

REASONS FOR STUDYING DEVELOPMENT ECONOMICS OR

SCOPE OF DEVELOPMENT ECONOMICS

Here we shall concentrate upon that what is the need behind studying development and what is to be studied in development economics.

1. **Problem Of World Poverty.** The discipline of 'Economic Development' starts with the problem of backwardness and international poverty. It means why the world has been divided into two opposite poles — the North and the South. In other words, why the development gap between countries of the world is increasing, i.e., the rich countries are getting rich while the poor countries are getting poor. In this respect, the Lorenz curve and Gini co-efficient like measures are employed to measure international inequalities. Therefore, a moral and ethical justification exists to study Development Economics as a separate body. In addition to know about world poverty, it is the economic development which helps us to know 'what is the classification of the countries at international level, i.e., how many are developed countries, how many are middle income earners and how many are less developed countries. With this we come across the salient features of developing or poor economies. Thus the Economic development, as a subject, helps us to know about the characteristics of developing countries, though these characteristics are diverse and as well as common.

2. **Meaning Of Economic Development.** It is the education and the mass media both at the country level and at world level which arouse the feelings in favour of development, i.e., the people of backward countries of Africa, Asia and Latin America became aware of with the concept of Economic Development. The Western experts were of the view that if real GNP and per capita GNP of a country increase over a long period of time it would be given the name of economic development. But later on, a lot of criticism was made against these measures of development. Then the economists engaged themselves in finding other measures of economic development. Accordingly, the social and economic indicator approach, the basic needs approach and the construction of human development index

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approach have been introduced by the economists and sociologists to measure economic development. Thus in Development Economics we study economic development and different measures which can be employed to measure it.

3. Models Of Economic Growth. In 'Development Economics' we come across a lot of models of economic growth which present the picture of economic growth of western advanced countries. It means that how the developed nations got growth or what was their route of economic growth. In this respect, we study the growth model as presented by Adam Smith, Ricardo and other classical economists; the neoclassical models of economic growth as presented by J.E. Meade, Robert Solow and Swan etc.; the Schumpeter's model of economic growth; the Harrod-Damar models of economic growth; and many other models of economic growth.

4. Theories Of Under-Development And Development. Development Economics also presents a lot of theories regarding the under-development of the poor countries as well as the theoretical means and ways through which the poor and backward nations of the world can attain economic development. The first set of theories is given the name of 'structuralist theory of development' which states that the poverty of the poor nations is attributed to structural problems of the UDCs. The other theory is given the name of 'International Dependencia model' which states that it is the deliberate behaviour on the part of DCs which exploited UDCs in such a way to keep them poor and backward. The third theory of economic development is called 'Stage Theory' where it has been told that the process of economic growth and development is furnished with certain stages (Rostow stages of economic growth) whereby it has been emphasized that poverty comes into being due to shortage of capital, and growth can be attained by increasing the savings and investment (even through foreign resources). The fourth major theory of economic growth is given the name 'Neo-classical counter-revolution theory' which says that rather blaming international forces the poor countries should depend upon free markets and privatization for their economic growth.

5. Problems Of Population. The models of economic growth tell us that labor is an important factor of eco. growth. But as far as developing countries are concerned it is not so. The population growth has led to create a lot of problems i.e. population in developing countries is rising faster than natural resources and the capital accumulation. Consequently, the developing countries have to face ever-rising unemployment. Moreover, the population growth often leads to migration of people from rural areas to urban areas. As a result, a lot of problems regarding urbanization and environmental pollution are rising. In such state of affairs, it is the Economic Development which deals with the issues of population growth, its effects on production, employment, migration, urbanization and environment etc. Again development economics presents different theories regarding population, i.e., what should be the optimum level of population for any country, i.e., quantity of labor which could have compatibility with the resources of the country.

6. Dualistic Theories. The undevelopment of the poor countries is also attributed to their dualistic character, i.e., they have a few developed cities and so many backward cities, use of capital intensive technologies alongwith rising unemployment; and the existence of mass poverty accompanied by a few rich etc. In this regard, the development economists like

Book and Higgins have presented the theories of sociological and technological dualism. Again in Development Economics we study the models of dualistic economies like Lewis model of unlimited supply of labor and Ranis-Fei model etc.

Role Of Agriculture Sector. The agri. sector can also play an important role in the economic growth of a country. But in case of developing countries the agri. sector is prey to a lot of troubles, i.e., there is subsistence farming, the techniques of production are outdated; the per acre yield is very low; the natural calamities badly affect the agri. sector; and the share of food stuff is higher while that of cash crops is lower. In such situation, the 'Development Economics' tells us how the status of agri. sector can be changed. In this respect, the development economists suggest for land reforms, introduction of crash programme in agriculture, provision of subsidies on inputs to the farmers, and the implementation of procurement prices schemes for farm outputs.

Role Of Industrial Sector. The industrial sector can also play an important role in the economic growth of a country. But in case of developing countries the industrial sector is prey to a lot of troubles, i.e., the UDCs have a limited industrial sector; the industrialists have to face the problem of insufficiency and inadequacy of funds; the technological gap is obstructing the industrial growth; and the industrialists are not provided with consultancy services. Therefore it is the 'Development Economics' which guides the developing countries regarding new technologies, more financial funds for industrialists, choice of technologies and establishment of new industries, the package of industrial investment — the balanced growth pattern or unbalanced growth pattern, and the pursuance of export promotion strategy of industrialization or import substitution policy of industrialization.

Foreign Trade Sector And Development. From the history of advanced countries it becomes obvious that foreign trade sector played an important role in their economic development. Therefore, if the developing countries wish to attain economic development they should promote their foreign trade sector. This was the one sided view regarding trade and growth. But the Development Economists, like Gunnar Myrdal, Hans Singer, R. Prebisch etc. have also given the opposite view. They are of the opinion that at international level such forces operate that world trade is least beneficial for developing countries, it just safeguards the interests of developed countries. The 'Terms of Trade' have been found going against UDCs when DCs get higher prices for their products and prices of primary exports from UDCs go on to fall. Again the agri. exports from UDCs have to face a severe competition with their artificial substitutes and trade restrictions in the markets of DCs. Moreover, the BOP positions of UDCs go on worsening day by day, i.e., they have to face heavy BOP deficits. To remove such deficits they have to borrow from rich countries and international agencies. With this they are facing 'Debts and Repayment of Debts like problems. Thus the economic rules operating at global level are also becoming responsible for increasing the gulf between 'have and have-nots. Thus the developing countries are demanding for a "Just New World Economic Order".

Foreign Private Investment And Development. Each student of 'Development Economics' is aware of with this fact that the UDCs have to face twin gaps like saving gap and foreign exchange gap. These gaps are the biggest obstacles in the way of their industrialization and development. Thus the development economists stress upon foreign private investment which would help in removing these gaps. The Multi-national companies (MNCs) will bring not only sufficient amount of foreign capital but foreign technology will

also be brought by them. In this way the foreign capital and foreign technologies will become helpful for economic development of the poor countries. But the Development Economics also tells us that foreign private investment and the role of MNCs are furnished with a lot of problems. They exploit the laboring class of the poor countries and they are engaged in the activities like transfer pricing.

11. Role Of State In Economic Development. In order to attain economic development just the market forces can not be relied upon. It means that private sector is not capable enough to start the big projects like thermal and hydro power plants, construction of roads, water supply and water sanitation etc. Moreover, the social and institutional changes can not be brought just through invisible hand. Therefore, for the sake of socio-economic changes which are necessary for economic development of Third world countries the 'State will have to play its role. It is the 'Development Economics' which discusses the role of state in economic development.

12. Fiscal And Monetary Policies And Economic Development. As the capital is considered to be the life blood of production, and it is also something very much must for industrialization — the key to economic development. But because of low income the savings in the UDCs remain low leading to low investment and low capital formation. In this way, the UDCs remain incapacitated to attain economic development. Thus, for the sake of economic development they can depend upon fiscal and monetary policies. The Fiscal measures like changes in tax rates, provision of subsidies to the producers and boosting of govt. expenditures on socio-economic sectors will become helpful in the attainment of economic development in the developing countries. Again, the Monetary measures like provision of loans to backward sectors and backward regions at concessionary rates, lowering of bank rate, purchase of govt. securities, reduction in marginal requirements and decreasing the reserve ratios central banks in the poor countries can use the monetary policy for economic development.

13. World Development Institutions And Foreign Aid. The domestic resources are insufficient, the export sector is passive, the foreign private investment is attached with exploitation, and fiscal and monetary policies are attached with a lot of limitations and lags. Then, for the sake of economic development the developing countries can depend upon unofficial and official foreign loans. It means that the poor countries can borrow from foreign countries (advanced countries and oil rich countries) as well as from aid giving agencies like World Bank, IFC, IDA and UNDP etc. Such official and unofficial capital flows will become helpful for the attainment of economic development of UDCs. Thus it is the Development Economics which helps us to know about foreign aid, its types, its positive role, its side effects, repayments of loans and interest charges.