

Models of Development

The post-World War II period, the process of decolonialisation, the emergence and need for economic reconstruction of nation-states, and the shadow of the Cold War widely shaped the development discourse till the late 1970s. The industrial and political rise of the West and Southern Europe and North America on the one side, and Russia and communist states on the other, with the stagnation of a vast number of nations with low productivity, industrial backwardness and poverty gave rise to the First, Second and developing world models of development respectively. The first world model of development is called the “Capitalist Model”, the second world model was popularly known as the “Socialist Model” and The third world development model was named as the “Developing World Model”.

The capitalist model of development is characterised by provision of private ownership of property and means of production, minimum state control on economic enterprises, and a free economy regulated by competition. This developmental model also emphasises sustained growth and modernisation with massive state investment at the takeoff stage. This perspective insists economic development would revolve around industrialisation. This model of development is criticised as pro rich and anti poor in character. It is claimed that it increases the rich poor gap and results in uneven development.

The Second World model or the socialist model was contradictory to the capitalist model of development. It challenged the capitalist model of development. It propagated the abolition of ownership of private property and means of production, emphasised state ownership of means of production, state-owned public enterprise, and a state regulated economy and centralised

planning by the state for economic growth. While both the capitalist and the socialist models laid primary emphasis on economic growth, the socialist model also emphasised on the equal distribution of the fruits of growth among all sections of the population. This model of development faced its tragic consequences in the 80s when there was the fall of communism in Soviet Russia. The model could not yield its targeted result and failed to create an egalitarian society. Rather, poverty and unemployment became the worst outcomes of this model of development.

The developing world is represented by the ex-colonial, newly independent and non-aligned countries of Asia, Africa and Latin America. These countries were industrially backward at the time of liberation. These countries witnessed wide diversity in terms of their socio-cultural and political settings and historical experiences and levels of technological and economic development. These countries were economically and technologically underdeveloped, and were undergoing the process of nation-building and fast social transformation in the post-colonial era. As against these backdrops, these countries have been experimenting with diverse models of development. For example, India has followed the path of “mixed economy” by adopting a path of development in between the capitalist and socialist models. With the process of Globalization and the subsequent structural adjustment policies this model is tending to take a capitalist trend of development.