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A Brief Note on the Decline and Rise of Development Economics

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Introduction

Economics as a discipline has always been concerned with development. The early economists, from the Physiocrats through Smith and Ricardo to Marx, were essentially concerned with understanding the processes of economic growth and structural change : how and why they occurred, what forms they took, what prevented or constrained them, and to what extent they actually led to greater material prosperity and more general human progress. And it was this broader set of "macro" questions which in turn defined both their focus and their approach to more specific issues relating to the functioning of capitalist economies. It is true that the marginalist revolution of the late 19th century led economists away from these larger evolutionary questions towards particularist investigations into the current, sans history. Nevertheless it might be fair to say that trying to understand the processes of growth and development have remained the basic motivating forces for the study of economics. To that extent, it would be misleading to treat it even as a branch of the subject, since the questions raised touch at the core of the discipline itself.

But of course, what is now generally thought of as development economics has a much more recent lineage, and is typically traced to the second half of the twentieth century, indeed, to the immediate postwar period of the 1950s and 1960s when there was a flowering of economic literature relating to both development and underdevelopment. While some of this became the basis for subsequent "structuralist" analysis, much of the standard literature of that time was still very much within the mainstream of the discipline, and retained the fundamentals of the mainstream approach even while altering some of the assumptions. Thus, the economic dualism depicted by Arthur Lewis, the co-ordination failures inherent in less developed economies described by Rosenstein-Rodan, the efficacy of unbalanced "big push" strategies for industrialisation advocated by Albert Hirschman, all in a sense dealt with development policy as a response to the market failures which were specific to latecomers.

The logical conclusion of such exercises was in the emergence of the development planning literature, which predates these works because of the association of the early writers on planning with the actual planning process in the Soviet Union in the 1920s and 1930s. This naturally became more developed and more sophisticated with time, especially once the "mixed economy" planning strategies began to be worked out from the 1950s. But this literature needs to be distinguished from the more well known standard development economics literature, which was much more crucially dependent upon the assumptions of capitalist economic working.

However, as is now well known, all this discussion somehow receded into the background especially during the 1980s. Indeed, development economics, even of the mainstream variety, on the whole suffered a fate similar to Keynesian economics in developed countries, of being first reviled, then ignored, and finally forgotten. A decade ago it was not uncommon to come across occasionally gleeful obituaries of development economics, which emphasised the perception which had become increasingly widespread within the mainstream economics profession : that all answers to basic economic queries for all types of countries - developed, developing and underdeveloped - could come from the same neoclassical analytical framework which privileged the market mechanism.

But, it now turns out that rumours of the death of development economics were greatly exaggerated, and what was thought to be its demise was really no more than its mid-life crisis. There has been a recent revival in analyses which openly claim to be part of development economics, as a spate of new textbooks and the recent proliferation of such articles in the standard professional journals will indicate. This newer version of development economics is one which contains a much sharper focus on the micro, on the miniature as a useful and relevant representation of the larger reality. It is very much a product of the intellectual ethos prevailing in the academic centres of the North - almost all of the practitioners, whatever be their country of origin, actually work in these places. Therefore it is a reflection of a deep internalisation of the basic axioms of mainstream North Atlantic economic thinking, especially in terms of the dominance of the neoliberal marketist paradigm.

Thus the new development economics literature remains firmly entrenched in the methodological individualism which characterises all the mainstream economics of today. The models now being developed all tend to be based on the notion that prices and quantities are simultaneously determined through the market mechanism, with relative prices being the crucial factors determining resource allocation as well as the level and composition of output. This holds whether the focus of attention is the pattern of shareholding tenancy or semiformal rural credit markets or a developing economy engaging in international trade.

The current development economics literature also posits a basic symmetry not only between supply and demand, but also between factors of production. Thus, the returns on factors - land, labour, capital - are seen as determined along the same lines as the prices of commodities, through simple interaction of demand and supply. Where institutional determinants are acknowledged, they are seen as unwelcome messing about with market functioning, and "government failures" tend to be given wide publicity. An implicit underlying assumption in much of the literature remains that of full employment or at the very most underemployment rather than open unemployment.

Further, while externalities are recognised, they are sought to be incorporated into more tractable models, thereby reducing the complexity of their effects. Similarly, while market failures are admitted, the policy interventions proposed or discussed are typically partial equilibrium attempts to insert incentives/disincentives into the market mechanism, with the objective of promoting "efficiency". And even the basic fact of uneven development tends to be translated into models of "dualism", which in turn also implies less attention to the differentiation internal to sectors and the patterns of interaction of different groups or classes within and across sectors.

Finally, there is a growing acceptance that "history matters". But once again, this is typically reduced to certain simple and modelable statements. Thus, a standard way in the literature of dealing with the effects of history is in the form of complementarities, along the lines made famous by the example of the QWERTY typing keyboard. Other common ways of incorporating history are through inserting "social norms" as a variable, or analysing the effects of the "status quo" in creating inertia with respect to policy changes.

In some ways, the new development economics can be seen as an attempt to examine what are seen as "exotica" in terms of prevalent economic institutions in developing countries, and explain them along the lines of the methodological individualism which is perceived as the correct way of analysing developed market economies. It could even be described as a sort of "National Geographic" view of development, whereby snapshots of particular institutions or economic activities are taken, the difference from the "norm" of developed capitalism is highlighted and then these are sought to be explained using the same basic analytical tools developed for the "norm". The means whereby these economies or institutions can then become less different, or more like the developed market ideal (which of course does not exist in reality either), then becomes the focus of the policy proposals emanating from such analyses.

Clearly, there is still something missing, or even wrong, in this overall approach. And so it could be argued that even this new, apparently improved version of mainstream development economics, is not really worth saving just as the current mainstream analysis devoted to developed economies is also problematic. A better way of expending intellectual energy would be to try to develop *alternative* ways of addressing the still fascinating and relevant issues of growth, development, structural change and inequality in all economies, especially those not characterised as "developed".

Of course, a rethinking of development economics must necessarily also

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