Head / Com. medicine

UNIVERSITY OF JAFFNA

SIR P. RAMANATHAN
MEMORIAL LECTURE

FROM GROWTH TO DEVELOPMENT:
A Review of Perspectives and Strategies

by

Prof. N. BALAKRISHNAN

1991

From Growth to Development:

A Review of Perspectives and Strategies

The Vice - Chancellor Speaks

Sir Ponnampalam Ramanathan Memorial Lecture is an annual event at the University of Jaffna during the aftermath of the General Convocation. The lecture is funded by an Endowment instituted by the Board of Directors of Parameswara College in 1980. The theme of the lecture usually centres round subjects related to tradition, religion, society, technology and human values.

The lecturer this year is by Professor N. Balakrishnan, Head, Department of Commerce and Management Studies. His lecture to - day will be on 'From Growth to Development - Review of Perspectives and Strategies'. As one who has specialised in development studies he could be relied upon to present us a clear picture of the state of affairs in this particular area of study. And it goes without saying that the lecture will be a fitting tribute to the memory of the eminent statesman that Sir P. Ramanathan was. The primary interest of that leader having been the formation and development of a healthy nation, to - day's subject would have been something very dear to his heart.

I have great pleasure in inviting Prof. N. Balakrishnan to deliver his lecture.

University of Jaffna.
1991-07-09.

Vice-Chancellor

The Vice-Chancellor Speaks

Sir [illegible] Memorial Lecture is an annual event at the University of [illegible] during the aftermath of the General Convocation. The lecture is funded by an Endowment instituted by the Board of Directors of [illegible] College in 1980. The theme of the lecture usually centres round subjects related to tradition, religion, society, technology and human values.

The lecture this year is by Professor M. [illegible], Head, Department of Commerce and Management Studies. His lecture to-day will be on "From [illegible] to Development — [illegible] of [illegible]". As one who has specialised in development studies he could be relied upon to give us a clear picture of the state of affairs in this particular area of study. And it goes without saying that the lecture will be a fitting tribute to the memory of the eminent statesman that Sir [illegible] was. The primary interest of that leader being with the formation and development of a healthy nation, to-day's subject would have been something very dear to his heart.

I have great pleasure in inviting Prof. M. [illegible] to deliver his lecture.

University of [illegible]

[illegible] Vice-Chancellor

SIR P. RAMANATHAN MEMORIAL LECTURE:

FROM GROWTH TO DEVELOPMENT

A Review of Perspectives and Strategies

By

Prof. N. Balakrishnan,
Head Department of Commerce & Management,
University of Jaffna.

In this presentation an attempt is made to highlight the theoritical, conceptual, and policy issues in growth, development and welfare relationships in the Third World context. It will also indicate how and why the underlying major policy perspectives and approaches have changed significantly since the early 1960s, bringing into sharp focus the complex and multidimensional aspects of development process and development goals.

Today's lecture will concentrate on (i) important aspects relating to growth oriented strategies and policies, (ii) the perspectives that shifted the emphasis to income distribution, income inequality, poverty and 'basic needs'; (iii) policy orientations arising from (iv) given expression somewhat differently in terms of 'growth with equity', 'redistribution with growth', and 'growth and poverty alleviation', and (v) questions relating to 'rethinking' development and redefinition of development, embracing broader dimensions both in relation to development process and development goals in the context of contemporary development experience in the less developed or Third World countries. In a review of most such themes, strategies and policy approaches - including international aspects - what will also inevitably be highlighted are the important phases in the evolution of the post - second world war Third World - centred mainstream development thinking and development economics'.

I

From Adam Smith to Gunnar Myrdal

Gunnar Myrdal's monumental work about under development and development Asian Drama, appeared in 1968, when already some of the earlier theoretical and conceptual notions about growth and development, derived largely from mainstream development economics, came under critical re-appraisal. Myrdal's work appropriately enough, carries a sub-title, **An Inquiry into the Poverty of Nations** indicating its nature and scope and the primary emphasis in dealing with problems of development and planning for development in the South Asian region, particularly South Asia in which India, inevitably, receives a wide coverage. From a methodological and theoritical standpoint, the chief merit of this study centres around what the author calls the 'institutional approach'. Myrdal observes: "the central idea in institutional approach is that history and politics, theories and ideologies, economic structures and levels, social stratification, agriculture and industry, population developments, health and education and so on, must be studied not in the isolation but in their mutual relationships.[1] Very often development economists have concentrated on economic factors, isolating them from or paying inadequate attention to, 'non-economic' factors. In the early phase of development economics - after the end of the second world war- it would be true to say that 'techno economic' dimensions of development received greater attention, while the 'socio-cultural' dimensions were not sufficiently probed in the analysis of under-development or development.

Myrdal further states that his endevour to apply an institutional approach is an attempt to analyse the development problems (of South Asia) in [a manner Adam Smith studied England's development problems (nearly) two hundred years ago.[2] Adam Smith, one of the founders of modern economics, wrote his famous treatise, meaningfully titled, **An inquiry into The Nature and Causes of Wealth of Nations.** His **Wealth of Nations** was not only a major treatise that laid the foundations of modern economics, it is also an important work dealing with problems of long run economic development. Though written two centuries before and reflected the major concerns of an earlier period of nascent industrial capitilism, there had been some continuity in the evolution of economic thinking on development from Adam Smith's **Wealth of Nations** to Myrdal's **Poverty of Nations.** If Adam Smith's **Wealth of Nations** expressed, essentially, the optimism of an earlier era about capitalist path of long - run economic development Myrdal's **Poverty of Nations** provides a sharp contrast in its attempt to unravel – largely through the institutional approach – the complexities of transition from a state of underdevelopment, conditioned by an interactive process involving a multiplicity of factors – both economic and non - economic.

Adam Smith's **Wealth of Nations** and writings of other classical economists contain the essentials of early growth / development eeonomics. Adam smith stressed the importance of market forces (the ' invisible hand '), free enterprise, specialisation and division of labour ', capital accumulation and technology and minimum state intervention, i e, laissez-faire. Based on these and other factors, his analysis provided strong theoretical and ideological foundations for the development of industrial capitalism, Britain took the lead in the development of industrial capitalism, followed by Western Europe and later North America, which ushered in what Simon Kuznets calls the era of ' modern ' economic growth - fundamentally different from the earlier periods - with all its associated and identifiable characteristics.

Sustained increase in output, significant structural changes in the economy, technological advance and capital accumulation, changes in social structure and institutions and international spread of growth are among the major components of modern economic growth, which in Kuznets, view represents a distinct epoch dating back to the late 18th century and confined largely to economically developed countries. Elaborating on the distinctive aspects associated with modern economic growth, Kuznets has identifed six major characteristics, namely: high rate of growth in per capital product and increase in population; rise in factor productivily, marked structural transformation in the economy; changes in the structures of society and ideology; international spread of growth through the developed economies; induced by technological advance, and limited spread of economic growth benefiting only about one - fourth of the world population.[3] The major characteristics identified and elaborated not only stress growth and growth inducing factors, but also structural changes in the economy as well as in society. Much of what is indicated above also influenced the thinking about growth and development in the less developed countries. That three quarters of the world's population and the countries inhabited by them have remained outside the reach of modern economic growth forms the central theme of a paper by Richard Easterlin with a suggestively framed title, "Why Isn't the Whole World Developed?" He observed that development had spread from northern and western Europe and then to some regions of relatively recent settlement; but it had not spread to most of the world.[4]

By the late 19th century capitalist development had entered a new phase which even Adam Smith would not have anticipated. The phase of competitive or laissezfaire capitalism came to an end and the transformation led to, what in Marxian approach is termed, 'monopoly capitalism' with concentration of ownership of capital and centralisation of production, control over markets, and expansion beyond national frontiers, seeking profitable outlets for investments overseas with the export of capital assuming an important place.

What Simon Kuznets described as the compulsion to reach out to the rest of the world by the developed or mature capitalist economies was seen differently in terms of Marxist - Leninist perspective as the stage of monopoly capitalism - the most important feature of capitalist expansion in the 20th century taking the form of (capitalist) imperialism. Whichever way one looks at it, what is important to note is that capitalist development entered its most expansive phase with a global impact.

By early decades of the 20th century capitalism has become a world - wide system and the present day Third World countries in the early periods of their history were drawn into the orbit of world capitalist expansion. Most of the present day Third World countries have had a colonial past. The international division of labour that evolved since the late 19th century has been largely determined by the pattern of imperialist expansion and colonial rule; this pattern in its basic form continued even after the colonial rule formally ended - with 'neo - colonial' influence and penetration. These aspects are relevant to the understanding of the contemporary scene as well. The framework of international economic relations stemming from trade, aid and capital flows - in the context of less developed countries have given rise to conflicting perspectives with regard to trade and development. The liberal or neo - classical perspective is pro - trade; it views trade as an 'engine of growth' and firmly supports the growth promoting aspects of trade and international market integration and an outward looking strategy. The so - called structuralist perspective views trade - development relations critically and speaks of adverse consequences for less developed countries from the historically evolved structure of international trade and economic relations. The views of the dependency or neo-Marxist theories are even more radical, ranging from being strongly critical about the impact of trade to attributing 'underdevelopment' itself to the pattern of 'unequal' system of international trade and international economic relations that had evolved in the past.

II

Third World Countries – Main Characteristics

Economic development of the Third World or less developed countries emerged as a major concern both at national and international levels after the second world war. This period may also be considered the first important phase in the evolution of development economics as a separate and specialised field of study. With decolonisation and political indepedence, questions of rapid economic development came to the forefront in the newly emergent nations with colonially inherited and distorted economic structures, newly established political systems engaged in the process of nation – building, traditional social structures and a political leadership dominated by elites, largely drawn from the western educated professional and other wealthy sections of the population.

By the early 1950s although development economics-devoted to the study of socio – economic development in the less developed economies branched off in to a separate discipline, it was not totally free from the influence of 'orthodox economic theory' – classical, neo – classical and Keynesian variants developed in the context of western experience. Myrdal takes a critical view of what he calls the 'western approach', refering to the transference of western economic theories and concepts to the study of problems of development or underdevelopment in the less developed countries. This approach that found its way in the main stream theoritical analysis of development problems, in Myrdal's view, becomes a ' biased approach '[5]

Western development experience has considerably influenced the basic Perceptions about growth and development. Development economics itself branched off from its parent discipline, Economics, which contains much of the main-stream theory distilled from western experience. The relevance or appropriativeness of so-called ' western - oriented apporach ' can and do present serious methodological and conceptual problems in the study of development related to the less developed economies. In the analysis of development problems of less developed economics, the uncritical application of concepts, theories and models evolved essentially from western experience may not be helpful and may even be inappropriate .[6] Although there was sufficient awareness on this among many development economists, the influence of the orthodox ' western - oriented " economic theory and analysis is nevertheless felt in the theoretical and conceptual formulations dealing with problems of less developed economies, implicitly, if not explicitly, in prominent and less prominent forms.

The Third world countries though viewed collectively in relation to most of their common problems and characteristics and similar development goals are nevertheless a heterogeneous group. They include countries in different geographical regions Asia, Africa and Latin America and diversities amongst them can be seen in terms of a number of factors, such as, size and population, resource endowments economic structures and living standards, social and structures and political institutions. Notwithstanding such diversities, most of the Third world countries do share a number of common characteristics, the most salient of which are conveniently summarised by Michael Todaro in following terms: low levels of living; low levels of productivity; high rate of population growth; high levels of unemployment and under-employment resulting in a marked degree of labour under-utilization; high dependence on agricultural production and exports of primary production; dependence and vulnerability in international trade and economic relations.[7] These inter-related characteristics, most of which often reinforce each other and interact with each other not only result in low per capita income, but also in high degree of relative income inequality and absolute poverty of large segments of population. Poverty in the Third World context not only means very low incomes but is also associated with other forms of socio - economic backwardness and deprivation such as, poor health conditions, malnutrition, low literacy, infant mortality, low average life expectancy and lack of access to other forms of economic and social wellbeing.

The wide gap between rich and poor nations the developed and less developed nations in income levels and other aspects of socio - economic wellbeing is the most dominant feature of the contemporary global scene. In the world's estimated total population of 5206 million (1989) the developing economies or the low and middle income economies - according to the current World Bank classification - accounted for three - quarters of the total, but contributed to only 16% of the world's total GNP of 20,736 billions of dollars. In contrast the developed industrialised countries - the OECD member countries - accounting for only 15% of the total world population contributed to nearly 70% of the global GNP in the same year. There are, according to the same World Bank classification, fourty one (41) low income economies or countries with a per capita income of $580 or less (1989). They together constitute 50% of the total world population, but had a share of only 5% in the total world GNP. These so-called low income countries had an average per capita income of $ 330 in 1989, while the middle income countries had an average per capita income of $ 2040; and low and middle income countries taken together recorded an average per capita income of $ 800. The sharp contrast depicting the income gap in absolute terms is evident when it is seen that industrialised countries – OECD members – had an average per capita income of $ 19,090 per annum. Even the so-called middle income economies had an average per capita income ($ 2040) which is only about one-tenth of the average per capita income of industrial countries.[8] The differences in per capita income levels within the developing economies is no doubt vissible; but the gap is substaintial between them and industrial countries.

Growth – Oriented Perspectives and Strategies

In the 1950s and early 1960s the perspectives that dominated thinking about growth and development in the Third World context – and consistent with the 'mainstream' development economics – reflected certain characteristics, the most notable of which were: growth of output or growth of per capita output, accumulation of capital through increased saving and investment supported by external assistance; technological change; industrialisation and enhanced productivity in modern sectors. Tony Killick, a prominent development economist, elaborared this dominant view, summarised in the following propositions; (i) economic development is viewed as a process of (discontinuous) structural transformation, (ii) beyond the critical level of per capita income growth can become self-sustaining, (iii) to break out of the low income trap a 'critical minimum' effort or a 'big-push' will be necessary, (iv) to initiate this big push many resources inputs will be required, but the most single important component is a substaintial increase in the rate of investment, and (v) development entails industrialisation, which may initially be concentrated in manufactured products for the home market.[9] Killick further observed that mainstream development economics of the 1950s was highly interventionist. It established "powerful theoretical and practical arguments against the reliance upon market mechanism and advocated a strategy of development which placed the state in the centre of the stage".[10] These propositions and observations very well reflected the most important theoretical, conceptual and policy approaches widely prevalent in the 1950s and 1960s; they also by and large represented a body of development thought – pertaining to the less developed countries – that gained prominence during this period and influenced development strategies and policies.

One influential early model that viewed the development process – broadly in terms of the historical experience of the west – through a "two sector" model was put forward by Arthur Lewis,[11] a pioneer of development economics. Based on the existence of a subsistence rural agricultural sector with 'surplus labour' on the one hand, and a modern / urban industrial sector on the other – in a less developed economy – the development processes is shown by Lewis as a transformation through the expansion of the modern sector with the transfer and absorption of underemployed surplus labour that was assumed to exist in the traditional sector. The major thrust of this model is on the growth of output through expansion of the modern (industrial) sector and the transfer of surplus labour to this sector. The model embodies four major components: structural transformation, indurtrialisation, capital accumulation in the modern sector and absorption of surplus labour. Accordingly, the pace of expansion and development in the modern sector will be determined by the rate of investment and capital accumulation that is possible in the modern / industrial sector from the 'profits' that accrue to this sector, which in turn will govern the absorption of surplus labour from the traditional sector. Lewis' original formulation has been criticised, but the model has also been further refined and developed by others. What is necessary to highlight is that the model placed much emphasis on growth, capital accumulation and industrialisation and visualised a process of transformation for the less developed economies. His frequently quoted statement from his seminal paper had this to say: "The central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing four or five percent of its national income or less converts itself into an economy where voluntary saving is running at about 12 to 15 percent of national income or more. This is the central problem because the central fact of economic development is rapid capital accumulation (including knowledge and skills)[12]". This statement was perhaps most representative of the "general perspective in which the bulk of the development literature of the 1950s was produced."[13]

Modernisation 'theory' dealing with societal change and development - mostly the work of modern sociologists- had a considerable influence on development thinking in the 1950s and 1960s. Positing a neo - evolutionary perspective, the modernisation theory viwed societal change and societal development - encompassing multifacted economic, political, sociological, cultural and attitudinal comoponents - as largely a transition from a 'less developed'. 'underdeveloped' state ('tradition') to a developed state ('modernity'). This process of societal change / development, indicating progress from one state to another and assumed to be almost unidirectional, will be the result of the working out of the inevitable process of transition. It is shown to be essentially an endogeneous process – though external stimulus is not ruled out – realising the inherent potential in all societies, and developed societies in the west provide the best illustration of the process of modernisation. This approach of mordernisation theory makes it almost a Eurocentric model. Modernisation theorists speak of 'traditional', 'transitional', and 'modernised' societies; development theorists refer to 'underdeveloped', 'developing' and 'developed' societies. Both indicate a process of a movement from 'tradition' to 'modernity' and modernisation and development are seen almost in identical terms.[14] Modernisation, the dominant theme of the 1950s and 1960s has lost much of its glamour, partly because of its implicit Eurocentric nature and its implicit identification with 'westernisation'.

It is observed by Bjorn Hettne that "probably the most well-known of the economic contribution within the tradition of modernisation is that of Walt Rostow's,[15] who envisaged long-run development as going through a series of stages. Rostow's 'stages theory[16]' played a significant role in the 1950s and 1960s in attempting to provide a 'theory' of transition in the less developed societies. Rostow's theory gained much prominence in the 1960s as a model of growth and development applicable to societies at different levels in their progress towards development. Rostow identified five stages, such as, 'the traditional society', 'the pre-conditions for take-off', 'the take-off', 'the drive to maturity' and 'the age of high mass consumption' – representing a sequential proces one following the other. In Rostow's analysis, all societies go through these various stages and the present day advanced countries, according to this schema, have completed the transformation and are now in the age of high mass consumption. The less developed countries too will pass through the different stages and they may now be considered to be between the second and third stages; probably some of them may be seen to have completed the 'take-off' the most crucial stage in this stage - to - stage transition process and are on the road towards maturity. The Rostowian model presents difficulties in the correct identification of the different stages with clearly distinguishable characteristics. However as a general analystical concept that which has received most attention is the ' take - off .' The concept of the ' take - off ' with its associated characteristics has gained prominence and was found to be consistent with the dominant current of the mainstream development thinking in the 1950s and 1960s. In this notion of the take - off, which leads to self - sustained growth, there are two major characteristics, namely, the share of net investment and saving records a marked increase; and leading sectors centred around manufacturing activities gain dominance in the economy, Thus the mobilisation of savings domestic as well as foreign, and stepping up of the rate of investment and promoting of manufacturing activities, ie, industrialisation, combined with the acceleration of per capita growth constituted the essence of the decisive turning point, ie, the take - off. These aspects and the process of transition induced by them were very much part of the direction in which development theory tended to proceed partly under the influence of modernisation perspectives for which Rostow's ' stages theory ' provided the rationale in economic terms.

State activism and aggregate planning received much emphasis in most less developed countries in the 1950s and

1960s; and post - Keynesian growth models had their impact in this respect. That the influence of the Harrod - Domar growth model on many of the aggregate development plans formulated by the less developed countries was clearly evident. This composite growth model, basically Keynesian in spirit is derived from the separate formulations by the two authors on long run problems of growth in mature capitalist economies. Because of strong similarities between them they are presented in a simplified manner as a single growth model expressing the key relationship between the rate of growth of income and the proportion of income saved or invested, assuming a stable relationship between increase of capital and increase in income - usually known as the incremental capital output ratio or its inverse in aggregate form. What is highlighted by this model is the basic relationship between rate of growth of income and savings or investment ratio. Not only did this perspective dominate the thinking about growth and development. but the Harrod - Domar model provided the theoretical underpinning to planning efforts, development strategy and policy in many less developed countries.

The idea of " catching up " with the west, the emphasis on faster economic growth - outstripping growth of population, - largely through industrialisation and modern sector expansion supported by new technology and external assistance, state intervention in key sectors and state sponsored planning and, in some instances, vaguely perceived but politically appealing notions of ' socialist goals ' - all these appealed to the nationalist leadership in many Third World countries.

International Trade and Development

In the 1950s and 1960s questions about trade and development gave rise to much debate which centred around a number of issues. Some of the important issues can be subsumed under what may be termed 'trade pessimism', which gave an added impetus to import - substitution industrialisation strategy, already high on the agenda in most less developed countries. Trade pessimism and its associated problems made the case for this pattern of industrialisation stronger and substantive issues figured prominently in the writings of the Latin American structuralist school - the leading figure in this was undoubtedly Raul Prebisch who was associated with the UN Economic Commission for Latin America (ECLA) and later with the United Nations Conference on Trade and Development (UNCTAD). As an important body of thought "Latin American Structuralism".[17] emerged in the late 1940s and 1950s which exerted considerable influence on development theory and policy in the Third World context. This body of thinking included within its purview important issues, policy analyses and theoretical perspectives pertaining to Latin American countries, but having wider implications as well, dealing with trade, trade policy, industrialisation and international dimensions of development.

In challenging the obtimism of the neo - classical trade theory, which basically represented the principle of 'mutually beneficial trade', Raul Prebisch and others argued that in the historically evolved international pattern of trade with the less developed countries that specialised in primary produce exports ('periphery') and the industrialised countries which specialised in manufactured products ('centre'), the former did not benefit in the way that the latter did, ie, gains from trade were not equittably shared. Raul Prebisch analysed this fundamental problem through the centre-periphery model and formulated his famous thesis, also known as Prebisch-Sinner thesis'[18] refering to the secular decline in the terms of trade for primary products exporting countries vis - a - vis the industrialised countries. In other words, what this thesis implied was that gains from trade were biased against the periphery, the less developed countries, which may operate through the decline in the terms of trade of primary producing countries " resulting in a long term transfer of income from the developing to developed countries ".[19] The Prebisch - Singer thesis on the so - called secular decline in the terms of trade generated much debate and controversy, particularly on questions of empirical evidence. But despite the still unsettled issues about empirical evidence this thesis and the underlying analysis brought to the forefront many questions about international trade, development of the less developed countries and international inequality arising from trade; these issues were revived in the 1970s with the demand for a New International Economic Order (NIEO) aimed at correcting the global imbalance between the rich and poor nations.

In the 1950s and 1960s Raul Prebisch and other structural school theorists based on the terms of trade issue and disparities in income elasticities between primary products and manufactured products, viewed pessimistically the prospects for the less developed countries in the context of the existing the international trade relations. Therefore, they argued strongly on the need for import substitution industrialisation in the less developed countries. In the words of Raul Prebisch " import substitution (increase in the proportion of goods that is supplied from domestic sources) is the only way to correct the effects on peripheral growth of disparities in foreign trade elasticity "[20] This undoubtedly gave a boost to the industrialisation strategy followed by many less developed countries in the 1950s and 1960s, with state regulated trade and commercial policies including protection. Thus growth, capital acumulation, domestic savings, external assistance, technological changes, industrialisation, transformation through the expansion of 'modern' sectors, state intervention in major sectors, and planning to correct marker deficiencies - were all viewed most favourably in the development efforts, strategies and policies in many less developed countries. Development economics, despite dissident views, reflected most of these themes and priorities in large measure in the 1950s and 1960s.

III

Growth Strategies - Challenges and Reappraisal

By the early 1960s growth - centred approach and its associated strategies and policies came in for a critical reappraisal. The reasons were understandable as development performance in a number of respects in many less developed countries was far below promise and expectations. The unsatisfactory performance was not about income growth perse but in relation to a number of other goals and indicators of wellbeing notably, employment, income distribution, and other aspects of social well being, more particularly poverty. In fact during the period covered by the so-called first development decade (1960 - 70) and the second development decade (1970 - 80) the growth performance of many less developed countries as indicated by aggregate growth, GNP per person, was indeed noteworthy.

During 1960 - 70, all developing countries recorded an average annual percentage growth (in 1977 dollors) of 3.1% and 2.9% during 1970 - 80; the so called low income countries within this group, however recorded a lower average growth rate of 1.7% per annum during both periods. This was partly due to the high rates of population growth. The industrialised countries achieved an average annual percentage growth of 3.4% and 2.4% respectively during

1960 – 70 and 1970 – 80.[21] The central concern that came to be expressed since the early 1960s revolved around the question whether the benefits of growth were being shared widely. This emerged as the major and complex issue in the ' development debate ' of the 1970s and thereafter.

It should not be thought that there was no concern over this issue when growth – centred strategy dominated the thinking about development – eventhough there were views expressed to the effect that ' growth comes first ' before everything else leading to the single minded concentration on growth in the initial phase. But growth – centred strategy had another important dimension which was shared by many. It was generally envisaged that with faster growth gains and benefits will ' trickle down ' to the people. But, unfortunately, this expectation proved to be false as the experiences of many less developed economies in the 1960s and 1970s indicated either because the trickle down mechanism was not strong enough or it never worked at all.

Paul Streeten, who viewed development in the broader perspective embodying nomative goals and an advocate of ' basic needs ' approach, has highlighted some of the important issues in this connection pertaining to growth – welfare relationship.[22] It was believed by the growth strategists that the trickle down effect can operate vis - a – vis the growth process through the market forces, by increasing the demand for labour, enhancing labour productivity and resulting in improved wages. It was also expected that the state will be able to correct disparities through the fiscal mechanism and social welfare measures. Such policies or mechanisms, it was noted, did not have the desired impact in many less developed countries.

The emphasis on growth, capital accumulation and industrialisation led to a tendency towards concentration on capital intensive industrial and other modern sectors; this was also partly encouraged by the type of external assistance received. While all these contributed to high growth in these sectors they did not generate adequate employment. In surveying the scene and expressing concern, Ozay Mehmet observed that "while several less developed countries achieved quite impressive aggregate rates of growth in manufacturing during the 1950s and 1960s, manufacturing employment increased on average at only about fifty percent of the out put growth rate".[23] With high rates of population growth experienced in most less developed countries - leading to faster increase in labour force - combined with the type of technologies adopted or encouraged in the context of urban-based industrialisation and development activities, the emergence of massive unemployment and under-employment in many less developed countries in the 1960s and 1970s led to substantial "labour underutilisation" that characterised the state of underdevelopment and poverty.

Paul Streeten, significantly enough, remarked that 'economic growth was often accompanied by increasing dualism - the expansion of modern / urban large scale industrial sector alongside the slow growth and even stagnation in the rest of the economy".[24] According to this view, the dualistic characteristics already present in the economies - contrary to expectations - were not eliminated in the process of development and whatever transformation that was experienced. This will require both a longer period than envisaged as well as changes in the strategies of development.

In the growth experience of most less developed countries from the early 1950s, the much hoped-for trickle down effect did not takeplace. As Adelman noted " not only is there no automatic trickled down of the benefits of development, on the contrary the development process leads typically to a "trickle up" in favour of the middle classes and the rich.[25] Employment, that can ensure productive use of labour and thereby participation in the sharing of benefits, did not expand adequately; and worsening income inequality became a marked feature in many less developed countries. What was even most disturbing was that poverty loomed large and consequently much of the underlying basis of growth - centred strategy and policies came to be sharply criticised: and distributional and poverty dimensions in growth and development process - also termed as "reformist development thinking".[26] - gained prominance in the 1970s and 1980s.

A very prominent development economist, Dudley Seers, ably and effectively gave expression to this changing perspective in his widely quoted statement; "The question to ask about a country's development are therefore: what has been happening to poverty? What has been happening to unemployment? What has been happening to income inequality? If all these have declined from highlevels, then beyond doubt this has been a period of development for the country concerned. If any or two of these problems have been growing worse, especially if all three have, it would be strange to call the result "development" even if per capita income had doubled.[27]"

Income Distribution and Poverty

The focus of 'development debate' shifted more prominently to issues such as poverty, employment, income distribution 'basic needs' satisfaction and 'quality of life' - contributing also to the process of rethinking on goals and content to development. It would be misleading and even incorrect to assume that no attention was paid to these goals earlier. There was sufficent awareness on the importance of such goals. But they were all considered part of the outcome of the growth process and it was assumed perhaps over - optimistically that rapid economic growth will look after most such problems.

The ' redefinition ' of development goals explicitly in terms of reduction or elimination of poverty and improvement in the quality of life - of especially the poorer segements - was seen as a ' new direction ' in the 1970s in development thinking and development policy perspectives. Todaro, reflecting on this changing perspective - " the de - thronment of the GNP "- appropriately remarked : " during the 1970s economic development came to be defined in terms of reduction or elimination of poverty, inequality and unemployment within the context of a growing economy".[28]

Income inequality and poverty are closely interlinked though the relationship involves complex issues, both theoretical and empirical. Inequality in income (and wealth) has long been a major concern associated with the processes of growth and development. Not only does it have an important bearing on welfare, but it also raises issues that cannot be divorced from the prevalent social and institutional structures.

Income distribution can refer to both ' functional distribution ' and ' size distribution '. The former refers to the division of income through the production processes among the major factors of production, such as labour and capital; the latter deals with distribution of income among individuals or households. Functional distribution, depending on the ownership pattern of productive factors as well as the extent of their involvement in the production process and their productivity levels can determine the flows of factor incomes and thereby influence welfare levels of the different segments of the population. However, we are concerned with the size or personal distribution of income in this presentation, as it is more commonly used as an indicator of welfare in process of growth and development. The size or relative distribution of income may change adversely when incomes of those in higher brackets increase relatively to those in low or lower income brackets as per capita income level changes. Changes of this nature related to income (and wealth) distribution in the growth process can be of great economic and social significance.

In his pioneering study on the time pattern of income distribution Simon Kuznets advanced his well known 'inverted U hypothesis', according to which inequality tends to increase in the early phase and then decrease with increase in per capita incomes.[29] This is explained in terms of the pattern of growth, sectoral importance in this connection and other related structural changes. Kuznets' study, dealing mostly with rich countries and a few poor countries, was followed by other similar studies about income distribution and per capita income levels. Some of these studies did confirm the tendency indicated by the U shaped hypothesis; "they tend to support the hypothesis that there is a tendency towards increasing inequality in the early stages of development, followed by a period of declining inequality after a certain income level has been reached".[30] There are other more recent studies which have been skeptical of the validity of Kuznets' hypothesis[31]. However there can, and should, be adequate scope for policy intervention to improve the pattern of income distribution. During the 1960s and 1970s it became clear that most less developed countries experienced high degree of relative income inequality and absolute poverty on a substantial scale. This made it necessary for less developed countries to look for and adopt alternative strategies and policies in which income redistribution and poverty alleviation become important development goals.

In a major and authoritative work, **Redistribution With Growth** (1974), jointly undertaken by the World Bank Research Study Centre and the Institute of Development studies, University of Sussex (World Bank - IDS study), there was a major shift in perspective with interest directed more towards distributional and poverty dimensions of development. In this study Hollis Chenery makes a pointed reference to the major issue in the following statement : "It is now clear that more than a decade of rapid growth in underdeveloped countries has been of little or no benefit to perhaps a third of their population. Although the average per capita income of the Third World has increased by 50% since 1960, this growth has been unequally distributed among countries, regions within countries and socio - economic groups. Paradoxically, while growth policies have succeeded beyond expectations of the first development decade, the very idea of aggregate growth as a social objective has increasingly been called into questions''.[32]

The available evidence from a number of studies, based on both crosssection and time series data on income distribution for many less developed countries, indicated that relative income inequality has increased in the 1960s and 1970s eventhough per capita income growth has been satisfactory. This worsening income inequality has been of particular concern in relation to the incomes of the lowest 20% or 40% of the population; high income inequality in many of the less developed countries had far reaching socio-economic implications.

The evidence presented and main conclusions reached by Montek S. Ahluwalia in the World Bank - IDS study with regard to sixty six countries at different per capita income levels - classified in terms of different levels of inequality categorised as ' high ', ' moderate ' and ' low ' based on the share of the lowest 40%, - can be summarised as follows: (i) the socialist countries show the highest degree of equality in the distribution of income - largely because income from ownership of capital and other means of production do not go as income to individuals, (ii) the developed countries have experienced a relatively more equal distribution falling mostly between low and moderate inequality; (iii) most of the underdeveloped countries are characterised by greater relative inequality than the developed countries surveyed falling within high inequality range and one - third showing moderate inequality; (iv) the average income share with regard to the lowest 40% in all underdeveloped countries came to 12.5% witn a good deal of variation around this average; (v) in the case of half the underdeveloped countries income share of the lowest 40% averaged only 9%; (vi) there seems to be no clear cut relationship between per capita income levels and the degree of income inequality in terms of the inequality levels specified in the context - as high, moderate and low. Inequality appears to be associated with different per capita income level.[33]

The growth-distribution profiles of many less developed countries presents a varied picture. Hollis Chenery identifies "the patterns of growth and distribution observed in the developing world[34]" in terms of what he calls: " growth oriented pattern ", illustrated by Brazil and Mexico; 'equity oriented low growth', illustrated by Sri Lanka and 'rapid growth with equity" illustrated by Taiwan and S. Korea. This shows that depending on the circumstances and policy choice and influences, the growth - distribution pattern can vary, some involving growth – equity trade off, others involving rapid growth and equity and still others showing rapid growth but no equittable income distribution. As Keith Griffin remarked " it is not growth as such that creates inequality, but a particular pattern of growth a country chooses to adopt. What matters is the strategy of development[35]" In the 1970s and 1980s. strategy that favoured " equitable growth " " distributive justice " and poverty eradication gained greater urgency and wider acceptablity in the Third World countries.

From a consideration of relative income inequality, which indicates the extent of disparity in income (and wealth) among different groups of persons or households, we must turn to questions of " absolute poverty " which dominated and continues to dominate the discussions on development, particularly since the end of the 1960s in the less developed countries. In the context of overall income growth, widening inequality with adverse consequences particularly on those segments, say the lowest 20% or 40% of the population, which may not register any gain vis - a - vis others, will undoubtedly be seen as a most unfavourable outcome. But what could be even more worrying is that absolute average income levels of large segments may be so low - in many less developed countries - totally inadequate to support even 'a minimum living' standard in terms of food and other basic necessities; and with a marked increase in population the numbers of such 'absolutely poor' people can and do increase. Both the quantitative and qualitative dimensions of absolute poverty accounted for much of the concern behind the rethinking and reorientation of development policy and goals.

People may be said to be poor in the absolute sense when they do not attain 'a minimal standard of living'[36] necessary to provide them with food - in terms of needed calorie requirements and nutritional levels - and other basic necessities to sustain themselves in a given context. What should constitute this 'acceptable minimum' can give rise to conceptual and measurement problems; it may vary in time and place and is conditioned not only by physiological and economic factors but is related also to social and cultural factors. Nevertheless, when such a 'minimum level' is defined, which will constitute the 'poverty line', this can be expressed through income or consumption equivalents in terms of an individual or a household. Such a pre-determined or specified minimum level constituting the poverty line can be a yardstick to measure the extent of absolute poverty. By comparing the actual absolute income or consumption levels of different sections of the population with the poverty line norm, one can judge how many of them fall below the poverty line, and the absolutely poor can be identified in terms of the yardstick adopted.

Poverty line approach can be either income or consumption based. It can be country - specific using calorie requirements and nutrition level and their income or consumption epuivalents; this can be, and has been, extended to cover also other basic necessities such as clothing, health, education etc. Though country - specific nutrition related poverty lines have been used in the measurement of absolute poverty, 'international poverty line' too has been used in recent times to indicate the extent of absolute poverty in the less developed countries. Though such poverty line figures may be arbitrary and beset with problems when expressed in terms of a common world currency, usually the US dollar, such international poverty line yardstick has proved useful especially for inter-country comparisons.

Montek Ahluwalia's study using an international poverty line based on a per capita income of US $ 75 (1971 prices) provided some valuable insights into the problem of absolute poverty in the 1970s. In this estimate covering countries accounting for about 60% of the total population of developing countries (excluding China), about one - third fell below the poverty line in terms of $ 50 per capita and about half came below the poverty line reckoned at $ 75 per capita. There is an important observation arising out of this study, ie, much of the poverty is due to low levels of per capita income in many countries - though income inequality too had its role to play.[37]

In a later study by Ahluwalia, Carter and Chenery on the dimensions of income growth and poverty, covering about thirty six developing countries, it was observed that "almost 40% of the population of the developing countries live in absolute poverty defined in terms of income levels that are insufficient to provide adequate nutrition".[38] Poverty line approach to the measurement of absolute poverty - whether country specific or otherwise - can be usefull in identifying the quantitative dimensions of this problem. From this one can derive what is called a head - count ratio - a most widely used index - indicating the percentage of a country's population which is below the poverty line. It is a useful measure indicating in quantitative terms the extent of poverty; it can be indicate whether the percentage of the people living in absolute poverty is increasing or decreasing over time. Useful though this index, it may not tell us anything about the intensity of poverty, ie, the state of the people below the poverty line - how many of them are just below it or far below it. An additional measure that can be used is the poverty gap', which tells us about the aggregate income shortfall of the poor in relation to the poverty line. In otherwords, poverty gap measures the quantum of income transfer needed to bring all the poor upto the poverty line. In poverty measurement, there are also other refinements that take into account the extent of inequality, income transfers and changes in inequality within those identified as below the poverty line. Poverty measurement and its refinements have - especially at country or sector levels - increased the awareness of the magnitude of the problem.[39]

Poverty and its measurement in terms of income or consumption largely speak about the quantitative aspects. But the qualitative aspects are no less important and they convey not only the idea of deprivation of large segments, but also the most distressing aspects that characterise poverty in the Third World. The World Bank review of 1980, devoted to three major themes ie, poverty, growth and humanity resource development, noted: "It is difficult to measure pover; ... . as absolute poverty means more than income it also means malnutrition, poor health, and lack of education - and not all poor are badly off in all respects".[40] The qualitative dimensions manifested in such forms as malnutrition, ill health, bad sanitation, sub - standard housing, lack of education, infant mortality, low life expectancy and lack of access to other basic amenities describe vividly the extent of economic and social deprivation suffered by the poor in the less developed countries.

Ten years later, the World Bank published in its World development Report (1990) another comprehensive and authoritative study on poverty. In terms of methodology, coverage of substantive issues, presentation of statistical information and in other respects, this report is certainly worthy of consideration and it contains a wealth of information on the complex issues of poverty in the Third World countries.

In this report a consumption - based poverty line approach has been adopted; making use of both country - specific

Poverty lines and, especially, a universal poverty line. Employing both an upper poverty line of $ 370 and a lower poverty line of $ 275 per capita a year in constant (1985) purchasing power parity prices,[41] (and supplementing this global poverty line with certain other social indicators, such as under five mortality, life expectancy and net primary entrolment rates) the study estimated the number of poor (1985) - in terms of poverty line of $ 370 - as 1150 million people in the developing countries; this gives a head - count ratio of 33% of the total population of the developing world. Based on the lower poverty line figure of $ 275, it is estimated that 633 million people - out of the total estimated poor - are deemed to be 'extremely poor', which constituted 18% of the total population of the developing countries. In terms of the region - wise breakdown of data on poverty, the pattern that emerges is worth noting. It is shown that South Asia records the highest percentage of 51 per cent in terms of head count index; this region's percentage of extremely poor amounted to 29. Sub - Saharan Africa, classified as another region, records the next highest percentage of 47' with a percentage of extremely poor of 30. Middle East and North Africa together showed a head - count ratio of 31% in relation to the total estimated poor and 21% in relation to total classified as extremely poor. Latin America and the Carribean region have a comparatively lower percentages, of 19% for the total estimated poor and 12% for these estimated as extremely poor.[42] It is of interest to note that within South Asia India figures prominently with an estimated 420 million people below the upper poverty line. giving a head count ratio of 55% - percentage of population below the poverty line. Those classified as extremely poor came to an estimated figure of 250 million giving a head count index of 33%.

The relationships between per capita income levels, income inequality and poverty do not always present a clear-cut and uniform pattern; on the contrary the pattern appears to be mixed and varied. Poverty seems to be prevalent in countries with relatively high per capita incomes; this implies that high per capita income levels need not necessarily mean less poverty or absence of poverty, In such situations, extreme inequality in income distribution can be the major cause of poverty. Low average income levels are strongely correlated with substantial poverty. Much of the absolute poverty prevailing in the less developed countries can be attributed low per capita income levels, combined with inequality in income and wealth. There are, however, countries in the Third World with comparatively low average incomes which have avoided extremes of income inequality and poverty.

Sri Lanka's Experience

Sri Lanka fits into this pattern. Her development experience, which has justitiably attracted much attention in recent times, illustrates some of the important facets concerning growth, development and welfare relationships. Sri Lanka can be, and has been, cited as one of the most successful cases of equittable growth, considering the fact that she is also one of the 'low income' countries in the Third World. In the Sri Lankan development experience, of particular interest is that inequality in income distribution has declined notably since the 1960s.[43] With regard to the incidence of absolute poverty no firm and comparable data are available. However most estimates based on different methodology and survey data indicate that the percentage of population living in absolute poverty varied from 15 to 25 percent in the 1960s 1970s.[44] In terms of the usually well known social indicators, basic education, life expectancy, infant morality, death rate etc., Sri Lanka has performed remarkably well; and in relation to some of them she is well ahead of many other less developed countries.[45] It is noteworthy that according to the most recently devised and authoritatively proclaimed Human Development Index by the UNDP - covering both the developed and developing countries - Sri Lanka with an index of 0.789, coming with in the 'medium range', stands above eighty two other developing countries and is almost on the threshold of 'high human development' category.[46]

For a long time Sri Lanka has maintained a high level of social expenditures devoted to education, health, and food subsidies, which led to impressive social welfare achievements.[47] As a result of the emphasis on such equity-oriented politics, relative inequality has been kept low and the country avoided worst forms of inequality and poverty with moderate economic growth in the economy. Sri Lanka moved away from this basic 'redistributive strategy' since 1977 and adopted strategies and policies that have a pronounced bias towards growth maximisation, accelerated investment, market orientation, open economy, export led growth and foreign capital. These have had adverse implications for equity and poverty. Though accompanied by higher growth, higher rate of investment, reduced open unemployment and certain poverty alleviation measures in the post - 1977 period, there has been a noticeable reversal in the income equalising trends that occurred in the 1960s and 1970s.[48] It has been observed that "on the whole the market oriented, private enterprise biased adjustment policies carried rather adverse effects on the poor and marginal groups.[49]

IV

Redistribution with Growth and Basic Needs

In the equity - oriented development strategies - emphasising income equalisation and reduction or eradication of poverty - that gained greater recognition since the early 1970s, redistribution with growth (which in effect is redistribution from growth) approach stressed the need for the redistributing a part of the increment in income to the poor, the identified target groups; this also included asset redistribution towards the targeted poor. This approach contained both production and transfer aspects.[50] The production strategy dealt with the corrections of biases in factor prices so as to encourage labour intensive production and employment opportunities and increasing productivity in existing employment by providing access to inputs and other support services to especially small producers. The transfer strategy may involve both consumption and investment transfers. The former is intended to provide basic consumption goods and other facilities to the poor. Investment transfers are aimed at redirecting investment to areas or sectors to benefit the target groups, which can contribute to the enhancement of their skills and human resource capabilities and thereby widen their access to productive work. It is evident that in this redistribution with growth approach there is an important role for the government even though the main thrust of the strategy is in influencing the structure and pattern of growth in such a manner that the low income producers - the target groups - will enjoy improved and expanding income earning opportunities, while receiving additional resources in the form of consumption and investment transfers to reinforce and strengthen such opportunities.[51]

Almost about the same time when redistribution from growth perspective received considerable attention, and partly because of pessimism about its effectiveness, international agencies, ILO in particular, and other prominent development economists advocated the necessity and relevance of 'basic human needs' approach for dealing with inequality and poverty in the Third World context. Both approaches share something in common but there are important dffferences. The redistribution with growth strategy, requiring redistributing a part of the increment in income, concentrates on income expansion, productivity and enhanced income earning opportunities for the target group. Though poverty - focused it is said to be a gradualist and an indirect approach to poverty eradication. In contrast, the proponents of basic needs approach see it as a more direct and effective way of tackling mass poverty and deprivation.

The ILO, which had already highlighted the employment dimension in its approach to poverty especially concerning the 'working poor' and the need for productive employment by the beginning of the 1970s, also took the initiative in focussing on the basic needs approach.[52] In shifting the focus internationality, the ILO in its report (1976) gave expression in following terms: "basic needs as understood in this report includes two elements. First, they include certain minimum requirements of a family for private consumption: adequate food, shelter and clothing are obviously included, as would be certain household equipment and furniture. Second, they include essential services provided by and for the community at large, such as safe drinking water sanitation, public transport health and educational facilities.[53]

Paul Streeten, one of the most prominent advocates of basic needs approach defined it as one designed to 'improve first, the income earning opportunities for the poor; second the public services that reach the poor; third, the flow of goods and services to meet the needs of the household members; and fourth, the participation of the poor in ways in which the needs are met".[54] What is obvious in this approach is that human needs are expressed with a major focus on food, shelter, health, education and tans-port; also included are non-material needs like participation; equally obvious is the stress on human resource moblisation or enrichment. Another special attribute in this approach is that of viewing basic needs fulfilment as an end in itself. What is implied and even possibly inescapable in basic needs approach is redistribution of income and wealth as inequality in the distribution of productive assets is often correlated with poverty. Another added dimension is the participation of the poor in development in which they are expected to be major beneficaries. Both redistribution and participation will unavoidably be linked to important political dimensions relating to political power relationships which may determine the feasibility of a strategy heavily biased in favour of the poor within a 'reformust' framework.

One of the important characteristics of poverty in the Third World context is that the bulk of the poor are concentrated in the rural areas, although the urban informal sector too carries large pockets of poverty. In the Third World countries, on average, seventy percent of the poor are located in the rural sector and the problems such as malnutrition, lack of sanitation, education and health are most visible in the country side. The majority of the poor dependent on rural agriculture and allied activities - are small farmers, tenant cultivators, landless labourers, ' marginal ' farmers and other self employed persons.

In this context, therefore, the problems of poverty allevation or eradication are largely and inseperably linked to rural development in the Third World countries. Apart from the techno-economic aspects of small scale farming or rural agriculture dealing with improvements in productivity, technology and innovations, there are important aspects relating to ' socio structural ' dimensions of rural development. Any rural development strategy will have to take into account such institutional questions as tenurial arrangements, agrarian relations, ownership of productive assets, mostly land, redistribution of such assets and access to primary inputs and support services – especially in the context of small - farmer - centred rural agriculture. In predominantly rural small – farmer based agricultural economies– as in many Third World countries – the pattern of ownership and distribution of land and access to other productive resources / inputs and opportunities to engage in productive work can have a significant impact on income distribution and poverty. Even within a ' reformist ' perspective, the feasibility of equittable growth leading to reduction in inequality and poverty through an employment – intensive small farmer – centred rural development may require asset (primarily land) redistribution and redirection of investment resources to a significant extent. However, institutional regidities and entrenched power and authority structures may present problems in this connection. In highlighting these aspects within a reformist approach in the Asian context it has been observed that " the mechanisms for allocating resources and the institutional and political structures are heavily biased against the poor, and that policies favouring the poor require major changes in political power and institutions".[55]

The major policy orientations aimed at income equalisation and poverty alleviation – already highlighted above - dealing with employment generation and / or productive employment for the working poor, redistribution from growth and basic needs fulfilment can together be termed ' redistribution strategies ', which became familiar in development literature and policy discussions in the 1970s and 1980s. It is against such a background that Keith Griffin speaks of a "comprehensive redistributive strategy" with five central elements, viz. (i) an initial redistribution of assets, particularly land, (ii) creation of local institutions which permit the participation of people in grass roots development (iii) an employment intensive pattern of development; (iv) investment in human capital, particularly education and health; (v) sustained rapid growth in per capita income.[56] Viewed in this manner, the policies that emphasise the creation of productive employment or policies that stress redistribution from growth or those that advocate the relevance of basic needs satisfaction can all be considered as "sub – strategies" within a more comprehensive development strategy.[57] It is of interest to note that rapid growth of income is given an important place. If poverty elimination is to be achieved within a reasonable period of time sustained economic growth is essential. But this sustained growth has to be combined with a number of other elements which can also influence the pattern of growth biased towards the unemployed, underemployed, the poor and the low income groups. Of further interest is that this kind of broad-based and redistributive strategy has a particular relevance to a system of "small peasant agriculture"[58] and, therefore, the implications are no doubt significant in the Third World context.

V

Rethinking Development and Goals of Development

Arising out of the preceeding sections and drawing on the contemporary development thinking and experience, different perspectives can broadly be identified, viz., (i) 'growth first and distribution later', (ii) 'growth with trickle down mechanism', (iii) 'redistribution with growth' and (iv) 'basic needs' satisfaction.[59] There can yet be another perspective based on 'socialist model' (e.g china) which places redistribution and restructuring of productive assets as first priority with new patterns of ownership. This is an approach involving a radical socio - economic transformation. Such differentiation as made here is admittedly a simplified way of summarising highly complex issues and policy orientations, but useful nevertheless to understand dominant themes and shifting paradigms. In the first two approaches indicated above, based largely on western experience, there is an important difference in emphasis in that the second one shows a greater concern for the spread of benefits from the growth process through the trickle down mechanism without having to 'wait' too long. The third and fourth perpectives, which can be grouped together, offer the possibilities through a reformist approach within the existing market - government systems in improving income equality and reducing poverty. This no doubt requires the necessary political will and hence the political dimensions of poverty eradication are no less important than the economic dimensions.

Though radical restructuring and redistribution of assets takes place first in socialist countries, it is observed that a modified version of such 'redistribution first' has been associated with the experience of some capitalist (developing) countries as well where considerable redistribution of assets (land) has taken place (e.g Taiwan and South Korea) and where development proceeded not only rapidly but with a pattern that was equittable as well.[60] Thus some form of "redistribution first" on a significant scale can take place even in non socialist developing countries, provided the political structures and power relationships are favourable for such reforms.

In the development literature since the 1960s, a noticeable change has taken place with regard to the perceptions and meaning of economic development itself. In the growth - dominant perspective, the GNP per capita was taken as a major and quantifiable index and treated almost synonymous with development. But very soon with the "dethronment of the GNP", it became not only necessary to differentiate between growth and development but also to focus more on the multifaceted dimensions. Not that growth unimportant. There is unanimity in envisaging growth as a necessary but not a sufficient condition of development. Economic development involved much more than growth. It meant, in the long - term perspective, change and some kind of structural transformation in society. In a more welfare oriented sense development also encompassed certain social goals and achievements in relation to them.

Development is both a process and an end result and therefore goals of development assume considerable significance. As a process, development involves interaction among several variables mainly economic; but the importance of non - economic variables cannot be underrated. In itself this complex process operating in a particular environment is, no doubt, significant. But what is equally important is the end result that can emerge; it is here that normative goals of development are relevant. When we view development from the point of view of its impact on the people, especially the poor, in a less developed economy, then it is necessary to incorporate certain welfare goals; once such explicit goals are specified which may be based on some kind of value - judgement, then development becomes a normative concept as well. To say that successful development - with a welfare focus - involves increasing per capita output, improvement, or atleast no worsening, of income inequality, reduced poverty and improvement in health and education and other important aspects of socio - economic wellbeing, is to accept that they are all desirable goals and normative dimensions based on important value premises become an integral part. These can and do determine the design and orientation of development goals.

In the 1970s, with considerable 're-thinking' on development and in the efforts to 're-define' it, the content of development received much attention which party reflected the intensity of socio - economic problems in the third World. In this broadening or enriching of the concept and meaning of development it became more 'people - centred , forcussing on the enhancement or the realisation of human potential In the 1970s and 1980s, reflecting such changing perceptions, what Todaro[61] calls certain 'core values', such as 'life sustenance', 'self - esteem' and 'freedom of choice' came to be highlighted. Encompassing economic and social betterment of especially the poorer segements 'developmental values' with a humanistic orientation came to be associated with human dignity, security, freedom of choice as well as a sense of involvement and participation in decision - making. Undoubtedly, these will require changes in social and institutional framework. In his attempt to capture the broader dimensions, Todaro offered the following definition: "development must be conceived of as a multidimensional process involving major changes in social structures, popular attitudes and national institutions as well as acceleration of growth, reduction of inequality and eradication of poverty'.[62] It is interesting to note that in this definition with a Third World focus 'structural - institutional' aspects come first implying that they are necessary, and therefore deserve emphasis, to achieve the desirable goals set out in the second part of the definition. In this the frontiers of development and development economics get pushed further and take on a strongly multidisciplinary character. This is not dissimilar to the approach adopted by Myrdal - to which reference has already been made - when he observes that "the problems of development (in South Asia) is one calling for induced changes in (that) social and institutional structure, as it hinders economic development and as it does not change spontaneously or, to any large extent, in response to policies restricted to economic sphere''.[63]

Within an normative - analytical framework, the enlargement of the content and meaning of development - showing as well the interrelated and interdependent nature of the major components - may be viewed through: the growth dimension, the equity dimension and the participatory dimension.[64] The growth dimension or component deals with the familiar territory about increased material production, productive capacity, sustained growth, development of technological capabilities - with the addition of the more recently emphasised aspect of ecological sustainability. The equity component is associated with reduced inequality, poverty allevation and / or eradication and basic needs fulfilment. The participatory dimension is somewhat less rigorously formulated and is not a well integrated element in the 'new thinking'. But it nevertheless conveys some of the essential aspects of development. To make it 'people - centred' - both as beneficiaries and participants - their involvement, participation and role in decision - making are important and necessary. This also entails certain other aspects such as self - respect, human dignity, freedom or enlargement of choice and human rights and entitlements. All this will require both institutional and attitudinal changes. The participatory component along with others can improve the conditions of wellbeing for the people. It is emphsised further that "there cannot be any permanent trade - off'' amongst the components and "each has its own instrinsic value'' and the interdependent parts with equal weightage make development itself a 'total' and 'indivisible' process.[65] In otherwords, they all go together and in a closely interrelated manner – both conceptually and operationally - give an enriched and enlarged meaning.

Development Economics – new challenges

When compared to decades of the 1950s and the 1960s, the decades of the 1970s and 1980s reflected a general disillusionment with 'development economics' itself. Writing in the mid - 1980s Coleman and Nixon expressed this feeling in the following words: "it is no exaggeration to state that development economics is at present going through a crisis. The recent spate of articles on the evolution and current state (and status) of development economics as a separate sub – discipline reflects the atmosphere of questioning and self – doubt amongst the main stream development economists . . . ." [66] Henry J. Bruton in his observations speaks of the "search for development economics". It is indeed very revealing when he says "The main reason why development is so often accompanied by disappointment and tension is that it is largely an attempt to replace the west, rather than an effort to set motion an indigenous process of change within the traditional sectors themselves; the efforts to replace the values and institutions and relationships of the traditional society by imported ones create tensions and uncertainty . . . . .".[67] Arthur Lewis writing in the mid – 1980s observed that "development economics is said to be in doldrums after a couple of sprited decades"; he describes the 1950s and 1960s as a period of "great theoretical innovation and controversy" and expressed the view that "development economics is not at its most spectacular, but is alive and well".[68]

What Henry Bruton says as an attempt to "replicate the west", is no doubt an important theme though not a new one. Even when the mainstream development theory held sway, there were dissident and / or radical views which centred around different perspectives. However, the ideas about 'indigenization of development thinking', the exploring of 'new approaches' and 'search for alternatives' - though somewhat loosely formulated - gained recognition only since the mid - 1970s.[69]

The 'new' development economics - to differentiate it from the traditional growth economics - that evolved in the 1950s and 1960s as a distinct field of study generated much enthusiasm and optimism with considerable promise and expectations. But the actual development performance in many less developed countries was disappointing mostly with regard to major goals such as employment, reduction in income inequality and poverty; and disenchantment with he basic policy approaches was inevitable.

Development economics became increasingly multidisciplinary with the 1960s, which enlarged the scope of the field to justify the description 'development studies' bringing within its purview socio structural and institutional dimensions. The emphasis on policy analyses and policy - oriented approach also increased, which made the field increasingly empirical as well.

In the 1970s, development economics had to contend with challenges from neo - classical resurgence and (a little earlier) critiques based on neo - Marxist and radical perspec - tives on underdevelopment / development. There has been throughout an uneasy relationship between mainstream development thinking and neo - classical paradigms; and the limitations of neo - classical approach were highlighted in the earlier period. However, with the resurgence and revival, described as "the most substantial change in the content of development economics' during the 1970s and 1980s,[70] many Third World countries moved from a state interventionist phase to an 'open economy' perspective, representing almost a reversal of earlier approaches.

Summary Conclusion

In concluding this wide - ranging review the main points of discussion may now be summarised. Development theory and policy debate in the last four decades went through different phases and resulted in the emergence of different and conflicting perspectives. During this period development strategies and policies were adapted to accomodate changing experiences and the challenges that had to be met. From a preoccupation with growth in the initial period, the focus shifted to employment, income inequality, poverty and redistribution of benefits. Development experience also showed that the Third World itself has changed in many respects in the past two or three decades with deversity in levels of development and development performance that became more marked.

Development experience of the Third World countries has been shaped not only by the internal structures and their domestic dimensions, but also by the external economic relations and the external context in which they operate. The latter have increased the importance of the global dimensions of Third World development in whatever way they are perceived.

Taking a global view of the poor, Theodore Schutlz in his Nobel lecture (1979) observed: "most of the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters".[71] The implications from this highlight not only the conceptual and policy aspects about poverty - centred problems of development, but also their magnitude and complexities as well as the challenges.

NOTES AND REFERENCES

1. Gunnar Myrdal : *Asian Drama - An Inquiry Into The Poverty of Nations*, vol. 1, The Penguin Press, England, 1968, p. x.

2. Ibid, p. xi.

3. Simon Kuznets : ''Modern Economic Growth'' - Findings and Reflections', *American Economic Review* 63, 1973, reprinted in Michael P. Todaro, *The Struggle for Economic Development* Longman, NewYork, 1983, p. 57.

4. Cited in Gerald Meir, *Leading Issues in Economic Development* Oxford University Press, NewYork, 1981 (fifth edition) p. 62.

5. Myrdal *op . cit*, p. 16.

6. Michael P. Todaro ; *Economic Development in the Third World* Longman, NewYork 1983, p. 11.

7. *Ibid*, p. 28.

8. The World Bank, *World Development Report* 1991 Oxford University Press, NewYork, Statistical appendix Table A2, p 182,

9. Tony Kiliick, *Development Economics in the Action - a Study of Economic Policies in Ghana*, Heinaman, London 1978, pp. 17 - 18.

10. *Ibid*, p. 24.

11. See W. A. Lewis " Economic Development with Unlimited Supplies of Labour " *The Manchester School of Economic and social Studies*, May 1954, pp. 139 -90.

12. *Ibid* p. 154.

13. Bjorn Hettne : *Development Theory and the Third World* SAREC Report, (Swedish Agency for Research Co-operation with Developing Countries) Stockholm, 1982, p.22.

14. S. C. Dube : *Modernisation and Development - The Search for Alternative Paradigims*, Zed Books Ltd. London, 1988 p. 1, & pp. 15 – 26.

15. Bjorn Hettne, *op. cit.*, p. 31.

16. See W. W. Rostow : *The Stages of Economic Growth*, Cambridge University Press, Newyork 1960.

17. Charles P. Oman and Ganeshan Wignarajah ; *Post - War Evolution of Development Thinking*, Macmillan. London. 1991, pp. 137.

18. See R. Prebisch : *Economic Development of Latin America and its Problems*, United Nations, NewYork, 1950; H. W. Singer, "The Distribution of Gains between Borrowing and Investing Countries", *American Economic Review*, 40, 1950.

19. David Greenaway and Chris Milner, "Trade Theory and the Less Developed Countries" in Norman Gemmel (Ed.) *Surveys in Development Economics* Basil Blackwell Oxford, 1987 p. 18.

20. Raul Prebisch, "Commercial Policy in underdeveloped Countries" *American Economic Review*, May 1959, re-printed in Gerald M. Meir, *Leading issues in Development Economics Selected Materials and Commentary*, Oxford University Press, 1964. Newyork, p. 288.

21. World Bank *World Development Report*, 1980, Oxford University Press, NewYork Table 2.8, p. 11.

22. Paul Streeten, "From Growth to Basic Needs", *Finance and Development*, IMF – World Bank, September 1979, 16 – 3, pp 28 – 31.

23. Ozay Mehmet, *Economic Planning and Social Justice in Developing Countries*, Croom Helm, London, 1978, p. 22.

24. Paul Streeton, *op. cit*, p. 29.

25. Irma Adelman "Development Economics - a Reassessment of Goals" *American Economic Review* May, 1975, p. 302.

26. Charles P. Oman and Wignarajah, *op. cit.*, pp. 97 - 124.

27. Dudly Seers " Meaning of Development " in *Development Theory - Four Critical Studies* (Ed.) David Lehman, Frank Cass, London 1979, p. 12.

28. Michael P. Todaro, *Economic Development in the Third World, op. cit.*, p. 84.

29. See Simon Kuznets, "Economic Growth and Income Inequality" *American Economic Review*, 45, March 1955.

30. Arne Bigsten, "Poverty, Inequality, and Development" in *Surveys in Development Economics* (Ed) Norman Gemmel, *op. cit.*, p. 146.

31. Charles P. Oman and Ganeshan Wignarajah, *op.cit.* p, 113.

32. Hollis Chenery *et. al.*, *Redistribution With Growth*, Oxford University press, Newyork 1974, p. xiii.

33. Montek Ahluwalia. "Income Inequality : Some Dimensions of the Problem" in Hollis Chenery *et. al.*, pp. 7 - 8 & Table 1.1, p. 8.

34. Hollis Chenery, "Poverty and Progress - Choice for the Developing World" *Finance and Development*, IMF - World Bank, 17, 1980, reprinted in Michael P. Todaro. *The Struggle for Economic Development, op. cit.*, p. 91-92.

35. Keith Griffin, *Alternative Strategies for Economic Development*, Macmillan, London, 1989, p. 16.

36. World Bank, *World Development Report*. 1990, Oxford University Press, Newyork. pp. 26 - 29.

37. Montek Abluwalia, 'Income Inequality: "Some Dimensions", *op. cit.*, p. 11.

38. M. S. Ahluwalia, N. Carter and H. Chenery, 'Growth and Poverty in Developing Countries" *Journal of Development Economics*, September 1979, cited in Michael P. Todaro, *Economic Development in the Third World, op.* cit.. p. 151.

39. See Robert Hall, *Growth and Development–An Economic Analysis*, Martin Robertson, Oxford 1983, pp. 278–80.

40. *World Development Report*, 1980, *op. cit.*, p. 35.

41. The poverty line figures are given in 1985 purchasing power parity dollars of 275 and 370 per capita. The usual way of using official exchange rates to convert national currencies to US dollars has its shortcomings as this may not correctly reflect the relative purchasing power of currencies. Instead of using the official exchange rates – based conversion factors, the use of the purchasing power parties – based conversion – though beset with methodological and statistical problems – may provide a better yardstick for inrercountry comparison.

42, *World Development Report*, 1990, *op. cit.*, pp. 28 – 29: Table 2.1 p. 29.

43. Between 1953 and 1973 the share of income that went to the bottom 40% of the speeding units increased from 14.50% to 19.29%; and that of the top 20% dropped from 53.8% to 42.95%. The relative share of the middle four deciles also increased from 31.9% to 37.76%. Gini coefficient (for spending units) went down from 0.46 in 1953 to 0.35 in 1973 and for income receivers the decline was from 0.50 to 0.41.

for the some period (*Report of the Consumer Finances and Socio Economic Survey*, 1981 / 82, Central Bank of Ceylon, 1984 Table 5.11, p. 185.)

44. *Sri Lanka National Report to the United Nations Conference on Environment and Development*, 1991 Table 11, p. 111.

45. Some Social Indicators - Sri Lanka.

Adult literacy % (1985)	:	87
Life Expectancy at Birth (1987)	:	71
Infant Mortality per 1000 Live Births (1988)	:	32
Under Five Mortality per 1000 Live Births (1988)	:	43
Crude Birth Rate - per 1000 (1989)	:	21
Crude Death Rate per 1000 (1988)	:	6
Access to Safewater % population (1985 / 87)	:	40
Access to Sanitation % population (1985 / 87)	:	45
Access to Health Services % population (1985/87)	:	93

(*Sri Lanka National Report*, *op. cit.*, Table 4, p 22)

46. UNDP, *Human Development Report* 1990, Oxford University Press, NewYork, 1990, Table 1, p. 128.

47. See N. Balakrishnan, "Sri Lanka as a Welfare State-An Overview", Peoples Bank, *Economic Review*, July, August, 1985.

48. Income distribution pattern turned unfavourable in the 1970s and 1980s due to the impact of the 'open economy' and market oriented policies pursued after 1977. The income share of the bottom 40% of the spending units decreased from 19.29 % in 1973 to 16.06% in 1978 / 79 and 15.32% in 1981/82. The top 20% of the spending units recorded an increase from 42.95% in 1973 to 49.87% in 1978/79 and 51.81% in 1981/82; the share of the middle 40% too declined from 37.76% in 1973 to 34.07% in 1978 / 79 and to 32.77% in 1981 / 82. Gini ratio (for spending units) increased from 0.35

in 1973 to 0.45 in 1981 / 82 and for income receivers it went up from 0.41 in 1973 to 0.52 in 1981 / 82. *Report of the Consumer Finances ad Socio - Economic Survey*. 1981 / 82, *op. cit.* Table 5.11 (p. 185) and Table 5.14, (p. 187):

49. W. D. Lakshman " Lineages of Dependent Development - From State control to Open Economy in Sri Lanka", in *The Challenge in South Asia - Development, Democracy and Regional Co-operation* (Ed) Ponna Wignarajah and Akmal Hussain, Sage Publications, New Delhi, 1989, p. 131.

50. Arne Bigsten, " Poverty Inequality and Development " in Norman Gemmel (Ed), *op. cit.* p. 158.

51. Malcolm Gills *et. al.*, *Economics of Development* Norton and company, Newyork, 1983, p. 92.

52. See International Labour Organisation, *Employment, Growth and Basic Needs - One World Problem*, Geneva, 1976.

53. Quoted in B jorn Hettne, *op. cit.*: p. 87.

54. Paul Streeten, "From Growth to Basic Needs" *op.cit.* P. 29.

55. Keith Griffin, and Ajit Kumar Ghose, "Growth and Improvement in Rural Areas in Asia", World Development May/June 1979, quoted in John R. Westly, *Agriculture and Equitable Growth - The Case of Punjab and Haryana*, Westview Press, London, 1986, p. 35.

56. Keith Griffin, *op. cit.*, p. 31 & p. 189.

57. *Ibid*, p. 188.

58. *Ibid,* p. 189.

59. Malcolm Gills, *et. al., op. cit.,* p. 91.

60. *Ibid.* p. 92.

61. Michael P. Todaro, *Economic Development in the Third World, op. cit.,* pp. 86 – 87.

62. *Ibid.,* p. 85.

63. Gunnar Myrdal, *op. cit. p.* 26.

64. Godfrey Gunatilleke "The Ethics of Order and Change- An Analytical Framework'', in (Eds) Godfrey Gunatileke, Neelan Thiruchelvam Radhika Coomarasamy, *Ethical Dilemmas of Development in Asia,* Lexington Books D. C., Health and Company Toronto, 1983, p. 16.

65. *Ibid,* pp. 16 – 17.

66. Quoted in Norman Gemmel (Ed), *op. cit.,* p. 1.

67. Henry J. Bruton, ''The search for Development Economics'', *World Development,* October – November, 1985, p. 1079.

68. W. A. Lewis, "The State Development Theory, *American Economic Review,* March 1985. pp. 1 – 10.

69. See Bjorn Hettne, *op. cit.,* pp. 75 - 100 & pp. 137 – 148; D. L. Seth, '' Catalysing Alternative Development : Values, the Knowledge System, Power in (Eds) Ponna Wignarajah and Akmal Hussian, *op. cit.,* pp. 61 – 74.

70. Gerald Meir, *Leading Issues in Economic Development, op. cit.,* p. 84.

71. Cited in Bruce Herrick and Charles P. Kindleberger, *Economic Development,* Migraw - Hill International Book Company, Singapore, 1984, p. 1.

Prof. N. Balakrishnan, Associate Professor in Economics, is an honours graduate in Economics of the University of Peradeniya. He holds a M. Phil. degree well from the University of Leeds, England.

He has already completed thirty years of service as an academic in the Universities of Peradeniya and Jaffna.

He joined the University of Jaffna in 1978 and has been Head, Department of Economics and Head, Department of Commerce and Management.

Prof. Balakrishnan has served as Dean, Faculty of Arts from 1984 - 1991.

He was a past President of the Jaffna Science Association.

He has specialised in development studies and has published several papers in both local and foreign journals on themes centred around socio - political and socio - economic developments relating to Sri Lanka.

Prof. Balakrishnan in presently Head, Department of Economics in the University of Jaffna.

Mahathma Printing Works, Erlalai.