and investment of UDCs.

4. BIG PUSH THEORY —— ROSENSTEIN RODAN

The 'Big Push' theory has been presented by Rosenstein Rodan. The idea behind this theory is this that a Big Push or a big and comprehensive investment package can be helpful to bring economic development". In other words, a certain minimum amount of resources must be devoted for developmental programmes, if the success of programmes is required. As some ground speed is required for the aircraft to airborne. In the same way, certain critical amount of resources be allocated for development activities. This theory is of the view that through 'Bit by Bit' allocation no economy can move on the path of economic development, rather a specific amount of investment is considered something necessary for economic development. Therefore, if so many mutually supporting industries which depend upon each other are started the economies of scale will be reaped. Such external economies which are attained through specific amount of investment will become helpful for economic development.

Rosenstein Rodan has presented three types of indivisibilities and economies of scale. They are as:

1. **Indivisibilities In Production Function.** When so many industries are established the economies regarding factors of production, goods, and techniques of production are accrued. Rosenstein Rodan gives more importance to economies which arise due to the establishment of social overhead capital. The infra–structure consists of means of transportation, communication and energy resources. They all contribute to development indirectly. They last for a longer period of time. The SOC can not be imported. To construct it a big amount of capital is required. For some time, the excess capacity may grow in SOC, but they are very much must. Accordingly, UDCs will have to spend 30 to 40 % of investment on SOC. The SOC is attached with the following indivisibilities:

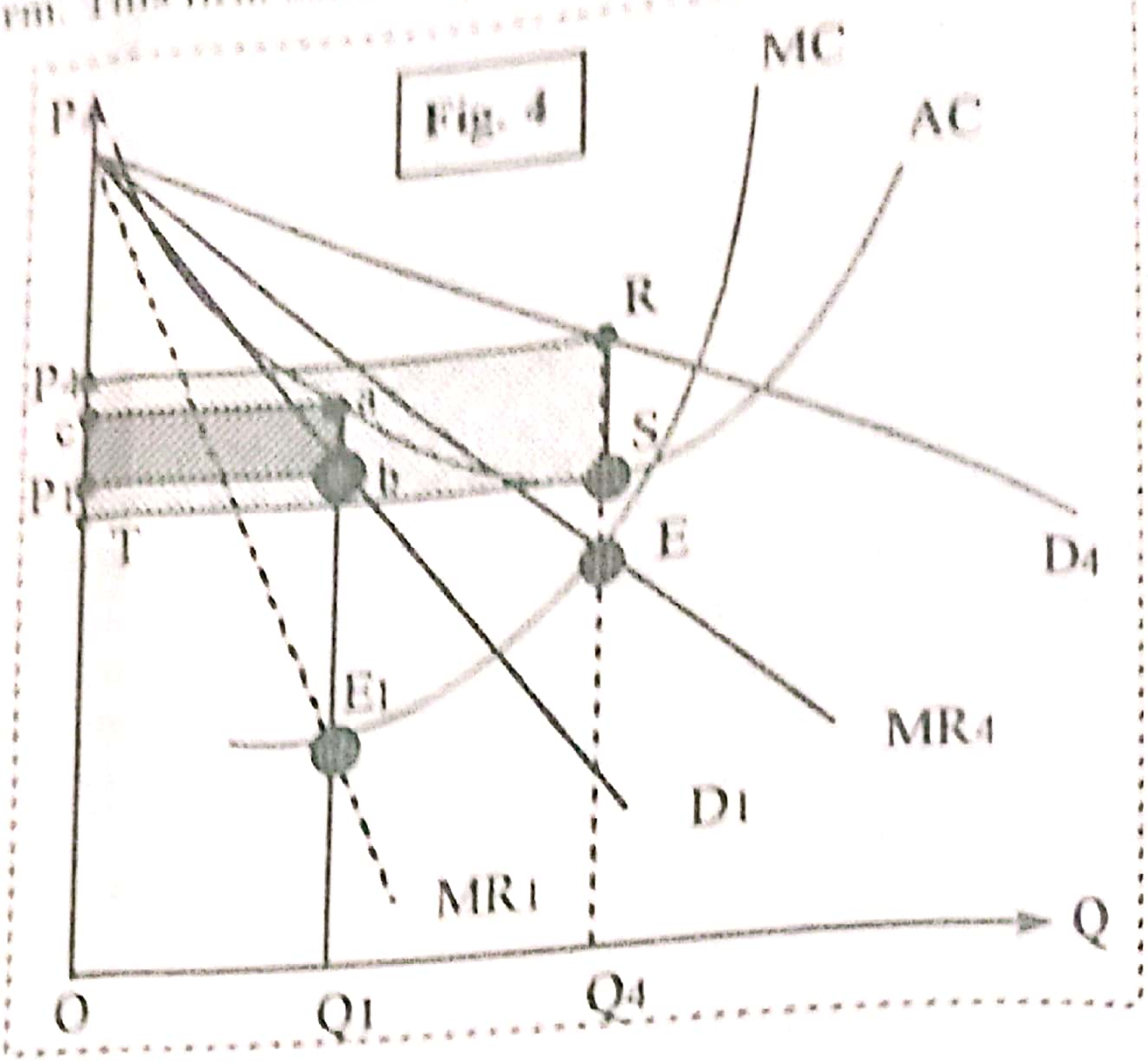
1. The SOC must be provided before Directly Productive Activities (DPA).
2. It is lumpy and it has a minimum durability.
3. It lasts for a longer period of time and it is irreversible.

These indivisibilities serve as big obstacle in the way of economic development of a UDC.

2. **Indivisibilities Of Demand.** The complementarity with respect to demand requires that UDCs should establish such industries which could support each other. To make investment in one project may be risky because in UDCs the demand for goods and services is limited due to lower incomes. In other words, the indivisibilities of demand require that at least a certain amount of investment be made in so many industries which could mutually support each other. As a result, the size of market will be extended in UDCs; or the problem of limited market will come to an end in UDCs.

It is shown with Fig. 4.

Here D_1 and MR_1 are the average and marginal revenue curves of a firm when investment is made in this single firm. This firm sells OQ_1 quantity and charges OP_1 price. Here it faces losses equal to $\boxed{P_1cab}$. But if investment is made in so many industries the market will be extended. In this way, the demand will increase — — as shown by D_4 and corresponding marginal revenue curve is MR_4. Now the equilibrium takes place at E where OQ_4 quantity is produced and OP_0 price is charged. As a result, the industries are having profits equal to $\boxed{P_4RST}$. It means that the greater investment in so many industries may convert the losses into profits.



3. **Indivisibility In Supply Of Savings.** The supply of savings also serves as an indivisibility. A specific amount of investment can be made in the presence of specific savings. But in case of UDCs because of lower incomes the savings remain low. Therefore, when incomes increase due to increase in investment the MPS must be greater than APS.

In the presence of these indivisibilities and non-existence of external economies only a Big Push can take the economy out of doledrums of poverty. It means a specific amount of investment is necessary to remove the obstacles in the way of economic development.

CRITICAL APPRAISAL

Rosenstein theory is better in the sense that it identified that market imperfections are the big obstacles in the way of economic development. Therefore, a big amount of investment will solve the problem of limited markets, rather depending upon market mechanism.

And such heavy amounts of investment will become helpful for economic growth. Despite this merit, followings are the demerits of this theory.

1. **Negligible Economies In Export, And Import Substitute Sectors**

The 'Big Push' in infra-structure may be justified on the ground of external economies. But, according to Viner, the export sector and import-substitute sectors are so backward in UDCs that they hardly give rise to economies.

2. **Negligible Economies From Cost Reducing Investment**

The goods which are concerned with public welfare hardly yield external economies. Moreover, the investment which is aimed at reducing costs does not yield economies.

3. **Neglecting Investment In Agri. Sector.** In this theory emphasis has been laid upon making investment in infra–structure and industries. While it neglects the investment to be made in agri. and its allied sectors. As the agri. sector is the largest sector in UDCs and it will be a mistake to ignore it.

4. **Inflationary Pressure.** From where the funds will come in UDCs to spend them on SOC. If the funds are raised through foreign loans and by printing new notes they will create inflation in the economy.

5. **Administrative And Institutional Difficulties.** This theory stresses upon state investment to remove deficiency of capital. But in case of UDCs the machinery is corrupt. There exist a lot of problems in state machinery. The private and public sectors compete with each other, rather supporting each other. Consequently, there will not be the balanced growth in the economy.

6. **It Is Not A Historical Fact.** The Big Push theory is a recipe for the UDCs, but it has not been derived on the basis of historical experience. As Prof. Hagen says, "the Big Push theory lacks the historical evidences and facts".

5 THE LINEAR STAGES THEORY