I N T R O D U C T I O N

The wealth and poverty of nations constitute the domain of development economics. The complexity of the problems it studies is thus immense and the difficulties facing its practitioners are heroic. It is perhaps true that the only valid generalisation in development economics is that no generalisation is possible ; and that, as Joan Robinson once said of India, " whatever you say about it, the opposite is equally true". Yet, one need not despair. For, as one scrutinizes the evolution of development economics, one cannot but learn some lessons even if the learning implies unlearning and learning by undoing dominates learning by doing.

The remarkable aspect of development economics at its creation in the early post war years was the spirit of optimism that characterised it. The optimism relates to the development of the underdeveloped countries and the resulting removal of poverty.

There were really two classes of the theories of economic development , viz, (i) the first theory focussed on the problem of identification of development in the case where investment had failed to materialize and the policymaker was to identify the constraint that led to this unfortunate outcome and to break it. (ii) The second category of the theories of development focussed on the subsequent, seperate but interlinked problems of : how much to invest (the Optimal Savings Problem), where to invest(the Investment Allocation

problem) and what techniques to employ (the Choice of Techniques problem).

The main thrust in policy-making was provided by certain simple growth models among which the Harrod-Domar model takes the pride of place : the growth rate is given by the ratio " S/V " where S = the average savings ratio and V = marginal capital-out put ratio. From the initial income " Y_o " , the savings are yielded by the savings ratios "S" as SY_o ; when next turned into investment, these savings increase income by (S/V) Y_o since the capital-output ratio is "V". With fixed savings and capital-output ratios, the economy is characterised by an exponential growth at rate "S/V."

Secondly, this sense of optimism about the possibility of accelerated development also stemmed from the prevalent notion that there were hidden resources waiting to be tapped in underdeveloped economies.

However, the strategy of rapid growth was decided upon as providing the only sure way of making a dent on poverty. This is the " Pull Up " strategy for attacking poverty and it seemed to make eminent sense in India where even the immediate impact on poverty from simply redistributive measures could not be expected to make a significant impact. As Michel Kalecki, the distinguished polish economist, remarked " The trouble with India is that there are too few exploiters and too many exploited ".

But if the pessimism about the poor countries being handicapped by absence of " Economic Men " disappeared very quickly from the

scene , the other source of pessimism lingered. The pessimism related to the external environment in which the underdeveloped countries would operate in the post-war period. Many major development economists were pessimistic about foreign trade opportunities. Either they argued, like Ragner Nurkse, that the era of export-led growth was over and that trade could not be expected to be an " engine of growth " ; or they argued in varying ways, that trade opportunities were so restricted now that development strategies would have to turn increasingly inward-looking, import-substituting and the like.

Thus, much of the analytical attention in development economics has been devoted to macro-issues like choice between import substitution and more liberal trade regimes, investment criteria and optimal economic planning, intersectoral transfer and allocation of resources and so on. The macro-development literature, thus, ignores the various special ties between individual agents in economic transactions, the kinds of implicit future contracts they often enter into, the moral boundaries of their economic community and the nature of segmentation of markets. Institutional factors and class structures are crucially important and the institutions are constantly shaped by economic, demographic and technological factors. The process of shaping of these institutions have much analytical importance.

Development economists no longer worship the alter of GNP, but concentrate more directly on the quality of the development process. The problems of development must be defined as a selective attack on the worst forms of poverty.