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**AN INTEGRATED PARADIGM FOR DEVELOPMENT :  
WHITHER DEVELOPMENT PROCESS  
IN THE ASIAN COUNTRIES ?**

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## PREFACE

The Centre for Multi-disciplinary Development Research (CMDR) is a social science research institute in a moffusil area of Karnataka and is sponsored by the Indian Council of Social Science Research, New Delhi. The Centre aims at undertaking analytical studies of conceptual and policy significance on the socio-economic and cultural issues using multi-disciplinary perspectives and state level and micro level information.

As a part of its publication programme, the Centre has initiated a CMDR Monograph Series, consisting of both invited contributions and the research studies completed at the Centre.

We are happy to present the thirteenth in the CMDR monograph series under the title "An Integrated Paradigm for Development : Whither Development Process in the Asian Countries?" by Dr. V.R. Panchamukhi.

This paper based upon a lecture presented by the author at CMDR attempts

to emphasize the need for an eclectic view about the multi-faceted developmental process, highlighting the fallacy of sectoral or single factor approach of these processes. It also tries to bring out the importance of an integrated paradigm of development outlining the experiences of different Asian Countries during the recent years. The conclusion that each country should have its own paradigm of development based upon the values and economic and non-economic but important aspects of human development, is indeed unconventional and fundamental. It should also sound a word of caution for the developmental strategies and strategists for the Asian countries in particular.

The Centre for Multi-Disciplinary Development Research expresses its thanks to the author for his incisive and analytical contribution to the CMDR Monograph series.

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## AN INTEGRATED PARADIGM OF DEVELOPMENT: WHITHER THE DEVELOPMENT PROCESS IN THE ASIAN COUNTRIES ?\*

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The present lecture wishes to begin with a fundamental question viz. Have we fully understood the real purport of the concept like globalisation, liberalisation, privatisation, marketisation etc. which have almost swayed away our current thinking on development strategies and policies in terms of their implications for the medium and the long term welfare of the people of the country? The paradigm of development that these policy changes are likely to bring about might imply some fundamental damage to the those of values that are cherished in the Indian society since long. I only intend to raise below some of the basic issues relating to the various developmental paradigms and emphasize the need to develop a country specific integrated paradigm which can form a basis for the developmental strategy and developmental policies. It is in this background that the above concepts and policies arising therefrom can be understood and their implications analysed. The value based perceptions presented here may provide a

different type of food for thinking and contemplating.

Economic science in its original conceptions, has always considered man at its centre. Of course, the reference here is to the man in a holistic sense. It can encompass the diverse dimensions of the man covering cultural, social, spiritual, political, economic, emotional, human and psychological facts of his personality. Naturally, this holistic view would appear very complex and incomprehensible. The evolution of the economic science in the west has created a truncated personality of man by propounding the concept of 'Economic Man' by divesting from the holistic conception of 'Man'. all other aspects of his personality except those of economic behavior. This, in a way, signals the begging of isolation of economic science from the framework of all other disciplines which together could enable us to perceive the holistic personality of man. This 'holisitic' nature of man has been further fragmented when he "Economic man" is

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described to be 'rational in his behavior. The evolution of the economic science in the west has created a behavior, rationality being defined as consistency between the economic interest perceived by each individual and the strategies and actions that he adopts to achieve them. Since the economic interests are defined in a narrow, standardized framework such as maximisation of consumption, or profits, or incomes, there is no scope for the explicit recognition of the other dimensions, such as spiritual satisfaction, altruistic sacrifice, limitations of wants - of man's personality and behavior.

Economic science and the management of economic processes at the national and international levels have, more as a rule than as exception, moved away from the main focus of keeping 'man' at the central place. In most economic analysis of growth processes and planning, materials or products assume the central place relegating 'man' to the background. These tribulations with products have often necessitated many thinkers to proclaim some reminders to the social scientists that their focus of attention is faulty. It is here that the economic philosophy of Professor Schumacher to restate the contours of economic science around the concerns of the 'people' with whom it ought to be dealing, provides an extremely relevant message.

There have been some such spurts of reminders from time to time. The South commission Report finalised in 1990 enunciates the concept of the 'people-

centric' approach to development. The Report advocates that there is need to be reorient development strategies in such a way as to enable the countries to adopt the self-reliant and people-centered development path guided by certain basic principals and objectives. The report urges that the priority should be given to the basic needs of the people, such as food security, health, education and employment, all of which are essential for expansion of human capacities to meet the challenge of sustained development. Concern for social justice, with fairer distribution of income and productive assets, development of human resources, provision of universal primary health care, literacy and elementary education, democratisation of the global structures and modernisation the state, with guarantees for fundamental human rights, bridging the knowledge gap between the haves and havenots, management of environmental and ecological balances for intergenerational equity in the welfare of mankind, are all considered as the elements of the people-centered approach to development. Why should the Report coin this now term viz. "people-centred approach to development" if all received theories and practices on development were already keeping the 'people' as their focus ? The fact is that both theory and practice had tended to move farther and farther away from peoples and hence this remainder.

The Brundtland Commission Report presented in enunciating the concept of

subtainable development has recognised the imperatives of introducing environmental concerns in the concept and formulation of development strategies and thereby redefining the goals of development, in relation to the welfare of mankind. Sustainable development is defined as that development that meets the needs of the present without compromising the abilities of the future generations to meet their needs. It advocates that the essential needs of the world's poor should be given overriding priority and the limitations imposed by the state of technology and social organisations on the environment's ability to meet the present and the future needs should be recognised. The excessive consumerism of man and the consequent exploitation of the environmental resources in an indiscriminate manner have posed the common threat to mankind. The population, environmental degradations and depletion of non-renewable resources of the earth have threatened future safety and security of mankind on this globe. This perception of threatened future has generated concerns for new safeguards and checks on the choice of development strategies. Detestation for pollution, recognition of imperatives for limited wants, concerns for intergenerational equity etc., have all elevated the concept of man, to a higher holistic framework than the usual 'product-ridden' personality of man, used in the economic analysis.

The massive literature on development economics that has emerged in the 50s and

the 60s is mainly concerned with the problems of changes in the social and economic structures of mostly poor agrarian colonial or excolonial societies. The word 'de-velop' has been regarded as the antithesis of the word 'en-velop', thereby meaning that development means transformation of the society from the envelop of the traditional and agrarian framework. Development strategy was sine-qua-non to industrialisation strategy. One may distinguish between the absolute concept of development and relative concept of development. The absolute concept of development pertains to the process of transforming a given society from the present backward state to a more advanced desired modern state in a comparative static framework. The relative concept would compare the status of development in one country or society with that prevailing in some other country or society. The term underdeveloped has been coined with this comparative development in mind. The ambition of 'catching-up' with the "advanced" countries which was prevalent in many "laggard" countries including Japan, in the immediate post-war period brings out that the concept of economic development was essentially viewed in a relative framework, and development was defined as the process of bridging the gap between the more developed country and less developed country.

In the absolute concept of development, the desired state is defined in terms of some

definitive criteria of well-being of the people, and hence there could be some “saturation” of the process of development. However, in the relative concept of development, the process of “catching up” is a never-ending process, with perceptions of the gaps and their manifestations continuing to grow in scope and magnitude. This process could be likened, perhaps in a lighter vein, to the endless gallop of a horse (or a donkey) whose rider holds a bundle of green grass attached to a stick, a few inches away from the watering mouth of the horse (donkey)! I do not want to fully decry the rationale or the importance of the urge of “catching up” as a motivational or as a catalytic factor for fostering development but I do like to assert that taken only in its mechanical form, the “catching up” process could end up in inducing a lop-sided or an irrelevant development paradigm when judged from a much wider framework of goals and contents of the development process.

The literature in development economics has rightly made a distinction between development and growth. As is well known, economic growth refers to simple statistical growth of some macro economic variable, such as, gross domestic product or per capita income. As against this, the concept of development encompasses much wider canvass, covering the social, ethical and the cultural aspects of the life of the people of a country. It come closer to consider the holistic approach to the changes in human welfare.

The issues of social justice, equity and fairness become an interface between the pure concepts of economic growth and the concept of economic development in its wider setting. The conceptual frames of diffusion of growth or the trickle down theory of growth have tried to develop a bridge between pure growth and economic development. But the empirical evidence of the trickle-down effects is rather inconclusive both at the national and international levels. There are too many leakages in the pipeline of the trickle down process. But unfortunately, most often ‘development’ is used in the narrow sense of “growth”. Let me call this narrow conception of development as “Growth Fundamentalism”, for want of any better term.

The theoreticians as also the policy-makers are often faced with the problem of setting out the goals of development and choosing appropriate development strategies. In the narrowest sense, maximisation of the growth of GDP or GDP per-capita/or consumption is taken as the single goal of a development strategy. This simplistic single point programme of realising maximum feasible growth of GDP is based upon the strong assumption that high growth of GDP takes care of all other aspects of the development process. Many practitioners are fully swayed by this oversimplified notion of the development process. They argue that better education, better health facilities, more equitable distribution of income and wealth and in

general improvement in the standard of living as also in the quality of life would all be ensured when once high growth of GDP is achieved. This oversimplified prescription of growth theory confuses between the cause and the effect relationship. In fact, high growth could be achieved if and only if certain minimum conditions of education, health and human resource infrastructure are satisfied. The economic miracles of Japan and Korea are partly attributed to the prevalence of these initial conditions, built-up in those societies over a long period of time.

What constitutes development has been a subject matter of critical debate. Growth fundamentalists perceive the structural transformation with emphasis on industrialisation with up-to-date technologies, as the main ingredient of the development process. The reduction in the share of agriculture followed in sequence by the increase in the share of industry and that in the share of services and the consequent increase in the per capita income of the country defines the character of the development process. The more rapid the reduction in the share of agriculture, and the more rapid increase in the shares of industry and services, the better is the pace of development. These structural transformations are considered, not only in terms of shifts in the structure of output but also in terms of shifts in the structures of employment. As development proceeds, the share of population dependent on agriculture would decline when the share of

population engaged in the industry and service activities would rapidly increase. It is also argued that the economies in the higher stages of maturity would have the service sector, dominating the economic scene.

Growth-based analysis of development, perceives five 'inter-related' processes :

- 1) Structural changes with emphasis on industrialisation.
- 2) Rapid Capital Accumulation adding to the Productive Assets in the economy.
- 3) Redeployment of labour from under-employed or unemployed avenues to more productive areas of activities-disguished unemployment argument.
- 4) Planning the medium-term and long-term perspectives of growth and structural changes with market and effective state intervention and
- 5) Establishing an interface between development activities as implied in the above four processes and the international trade activities viz. imports, exports, capital flows, technology transfers regional co-operation and general and general international economic relations.

The final manifestation of these processes is expected to be found in the profile of growth rates of macro-economic aggregates pertaining to GDP, per-capita GDP, exports, imports, investment, savings, foreign-exchange reserves etc. Growth-fundamentalists beam in delight when they find that the growth rates of the desired aggregates are graphing upwards. For

them, development begins and ends with growth rates.

“Growthy” perceives of Development have enriched the analysis of the different processes listed above by reflecting on their inter-relations both in a conceptual framework and in the empirical setting. the propositions of some theories and policy-prescriptions enunciated by these growth analysts have ended up in creating more confusion and state of unsettlement in the whole subject matter of development economics. We may argue that they have also misguided the course of development in many countries that have faithfully followed the messages conveyed by them. We can illustrate these remarks by referring only some of these theories.

W.W. Rostow designed a model of the historical process of ‘development’ consisting of five stages in development and he identified some key economic parameters that characterise these stages. His was a notable exercise in historicism. The five stages through which economic societies pass, are the following : the traditional society, the preconditions for take-off, the take off, the drive to maturity and the age of high mass consumption Rostow used his analysis of historicity to make projections and policy prescriptions. For example, the preconditions for take off prescribe certain minimum levels for the parameters such as investment - GDP ratio, savings rate, capital-output ratio. The countries were called upon to achieve these minimum levels to be able to realise that

“blissful” state of take off into self-sustained growth. Rostow erred on many counts. He over-emphasised the role of industrialisation and that of some so called key economic parameters. He believed, rather excessively, on the inner logic of cause-effect relationship from one stage to other. He almost assumed a *ceterisparibus* situation in regard to the horizons of technology and production frontiers and international economic space. As one observer has put it, the countries that have achieved Rostow’s preconditions of take-off by excessive reliance on external capital and non-indigenous modes of production, have in fact got a kick off, and like a kicked off football, they would soon land flat on the ground. The stage of self-sustained growth has remained as a mirage for them. Finally, like most other growth theorists, his emphasis on consumption as the final of development process and as a symbol of “maturity” signifies his collapse in esteem, in the eyes of the comprehensive developmentalists who desire to view man in a holistic framework where value-based living is the ultimate goal of life and not high level of consumption with all sorts of durable consumer goods. We will revert to these observations in regard to many other theories as well. Thus, it is my firm view that Rostow has failed to capture the essentials of the development processes in a holistic dynamic setting.

We have the famous model of Arthur Lewis, who made a new history but his penetrating reflections on the development

processes in labour-surplus economics. His basic premise was that there were unlimited supplies of labour and that this fact is the key element in the conceptualisation and formulation of development strategies. His model consisted of two distinct sectors viz. the capitalist sector and the subsistence sector. He advocated that the surplus labour prevailing in the subsistence sector, which is in any case, stagnant and not conducive for rapid capital formation, should be shifted to the more dynamic, more productive capitalist sector which has large potential for rapid capital formation and hence self-regeneration potential for growth. This neat and elegant model became the basis for many development strategies for effecting rapid structural changes. Maurice Dobb and other modellers, identified the rate at which surplus labour shifted from the subsistence sector to the so called capitalist sector, with the rate of economic development itself. Reflections on the recent development experiences bring out that the Lewis model failed to recognise the limitations of the so called capitalist sector and also to recognize the potentials of the subsistence sector to become dynamic and hence growth-inducer. Faithful adoption of his prescriptions have ended up in creating an overloaded urban sector - which was considered equivalent to his conception of capitalist sector- with all the miseries of water problem, housing scarcities, transport, communication failures, environment pollution etc.

The prescription of the Lewis model of shifting labour from the subsistence sector to the capitalist sector has been rather mechanically followed in many developing countries. This has resulted in the relative impoverishment of the subsistence sector with all its adverse implications. It is also argued that the concept of disguised unemployment in the subsistence sector is rather vague and undefined. In a dynamic situation of product diversification, a surplus labour, even if existed should have been absorbed in the subsistence sector itself or the related activities. Lewis's contention that it is only the capitalist sector which can contribute to savings and capital formation was also ill-founded. This perception in fact created an attitude of total indifference towards the task of making the subsistence sector achieve its full potential and contribute to the process of additional savings and capital formation.

Lewis model also overemphasized the role of structural changes in the form of reduction in the share of agriculture and rapid increase in the share of industry and labour, that of services in the GDP. In this model, the rate of capital formation and capital output ratio were given the place of higher primacy in the process of development. While, not denying the importance of capital formation, one should recognise that considering the rate of capital formation, as the sole determinant of growth would be misleading.

Professor Gunnar Myrdal in his celebrated volumes, called **Asian Drama**, with the sub-title, **An Enquiry into the Poverty of Nations** has given a comprehensive account of the multiple dimensions of the problems of development in the South Asian region. His perceptions, with some modifications at some places would be applicable to all the developing countries. Professor Myrdal comes very close to placing man at the center of the process of development. The principal theme of the Book is the insistence on the necessity of radical transformation of man and society by means of Government action. He advocates fundamental changes in people's modes of conduct, attitudes and institutions together with large scale removal or far reaching reduction of cultural, ethnic and linguistic differences, as well as of inequalities of wealth, income and status. He argued that the state could even use compulsion or methods of coercion to bring about homogeneity in the social structures. It was here that Myrdal's perception of people-centric development process went wrong. Instead of adopting a development paradigm and development strategy that suited best to the socio-cultural pattern of a society, he adopted the narrow vision of homogenising the society to suit the material ends of the development process as conceived by him. Professor Myrdal's perceptions ridiculing the faiths and the practices of Indian society are, to say the least, ill-founded. As professor Bauer in a critical appraisal of Professor

Myrdal's ideas, put it, the fundamental philosophy of the people of the Indian sub-continent was to regard the nature as a continuum and recognise the imperatives that he should live with nature, rather than harnessing it recklessly for his consumption. Professor Myrdal's conception of development paradigm based upon the initial conditions of total elimination of the ethnic and linguistic differences was not only impracticable but it also reflected erroneous logic. His prescription for compulsory standardisation of the material conditions, the economic faculties and motivations, as also the physical and social characteristics of society displayed total lack of understanding of the imperatives of making the development process indigenous and endogenous.

Raul Prebisch, a pioneer on new development economics struck a balance between the perceptions of the growth fundamentalists and humanists in the field of development economics. While recognising the importance of growth and structural changes, he underscored the imperatives of shifts in the societal power structures and the need for the state playing a prominent role in ensuring the induction of certain ethical principles and social justice which could be even foundering under the pressure of the market forces. Unlike Myrdal, he advocated the methods of persuasions and not those of coercions in making the state a strong and effective body. His main concern was about equity in the sharing of benefits of trade and

technology transfer between the rich center and the poor periphery trading with the center. His thesis of center-periphery relations, dependency theory of development, secular decline in the terms of trade of primary producing countries together provided the basis for his import substitution oriented development strategy in the developing countries.

Fortunately, growth-fundamentalism is only a subset of the wider universe of development economics. There are at least three other major aspects of the development process that have been considered and discussed in the literature on development economics:

- (1) Firstly what is called as the social aspect of development covering the dynamics of basic needs such as food, clothing and shelter and other needs required to improve the quality of the human resources and also the quality of life in general, such as education, health, safe drinking water, pure environment etc.
- (2) Secondly, Development as a process of reduction and final elimination of mass poverty, in whatever manner poverty is defined and measures including the issues of equity in the inter-personal distribution of incomes and wealth and problems of inter-regional parties in growth-performances in large-sized economies like India, Indonesia or Mexico.
- (3) Thirdly, Development as a process of changes in the structures of production,

consumption, technology and institutions in such a that 'development' becomes sustainable in the context of man-nature interactions, this is essentially the development-environment nexus which has now assumed a place prominence in recent days, both at the national and the international levels.

I would prefer to the approach of development economics, covering these three inter-related issues as the Humanist Approach to Development.

Development as perceived by the classical economics was also concerned with the macro level issues of human existence. Viner, for instance advocated that the reduction of mass poverty should be made a crucial of the realisation of the economic development.

There is another more fundamental but greatly neglected dimension of the concept of development. This is concerned with the aspect of the ethical and spiritual values associated with the process of purely economic transformation. Does man become more contented and happy with increases in output, expansion of consumption, multiplication of facilities etc. This brings in the distinctions between the material progress and the spiritual progress of mankind. It is possible to assert that the increase in material progress would simultaneously bring about spiritual progress. In fact, it is observed that greater the material progress, the greater is the damage to the process of spiritual progress.

The material progress has built into it the approach of multiplication of wants and / or multiplication of products for providing the same utility. For instance, the utility of dimension of economic analysis has always questioned the wisdom of this and advocated restraint on multiplication of wants and diversification of goods. Endless exploitation of the resources of the globe in this irresponsible framework of excessive demand for goods and services is regarded as the clear symbol of total negation of the spiritual dimensions of the concept of development and human welfare. We may caption this perception of development incorporating the values of life as the approach of Economic Philosopher.

In the previous paragraphs, we have provided synoptic overview of the main perceptions in development economics that have evolved in the 50s and the 60s. The basic objective is to bring out the diversities that exist in the conceptual formulations of the process of development and identification of development strategies. For convenience, we have categorised these conceptual constructs into three types : growth fundamentalism, humanism and economic philosophy. for a holistic approach to the problem of development, with people at the center of the process, there is a need for a proper synthesis of all the three approaches. Overemphasis of growth fundamentalism with only marginal attention to the approach of humanism and that of economic philosophy could create economic societies with multiple distortions

which will not be able to achieve either economic welfare or social peace.

The above digression on the contours of the theoretical and practical aspects of economics provides to us a backdrop to the discussion of nature of development experiences in the Asian region and the lessons we can draw from them.

### **GROWTH DYNAMICS IN ASIA :**

During the past two and half decades, Asia demonstrated extra-ordinary dynamism. The scope and magnitude of this dynamic transformation, in Asia has baffled all expectations. It is useful to capture some of the salient features of the Asian transformation.

Growth dynamic begin in Asia with the Japanese miracle of extra-ordinary growth performance. Japan's program of "catching up" with the West, launched immediately after the war, brought to it the status of leadership in the world economic system. Japan could succeed not only in catching up with the West but also in overtaking it. Today Japanese multinationals in varieties of industries - consumer electronics, automobiles, communication equipments, - rule supreme in Europe, USA, not to speak of the South and South-East Asian markets. The efficiency of the Japanese industry and its competitive strength in the international markets are found to be far superior to those in Europe and USA. The Checheni Report prepared in the early part of 1990's, as a background document for European Integration - called as Europe

1992, documents the superiority of the Japanese industry in terms of technological efficiency and marketing strategies, and argues that unless European economy is integrated to acquire economics of scale in R&D and production, its industries would lose further to the Japanese industry. Today trade frictions between Japan on the one hand and USA and Europe on the other and caused by the Japanese extraordinary economic strength and Japanese trade and industrial strategies.

Japanese miracle of the sixties has been followed by the so-called Korean miracle in the seventies and in particular in the eighties. It is also during this period that the Asian NICs or NIEs (Newly Industrialising Economics) - also known as Asian tigers or the Four Giants emerged consisting of Korea, Taiwan, Hongkong and Singapore. Korean GDP grew at the rate of 10 per cent during 1965 to 1973 and at 7.2 per cent during 1973-84. Its per capita GNP was barely \$ 330 in 1972 and by 1985 it had increased by 9 times to reach the level of \$ 2340, and it has reached the level of \$ 6790 by 1992 - twenty fold increase in as many years. Singapore and Hongkong started at a fairly higher level of per capita GNP and have achieved spectacular growth. China has now joined this high growth club with double-digit growth rate of GDP during 1992 (12.8 per cent) and 1993 (13 per cent). The growth-fever has now caught up in the other South-East Asian economics. Malaysia GDP has been growing around 8

to 9.5 per cent during 1988 to 1992. Thailand, having recorded double-digit growth rates, during 1988 to 1990, - 13.4 per cent in 1988, 12.5 per cent in 1989, 11.8 per cent in 1990, - has been growing at the rates around 7-8 per cent even thereafter. Indonesia's growth rate have also hovered around 6 to 7.5 per cent during 1988-1993. In South-East Asia, it is only Philippines that has shown very sluggish growth performance. During 1992-993, Korea has also slowed down to 4.6 to 4.8 per cent growth rate largely due to previous periods' over-heating. In south-Asia, India has been growing around 4 to 5.6 per cent during 1988 to 1993, with a low dip at 1.2 per cent in 1991. Pakistan also has been maintaining growth rates around 4.6 per cent to 7.7 per cent with a low of 3.3 per cent in 1993.

Growth rate analysis reveals that in the late 80's and the early 90's Asia's growth dynamics has been consistently spectacular. It is now conceptualised that there is a flying geese pattern of the shifts in the growth impulses from Japan to Korea, to other member of the NIEs, and then to South-East Asia in particular to Malaysia; Thailand and Indonesia. It is now hoped that South-Asia would be the next landing spot for the flying geese of growth impulses.

Sectoral composition of the aggregate growth rates reveals interesting results. It is puzzling to note that for Korea agriculture makes negative contribution to the total GDP growth rate while the services and industry in that order contribute significantly

to the GDP growth rate. In all the high growth economies - Tiger and Cubs - the contributions of industry and services predominate. In some countries, the contribution of agriculture has been made very insignificant and even negative. Is it a healthy sign of the growth process and the direction of structural transformation?

Korea has been investing more than 20 per cent of its GDP since 1972. Investment to GDP ratio was as high as 35.5 per cent in 1979, 39.1 per cent in 1991. Malaysia, Indonesia and Thailand are also investing more than 35 per cent of their GDP for the last several years. Thailand has become crazy investing about 35-40 per cent of its GDP since 1989. South Asian economies are still in the state of low investment - GDP ratios. India invested only 17 to 20 per cent of its GDP in the early seventies, as against 24-30 per cent in Korea, Malaysia and Thailand. Even the Philippines had started off with high investment rates until the early eighties. In recent years, Sri Lanka has higher investment - GDP ratio than Pakistan or Nepal.

These high-investment rates are backed up by high domestic savings rates. In Korea gross domestic savings to GDP ratio has been more than 25 per cent since 1975. It has been in the range of 36.5 per cent to 38.9 per cent since 1988. Indonesia saves more than 35 per cent of GDP since 1988, and for Malaysia and Thailand, savings rates are in the range of 31.1 per cent to 36.3 per cent. As against this,

India's savings rate has been hovering around 18.5 per cent to 23.8 per cent. It has also been declining since 1989. Nobody seems to be taking note of this structural weakness of the Indian economy. On the top of it the recent policies are tending to expand consumerist attitudes which may result in the further reduction of the saving rates.

Inflation rate is the most crucial macro-economic variable having diverse implications for the other economic variables. In the current debate on economic reforms, stabilization assumes a place of precedence over the process of structural adjustment. Inflation rates during 1989-93, are in the range of 5.1 per cent to 9.4 per cent in the case of Korea 2.8 per cent to 4.7 per cent for Malaysia 6.5 per cent to 9.5 per cent for Indonesia 3.7 per cent to 6.0 per cent for Thailand. In the case of India, inflation rate is in the range of 9.0 per cent to 13.6 per cent. It is also quite high for Sri Lanka and Pakistan. Macro-economic management for control of inflation is unsatisfactory in South-Asia, compared to South East Asia and East Asia. High inflation, reduces the real content of investment, competitiveness of exports and purchasing power of incomes. With increase in inflation, net devaluation of currency may turn out to be real appreciation of currency with adverse effects on export competitiveness.

In the comparative growth analysis, often year-to-year fluctuations are not analysed at all. Developing economies

which have in general many structural rigidities and incapacities for adjustment, can not bear with the fluctuations. The adverse effects of instabilities will have to be borne by the people.

Year to year fluctuations in growth rates seem to be high for the countries which are on an average, on a higher growth path. In other words, the cost of achieving high growth in open economy framework consists of larger fluctuations in annual growth rates. Abilities of the countries to withstand these fluctuations depend upon their structural strengths and high mobility of capital and labour.

Another reflect based the growth analysis is that extraordinary growth rate cannot be sustained for more than two consecutive years. The economies could experience what is called as “over-heating”, and some limiting factor, may be, infrastructural bottleneck or social tensions caused by the inequities in the distribution of income and assets or extraneous factor, such as trade frictions would put a halt to the high growth syndrome.

In view of the observations given above, one could raise the question as to whether for each country there is a safe optimum growth rate, depending upon its current stage of development. If one can identify this growth rate then there is no question of making a statement that country (A) is growing at a slower rate than country (B) You have to only examine as to whether each country has been able to realise its own full potential of safe feasible growth

rate. At this state. I would like to enunciate a slogan “SAFE FEASIBLE SMALL GROWTH RATE IS CHARMING” much on the same lines as the message “SMALL IS BEAUTIFUL” given by Professor Schumacher.

### **HUMANIST APPROACH TO DEVELOPMENT :**

We have earlier described the approach to development, covering the social aspects of development, poverty alleviation and environmental concerns as the humanist approach to development. Detailed statistical analysis of the achievements and failures in the framework of humanist approach are rather difficult. But perspective analysts have observed that with the achievement of high growth in the Asian NIE’s and also in the South East Asian NIE’s in the making, the standard of life might have increased with the availability of consumer goods but the quality of life has not improved and the inter-personal and inter-regional inequalities have increased. There has been rapid urbanisation, with excessive increase in the population density, motor vehicle density and per capita energy consumption. For instance, energy consumption per capita in Korea was 380 Kg. oil equivalent in 1965 and it has reached the level of 2117 by 1990. Thailand’s energy consumption has almost increased by 4-5 times from 82 Kg. oil equivalent to 352 Kg. oil equivalent during the same period. In all these countries, the motor vehicle density per km. and also per thousand population has dramatically

increased, causing dangers of pollution in the city of Bangkok has become notorious, as a corollary of unsafe rapid growth. The disparity in the standard of living between the residents of Bangkok and those in the nearby rural areas has been extensively discussed. The growth of slums and the consequent health and environmental hazards in the urban areas have become matters of great concern in India as well. Studies have shown that many pollutant levels show a tendency to increase, at first, with rising per capita income, then to level off, and later to decline as income continues to rise tracing out an inverted U curve. The shape and the nature of this inverted U curve would obviously depend upon various factors, such as the economic structure, the nature of industrialization, the abilities of Government and the institutional infrastructure to enforce environmental standards etc. The costs of maintaining environmental standards are also very high and these would obviously become additional costs of industrialisation. Of course, in this context, it is argued that the late comers in industrialisation would have the advantage of having access to the technology and the know-how of environmental management, which have already been developed by the early industrializers. The question here is one of the costs of these technologies and the abilities of the resource-poor countries to afford them. Further, harmonisation of environmental standards across the countries, particularly in relation to those

maintained in the developed countries is fraught with the danger of keeping late industrializers constrained by the excessive concerns for environment, in achieving the much-needed rapid pace of development.

The United Nations Conference on environmental issues held in Rio in 1992 has brought out a number of issues of concern to the process of development in the developing countries. The basic issues raised here concern with the problem of identification of the level that each country with the problems of identification of the levels that each country contributes to the pollution of global environment and as to who should pay the cost of environmental management.

#### **VALUES AND DEVELOPMENT :**

The approach of economic philosopher towards development emphasizing the importance of maintaining the balance between values of life and the process of development has been discussed at length in the literature, particularly in the context of the Japanese Miracle. In a famous report of a Study Group on "Economic Performance in Culture Age", set-up in Japan, which submitted its report in July 1990, various aspects of the interface between economic management and cultural characteristics have been discussed in a penetrating manner. There were also other Study Groups, on "the Age of Culture" and "Historical Evolution of Science and Technology". The main messages of all these Study Groups which submitted their

Reports to the Japanese Prime Minister (Masayoshi Itoh) provide interesting insight into the Japanese thinking of synthesising the tradition and modernity in the context of economic development. They recognise that along with rapid industrialisation, a number of “advanced nation’s diseases” enter into the societal structure. One such disease is the growth of “indivisualisation” and a sort of “split orientation” to possess the present standard of living and to aspire for something different. These tendencies conflict with the growing concerns for evolving a global society, fostering interdependence, and a feeling for others etc. Further, the excessive growth individualism has created an environment of predatory competition, thereby adversely affecting the prospects for mutual cooperation and support. These studies also bring out how modern science and technology has led to a situation of segregating the whole from the individual. They advocate the need for establishing the “synergetic science which treats the relation between the whole and the individual in holonic way on the basis of the fruits of elemental science”.

The process of economic development in Japan is described to be unique in so far as it is based upon a harmonious blend of the tradition and the modern. The Japanese industrial culture asserting that individual is part of a group and the efficiency of the group depends upon attitudes and the motivation of individual goes a long way in giving to the Japanese process of development a unique status of

respectability. it is argued that basic feature of the Japanese industrial culture can be summed up in the form of three Cs’ governing the behavior of the individual. These Cs’ are: Consistency, Competence and Commitment. They advocate that each individual should be consistently committed and competent. they advocate that each individual should be consistently committed and competent. It is obvious that these features of the man behind the Japanese miracle constitute distinct but strategic factors of production not normally given in any standard treatise on development. Excessive Zeal for qualification of the economic variables such as labour, capital, technology, resources etc. as manifested in the western models of development has really destroyed all the possibilities of looking to the qualitative dimensions of the process of development. Any amount of super imposition of the quantitative dimensions on each other would not provide the required successes in the task of development unless the essential nature and importance of the qualitative dimensions are also understood. It is for this reason that one should advocate that mechanical emulation of development paradigms and development strategies from one country to the other would not really work in practice.

### **TYOLOGIES OF DEVELOPMENT STRATEGIES :**

The development experiences of the Asian region have thrown up various

alternative typologies of development strategy. the literature on development economics has itself made variety of distinctions in the alternatives of development strategies. For convenience one may list them as follows : import substitution vs. export orientation, agriculture vs. industry, small vs. large scale, rural vs. urban, light industry vs. heavy industry, wage goods vs. capital goods, state vs. market, private sector vs. public sector etc. Obviously there would be almost infinite number of typologies when these different options are combined in different degrees and sequences. I would therefore like to advocate that it is futile to formulate a model of policy option by exhausting all possible typologies as possible option and then undertaking an exercise of optimum policy choice. I strongly feel that an exercise of drawing lessons from the experiences of other countries for the choice of optimum policy package is conceptually meaningless and operationally futile.

Notwithstanding the above observation one would be tempted to place different development strategies or the different countries in particular topologies and examine a cause and effect relationship particularly because the literature on this count is abounding with the contributions of wise men.

There is massive literature, presented in an aggressive style, arguing that the successes of the Asian NICs are due to the fact that they adopted an export oriented

strategy with emphasis on market forces in a framework of dominance of the private sector, openness and globalisation. There have been statistical studies to show that export orientation leads to higher growth, and greater efficiency. It is also advocated that these countries allowed the market forces to operate without any interventions and these contributed to an optimum use of the resources. An open economy paradigm also helps in getting foreign capital in the crucial sectors of the economy which further boosted the process of growth and structural changes. All these perception have been conveyed in the literature of the 60s and the 70s. However, we may observe that interestingly in the recent literature coming in the second half of the 80s there are many new revelations and riders which question the unequivocal assertions made in the earlier literature. One wonders whether these shifts in the perceptions are due to the end of the cold war and the eliminations of the threat of the socialist ideology as against the market ideology. Confidence over the success of the market ideology seems to be now coming out with various confessions of the limitations of the market ideology itself and the policy prescriptions that it advocates. the recent literature brings out that in Korea, the state played a significant role in influencing the nature and the pattern of the decisions of the corporate sector. It is also argued that the state adopted strategic policy intensive import substitution before the advent of massive export orientation. In

fact there has been a cycle of import substitution and export orientation, - one following the other. Korea's policy towards foreign direct investment has also been selective. In regard to liberalisation and removal of state intervention the need for proper sequencing, timing and phasing is now recognised even in the World Bank literature on the subject. In this light the scope and content of economic reforms and those of structural adjustments are now being modified to suit each individual country. The 'big bang' approach of liberalisation and reforms is now viewed as inappropriate.

The empirical evidence regarding relationship between export orientation on the one hand and growth and efficiency on the other has been questioned. In fact the cause and effect relationship between the two is also not clear. The causal relationship between export orientation and increase in labour productivity is also questioned in recent studies.

The upshot of the arguments given above is to assert that we should not try to draw very simplistic inferences about the cause and the effect relationship between a particular topology of policies and the observed results in the process of development. Each country should choose its own package of policies which will be best suited to its own socio-cultural and institutional background. In fact the choice of the paradigm and strategy of development should be closely linked to the social and spiritual ethos of each country. It

is observed that the countries like trees grow from their own roots. It is therefore useful to understand the roots of each tree and choose the nature, quantum and type of nourishment they require for making the tree grow effectively and yield the desired fruits.

### **CLASSICAL INDIAN ETHOS OF DEVELOPMENT :**

At this stage it might be useful to briefly reflect upon the question as to whether India with all its unique cultural, spiritual, social and historical background has its own ethos of development. The analysis of this question would naturally give to us some clues for evaluating the present process of reforms and structural adjustments that are being rapidly introduced in India.

First of all in regard to the goals of development, the classical Indian ethos advocates restraint on excessive consumerism and promotion of growth with justice. It is useful to recall that Gandhian economics reiterated this Indian classical thought. The *Isavasya Upanishad* prescribes that all the resources of the universe belong to the Supreme Lord and each one should claim for his use only that share which legitimately belongs to him, and that the rest of it should be harnessed for the social welfare and not for individual profit. *Bhagwad Gita* argues that the craze of consumerism is the result of lack of restraint on the activities of sense organs and the mind. If the mind accepts all the crazy

desires that the sense organs demand then the intellect of such persons which provides the power of reasoning, would become highly distorted. Thus the Gita gives insight into the fundamental cause of the perverted thinking of all those who have become slaves of unlimited wants and desires which has led to indiscriminate exploitation of the natures' resources.

In regard to the problem of improving efficiency of labour, Indian classical thought provides insights into fundamental factors determining the human behavior while the western conceptions of technology, labour and capital give a mechanical, - in a way non-human or purely materialistic, conception of the factors of production. For instance to improve efficiency of labour the western thought advocates the induction of skills, training and knowledge to the labour. It calls this component of the labour as human capital - once again a materialist analogy. As against this, the Indian classical thought underscores the importance of motivation and attitudes. The motivation and attitude are governed by the interaction of sense organs, the mind and the intellect. It is here that the Gita advocates that for effective and purposeful functioning of humans for maximum productivity, each individual should harness these three determinants of human behaviour in a harmonious and purposeful manner. Detailed tips about achieving these results are also given in the Indian classical thoughts.

The western economic science has grown in a highly compartmentalised fashion. There us no holistic approach to the problems of development. In fact, even those who have perceived the different dimensions of economic realities, have tended to ignore some and develop the subject only on the others thereby creating tremendous damage to the economic science and its theories. Professor Schumacher quotes from the writings of Lord Keynes an interesting paragraph. I am reproducing the relevant portions from the book Professor Schumacher :

*“In 1930, during the world-wide economic depression, he (keynes) felt moved to speculate on the “economic possibilities for our grandchildren” and concluded that the day might not be all that far off when everybody would be rich. We shall then, he said. “once more value ends above mans and prefer the good to the useful”.*

*“But beware! “he continued. “The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight”.*

*This was written forty years ago and since then, of course, things*

*have speeded up considerably. May be we do not even have to wait for another sixty years until universal plenty will be attained. In any case, the Keynesian massage is clear enough; Beware! Ethical considerations are not merely irrelevant, they are an actual hindrance, "for foul is useful and fair is not". The time for fairness is not yet. The road to heaven is paved with bad intentions".*

The above quotation brings out that Lord Keynes, though aware the value of the fair means and ethics of economic progress, he brushed then aside as impractical and irrelevant until economic prosperity is achieved. Professor Schumacher makes a very derisive reference to the famous statement of Lord Keynes that "in the long run we are all dead". He calls this as "cheerful brutality". The excessive concern for the short run benefit without taking note of the long run ethics and morality of human behaviour whether has been the basic massage of all Keynesian economics which has so far ruled the world of thinkers.

As against this, consider the Indian classical thought which provides a beautiful integrated framework for a harmonious

blend of happiness, ethics and economic activity. This integrated framework is presented in the Kautilya Artha Sutra. The substance of this is as follows : "The basic primary factor for maximum human happiness is a value based human resource; The system of value based human resources can be nourished by the proper use of capital resources; Large capital formation is possible if there is sound political system steered by leaders who are endowed with the qualities of selfless service; For this purpose one should detest all attractions of the mind and sense organs; For this purpose one should have the quality of modesty and the society should recognise an order respectability of the elders and scholars; This kind of social order can be achieved if primacy is given to knowledge and knowledge based activities". This integrated framework combines ethics, political science, sociology, economics and technology. It is this kind of synthetic framework of national management that should be considered as the main agenda for policy reforms and structural adjustment in the country. The moot question is; Are we even aware of these fundamental necessities of an optimum development process and human welfare?

