Development and Underdevelopment

Current Interest in Development Economics

Current academic interest in development economics, and the study of development economics as a separate subject, are relatively recent phenomena. For the student today it will be difficult to appreciate that as recently as thirty years ago a course in development economics was a rare feature of an undergraduate programme in economics, and that textbooks on economic development were few and far between. Today no self-respecting department of economics is without a course in economic development; there are scores of texts; hundreds of case studies; and thousands of articles on the subject. And, as in medicine, the problems seem to grow with the analysis.

Similarly, political and public concern with the poorer nations of the world is of equally recent origin. The majority of the national and international bodies to promote development that we are familiar with today, such as national development banks, the World Bank and its affiliates, and agencies of the United Nations, have all been established since the Second World War. Before the war, when most of today’s poor countries were still colonies, there was very little preoccupation with the economic and social problems of the developing (dependent) economies that we are concerned with today. Perhaps the facts were not so well known, or perhaps it was that the attention of most people was focused on the depression and underemployment in the developed countries. Whatever the reason for neglect, the situation today is very different. The development of the Third World (the collective name for the developing countries), meaning above all the eradication of primary poverty, is now regarded as one of the greatest social and economic challenges facing mankind.

What accounts for this sudden change in interest and attitude on both the academic and political fronts? Three major stimuli can be pinpointed, which interrelate with each other. First, there can be no doubt that there has been a renewed interest among professional economists in the process of growth and the theory and practice of planning. Whether this revival of interest was entirely spontaneous, or mainly inspired by the macro-economic goals that the world economy set itself in the aftermath of war, is difficult to say—but a shift in interest there has been, which has split over into the analysis of developing economies. Second, the poor countries themselves have become increasingly aware of their own backwardness, which has led to a natural desire for rapid

A. P. Thirlwall, *Growth and Development*  
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development. The demand for the advice and services of economists has encouraged not only an academic interest in development economics, but also a personal and financial interest as well. Third, the growth of nationalism in the world and the Cold War have led the major developed countries to show a growing political interest in poor and ideologically uncommitted nations.

Academic interest in the mechanics of growth and development is a renewed interest rather than a new preoccupation of economists. The progress and material well-being of men and nations have traditionally been at the centre of economic writing and enquiry. It constituted one of the major areas of interest of the classical economists. Adam Smith, David Ricardo, Thomas Malthus, John Stuart Mill and Karl Marx all dealt at some length (with divergent opinions on many issues) with the causes and consequences of economic advance. It is entirely natural that thinkers of the day should comment on the contemporary scene, and there is perhaps an analogy here between the preoccupation of the classical economists at the time of Britain's industrial revolution and the concern of many economists today with the economics of development and world poverty, the nature of which has been brought to the attention of the world so dramatically in recent decades. Development also represents a challenge equivalent to that of depression and mass unemployment in the 1930s which attracted so many brilliant minds to economics, Keynes among them. But the nature of the challenge is of course very different. In the case of unemployment in the 1930s, there was an orthodox theory with which to grapple; the task was to formulate a theory to fit the facts and to offer policy prescriptions. As it turned out, the solution to the problem was to be costless: expand demand by creating credit and bring idle resources into play. Fancy, an economic problem solved costlessly! The challenge of development is very different. There is no divorce between theory and the observed facts. The mainsprings of growth and development are well known: increases in the quantity and quality of resources of all kinds. Countries are poor because they lack resources or the willingness and ability to bring them into use. The problems posed by underdevelopment cannot be solved costlessly. It would be reassuring to think, however, that advances in growth theory, coupled with more detailed knowledge of the sources of growth, and the refinement of techniques for planning and resource allocation, have all increased the possibility of more rapid economic progress than hitherto. Certainly particular theoretical models and techniques have been used extensively in some countries, presumably in this belief. For example, models for calculating investment requirements to achieve a target rate of growth invariably form an integral part of a development plan, and in some countries there have been experiments in recent years with such techniques as input–output analysis, for the achievement of sectoral balance and the avoidance of bottlenecks, and linear programming for the achievement of efficient resource allocation.

The question is often posed as to what lessons, if any, the present developing countries can draw from the first-hand observations of the classical writers, or more directly from the development experience of the present advanced nations.