

## Development Thoughts: A Brief Review

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### THE ISSUE

Overcoming the problems of underdevelopment is a continuous quest of man. There is no universally accepted approach which can be applied in all situation with certainty of positive results. It is the various assumptions-based development models which are applied in many countries.

### ECONOMIC GROWTH: A PANACEA FOR DEVELOPMENT

Industrial revolution in Europe influenced the view of classical economist like of Thomas Robert Davaid, Ricardo and John Stuwart Mill who considered capital accumulation and technological progress as the key determinant of development. Industrialisation was considered to be the only means for promoting economic growth.

Rosentein-Roden considered that industrialisation needs a big push at the initial stage. In order to meet this, minimum quantum of co-ordinated investment will be required. This kind of thinking made the capital accumulation process more important. Savings and investments were expected to play significant roles. As Todaro mentioned, the trick of economic growth was primarily a matter of increasing savings and investments. Given that the poor consumed most of the additionally generated earnings as opposed to the rich who saved significantly higher proportion of income, the inequality became both consequence as well as the necessary condition of economic growth.

Complementarity rather than people's priority was the subject of emphasis for the establishment of new industries. The industries required to be set-up in such a way that one industry would provide market for the other. Nurkse termed this as 'balanced growth'.

Sir Arthur Lewis viewed that growth of industrial sector requires more and more workers for the new set ups. The surplus labour of subsistence sector will,

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thus, be absorbed by the industrial sector as it grows. Once economic growth taken place, the income in a society will be assumed through free market forces automatically.

Development thinker like Adam Smith, Karl Marx and Rostow explained the development process in terms of evolutionary stages. Adam Smith considered that development takes place through transformation of agriculture to the manufacturing sector while Marx thought the process of economic growth was a cause of polarization of class struggle. Rostow divided the range of economic growth from traditional society to the age of high mass consumption stages.

Perroux viewed growth as the result of the agglomeration of industries. Hirschman thought that travels through leading sector to the following sector in an economy. The idea was that progress does not appear everywhere at the same time. Therefore, 'unbalanced growth' was an obvious condition for all development processes.

All development thoughts relied on the assumption that income inequalities, will be self-corrected through free play of market forces. However, Gunnar Myrdal had a different opinion about this. In his opinion, social systems do not self-equalibrate as they are characterised by circular and cumulative causations. He thought that industrial areas grow at the expense of rural areas. Having a balance between backwash and spread effects of economic growth, therefore, requires purposive policy interventions from the government.

Simon Kuznets believed that income inequality created by economic growth is a temporary phenomenon. He described inequality tend in the form of an inverted U shape-curve. He was hopeful that the correcting process will come in effect automatically after some period.

All these assumption regarding distribution of benefits contributed to growth first distribution later strategy. Till the later part of 60s 'economic growth' was considered to be a panacea of development. This kind of thinking was supported by the following assumptions:

#### **I. Related to Economic Growth**

- Capital accumulation and technological progress are key elements for economic growth,
- Critical minimum investment is the necessary stimulant to escape economic backwardness,

- Complementary of activities are more important than the priority,
- Growth proceeds from leading (i.e., industrial) to the following (i.e., substance) sector,
- Accumulation of capital requires increased spending for the absorption of new output generated by new investment and
- Economic growth takes place in an evolutionary stage.

## II. Related to Income Inequalities

- Absorption of surplus labour of the subsistence sector along with the industrial progress contributes to the spread of economic benefits,
- Inequality of income is a necessary cause as well as consequence of economic growth in the initial stage of development and
- Free play of market forces will counter-balance income disparities.

The development concepts emerged till 60s were mainly urban area oriented. Hoselitz viewed that new ideas emerge in the cities and they contribute to the adaptation of new ways and consumption pattern in the traditional societies. The dependency theorists considered that what happens in the poor countries depends largely on their integrated relation with world economic system. Santos takes this as a reason why developed countries could not be self-centred.

### Weakness of the Economic Growth Models:

Despite economic growth, the condition of vast majority could not improve. Though GNP per capita grow, the distribution of increased output among people was not equal. In the latter part of the 60s, various criticism were raised against the relevance of economic growth model for less developed countries. The idea of seeing development as a synonym to economic development as economic growth were considered inadequate to meet various requirements of development.

## DEVELOPMENT: MORE THAN THE ECONOMIC GROWTH

The problem of income inequality received greater attention in the 70s. Development had its concern with the problems of income inequalities, unemployment, malnutrition, disease, illiteracy of people. The development thinkers more or less reached to a concensus that (Haq, 1976: 59-63):

at a situation where income distribution is largely distorted, market mechanisms are neither efficient nor reliable instruments for the allocation of resources;



- Unequal opportunities caused by institutional rigidities, unequal access to means of production and disparity of income levels do not permit automatic filterations down of growth in an economy;
- the consumption pattern that can be provided in the developing countries are different from the one prevailing in the developed countries;
- the economic conditions of the poorest sections can not be improved without restructuring the patterns of investment through institutional reforms; and
- the development strategies should be shaped by the domestic needs rather than export or foreign exchange requirements.

New ideas emerged indicating the need for attacking the problems of poverty directly. Developing countries were required to reorient their development goals towards meeting minimum level of consumption for the advantage of the majority of the poor. Instead of leaving production to decide its distribution level, attention was diverted to promote consumption and production, hand in hand. This gave rise to a view that development should be aimed at growth, but with subsequent distribution focus. Chennery et. al., recommended "growth with equity" strategy while Irma Adelman suggested the strategy of "redistribution of assets before growth".

### **MORE WORK AND SERVICES FOR THE POOR**

Having realised that the earlier policies brought distortions in benefiting the poor, target group and the target area approaches were introduced. Efforts of these approaches are directed toward reaching small farmers, landless labourers and rural artisans. Decentralised institutions are created to provide access of poor to the development opportunities. Attempts are made to regularise production and consumption pattern through the mobilisation of local resources. Services towards meeting minimum basic needs of the poorest section of the society are extended. Both government and the international agencies have prioritised their direct attack on the problems of poverty under people's participation programmes.

Despite several changes in the approach of development, some of its assumptions have remained as it is for the many years. It has been assumed since long that people are willing to improve their conditions. It is, thus, taken for granted that they have self-interest for accomplishment and they are aware of their needs and problems. Given these assumptions, people are taken as the centre of the recent development exercise providing right to determine paths which affects one's

life is the area of concern. The emphasis is not only their simple representation but also for the full utilization of their capabilities in the development process.

**People's Participation:**

People's participation is the major concern in the development process in recent years. The subject has received greater attention both at the national and the international levels.

**US Congress, 1973:**

The US Congress in its Foreign Assistance Act emphasized involvement of beneficiaries. It mentioned that the ways in which bilateral assistance is extended should include intended beneficiaries in planning and implementation of the project activities, thus, in sharing the gains of development.

**UN Resolution, 1975:**

The economic and social council of the UN recommended to the governments that they should adopt popular participation as a basic policy measure in their development strategy. Accordingly, it was suggested that active participation of individuals, government agencies and the non-government agencies should be encouraged in the development process.

**World Bank, 1975:**

The World Bank has expressed its concern for the improvement of economic and social life of a specific group of people - the rural poor. The Rural Development Sector Policy paper of the bank highlights the importance of participation of local people in planning decision making and implementation of development activities.

**ILO World Employment Conference, 1976:**

The ILO World Employment Conference had in Geneva recognised the importance of popular participation as a fundamental goal of development in its own right. It considered involvement of people as they key element for meeting basic needs.

**WCARRD, 1979:**

The World Conference on Agrarian Reform and Rural Development (WCARRD) held in Rome emphasized people's participation as a basic human

*right. It stresses that participation is essential for realignment of political power in favour of disadvantaged groups and for their socio-economic development.*

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