9 Balanced v. Unbalanced Growth: A Reconciliatory View
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I. INTRODUCTORY

The choice between ‘balanced’ and ‘unbalanced’ growth is one of the topics in the theory of economic development of underdeveloped countries which has evoked a vast amount of controversy. If one glances through the literature on the subject, one comes across a diversity in the interpretation, definitions and the framework of approach.¹ As one would expect, there is some substance in the points made by writers on both sides of the debate. In some of the recent writings one does find at least implicit suggestions that the two patterns of growth need not be mutually exclusive.² As a general rule, however, the authors advocate either a balanced or an unbalanced pattern of growth and the two continue to be viewed as mutually exclusive and polar paths of growth. This paper, on the other hand, presents the point of view that balanced and unbalanced growth need not be mutually conflicting and that an optimum strategy of development should combine some element of balance as well as imbalance.

² Cf. J. M. Dagnino Pastore, ‘Balanced growth: an interpretation’, Oxford Economic Papers, July 1963, where he says, ‘... As a consequence, “balanced growth” does not exclude “growing points”’; G. O. Bierwag, ‘Balanced growth and technological progress’, Oxford Economic Papers, Mar 1964, similarly writes, ‘Balanced and unbalanced models would appear to be complementary and not substitutable approaches’; S. K. Nath, ‘The theory of balanced growth’, Oxford Economic Papers, July 1962, where he says, ‘Indeed, in spite of Hirschman’s loud and bitter denunciation of balanced growth, it is difficult to see if he has any quarrel with the concept... none of these considerations is incompatible with balanced growth – in fact they are all included among the considerations cited or implied by Rosenstein-Rodan and Lewis.’ A. K. Sen, in his review of Hirschman’s The Strategy of Development, in the Economic Journal, Sep 1960, also expresses a similar view. For example, he writes, ‘In sorting out the issues involved in this debate, two considerations strike me as important. First, the balanced and unbalanced growth doctrines have a considerable amount of common ground...’
The diversity in the interpretation of the doctrines of balanced and unbalanced growth has been the cause of some of the arguments on both the sides going at cross-purposes and of a certain degree of confusion as regards the objective in view. For example, when Nurksee coined the term ‘balanced growth’, the objective he had in view was to demonstrate the necessity of balanced growth for creating market inducements to invest, which are essential for generating growth under a free-market mechanism.\(^1\) Balanced growth has also been treated as a means of achieving greater diversification in the underdeveloped countries, which is considered to be essential in view of the growing barriers to international trade and particularly the resistance encountered by the exports of the developing countries.\(^2\) Other writers use the balanced-growth doctrine to show that some sort of centralised planning is needed for removing divergences between social marginal productivity and private marginal productivity, which is necessary to achieve the potentially possible rate of growth.\(^3\) Lately, consensus seems to be veering in favour of regarding balanced growth as the ultimate objective and of treating unbalanced growth as the means of achieving it\(^4\) – which is, in fact, a step towards the reconciliatory view suggested here. In this paper, in order to remove any

\(^1\) Although the notion of balanced growth, in some form or other, has been traced to earlier writers, this particular term first seems to have been used by Ragnar Nurksee in his *Capital Formation in Underdeveloped Countries* (Basil Blackwell, 1953).

Regarding Nurksee’s free-market enterprise assumption, see his essay ‘Balanced growth and specialisation’, printed in his *Equilibrium and Growth in the World Economy* (Harvard University Press, 1961), where he says, ‘As a means of creating inducements to invest, balanced growth can be said to be relevant primarily to a private-enterprise system’ (p. 249).

\(^2\) Cf. T. Scitovsky, ‘Growth: balanced or unbalanced’, published in Abramovitz (ed.), *The Allocation of Resources* (Stanford University Press, 1959), where he writes, ‘... political uncertainty, balance of payments difficulties and high competition in world markets have rendered export markets very precarious ... today we take it for granted that a fair degree of self-sufficiency is desirable and base the arguments for balanced growth on the recognition of economic interdependence.’

\(^3\) This was, for example, the view of one of the original formulators of the doctrine, Paul Rosenstein-Rodan, as presented in his ‘Problems of industrialisation of eastern and south-eastern Europe’, *Economic Journal*, June-Sep 1943.

\(^4\) For example, Albert Hirschman, *The Strategy of Development* (Yale University Press, 1958); also Nurksee’s ‘Notes on unbalanced growth’, published in his *Equilibrium and Growth in the World Economy* (Harvard University Press, 1961), where he writes, ‘it might be well to distinguish between balanced growth as a method and balanced growth as an outcome or objective. Even zig-zag growth must have balance as its ultimate aim.’