GROWTH AND DEVELOPMENT

GROWTH AND DEVELOPMENT

with special reference to
developing economies

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TO GIANNA
FOR LORENZO

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Preface

This book is offered as an introduction to certain topics in development economics, with particular emphasis on the economic obstacles to development and the economic means by which less developed countries may raise their rate of growth of output and living standards. This does not mean that it provides a recipe or blueprint for development in the present less developed countries – far from it. There can be no general recipes of this nature, and even if there were there would have to be more than economic ingredients. It is possible, however, to highlight certain fundamental principles and economic truths common to all countries which have set themselves the objective of development, and this is the purpose here. The text is primarily theoretical, and the discussion ranges from the mundane to the technical. This may be offputting, but is virtually inevitable with a subject like development which draws on all branches of economics, and which applies a large chunk of economic analysis to one particular country or set of countries. Certain obvious things need saying about the development process, while the analysis of particular development difficulties and their solution can become quite complex. The most technical aspects of the book on planning techniques are relegated to appendices in Chapter 7.

Despite its theoretical emphasis, no more than an elementary knowledge of economics is required, such as a student may receive in a first-year economics principles course. Indeed, the course on which this book is built was originally designed to provide a balanced diet for students studying the sociology and politics of development with no more than one year's elementary exposure to macro- and micro-economic theory. Mathematics is kept to a minimum and there is no recourse to sophisticated growth models.

Some readers may be worried by the neglect of non-economic factors in the growth process. The emphasis on the economics of development is not to deny or demote the importance of non-economic factors; rather it is a reflection of my interest and competence. Having said this, however, I think the importance of

institutional barriers to development is often exaggerated. As Maddison¹ and others have remarked, the desire for material improvement in less developed countries is very strong – certainly strong enough to counter any institutional barriers that may exist – and the evidence is not very convincing that basic institutional reform is a necessary precondition of accelerated growth. But, in any case, it is my firm belief that the economist has something positive to offer by way of analysis unadulterated by sociological, political and other non-economic variables. It is a favourite pastime of other social scientists to criticise economists for ignoring institutional considerations. We now seem to me to be in the opposite danger of a great deal of woolly thinking about what raising living standards is all about. In the final analysis, growth must be considered as an economic process in the important practical sense that it is unlikely to proceed very far in the absence of an increase in the quantity and quality of the resources available for production. Even if we concede that the availability of resources may depend on non-economic factors such as attitudes towards effort, saving, risk-taking, and ‘maximising’ in general, this does not make non-economic factors prime determinants of development. Their impact is indirect. This is how economists tend to view the relation between development and the institutional environment, and this will be the implicit assumption throughout the present volume.

In preparing this book I have been haunted by that celebrated review which began: ‘There is much in this book which is new and true; unfortunately that which is new is not true and that which is true is not new!’ There is nothing in this present volume which is new either of a theoretical or an empirical nature. I hope, however, that what is not new does not deviate too radically from ‘truth’ or relevance, and that what is ‘true’ provides a useful synthesis for an introduction to a course in development economics.

Finally, I should make the point that in studying development and the economic difficulties of less developed countries one would have to be extremely insensitive not to form fairly strong views on the way development problems ought to be tackled. Economists, except perhaps those who return from less developed countries and become anecdotal, have tended in the past to be a trifle detached and rather

¹ A. Maddison, *Economic Progress and Policy in Developing Countries* (London: Allen & Unwin, 1970).

reticent in expressing their views in this controversial area. While on the whole this book follows the positive tradition, there are occasions where there is resort to value judgements.

Since this book has arisen out of a series of lectures given to third-year undergraduates at the University of Kent, I should like to express a debt of gratitude to at least three cohorts of students who endured the role of guinea pig so patiently. I am also very grateful to my colleague Roger Hill who read the entire manuscript in draft and pointed out many slippages and obscurities. But I cannot implicate him in my views or analysis, because I know that he disagrees with a good deal of the approach I have taken – especially the presentation of theoretical skeletons without much empirical flesh, and my neglect of non-economic factors. None the less, I have valued his discussion enormously. Finally, I must thank the editors of the *National Westminster Bank Review*, *Moneta e Credito* and the *Scottish Journal of Political Economy* for allowing me to reproduce material previously published in their journals, and Miss Margaret Hawkins for typing the entire manuscript with her usual cheerful efficiency.

A. P. T.

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1971*

The First Law of Development

‘For unto everyone that hath shall be given
and he shall have abundance, but from
him that hath not shall be taken away even
that which he hath.’

(Matthew 25: 29)