UNIT 9 DEVELOPMENT DISCOURSE

Structure

9.1 INTRODUCTION

Development discourse refers to the process of articulating knowledge and power through which particular concepts, theories, and practices for social change are created and reproduced (Escobar 1995; 1999; 2000; Crush 1996). Historically, the approach to development in terms of discourse has evolved out of debates on '! modernisation and Marxist dependency theory rooted in social evolutionism ('! Dependency Theories). Departing from the linear models of social progress, this approach to development seeks to articulate the processes and meanings of more nuanced social control and challenges. With Decolonisation of the globe around mid 20th century, New Nation States emerged in Asia, West Asia, Latin America and almost all of Africa having become the arbiter of their destiny. Many of these newly independent countries, now generally known as developing countries, embarked on development path with the main objective of catching up for the 'Lost –Time' as colonies or otherwise.

Aims and Objectives

This Unit would enable you to understand

- The holistic view of development;
- Difference between growth and development, its measurement and dimensions;
- The main theories of development and
- Gandhi's idea of development.

9.2 GROWTH AND DEVELOPMENT

Historically, economic development is a concept which dates earlier than economic growth. In literature, the classical theory of economic development beginning Adam Smith, Marxian Theory of economic development and in the beginning of the 20th century, Schumpeter's Theory of economic development are known as 'Grand Theories of Development'. Much of development literature till the Keynesian revolution revolves around the ideas contained in these theories. It was the impact of new approach of Keynesian economics which led to theories of economic growth beginning with the seminal work of Harrod and Domar. From the beginning, economic growth was perceived as quantitative in nature, concerned with maintenance of full-employment of labour and of capital and other resources along with the quest for equilibrium growth. The period 1940-1970 is characterised by emergence of various growth models with growing degree of sophistication, but generally addressing the problems of developed economies. The distinguishing features of such economies were seen as larger scope of free enterprise, less government regulations, historically high standard of living, easier generation and assimilation of technical knowhow and relatively more efficiently working markets. Economists had started making distinction between economic growth and economic development.

In general, economic development became the problem of the developing economies. These are labour abundant with fractured markets, low standard of living, low rates of saving and investments and characterised by low productivity of labour and capital. Most of them have been predominantly primary producing economies. Economists realised that in such economies mere infusion of capital and technology will not go very far. While this may be a startup for development, it will not be enough to sustain the process of economic development. Myrdal came up with the 'Asian Drama' to emphasise that developing economies generally lack social, political and economic institutions which make economic development a sustainable process over a period of time. Though economic development may be seen as economic growth plus change, the strengthening of institutional mechanism makes it better organisation of economic activities across the sector of the economy. For these reasons, economic development is qualitative in nature. While economic growth may be linear and incremental in nature, economic development is non-linear and a more complex process.

9.2.1 What is Development?

Thinkers and economists are not unanimous about defining economic development. Although many countries are classified as developing countries for which economic development is a desired goal, this conglomerate is not homogeneous. Countries differ in terms of natural resource endowments, population base and its growth, the quality of human resources, abundance or scarcity of capital and geographical factors. There are also substantive differences in socio-political context of these countries. They view economic development differently. It may be industrialisation of the economy or raising the standard of living or removing unemployment, poverty of masses etc. Most of these countries have low per capita incomes, high incidence of poverty; lop sided industrial activities, high unemployment rate and lack of bargaining and competitive power vis-à-vis developed countries.

Therefore, most economists see economic development as a process. It means that economic development is a result of some forces, in this case economic factors or variables, which operate and interact with each other in order to take the economy in desired direction. Thus accumulation of savings and its convergence into requisite employment opportunities along with technological development may lead to the continuance of the above process of development. Economic development is sustained growth of real national income over a period of time. Later on, concerned with the low standard of living economists emphasised the concept of economic development to mean sustained rise in the real per capita income over a period of time. They also emphasised that over a period of time economic development should also lead to reduction in income and wealth inequalities. (You must note that this reduction in inequalities in income in the process of economic development is the qualitative aspect which institutional changes may bring about. In our country the initial phases of land reform were oriented at establishing and enhancing the income generating capacity of rural market. Bank nationalisation in 1969 has another institutional reform to further strengthen rural capabilities).

9.2.2 Measuring Economic Development

The thinkers considered development as akin to economic growth and were generally satisfied with measuring development in terms of growth of GDP, per capita GDP and improvement in distribution of income over time. However, the problem of low standard of living, wide spread unemployment and poverty creates special problems and therefore, these must also reflect in reckoning economic development. In the recent past, the economists have recognised that socio-economic aspects of development are equally important. Therefore, social concerns like health and health facilities, levels of education, literacy and its spread, safe housing and sanitation, the degree of urbanisation lay strong claim to the concept of economic development. Infact, concerns with the slow improvement in standard of living and almost intractable poverty - unemployment relationship, several economists questioned the access to opportunities that are opened in the process of economic development and become available to vast masses.

Therefore, development economists developed two indices:

9.2.3 Physical Quality of Life Index

The physical quality-of-life index (PQLI) is an attempt to measure the quality of life or well-being of a country. The value is the average of three statistics: basic literacy rate, infant mortality, and life expectancy at age one, all equally weighted on a 0 to 100 scale. It was developed for the Overseas Development Council in the mid-1970s by Morris David Morris, as one of a number of measures created due to dissatisfaction with the use of GNP as an indicator of development. PQLI might be regarded as an improvement but shares the general problems of measuring quality of life in a quantitative way. It has been criticised because of overlap between infant mortality and life expectancy.

The PQLI is a summation of complex social interrelationships on which no theoretical explanation imposes any given weights/biases. Equal weight is assigned to each component. It informs about the changing distribution of social benefits among countries, between the sexes, among ethnic groups, and by region and sector. It facilitates international and regional comparisons by minimising developmental and cultural ethnocentricities. As the gap closes between current performance and maximum attainable performance, the gaps between PQLI indices should close. The PQLI, with signs of lowered infant mortality and lengthened life expectancy, paints a less fatalistic pessimistic picture than the GNP.

9.2.4 Human Development Index

The Human Development Index (HDI) is an index used to rank countries by level of "human development", which usually also implies whether a country is a developed, developing, or underdeveloped country. The HDI combines three basic dimensions:

- Life expectancy at birth, as an index of population health and longevity
- Knowledge and education, as measured by the adult literacy rate (with two-thirds weighting) and the combined primary, secondary, and tertiary Gross Enrollment Ratio (with one-third weighting).
- Standard of living, as measured by the natural logarithm of Gross Domestic Product per capita

Human development, according to the United Nations Development Programme (UNDP), refers to the process of widening the options of persons, giving them greater opportunities for education, health care, income, employment, etc. The basic use of HDI is to measure a country's development. Although the Indian economy has performed relatively well in the last ten years [1998-2008] as evidenced by higher rate of growth of GDP, infrastructure development and substantial increases in public expenditure, the HDI of India has not improved. It points to the difficulties that India exhibits when several features of being a developed economy is placed internationally in company of very poor countries of the world.

9.2.5 Gender Aspects of Development

Since the quality of improvement through economic activities is considered as the essence of economic development, it is natural that economists enquire into opportunities and participation of all the population in the process of economic development. Development process per se is not neutral between genders if left to itself. The educational level and attainment of girl child and grown up females has lagged behind that of their male counterparts. Arguably, an illiterate female has lesser range of choices as to income opportunities, participation in decision-making process about herself, family and the community. She is burdened with age old prejudices, dogmas and discrimination which severally restrict her role in the family and society. The development process, therefore, contains strong degree of exclusion, so far as women are concerned. Whenever and wherever women are involved in work, they carry the tag of weaker sex and discriminated in employment opportunities, work conditions, wages and service conditions. Gender inequalities have only tended to rise.

In most of the countries gender disparities do exist in political participation and representation at all levels of government. They have limited command over productive resources and weaker ability to generate incomes. It constrains women power to influence resource allocation and investment decision. Further, households regularly transmit gender roles to the next generation. The gender differences also emanate in terms of 'time-spend' by males and females in households-courses or income earning activities. Undoubtedly, females have lesser bargaining power than males with regards to decision-making. The researchers have started talking about 'missing women' which relates generally to excess mortality of females over males or significant differences there of to the detriment of females. There is a sharp decline in gender ratio and deliberate discrimination against girl child and female feticides. Resultantly, States have embarked on gender aspect of budgeting and gender-specific public expenditure programme. In India also gender accounting in central and state budget has begun.

The **Gender-related Development Index** (GDI) is an indication of the standard of living in a country, developed by the United Nations (UN). It is one of the five indicators used by the United Nations Development Programme in its annual Human Development Report that shows the inequalities between men and women in the areas of healthy life, knowledge, and decent standard of living.

9.3 ENVIRONMENT AND DEVELOPMENT

There has been an increasing concern of the effect of diversifying economic activities on ecology and environment protection and conservation. This has been exhibited for the industrial and other activities in developed economies since 1060s though seminal work for W.J. Boumal. Environmental problems differ very significantly between less and more developed economies, because many forms of environmental degradation tend to remain constant and often grow with economic growth. It may also be noted that environmental regeneration involves prohibitive cost and is often beyond the means of developing economies.

Simon Kuznets formalised the relation between economic development and environmental degradation through an invert 'U' curve, known as 'Environmental Kuznet's Curve'. It shows that as development proceeds with time, growing economic activities cause increasing environmental degradation and environmental health degradation reaches a maximum point. With further economic development and due to rising concerns for environmental protection, the environmental degradation gradually declines.

The environmental concerns of economic development have led development economists to think in terms of sustainable development so that future generations have same access to the use of natural resources such as land, water, air, forest etc. as the present generation. Economic activities should be organised in a manner, which neither endangers environment permanently, nor exhaust non-renewable resources for the benefit of the present only to the detriment of the future. Sustainable development necessarily entails creating and maintaining wealth. The effects of depleting natural resources and degrading the environment have not been quantified until recently and considered in measurement of national savings. In order to assess and monitor the extent of environmental pollution / degradation, economists have developed the concept of 'Green National Accounting'. It aims at incorporating in the social account of a country assessment of a quantitative measure of environmental depletion/ restoration. To put differently in green accounting we measure by how much the savings of a country increase due to prudent environmental policies or deplete due to reckless economic activities. In this approach therefore a quantitative estimate is also made of the extent of natural resource depletion for conversely of resource restoration (Piers & Atkins, 1993).

9.4 ECONOMIC DEVELOPMENT AND TRANSMISSION MECHANISM

It is by now clear that economic development is for the benefit of society and therefore its fruits must reach all sections of society. The spread of the benefits depends primarily on the efficiency of market mechanism. The concept of economic development is often called the '*trickle down approach*'. This approach is followed in the capitalistic economy. Many developing countries earlier on relied upon 'trickle down' to deliver the 'goods' of economic development. In our country, it was realised by the end of the Third Plan that whatever development has taken place, it has not trickled down to all sections of population. This resulted in high incidence of poverty and unemployment to low labour participation rate and poor social achievements. The ideology of this approach pre-supposes – markets fail to deliver- and therefore the state should step-in.

This approach is inspired by erstwhile experience of former socialist economies such as Soviet Russia. It relies on managing the economy and economic planning. It accords high premium to state intervention in economic activities through greater regulatory control and restricting the range of free economic activities. 'Nationalization', 'licensing', and others are the techniques employed to direct the efforts and fruits of development to reach the masses –the vulnerable section of the society. Government intervention programmes such as public distribution systems, poverty alleviation and employment programmes, distribution of incomes through fiscal mechanism, subsidies, institutionalised concession, economic and social empowerment through legislative means are all part of managing the nature, direction of economic development and the fruits that flow from it.

The economic stagnation in Russia and its subsequent breakup has again swung the pendulum of economic management in favour of markets. Just as markets can fail to deliver, the state can also fail to effectively manage and govern the economy. The recent economic crises in India in 1991, and rediscovering the role of international trade in development has underscored the importance of greater freedom for market mechanism. The new economic policy based on liberalisation, privatisation and globalisation is the direct consequence of this thinking. We have achieved higher growth rates and relatively larger role in international trade, but the problems of low standard of living, poverty and unemployment have not thawed to a greater extent. The high growth experience of Indian economy in the 1990's and the first decade of the 21st century have resulted in the need to particulate growth process and its benefits to vulnerable classes. Thus, the participatory process is being strengthened through Micro finance institution and facilities, organisation of SHGs to achieve "inclusive growth" as enshrined in the Eleven Five Year Plan.

9.5 APPROACHES TO DEVELOPMENT

We have mentioned earlier about the three grand theories of development. We briefly discuss the main characteristics of these-

9.5.1 The Classical Theory of Development

This earliest most celebrated theory of development is a collection of economic concepts and ideas developed by Classical economists such as: Adam Smith, David Ricardo, T.R. Malthus, J.B. Say, and J.S. Mill. Of these, Ricardo is credited with providing coherent theory of development.

Adam Smith was the first to emphasize the role of nature in process of economic development, and less state interference in economic activities. For him capital accumulation for the industrial development is the result of surplus (revenue over cost) accruing to producers. According to him, the surplus is directly related to productivity of labour. Smith's 'division of labour' meant assigning different task of a production process to different labours; the division of labour depends upon the 'extent of market'. Related to this is his concept of specialization of labour. According to him, labour acquires dexterity (skill) when he works on a particular job over a period of time. The specialization increases the productivity of labour, results in time saving in production process, and economy of use of resources and raw material in production process. Both these concepts increase the productivity of labour and surplus in production process. Larger profits enhance larger capital accumulation. Smith emphasized the role of technological development (to which he was witness due to industrial revolution taking place in England and other countries of Europe). Adequate capital accumulation is the very condition of technological development and there is little role of wages influencing the process of development.

Ricardo developed a complete theory of development. Some of the salient features of his theory of development are:

- Ricardo believed in a free enterprise economy with little state interference in economic system.
- Ricardo considered economy mainly consisting of industrial sector and agriculture sector; the former is the dynamic sector with continuous technological improvement, higher factor productivity. Technology remains static in agricultural sector.
- Industry is responsible for surplus and lead to larger capital accumulation; capital accumulation promotes technological development.
- The agriculture sector, managed by landlords and serfs, was the lagging sector. Surplus in agriculture did not result in capital accumulation to be utilised for further development of the economy.
- Agriculture sector is subject to diminishing returns. Ricardo develops the theory of Rent. According to which as the demand for 'corn' increases, more and more inferior quality land is brought under cultivation, whose yield is lower than the previous superior quality land. Difference between the yields on two qualities of land is appropriated by the landlords as rent. As economic development proceeds and population grows, more and more demand for food grains compels extensive cultivation of inferior quality land resulting in larger accrual of agricultural income as rent on superior quality land.
- Classical economists generally assumed that the real wages in economy settle in the long run around the subsistence wage. This is custom determined and affords the labour class to live in reasonable comfort; there is no clash between producers/ capitalists and the wage earners.
- In Ricardian theory of development as time passes, the share of rent in National Output increases, wage remains constant and profit is gradually squeezed to a level where only replacement of capital is possible. In this state no new investment takes place.

- Ricardo called this state of affairs –'A Stationary stage'. When the economy reaches this state, new economic activities in industrial sector come to a halt. The economy stops growing and expending. Economic activities merely repeat themselves. Ricardo pessimistically concludes with regard to future of a capitalist economy as it embarks on the path of development.

Classical Pessimism or Optimism

J.S. Mill interpreted the Ricardo's conclusions differently. To him, capitalist society will definitely experience near zero rate of profit, which will cause stationary state to exist. This state will be an estate of contentment, of great achievement, as by the time economy will experience stationary states, it would have reached full-employment where labour will enjoy custom determined comfortable real wage. The productive capacity of the economy would have expanded vastly. With no economic dissatisfaction, society will strive and attain perfections in literary art, painting, music and other higher forms of learning and would think about ethics, philosophy behind welfare and such higher pursuits of knowledge. Therefore, he argued that there is a reason to be satisfied with capitalist development, and no reason to be pessimistic about the future of capitalist society.

9.5.2 Marxian Theory of Development

As a critique of classical theory of development, Marx propounded his theory of capitalistic development as a part of general scheme of social change. Marx accorded primacy to economic factors as a cause of not only economic phenomenon, social, political phenomenon but also to evolution and changing in psychological and philosophical attitudes and doctrines. He emphatically argued that the changes in the society are caused by clash in two propositions: which Marx called the 'Mode of Production'. This is conditioned by (a) – the place of labour in the sphere of production and economy, the skills that it possesses ; by this we mean what importance of labour is recorded vis-à-vis capital, machines etc. Gandhi also emphasised the need to accord dignity of labour in the society. It placed labour over capital in economic organisation as compared to what we find in capitalism. (b) – Geographical factors and (c) – the technological relations in production which have the effect of changing the relative importance of labour and capital. Another important concept is 'Relation in Production', by which Marx meant the state of property relations i.e. the pattern and manner in which means of production are owned and distributed over a period of time. Each society develops its own mechanism of ensuring the safety of ownership rights and the means of transferring ownership right. There will be either those who own the means of production or those who do not own the means of production i.e. the labour class. Marx views the society as composed of two classes divided on economic factors defined by the 'Relations in Production'.

Marx argued that in the scheme of social development with time, the mode of production and the relation in production may be consistent with each other. In such situation social development will proceed in harmony, but this state of affairs can change with time. Due to force of technological advancement, the 'Relation in Production' can change on their own. As this change persists, it comes in clash with the relation in production. 'Relation in production' can change exogenously but mode in production change as a consequence. This clash among the two entities is the basis of change in society because when relation in production changes, it means new classes are emerging which define a new social order. The above process of change in form of society is true for every capitalist society. He also argued that early entrepreneurial capitalism will convert itself into monopoly capitalism. The state of monopoly capitalism burdened by its anachronism will give way to socialism and thence to communism. According to Marx, this is how society will change. He based his theory of social change on cause (economic factors) and effect relationship; later thinkers called his theory of social change, scientific socialism as linear in nature.

The Theory of Capitalist Development

Some of the salient features of Marxian theory of development are:

i) Marx considers the future progress of a industrially advanced economy, such as some of the European economies at his time

ii) Marx is primarily concerned with the happenings in the industrial sector. There are very few references to state of affairs in agriculture sector. (c.f. Classical development)

iii) Marx assumes technological development will be autonomous in nature, which is not necessarily continuous with respect to time; each technological development is more capital intensive than its predecessor. Deliberately or otherwise capitalists always aim at and succeed in replacing labour by capital.

iv) The wages of labour are fixed not by custom or historical reasons but by the relative weight of unemployed population

v) Marx contends 'profit and more profit' is the mantra of capitalism. Producers organise activities to earn profits and viciously compete with each other to earn more profits.

vi) In order to pursue larger profits, producers, try to appropriate as much surplus in production as possible.

The Theory of Surplus Value

Marx accorded special properties to labour. All other factors of production except labour transfer their own value cost in the production process. Raw materials and capital do not add value to the product. It is only labour, according to Marx, who, when combined with other factors creates new value in the product. The basis of surplus creation in Marx's analysis is the special property of labour, which Marx called 'Labour Power'.

Labour has another characteristic, which is that it is made to work for its own existence. Thus in a eight hour work day, it may be labour works for 4 hours to justify the wages being paid to it. The additional 4 hours that he works is the basis of value creation in the process of production. Capitalists appropriate this surplus themselves and this becomes the basis for profits and capital accumulation. This is siphoned off by capitalists through the capitalist movement process; the weak bargaining power of labour and the time labour works for producers can be usurped by them, resulting in labour exploitation.

Producers try to increase the rate of exploitation (a) - by making labour work for a longer day, (b) – by hiring women and child to do the same work but paying them less because of their physical capacities. These are short-term measures. In the long run the rate of exploitation is pushed up by using more capital and less labour. The new technology is more capital-intensive. As development proceeds and producers are forced to compete for larger profits, the use of fixed capital relative to total labour employed rises. Marx called this ratio 'organic composition of labour'. As productive processes are necessarily becoming more capital-intensive, more and more labour is being displaced. Hence a secular tendency for unemployment to rise. Marx called this unemployed pool, the industrial reserve army which goes on increasing. It is this industrial reserve army which does not allow the real wages to rise above the subsistence level and it is responsible for exploitation of labour.

Immutable Laws of Development

Based on above analysis, Marx argued that each capitalist society in process of development experiences

i) The growth in abject poverty of masses because of extreme exploitation of labour class

ii) A sustained rise in organic composition of capital due to technology is also increasing competition among the capitalist,

iii) Eventually in a capitalist society, the rate of profit will decline to very low level because while the productive capacity of economy is expending, the general demand for products is not only increasing but also may be shrinking (wages constant and employment declining) the profits of the producers are therefore, threatened.

According to Marx these three tendencies are the causes of crises of capitalism. The misery and squalor of the society increases; other heightened competition among the capitalists create distrust among them. Marx gave the call to labour class to overthrow violently the inequities' system. He justifies use of force on behalf of labour to emancipate itself. A capitalist society is burdened by the clash between the 'modes of production' and the 'relations of production' destroys itself. Marx argued that the capitalist class perishes and the proletariat emerges victorious. All the means of production are owned by the State and the state of socialism has arrived. The onset of crises in capitalisation can be postponed by capitalists acquiring economic interest in less developed countries for procurement of raw materials and market for their products. This interplay of economic factors ultimately led to political subjugation of other countries, as colonies of the developed countries. Thus Marx developed his theory of imperialism.

An Appraisal

However, all his prophesies have not come true.

- The standard of the labour class has continuously risen since industrial revolution.
- The capitalist society has acquired very high levels of full employment.
- There is no episode of any capitalist society being violently overthrown.
- The Russian Revolution [1917] took place while the Russia was an agrarian economy and not a highly industrialised economy as Marx would argue. Same is also true for Chinese Revolution in 1949.

Despite these overwhelming evidences, the appeal to Marxism is universal and does not diminish.

9.5.3 Schumpeter's Theory of Development

Schumpeter, a great economist and socio-political thinker of all times, viewed economic development as discontinuous process characterised by periods of high growth followed by stagnation. His important starting point is innovation and the innovator, who is different from a producer. The innovator takes the risk and it is invasion proves successful; he is able to read abnormal profit. The innovation can be of many types such as

1. New product 2. A new method of production 3. A substitute product such as polyester for cotton, plastic for metals and wood etc, 4. A new market product and 5. A new method of industrial organisation such as corporate firm, limited liability, in house etc.

When one or combination of these innovations takes place, economic activity is heightened and economic development proceeds with expansion of output, employment and general rise in demand for sectors and services. Schumpeter freed the investment process in financing economic development from the constraints of current savings. To him banks and the NBFS facilitate the expansion of creating credit and other forms of financial derivatives. But there is limit for banks to create the edit. Bank bear the further expansion of credit is risky, they apply breaks to credit expiation and this acts as a signal for economic slowdown and subsequent stagnation. The economy may standstill, unless some other innovation restarts the expiation. Schumpeter explains capitalist development in terms of trade cycle phenomena. To him pure capitalism is an ideal and is not found in practice. He was doubtful about the future of capitalism.

To him success of capitalism will lead to a form of corporatism and a fostering of values hostile to the spirit and free play capitalism, especially among intellectuals. The intellectual and social climate needed to allow entrepreneurship to thrive will not exist in advanced capitalism. There will not be a revolution, but merely a trend in parliaments to elect social democratic parties of one stripe or another. Capitalism’s collapse from within will come about as democratic majorities vote for the creation of a welfare state and place restrictions upon entrepreneurship that will burden and eventually destroy the capitalist structure. Schumpeter emphasises the analyzing trends, not engaging in political advocacy. “If a doctor predicts that his patient will die presently,” he wrote, “this does not mean that he desires it.”

The intellectual class will play an important role in capitalism’s demise. His analysis is similar to that of the philosopher Robert Nozick, who argued that intellectuals were bitter that the skills so rewarded in school were less rewarded in the job market, and so turned against capitalism, even though they enjoyed vastly more enjoyable lives under it than under alternative systems. While Schumpeter is sympathetic to Marx’s theory that capitalism will collapse and will be replaced by socialism, Schumpeter concludes that this will not come about in the way Marx predicted. To describe it he borrowed the phrase “Creative Destruction,” and made it famous by using it to describe a process in which the old ways of doing things are endogenously destroyed and replaced by new ways.

The success of capitalism will lead to a form of corporatism and a fostering of values hostile to capitalism, especially among intellectuals. The intellectual and social climate needed to allow entrepreneurship to thrive will not exist in advanced capitalism; it will be replaced by socialism in some form. Socialism will ensure that the production of goods and services is directed towards meeting the authentic needs of people and will overcome some innate tendencies of capitalism such as conjecture fluctuation, unemployment and waning acceptance of the system.

9.5.4 Theory of Stages of Growth

(Rostow,W.W.)

This theory explains the long-term processes of economic development from the point of view of economic history by describing five ideal types of stages through which all societies pass:

- The 'traditional society' has more than 75% of the population engaged in food production; political power is in the hands of landowners or a central authority supported by the army and the civil servants.
- The 'transitional stage' creates the preconditions for take-off by bringing about radical changes in the non-industrial sectors. Export of raw material gains momentum; a new class of businessmen emerges; and the idea of economic progress coming from outside spreads through the elite.
- The 'take-off stage' brings a sharp increase in the rate of investment in the per capita output. This is accompanied by radical changes in the production techniques. Expansion takes place in a small group of leading sectors at first and, on the social side, is accompanied by the domination of the modern section of society over the traditional one.
- The 'drive to maturity brings a spread of growth from the leading to the other sectors and a broader application of modern technology followed by necessary changes in the society at large.
- The 'stage of high mass consumption' can be reached after attaining a certain level of national income and formulating an economic policy giving priority to increased private consumption.

In the 'take-off stage' the net investment rates have to increase from 5 to 10% of the national product and during which the political, social, and institutional framework has to be built in order to reach a situation of self-sustained growth. The financial resources must be accumulated internally by higher saving rates. Income distribution favouring classes and strata which are willing and able to use capital more productively than others has the same effect.

While this theory became widely known, perhaps because of its author's political post and the fact that it is a counter-position to Marxian approaches, this "time-table of development" does little to explain why some societies go ahead on this ladder and others not. Its value for forecasting the results of development activities is limited. The rather fixed stages hardly allow for alternative goals and processes of development and incorporate a high degree of ethnocentrism.

9.5.5 Theory of Balanced Growth

This theory sees the main obstacles to development in the narrow market and, thus, in the limited market opportunities. Under these circumstances, only a bundle of complementary investments realised at the same time has the chance of creating mutual demand. The theory refers to Say's theorem and requests investments in such sectors which have a high relation between supply, purchasing power, and demand as in consumer goods industry, food production, etc.

The earlier version of this theory is associated with the name of Gunnar Myrdal and is based on a balanced package of private enterprise, supporting each others' demand and supply chains. The later version is associated with Prof. P. N. Rosenstein Rodan who advocated Big Push and Harvey Liebenstien who propagated the Critical Minimum Effort. Both the latter ones are seen as State interventions to accelerate the development process. The real bottleneck is seen here in the shortage of capital, and all potential sources have to be mobilised. If capital is available, investments will be made. In order to ensure the balanced growth, there is a need for investment planning by the governments.

Development is seen here as expansion of market and an increase of production including agriculture. The possibility of structural hindrances is not included in the line of thinking, as are market dependencies. The emphasis is on capital investment, not on the ways and means of achieving capital formation. It is assumed that, in a traditional society, there is ability and willingness for rational investment decisions along the requirements of the theory. As this will most likely be limited to small sectors of the society, it is not unlikely that this approach will lead to super-imposing a modern sector on the traditional economy, i.e., to economic dualism.

9.5.6 Theory of Unbalanced Growth

In Hirschman's opinion, the real bottleneck is not the shortage of capital, but lack of entrepreneurial abilities. Potential entrepreneurs are hindered in their decision-making by institutional factors: either group considerations play a great role and hinder the potential entrepreneur, or entrepreneurs aim at personal gains at the cost of others and are thus equally detrimental to development. There is a need for a mechanism of incentive and pressure which will automatically result in the required decisions. According to Hirschman, not a balanced growth should be aimed at, but rather existing imbalances, whose symptoms are profit and losses, must be maintained. This approach relies upon the input output linkages among industries to leverage the imbalances. Thus a push to develop consumer good industry will encourage development of industries which provide intermediate goods and basic goods including infrastructure. Unbalanced growth can begin by provision of basic infrastructure which would then spur higher order goods closer to consumption. Investments should not be spread evenly but concentrated in such projects in which they cause additional investments because of their backward and forward linkages without being too demanding on entrepreneurial abilities. Manufacturing industries and import substitutions are relevant examples. These first investments initiate further investments which are made by lesser entrepreneurs. Thus, the strategy overcomes the bottleneck of entrepreneurial ability. The theory gives no hints as to how the attitude of entrepreneurs and their institutional influence will be changed in time.

9.5.7 Dualism and Development

Dualism theory assume a split of economic and social structures of different sectors so that they differ in organisation, level of development, and goal structures. Usually, the concept of economic dualism (BOEKE) differentiates between two sectors of economy:

- The traditional subsistence sector consists of small-scale agriculture handicraft and petty trade, has a high degree of labour intensity but low capital intensity and little division of labour;
- The modern sector of capital-intensive industry and plantation agriculture produces for the world market with a capital-intensive mode of production with a high division of labour.

The two sectors have little relation and interdependence and develop according to its own pattern. The modern sector usually is an economic enclave of industrial countries, and its multiplicator and growth effects will benefit the industrial countries but have little effect on the internal market.

Technological dualism refers to a gap between labour and capital-intensive sectors. We can think of regional dualism as a lack of communications and exchange between regions. Economic, technological, and regional dualism are often the consequence of a social dualism, the absence of relationships between people of different race, religion, and language, which is a legacy of colonialism.

Development in dualism is the suppression of the traditional sector by concentrating on and expanding the modern sector over time; it is assumed that the trickle-down effects will reduce and abolish dualism. In general, agriculture has to provide the resources, labour as well as capital, for expanding the modern sector. In details, the strategies vary. Some authors, like Lewis and Fei Ranis, assumed that a reduction of the labour force in agriculture, because of the widespread disguised unemployment, would not reduce agricultural production. The productive employment of these labourers in the modern sector would increase the total production of the economy and hence priority of investment in industry is necessary. Concentration on the modern sector led to an increasing regional disparity, rural urban migration, urban unemployment, a decrease in agricultural production, and hindrance in industrial development because of a lack of purchasing power in the rural areas. The anticipated trickle-down effects hardly ever happened. In praxis, development plans following this line of thinking led to failures like the early Indian development planning. Therefore, other authors, like Jorgenson, Lele and Mellor emphasise the important role of agriculture at the beginning of development, i.e., preceding or parallel to industrial development in order to provide enough internal resources for the development process.

9.5.8 Dependency Theory of Development

Dependency theory is a body of social science theories which are predicated on the notion that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former. The central contention is that poor states are impoverished and rich ones enriched by the way poor states are integrated into the "world system." This is based on the Marxist analysis of inequalities within the world system, but contrasts with the view of free market economists who argue that free trade advances poor states along an enriching path to full economic integration. As such, dependency theory features prominently in the debate over as to how process of underdevelopment can be understood and how poor countries can best be enriched or developed.

The premises of dependency theory are as follows:

- Poor nations are at a disadvantage in their market interactions with wealthy nations. A high proportion of the developing nations' economic activity consists of exports and imports from the developed nations. By contrast, only a small proportion of the economic activity of the developed nations consists of trade with the developing nations; a developed nation's trade consists mostly of internal trade and trade with other developed nations. This asymmetry puts a poor nation in a weak bargaining position *vis a vis* a developed nation. The poor nations are mostly former colonies of the developed nations; their economies were built to serve the developed nations in a two-fold capacity: as sources of cheap raw materials and as highly populous markets for the absorption of the developed nations manufactured output.

- Wealthy nations actively perpetuate a state of dependence by involving economics, media control, politics, banking and finance, education, culture, sport, and all aspects of human resource development.
- Wealthy nations actively counter attempt dependent nations to resist their influences by means of trade barriers economic sanctions and/or at times with the use of military force.

Dependency theory first emerged as a reaction to liberal free trade theories in the 1950s, advocated by Raúl Prebisch, whose research with the Economic Commission on Latin America (ECLA) suggested that decreases in the wealth of poor nations coincided with increases in the wealth of rich nations. Paul A. Baran developed dependency theory from Marxian analysis. The theory quickly divided into diverse schools. Some, like Andre Gunder Frank, adapted it to Marxism. "Standard" dependency theory differs from Marxism, however, in arguing against internationalism and any hope of progress in less developed nations towards industrialisation and a liberating revolution. Theotonio dos Santos described a 'new dependency' with a focus on both the internal and external relations of less-developed countries of the periphery. Cardoso wrote extensively on dependency theory as an approach to studying the economic disparities between the centre and periphery. American sociologist Immanuel Wallerstein refined the Marxist aspect of the theory, and called it the "World-system."

Quantitative Dependency Theory and the Globalisation of the Dependency Argument

Dependency authors explain backwardness and stagnation by the insertion of these countries as dependents in the world economy, stressed the unequal and socially imbalanced nature of development in regions that are highly dependent on investment from the highly developed countries. Short-term spurts of growth notwithstanding, long-term growth will be imbalanced and unequal, and will tend towards high negative current account balances.

Mahatma Gandhi and Economic Development

Gandhi's thinking on Economic and Social issues continuously evolved over the period of India's Struggle for political freedom. He realised at an early stage that India's basic problems are a creation of British Policy. The pitiable conditions in villages were the result of break-down of traditional structure and methods of economic and social organisation, particularly the village economy. This created intractable problems of poverty, unemployment and migration to cities. Widespread ignorance, literacy and poor health and sanitation further aggravated the economic malaise. Gandhi distrusted the western concept of industrialisation through large-scale industry. He sensed the loss of employment of labour through machine. The latter symbolised the exploitation as well as lust for profit and power. Gandhi advocated for rejuvenation of village industry based on ample use of labour. This would cater to local demand and provide employment and economic security. He was not anti-industry but opposed those which came in conflict with small and village industry. Gandhi placed greater emphasis on dignity of labour; he sought to minimise socio-economic prejudices and bias against labour. He wanted labour everywhere to play an important role in the nation building. Social fallout of Gandhi's view on labour would be more homogeneous social order.

Gandhi also advocated the use of profits earned by capital for larger social benefits. He urged the capitalist to be the Trustee to the nation. His advocacy for social corporate responsibility was a device to bridge the gap between the haves and have nots in a dynamic framework. This was Gandhi's important contribution to bridge the hiatus between capital and labour which was created by Marx and held responsible for the crisis of capitalistic society. Gandhi's concept of Ram Rajya, a utopia was based on his concept of Gram Swaraj: a society based on harmony of interest catering to larger socio-economic welfare. Thus, Gandhi's economic ideas form a complete alternative to modern technology and self-interest based model of consumerism. Such economic progress is anti-nature and also destroys ecology and environment. The western model of growth is not sustainable over a long period of time. Gandhi felt that the way out of the quagmire of blind race for material prosperity is by making villages self-sufficient through decentralisation. Thus by substituting the enlightened self-interest (of classical economists) and self-interest of capitalists (of Karl Marx), by ***interest of the society*** advocated by Mahatma Gandhi, Gram Swaraj can be achieved.

9.6 SUMMARY

Most economists see economic development as a process and that economic development is a result of some forces, in this case economic factors or variables, which operate and interact with each other in order to take the economy in desired direction. Thus accumulation of savings and its convergence into requisite employment opportunities along with technological development may lead to the continuance of the above process of development. Economic development is sustained growth of real national income over a period of time. Later on, concerned with the low standard of living economists emphasised the concept of economic development to mean sustained rise in the real per capita income over a period of time. They also emphasised that over a period of time economic development should also lead to reduction in income and wealth inequalities. In this context economists like Adam Smith, Ricardo, Marx and others came up with different theories regarding the development discourse. Nevertheless, it is Gandhi's concept of development that holds a holistic welfare view and is deemed as the most practical in this age of globalisation.

9.7 TERMINAL QUESTIONS

1. Write a note on classical theory of development.
2. Comment on Marxian theory of social change.
3. Distinguish between balanced and unbalanced growth approach to economic development.
4. Summarise the claim of dependency theory as an explanation of underdevelopment.
5. Elucidate Gandhi's view on development.

SUGGESTED READINGS

Gerald M. Meier, and James E. Rauch., 'Leading Issues in Economic Development', Oxford University Press, New York, 2005

Morris David., ‘Measuring the Condition of the World’s Poor: The Physical Quality of Life Index’, Pergamon Press, New York, 1979

World Bank, ‘World Development Report’, Oxford University Press, New York

World Bank, ‘Human Development Report’, Oxford University Press, New York

World Bank, ‘Engendering Development, Oxford University Press, New York, 2001

Pearce, David, and Giles Atkinson., ‘Measuring Sustainable Development’, in Daniel W. Bromley, ed, The Handbook of Environmental Economics, Oxford Blackwell, 1995

A .P. Thirlwal., Growth and Development, Macmillan, New Delhi.