

THE ROLE OF ECONOMY IN HUMAN DEVELOPMENT

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Abstract: Human development is an approach focusing on the people themselves and the opportunities they have. With the finding that the economic growth does not bring automatic growth in wealth for everyone, human development focuses on the role of the people themselves in bringing human life to a better condition.

Keywords: Human, Development, Growth, Economy, Opportunity.

Introduction. Human development finds its theoretical underpinnings in Sen's capabilities approach which holds "a person's capability to have various functioning vectors and to enjoy the corresponding well-being achievements" to be the best indicator of welfare (Sen, 1985). This perspective shifts the analysis of development to the vector of not only attributes (as is the more traditional utilitarian or even the original basic needs view of human welfare, see Streeten, 1979), e.g. income, education, health, but also the vector of possible opportunities available to individuals in a particular state. Naturally, there is a link between the two--these opportunities are affected by certain attributes of the individual: a starving or uneducated person would have fewer choices than a healthy, educated person. Yet the capabilities approach goes far beyond individual attributes to analyze the role of the social environment on human choice and agency: an individual in an open, free society would enjoy a larger set of potential functionings than one in a closed, oppressive society. However, while capabilities make an appealing goal for development, they are notoriously difficult to measure in that the full set of possible human functionings is almost by definition unobservable. The first major attempt to translate the capabilities approach into a tractable ranking of nations came in the 1990 UNDP Human Development Report. The HDR's objective was to "capture better the complexity of human life" by providing a quantitative approach to combining various socio-economic indicators into a measure of human development (UNDP 1990). This was in contrast to the perceived prevailing wisdom in development economics, as embodied in the World Development Reports, whose "excessive preoccupation with GNP growth and national income accounts has...supplanted a focus on ends by an obsession with merely the means" (UNDP 1990). Yet the transformation from a normative theory of capabilities into a quantitative variable was by no means an obvious task. The use of life expectancy, literacy, and GDP as components of a Human Development Index admittedly constitutes a rough proxy and simplification of the original capabilities theory. Notably missing were measures of political freedom and income inequality. Furthermore, any quantitative ranking raises difficult empirical questions, such as accounting for the decreasing marginal utility of income, and the necessarily arbitrary weighting of each component of HD. Nevertheless, the HDRs have had a strong influence on development thinking, causing developing countries to publish their own national-level human development reports and indices and modifying their policies.

Beyond the richness of the economies in which the people are living, human development is a concept about thriving of the human life. Human development is an approach focusing on the people themselves and the opportunities they have. With the finding that the economic growth does not bring

automatic growth in wealth for everyone, human development focuses on the role of the people themselves in bringing human life to a better condition. Growth in income is only a tool rather than a final goal. Human development is about providing more freedom and opportunity to the people for living their lives as they wish. For this, people should be able to improve and use their capabilities.

Human development is a multidimensional concept. The three variables used by UN in Human Development Index (HDI) constitutes the key dimensions of human development. These key dimensions are: a long and healthy life, being knowledgeable and have a decent standard of living. When these key dimensions are provided at first, the progress and improvement opportunities in other areas of human life will also grow. Mainly, human development means having more alternatives and more opportunities and this must be the key reference in human development. Nobody can guarantee the happiness of the human being and the choices which people would make in their lives concern only themselves. However, human development at least aims to provide the necessary conditions to all the people individually or collectively for improving their potentials and spending a productive and creative live.

People have always valued and value the opportunity to express themselves as individuals and citizen, participation in the affairs of society, respect for their rights and freedoms, taking into account their opinions. Based on this, it was recognized that human development assessment should be based on the following principles and four components:

1. Human development is not limited exclusively to the social sphere politicians. Without economic growth, increasing economic potential component, meeting people's needs, expanding their capabilities, impossible. It is wrong to analyze HR only through social statistics parameters such as education and health indicators, gender development and poverty alleviation. These data do not include relative indicators such as accumulation and investment, production and consumption, trade and technology are not can provide a complete picture of human development. Ultimately, development society can and should be weighed according to the degree of its effectiveness, i.e. optimal use of resources to satisfy material and spiritual needs of people. Therefore, one of the four main components human development is to increase productivity, economic height. It should be taken into account that in the context of the Karachay-Cherkess Republic the ideology of economic growth is changing. It should now be aimed not at achieving gross, financial and economic indicators, but organically linked with other principles and components of human development.

2. The level of development of society must be assessed by the degree of equality opportunities, i.e. fair distribution of rights and responsibilities among different individuals and population groups in a given society. Equality of opportunity - this is not an abstract category. It is extremely specific, objective and requires legal and economic content. Its essence boils down to the fact that in society there is no there must be legal or economic discrimination on any grounds, in incl. gender, more or, conversely, less privileged ethnic groups, exploited classes. Systemic assistance to people with disabilities requires special attention. The factors for this are those enshrined in laws and implemented in practice equal political and economic rights and freedoms, access to education and healthcare, support for socially vulnerable segments of the population and economic activities of low-income groups through the microfinance system, etc. Therefore, the second generally accepted component of human development is equality of opportunity.

3. The concept of human development, in contrast to the theory of economic growth, views social progress as long-term, long-term progress. The task of society today is not only to take from nature what it gives. What is this for? leads, clearly demonstrated the predatory attitude towards nature in conditions of the administrative-command system, which determined the environmental disaster in the Aral Sea area. The purpose of society is to ensure continuity development, its sustainable nature. The principles of sustainable development were formulated back in 1980. in the report "Our Common Future", prepared by International Commission on Environment and Development. Sustainable development, it stated that this

is “development that meets the needs of the present, but not depriving future generations of the opportunity to meet their needs.” This principle is the third component of the Human Development Concept and it suggests that nature, the human environment, is not only the most important sphere of its existence, but also capital, a factor of development. Often this resource is not renewable, having a limited supply. Therefore, like any other factor social reproduction, requires investments necessary for its development adequate to the growth of the economy and the expansion of people's needs.

4. According to the Human Development Concept, development is viewed through the prism of expanding the possibilities of satisfying his spiritual and material needs. At the same time, the level of Human Development is determined by the extent to which a person himself takes part in solving development issues. After all, he's not only an object, but also a subject of development, not only and not so much a means and factor of growth, but its purpose and driving force. Therefore, the fourth component of human development is to expand the capabilities of the individual, keeping in mind that social progress is carried out not only in the interests of people, but also by them ourselves. On the one hand, this means the need to involve people in the process decision-making, increasing their political activity and role. With another On the other hand, empowerment also means increasing human potential factor, his knowledge, skills, abilities, physical and mental abilities. Today it is generally accepted that human capital, the knowledge economy is increasingly becomes a source of economic growth. Investment in human capital became the most profitable.

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