UNIT 2 DEVELOPMENT PROCESSES, APPROACHES AND STRATEGIES

Structure

2.1 INTRODUCTION

You might frequently hear and talk about development, which you normally measure in terms of increase in income, infrastructure, quality of life, etc. Development is a dynamic concept. The processes, approaches and strategies of development vary from one country to another. They also vary in different regions within the same country, and from one community to another. In this unit, you will read about the processes, approaches and strategies of development. Before narrating these three key aspects, we will discuss the evolution and role of development economics in development, in the first section.

After studying this unit you should be able to:

- Explain the evolution and role of development economics
- Discuss alternative approaches to development
- Narrate various process of development from theoretical perspectives
- Explain various strategies of development.

2.2 THE EVOLUTION AND ROLE OF DEVELOPMENT ECONOMICS

After World War II, some of the terms used to describe the economic situation in developing economies were 'vicious circle of poverty', or, a 'low-level equilibrium trap'. The goal of development is to take these economies out of this situation and settle them on a path of self-sustaining growth. This is what Schumpeter had in mind, even though, perhaps, he did not have contemporary developing countries in mind. He considered development, in contrast to mere growth, of an economy, as "a distinct phenomenon, entirely foreign to what may be observed in the circular flow, or in the tendency towards equilibrium. It is spontaneous and discontinuous change in the channels of flow, which forever alters and displaces the equilibrium previously existing". Schumpeter further emphasised the role of innovation and concomitant anticipation of private entrepreneurial profit as major factors in driving development. However, economists writing after the mid-1940s, and in the 1950s, visualised a dominant role for the state in initiating, and sustaining the development process. As a corollary, comprehensive national development planning, under state patronage, gained currency. However, state interventions in one developing country after another appeared to open-up yawning gaps which resulted in an overemphasis on development planning.

Adam Smith's hypothesis of the 'invisible hand' was rigorously re-stated as a fundamental theorem of welfare economics under the neo-classical paradigm. This is discussed in a later section. First, under a set of mild restrictions on production technology and individual preferences, the equilibrium following from a laissez-faire (least intervention) policy is the Pareto Optimal. Pareto optimality is obtained when any departure from it cannot prevent at least one individual becoming worse-off. Simply put, benefits for some can come only at the expense, or loss in welfare of others. However, the Pareto optimal does not imply that equilibrium is fair. The distribution of income emerging from a *laissez-faire* policy could be unequal. Second, given a set of certain restrictive assumptions (including the absence of technological externalities, or of increasing returns to scale in production, and of convexity of consumer preferences), a Pareto optimum may be sustained as a competitive equilibrium, provided income (or initial endowments) could be redistributed through lump sum transfers, or other non-distortionary means. Thus, both, the efficiency of resource allocation and distributional equity, could possibly be achieved, although with redistribution, rather than *laissez-faire,* possibilities. Arrow and Debreu extended the 'static' or 'certainty' theorems to cover resource allocations in time, space, and in uncertain states of nature.

The focal subject in development economics attempts to explain differences in standards of living both within and between countries. Development economists also ask the question: why do standards of living change with varying speed, within, or across countries. They work with governments in less developed countries (LDCs) to help formulate policies that promote growth, or to remove hindrances to growth. Economic thinking on what policies work, or do not work, has also evolved significantly over the past several decades. For example, investing in assets such as machines and factories remained a priority for a long time, but in more recent decades, investment in education and health, for example, building more schools, and training more doctors and nurses, is considered to be more effective. While many economists view government planning as essential for development, several among them emphasise limited government intervention and a wider role for free markets.

Debates and controversies are a constant feature of economics, as indeed, they fashion almost all research. These debates have characterised development economics with constantly evolving views on what constitutes 'development' itself. Significant effort has gone into liberating its scope from the narrow confines of income, or wealth, to encompass hard-to-measure attributes of well-being, and happiness. A common approach has been to supplement the income, or wealth dimension, with several other dimensions that also serve a desirable social objective. In order to distinguish development from mere growth (in average incomes), and to lay emphasis on both inter and intra-generational aspects, the United Nations World Commission on Environment and Development defined sustainable development as: "In particular, sustainable development approach calls for a multi-dimensional metric along economic, environmental and social attributes".

Over the years, a clear trend has emerged, with gradual movement away from narrow measures of 'standards of living' as indicators of development, towards broader and arguably more comprehensive measures for 'quality of life'. However, assigning a line separating the 'less developed' from 'developed' countries involves large elements of subjectivity. While certain broad ranges of average per capita income are often used to categorise economies along the 'development' scale, countries that follow varying conventions to define the 'poor' (that is those for whom development remains elusive also used as indicators of development and backwardness). In absolute terms, the terms 'underdeveloped', 'developing' and 'developed' could be explained with examples. For example, there are three geographic clusters, arguably constituting the lower end on a development scale, which house a majority of relatively poor countries.

These are: (i) sub-Sahara African countries (located south of the Sahara Desert) such as Nigeria, Ethiopia, Kenya, and Zimbabwe; (ii) Central and South Asia, including some countries from the erstwhile Union of Soviet Socialist Republics (USSR) countries, such as Tajikistan and Uzbekistan, as well as densely populated countries, like India, and Bangladesh (iii) Latin America, including Mexico and Central American countries such as Nicaragua and Haiti, and South American countries, such as Brazil and Peru.

However, wide differences in standards of living are apparent even within these three areas. Broadly speaking, poverty is much more widespread and severe in sub-Saharan Africa than in Latin America which includes relatively richer countries, such as Chile and Argentina. Relatively poor countries also exist in East Asia (China and Vietnam), Eastern Europe (Bulgaria and Romania), the Middle East and North Africa (Iraq and Algeria). In recent years, though, some countries (namely, Mexico, Brazil, and China) have successfully transited to the group of middle income countries.

At the upper end of the development scale are the relatively rich countries, also referred to as the more developed countries (MDCs). These include, (i) The United States of America and Canada, in North America, (ii) Several West European countries (for example, Germany, United Kingdom) (iii) Australia and New Zealand (iv) some EastAsian countries (for example, Japan, Singapore) (v) A few Middle Eastern countries (for example, Kuwait and Bahrain).

On the other hand, if we take the performance of various countries, in relative terms of development, then we can consider the following points: (a) The average income in Uganda more than doubled between 1975 and 2004, but during that period it has more than tripled in Chile, quadrupled in Thailand, and grew almost 11 times in China. Thus, some of these countries managed to break out of the category of LDCs, and safely perched themselves in the bracket of middle income countries (b) Not all LDCs experienced growth. For example the average income declined by more than 45, 60, and 75 per cent respectively in Zambia, Sierra Leone, and the Democratic Republic of Congo. Besides, wide differences are also observed in achievements along development indicators for quality of life. (c) The average expectation of life at birth (that is the number of years that a newborn child can expect to live), increased from 38 to 48 years in Mali, from 54 to 68 years in Honduras, and from 45 to 64 years in Bangladesh over nearly three decades since the early 1970s, but, it declined from 54 to 47 years in Kenya, from 50 to 37 years in Zambia, and from 56 to 37 years in Zimbabwe over the same interval (UNDP 2006). The search for explanations to such widely divergent outcomes constitutes an important agenda of studies in development economics.

In this section, you studied the evolution and role of development economics, and now you should be able to answer the questions in Check Your Progress 1

Check Your Progress 1

Note: a) Write your answer in about 50 words

b) Check your answer with the possible answers given at the end of this unit.

1) What is Development Economics?

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2) What is the main focus of Development Economics?

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2.3 ALTERNATIVE APPROACHES TO DEVELOPMENT

After studying the importance of development economics, you will learn about the alternative approaches to development, discussed in this section.

The three main approaches to development are as follows

i) The Marxian Approach

ii) The Structuralist Approach

iii) The Market versus Government Intervention Approach

i) The Marxian Approach

In the Marxian approach, the forces of production represented by available technology at any point in historical time, and the existing relations of production, represented by the institutions governing ownership and access to the means of production, determine equilibrium. Exogenous technical progress, that is, shifts in the forces of production, disturbs this equilibrium, inducing a realignment of relations of production that results in a new equilibrium which replaces the pre-existing equilibrium. In this linear view, capitalistic production relations supplant feudal relations, as changes in technology (particularly after the industrial revolution) make feudal relations obsolete. The recurrent crises predicted for mature capitalism were expected to lead to socialism and eventually to communism. The rational-choice school of Marxism (also known as neo classical Marxism) however, does not view the world in the rigidly deterministic way described above, and allows some scope of action for individuals.

ii) The Structuralist Approach

In the structuralist approach to development, rigidities of various kinds preclude the rapid and quantitatively significant response of an economy to changing incentives as conveyed by market signals. Thus, for example, the supply response to improved terms of trade for agriculture, the dominant sector in early stages of development, is said to be negligible, at least in the short to medium term. The prospects of acquiring growing amounts of foreign exchange through exports of traditional products, that are deemed essential for obtaining or financing vital imports, may then be considered to be low. Even if market failures, in the neo classical sense, were absent, development could be hampered, unless some strategy is adopted (for example, import substituting industrialisation) that alleviates structural rigidities. The dualism between traditional agriculture and modern industries or rural and urban sectors, is another example of structural rigidity. However, in behavioural terms, neither is the origin of the rigidities, nor is their persistence, satisfactorily explained in the structuralist approach.

iii) Market versus Government Intervention Approach

Whatever the approach, development remains the objective of any economy in the world. In Sen's words it is the 'expansion of choices' that has several dimensions, and this, can be only achieved through a concerted effort of the government, and a well-functioning market. Recent theoretical advances investigate the origins and consequences of incomplete market, imperfect information, transaction costs, and imperfect competition to guide strategic behaviour. These postulate that the allocation of resources may not be Pareto optimal, and so, envisage a role for government intervention.

The analytical case for state intervention in developing economies was based on the arguments of all-pervasive externalities and significant scale-economies, particularly in network based infrastructure sectors, such as transport and communications. Further, developing economies are likely to have segmented and imperfect capital markets, with limited intermediation from the financial system. The entrepreneurial class in such economies is likely to be minuscule, both because of constraints on entrepreneurial activity, and stunted markets for risk pooling, or sharing. Under such circumstances, it was argued, that market failure may be the rule rather than an exception. The state may then have to perform the role of a Schumpeterian entrepreneur (indulging in creative destruction). It may further have to intervene in markets, through a mechanism of taxes and subsidies, to facilitate adequate accounting for externalities.

This also brought to question the 'trickle down' hypothesis which suggests that higher gains by a relative minority in the population could, eventually, lead to gradual sharing of these benefits with those who may not gain directly from a reform programme. Two forms of reform, or developmental change, may be deciphered. These have often been studied in the context of tax and subsidy policies, but are relevant, also, for more general policy analysis. First, a reform may be Pareto improving, if it improves the wellbeing of at least one individual, and reduces the wellbeing of none. That is, wellbeing, as measured by, say, the income level, or, say, the consumption level, should improve, or, at least not decline, for all, or at the least, for one, irrespective of their social merit. But, note that it makes no reference to ranking (along the income, or consumption scale) of households that might be altered due to these reforms. In reality, though, retaining the relative ranking may be an important concern. This, then, calls for an alternative form, described as Dalton improvement. According to Dalton's principle, there exists a prior social ranking of households. A transfer is approved, if it distributes from high-ranking (rich) to low-ranking (poor) households, without altering the ranking itself. For example, if one looks at taxation as a negative income transfer (burden), then the shifting of this burden from the poor (have-nots) to the rich (haves) can be considered to be fair, as long as it does not disturb the ordinality (as measured on the income scale) of the individuals (households) in the economy. In reality, adopting a policy programme, or finding a solution that satisfies either criterion (that is Pareto improving or Dalton improving) may be difficult to attain. In particular, consider the example of a revenue neutral tax reform programme. By definition, such a programme violates the Pareto criteria as it would involve some losers and some gainers. In the case of revenue-non-neutral programmes, there may be multiple solutions that satisfy both criteria, making it difficult to exercise an easy choice. These reform criteria, however, serve an important purpose. It may be stated that Dalton improving reforms are geared towards reducing inequality say, in income distribution, or in consumption, or of opportunities, or as in the example above, tax incidence, etc.. In contrast, Pareto improving reforms are geared towards increasing the size of the cake, but, are not necessarily geared to address the issue of inequality, and, are distinct from a programme of sharing (distribution) of the cake.

In a sense, a Pareto improving reform appears to be more in consonance with measures such as poverty reduction programmes that involve growth aspects, while Dalton improving reforms are geared towards addressing issues that relate to inequality reduction, and redistribution programmes. While desirable from a social perspective, programmes that could possibly deliver such outcomes often face severe administrative hurdles, and even opposition from certain groups.

In this section you studied about the three approaches to development, namely Marxian, Structuralist, and the Market versus Government Intervention Approach, now, you should be able to answer the questions in Check Your Progress 2.

Check Your Progress 2

Note: a) Write your answer in about 50 words

b) Check your answer with possible answers given at the end of the unit

1) What is the Marxian approach to development?

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2) Write a short note on the Structuralist approach.

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2.4 THE PROCESS OF DEVELOPMENT: THEORETICAL PERSPECTIVES

Paul Rosenstein-Rodan, Kurt Mandelbaum, and Ragnar Nurksemade seminal contributions to modern development economics. The need for industrialisation, and the problems of Eastern Europe in the aftermath of World War II, added new dimensions to the literature. Simon Kuznets and W. Arthur Lewis, with their insightful analysis, highlighted the special concerns in Asia, Africa and Latin America. The theories discussed below go on to describe the process of development. However, given the complex nature of processes involved, most descriptions of this nature, are susceptible to limitations when they are applied to specific country situations. This should not be construed as a complete failure of the theory to identify, and, to describe the process of development. Further, the dynamic and evolving nature of the development defies the certainty that theoretical descriptions offer.

With this background, the following theoretical models attempt to classify various philosophical strands that theorise the processes underlying development in modern literature. These are:

i) The linear stages of rowth model

ii) The structural change theory

iii) The international dependence theory

iv) The neo classical theory

i) The Linear Stages of Growth Model

The linear-stages-of-growth model was accorded a framework (in the 1950s) by W. W. Rostow in "The Stages of Growth: A Non-Communist Manifesto". The Rostow framework differed from Marx's earlier exposition, and focused on accelerated accumulation of capital. The manifesto said that both domestic and international savings are utilised to spur investment. This serves as the primary engine to promote economic growth and hence, development. The model posits five consecutive stages that all countries must pass through on the way to development. These stages are (i) Traditional society; (ii) Pre-conditions for take-off; (iii) Take-off ; (iv) Drive to maturity; and (v) Stage of high mass-consumption. Increase in capital investment that leads to greater economic growth is illustrated mathematically with simple versions of the Harrod-Domar Model.

This theory, developed in the early years of Cold War, largely derives its credence from the success of the Marshall Plan. The Marshall Plan (officially the European

Recovery Program) was formulated in the United States of America to rebuild, create a stronger foundation for the countries of Western Europe, and to repel communism after World War II. The reconstruction plan, developed at a meeting of the participating European states, was established on June 5, 1947. The plan was in operation for four years beginning in April 1948. During that period nearly 13 billion USD in economic and technical assistance, were given to help the recovery of European countries that joined Organisation for European Economic Co-operation.

By the time of the completion of this plan, the economy of every participating state, with the exception of Germany, had grown well beyond their pre-war levels. Over the following couple of decades, many regions of Western Europe enjoyed unprecedented growth and prosperity. The Marshall Plan also came to be seen as one of the first steps towards integration that erased certain trade barriers, and fostered the setting-up of institutions to coordinate economic activity at a continental level. However, a major criticism of the theory following this plan pertains to a presumption that the prevalent conditions in developing countries are similar to those in post World War II Europe. The theory inadequately accounts for the distinctive milieu of political, social, and institutional features that hinder development. It came to be recognised that capital accumulation, while necessary, may not be sufficient to foster development.

ii) The Structural Change Theory

Policies and programs that are geared to influence changes in economic structures are the subject matter of investigations of structural change theory. Structural change theory postulates the process of development that helps economies make a transition from rural and subsistence agricultural practices to modern, urbanised, and industrially diverse manufacturing and service activities. Two major strands of this theory gained prominence. The one proposed by W. Lewis, known as the two-sector surplus model. In this model, agrarian societies are assumed to possess significant surplus labor that could be utilised to spur the urban industrial sector. The other, proposed by Hollis Chenery, is essentially an empirical investigation into the 'sequential' process by which the economic, industrial and institutional structure of an underdeveloped economy is transformed over time, and, to see how that permits new industries to replace traditional agriculture as an engine of economic growth. Such contributions in the literature popularised the patterns of the development strand of structural change theory.

Some researchers have questioned the critical assumption regarding the existence of surplus labor in a two-sector surplus model. Empirical studies confirm that labour surpluses are often only seasonal in nature. Further, drawing this labour away to urban areas could, potentially, cause a collapse of the agricultural sector. A major shortcoming with 'patterns of development' literature has been the absence of a formal theoretical framework. Both strands of the structural change theory inadvertently emphasize an urban centric agenda, often with adverse consequences for rural areas.

iii) International Dependence Theory

The linear stages of growth and structural change models were severely limited in their ability to explain situations of the kind faced by less developed countries (LDCs) over prolonged periods. The decade of 1970s saw the emergence of international dependence theories. Originating in developing countries, the international dependence theories posited that obstacles to development were primarily external to the economy. These theories portrayed developing countries as being economically and politically dependent on powerful developed countries that are guided by self-interest, and have dominance as an objective. There are three major forms of this theory (a) the neo colonial dependence theory; (b) the false paradigm theory; and (c) the dualistic dependence theory.

a) The Neo Colonial Dependence Theory

With its roots in Marxism, this theory proposed that the failure to develop was an outcome of the historical evolution of the international capitalist system. Richer countries used their political power to exploit developing countries and gain control over their resources, as was the case during the colonial period. Although most of the developing countries are independent, they tend to be dominated by tiny elite groups who cornered the benefits from an exploitative relationship with developed countries. These elite groups often worked as conduits to perpetuate a situation of dependence, to the detriment of a vast majority of their own people. Protagonists of this theory view international trade, as well as the idea of a global economy, with scepticism, and as the principal forerunner for a vicious cycle of downward spiralling underdevelopment.

b) The False Paradigm Theory

The false paradigm theory relates to contributions in economic literature that often see underdevelopment as being fostered by well-meaning, but inappropriate advice from aid agencies, and other MDC (more developed countries) trained economists. Often referred to as 'one-size fits-all' programmes, these have been criticised for worsening the prospects of several LDCs. In particular, the external advice tended to overlook several important institutional features, including, traditional social structures, highly unequal ownership of land, disproportionate, elitist control over financial assets, and access to credit.

c) The Dualistic Dependence Theory

According to this theory, when key international economic decisions are made in developed countries, there is an inherent intent on the part of these countries to maintain continued dependence of developing countries.

While shedding light on some historical obstacles to development, the international dependence theory appears to be silent on the way forward for the less developed economies. On the contrary, it was perceived that several developing economies have managed to achieve high rates of growth. Thus, the evidence goes against the contention of economic exploitation. Indeed, by reorienting their outlook towards international trade, developing countries have made significant gains. Increasingly, developmental economists recognise that using a theory that emphasises 'external' obstacles to development may only serve as a convenient method to put off efforts that are necessary for development. Despite several shortcomings, the discourse originating with dependency theories played a critical role in highlighting issues of inequality. Further, it also sowed that the 'institutions' and 'governance' as key developmental concerns.

iv) The Neo Classical Theory

A radical shift away from the international dependence theory began to emerge in the 1980s. The neo classical theory essentially argued for unobstructed free markets as the best conduit for rapid and successful development. Unfettered markets, it came to be believed, would not only foster competition, they would also ensure the efficient allocation of resources that, in turn, would push a developing economy on to a stable growth path. Surprisingly, the theory evolved almost alongside the rise of conservative governments in the western economies.

Three differing strands of this theory gradually began to take shape. These are: (i) the free market approach; (ii) the public choice theory; and (iii) the market-friendly approach. Of these, the first two contended that markets should be totally free, and that any government intervention is necessarily bad. The public choice theory, associated with libertarianism, is perhaps more radical in arguing that governments themselves are rarely good, and therefore, their intervention should be minimal. The market-friendly approach has gained currency in more recent years. While continuing to advocate free markets, the theory recognises several market imperfections, especially in the developing economies. It, thus, argues in favour of government intervention to fix several such imperfections. The three approaches essentially differ on the nature and extent of market regulation.

Robert Solow was one of the pioneers of the neo classical theory of development. In the Solow model, workers produce output by using tools and machines in factories (collectively referred as capital). Income per worker increases with an increase in output per worker. Workers can produce more output when they work with more tools. Thus, in Solow's model, growth (in income) requires capital accumulation. Firms should, therefore, be willing and able to invest in equipment that makes workers more productive. Solow also recognised that there are only so many machines that any given worker could use. Thus, at some point increasing capital becomes less and less helpful in raising workers' productivity. Growth (in income) in such a situation can be sustained only if accompanied by technological progress, or innovations, to make resources (labour and capital) more productive over time.

Romer, a renowned development economist, argued that government fiscal and monetary policies alone are unlikely to promote economic growth. Fiscal policies, such as greater government spending, or cuts in taxes (that may translate to higher consumption expenditure) could, at best, provide a short run stimulus to the economy. When government or people consume more, firms also produce more to satisfy this demand. However, more consumption expenditure implies less saving, and less saving leads to less deposit in banks for firms to borrow. This makes it harder for firms to expand through capital accumulation. Thus, the boost to economic activity from an increase in spending is only temporary. Similarly, monetary policy measures that are designed to increase money supply may also induce a temporary surge in spending. But, in the long run they do little to raise an economy's stock of capital, or advanced technology.

Like Solow, Romer emphasises production method improvements for long run economic growth, and further elaborates how this could be achieved. Specifically, he highlights the role of knowledge accumulation from investment in education, and in research and development. Romer also suggested that governments could consider subsidising research that facilitates innovation, and resist extending support to dying industries that fail to innovate.

2.5 STRATEGIES FOR DEVELOPMENT

In the earlier sections, three broad approaches of development were discussed: Marxian, structuralist, and neo-classical. Now, let us discuss various strategies of development. The strategies adopted for development vary from the developed to developing nations. Some of the important common strategies of development discussed below are as follows:

The Agricultural Transformation Strategy

Countries attempt to transform the structure of their economies by adopting modern agrarian technologies, with significant improvement in agricultural yields. Often, the newer technologies are relatively more capital intensive. If appropriately supplemented by an industrialisation programme, excess labour (from agriculture) may be absorbed in the industrial sector, and enhance the country's productivity.

The Export Orientation Strategy

Countries, specifically certain Asian economies like South Korea, and more recently China, have successfully derived large gains from this strategy. In some countries, export orientation, or dependence on exports, could even be higher than domestic demand. Also referred to as outward orientation, this strategy runs the risk of being severely impacted by the vagaries in the international economic climate. Countries that adopt this strategy need strong exchange rate management programmes,

The Import Substitution Strategy

Several developing economies adopted this strategy to pursue goals of self-sufficiency. This strategy is more pronounced in the agricultural sector dominated economics driven by the innate need for food and nutritional security. Often this strategy also entails strong thrift (savings) programmes, supplemented by policies that facilitate foreign direct investment.

The Urbanization Strategy

An urbanization policy often entails a coherent migration programme. If executed well, this strategy plays a vital role in bringing huge gains in economic efficiency (in terms of resource utilization) and all-round productivity improvements (increasing returns to scale of operation, improved network, and infrastructure). During the 1950s and the early 1960s, there was vigorous emphasis on industrialization and urbanization. But, gradually, country after country realized that the answer to the problems of development was not necessarily urbanization and industrialization. They realised that the whole development process should be so articulated that urbanization should promote rural development, and that rural development should back up urban development.

The Decentralization Strategy

In recent years, many countries in the world have talked of decentralization. It is believed that decentralization would hasten the development process. In actual practice, the centralization process weakens popular participation, which is an indispensable element of development. The votaries of decentralization, believe that a decentralized system which allows participatory development from below is a must for a developing society. However, many also believe that a proper blend of centralized and decentralized systems is necessary for faster development, giving the argument that "centralization in autarchic forms is bad, and so is decentralization in anarchic forms."

Socio-Economic Planning Strategy

The post World War II period saw the resurgence of economic planning as a major strategy of development. The Russian experience of centralized planning boosted the morale of these developmental economists. Centralized planning gradually led to decentralized planning for faster development of regional and local areas. In India, planning has percolated to even state, district, and village levels. Decentralized planning has been emphasized on the grounds that it provides better allocation of resources, and faster development at the grassroots level.

The Growth with Distribution Strategy

The controversy of growth measured in terms of GNP, or per capita income as a strategy of development, as against distributive justice, or quality of life is well known. India, and several other countries, such as China have a similar view point. Growth first, and distribution second, with the belief in the tickle down effect suits the interest of the ruling elites of the LDCs, and the interest of the aid-giving countries as well. It was further believed that once growth began, everyone's interest could be taken care off. But, the question of social justice, the upliftment of the poor, and the issues relating to the quality of life was almost lost. Therefore, the strategy of growth with distributive justice has occupied centre stage in discussions in developing countries. It is by no means to contend that countries face similar problems or achieve similar successes from adopting a particular strategy. Nor can one presume that a country that has successfully gained from a chosen strategy might be equally successful with others. Different countries at different points of time lay somewhat more, or less emphasis on some particular strategy or another. The experience with outcomes from those strategies depends, not just on the initial economic conditions, but on the social, cultural, and religious contours, too. Often, the pace of adoption of a strategy may be critical in determining success in implementation.

In this section, you have read about the various strategies for development. Now you should be able to answer the questions, given below, in the section, Check Your Progress 3.

Check Your Progress 3

Note: a) Write your answer in about 50 words

b) Check your answer with possible answers given at the end of the unit

1) Briefly describe Rostow's stages of growth model as a process of development?

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2) Why is decentralisation considered an important strategy for development?

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2.6 LET US SUM UP

This unit begins with a brief description of the scope and domain of the subject of development economics, and identifies some broad grouping of countries on the basis of their development. Alternative strategies, such as the Marxian approach, the structuralist approach, and the market versus government intervention approach have been discussed. In the last section, various strategies of development have been discussed.

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2.8 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

1) **What is Development Economics?**

Answer. Development economics is a branch of economics which deals with the development aspects such as growth and development, standards of living, quality of life, and so on. Development is a dynamic concept, and so is development economics.

2) **What is the main focus of development economics?**

Answer. The main focus of development economics is:

i) Increase in the standard of living and quality of life.

ii) Social development , particularly, the development of health and education; and

iii) Sustainable development.

Check Your Progress 2

1) **What is the Marxian Approach to development?**

Answer. The Marxian Approach to development considers the individual and the forces of production and means of production constitute the main actors of development. The profit motive is the mainspring behind the capitalism. The profit motive predicts the doom of capitalism.

2) **Write a short note on the structuralist approach.**

Answer. The structuralists believe that the development of an economy depends on the structure of the economy. The terms of trade and other structural factors, such as dualism of agriculture and industry, rural and urban sector influence development.

Check Your Progress 3

1) **Briefly describe Rostow's stages of growth model as a process of development?**

Answer. W.W .Rostow has given the stages of growth model. According to him, the various stages of growth are:

(i) Traditional Society (ii) Pre-conditions for take-off(iii) Take off (iv) Drive to maturity (v) Stage of high mass consumption. According to Rostow, both domestic and international savings foster economic development.

2) **Why is decentralisation considered as an important strategy for development?**

Answer. Decentralisation is considered basic strategy for development because it hastens the process of participation which is central to the development of developing societies. Many European countries and India follow decentralisation as a strategy for development.