empower communities to create their own development pathways. By comparing these different models of economic growth and development, the aims to provide a comprehensive understanding of the strengths and weaknesses of each approach. This analysis will be useful for policymakers, economists, and researchers who are interested in developing strategies for sustainable and inclusive economic growth and development.

Keywords: economic growth, economic development, neoclassical growth model, endogenous growth model, human development approach, post-development model, technological progress

Introduction

Since the beginning of the modern economic research and policy movement, growth and development of the economy have been front and centre. While economic growth refers to an increase in the production of goods and services in an economy, economic development refers to the improvement of economic and social welfare in a society. Economic growth is a narrower



concept, while economic development is a broader concept. There are several models of economic growth and development that have been developed throughout the course of time, and each of these models has its own unique set of assumptions, variables, and results. The neoclassical growth model, which was developed in the 1950s and 1960s, assumes that economic development is primarily driven by the accumulation of capital and that technical advancement is an external factor. According to this approach, a nation may raise its overall level of production and revenue by increasing its level of investment in physical capital, which includes things like buildings, equipment, and infrastructure. In addition to this, the model presupposes that markets function effectively and that there are no negative externalities, such as pollution or congestion, that influence economic expansion. “On the other hand, the endogenous growth model was developed in the 1980s and 1990s. This model takes into account the roles of human capital and innovation in the process of generating economic development. According to this concept, investments in areas such as education, research and development, and technology have the potential to result in continuous economic growth. The endogenous growth model acknowledges the significance of externalities, such as knowledge spillovers, which may have a beneficial impact on economic expansion.

The human development concept, which gained popularity in the 1990s, sees the enhancement of people's well-being as the primary objective of economic growth. This may be accomplished via improvements in areas such as health, education, and quality of life. This strategy acknowledges that increased economic development does not immediately translate into enhanced human wellbeing and that policies need to be crafted in order to guarantee that the benefits of growth are distributed fairly in order to be effective. The post-development model, which arose in the 1990s, poses a challenge to the mainstream development paradigm and seeks to empower communities to establish their own development paths. Both of these goals were accomplished through empowering communities to construct their own development pathways. This approach acknowledges that development is a process that is both complicated and unique to a given setting, and that it cannot be forced from the outside. The post-development model places a strong emphasis on the role that local knowledge, culture, and values play in determining the results of development efforts. The purpose of this is to offer a full knowledge of the benefits and drawbacks associated with each method of economic growth and development by comparing the many models of economic growth and development. This study will be helpful for politicians, economists, and scholars who are interested in establishing methods for economically sustainable and inclusive growth and development. This will add to the current discussion about the best approach to promote economic growth and development in a manner that is beneficial to all members of society if we examine the assumptions, variables, and results of each model.

The selection of a model for economic growth and development has important consequences for the process of policymaking since it has an effect on the formulation of policies as well as the distribution of resources. For instance, placing an emphasis on the accumulation of capital and investments in physical infrastructure may cause one to disregard other aspects that are important to economic expansion. These aspects include human capital, innovation, and social



welfare. In a similar vein, placing an emphasis on human development and social welfare may cause one to overlook the vital role that investments and physical infrastructure play in fostering economic expansion. There are a variety of economic growth and development models, each of which has distinct repercussions with regard to sustainability and the influence on the environment. For instance, the neoclassical growth model presupposes that the earth's natural resources are limitless and that economic expansion may go on for an unlimited amount of time. This premise, however, does not square with the fact that there are finite resources and that human economic activity has a deleterious effect on the natural environment. On the other hand, the human development approach and the post-development model both stress the significance of sustainable development, which is defined as economic growth that minimises adverse effects on the environment and prioritises the well-being of future generations. In addition, the consequences that various models of economic growth and development have for inequality and social justice change depending on the model in question. For instance, the neoclassical growth model presupposes that the advantages brought about by economic expansion would eventually be enjoyed by all participants in a community". On the other hand, this presumption does not square with the reality of pervasive inequality and poverty in a great number of nations. Both the human development approach and the post-development model place an emphasis on the significance of social justice and fairness in the process of fostering economic growth that is both inclusive and sustainable.

Neoclassical Growth Model: Assumptions and Implications

During the 1950s and 1960s, a theory of economic growth known as the neoclassical growth model came into existence. It is supported by the hypotheses of perfectly competitive markets, the rationality of economic actors, and the principle of declining returns. The model operates on the presumption that technological advancement is an external factor and that the primary engine of economic development is the accumulation of capital. According to this approach, a nation may raise its overall level of production and revenue by increasing its level of investment in physical capital, which includes things like buildings, equipment, and infrastructure. One of the conclusions that may be drawn from the neoclassical growth model is that economic expansion can go unabated into the indefinite future provided as the rate of capital accumulation is maintained. This assumption leads one to believe that the earth's natural resources are limitless, which is in contrast to the fact that there are only so many resources available and that human economic activity has a detrimental effect on the ecosystem. In addition to this, the model presupposes that markets function effectively and that there are no negative externalities, such as pollution or congestion, that influence economic expansion. This premise, however, does not square with the facts of market failures, which may result in the inefficient allocation of resources as well as negative externalities. "Another consequence of the neoclassical growth model is that over time, there will be a convergence in the amount of income enjoyed by people living in different nations as a result of economic expansion. Based on this presumption, nations that now have a lower level of income will expand at a quicker rate than those countries that currently have a greater level of income, which will ultimately



lead to a convergence in the long term. This premise, however, has been called into question in light of the fact that income disparity and poverty continue to exist in a great number of nations, which shows that increased economic development does not inevitably lead to gains in social welfare for all members of society. as a primary factor in fostering economic development. The hypothesis behind this model is that the rate of technological advancement is exogenous, which essentially implies that it is not affected by the volume of money spent on educational opportunities, research and development, and technical advancement. Evidence from the real world, on the other hand, demonstrates that investments in human capital and innovation may result in sustained economic development and increased productivity.

Implications for Inequality and Social Justice

During the 1950s and 1960s, a theory of economic growth known as the neoclassical growth model came into existence. It is supported by the hypotheses of perfectly competitive markets, the rationality of economic actors, and the principle of declining returns. The model operates on the presumption that technological advancement is an external factor and that the primary engine of economic development is the accumulation of capital. According to this approach, a nation may raise its overall level of production and revenue by increasing its level of investment in physical capital, which includes things like buildings, equipment, and infrastructure. One of the conclusions that may be drawn from the neoclassical growth model is that economic expansion can go unabated into the indefinite future provided as the rate of capital accumulation is maintained. This assumption leads one to believe that the earth's natural resources are limitless, which is in contrast to the fact that there are only so many resources available and that human economic activity has a detrimental effect on the ecosystem. In addition to this, the model presupposes that markets function effectively and that there are no negative externalities, such as pollution or congestion, that influence economic expansion. This premise, however, does not square with the facts of market failures, which may result in the inefficient allocation of resources as well as negative externalities. Another consequence of the neoclassical growth model is that over time, there will be a convergence in the amount of income enjoyed by people living in different nations as a result of economic expansion. Based on this presumption, nations that now have a lower level of income will expand at a quicker rate than those countries that currently have a greater level of income, which will ultimately lead to a convergence in the long term. This premise, however, has been called into question in light of the fact that income disparity and poverty continue to exist in a great number of nations, which shows that increased economic development does not inevitably lead to gains in social welfare for all members of society. as a primary factor in fostering economic development. The hypothesis behind this model is that the rate of technological advancement is exogenous, which essentially implies that it is not affected by the volume of money spent on educational opportunities, research and development, and technical advancement.” Evidence from the real world, on the other hand, demonstrates that investments in human capital and innovation may result in sustained economic development and increased productivity.



Conclusion

The model of economic growth and development that is selected has substantial consequences for the formulation of public policy, as well as for environmental and social equity. Policymakers, economists, and researchers can develop strategies for promoting sustainable and inclusive economic growth and development by comparing and contrasting different models. This can help them gain a better understanding of the strengths and weaknesses of each approach as well as the strengths and weaknesses of each model. In the end, the purpose of increased economic activity and development should be to work toward enhancing the quality of life for all people living in a society in a way that is both sustainable and fair. Trade policy and globalisation both have a substantial influence on the economy of individual countries and regions. The movements of products, services, and investments that occur between nations are influenced by trade policies, which in turn have repercussions for economic development, employment, the distribution of income, and the effect on the environment. Globalization, which refers to the growing interconnection of the international economy, has also had substantial effects on local economies. Some examples of these consequences include the emergence of global supply chains, the outsourcing of employment, and the dissemination of technology and information. “The complexity and variety of effects that globalisation and trade policy have on regional economies cannot be overstated. Trade policies and globalisation may be beneficial to economic development and employment for a number of reasons. On the one hand, they can provide access to markets and resources while also generating new possibilities for firms. On the other side, they have also been linked to the loss of jobs, an increase in economic disparity, and the deterioration of the environment. It is also the case that the effects of globalisation and the regulations governing international commerce are not equally dispersed, with certain groups and areas benefitting more than others. Trade policies and globalisation in general need to be analysed critically by policymakers, who must also consider the possible effects these factors might have on local economies. It is imperative that public policies be developed with the goal of fostering long-term, equitable, and inclusive economic development that is beneficial to all segments of society, including those who may be adversely affected by globalisation and free trade. In order to do this, there has to be more of an emphasis placed on social investments such as education, healthcare, and social welfare, in addition to policies that promote environmental sustainability and social justice.

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