The economic consequences of a divergence in positive population growth rates seem to amount to a bleak future for the world as a whole: widespread poverty amidst negligible plenty. Many developing countries are expected to fall into the demographic trap of a return to the first phase of demographic development, with high birth and death rates, instead of completing the demographic transition to the phase of low birth and death rates. African countries in particular have gone well beyond the carrying capacity of their ecological system. Of course, one must not adopt the Malthusian stance that a positive rate of population growth is always 'bad' by ruling out technical progress and environmental resilience. However, the straightforward calculation of the interaction between population growth, ecological constraints and economic development\(^1\) shows more than clearly the prospect for a number of developing countries is that the people must live on the subsistence level of consumption (see Brown and Jacobson [1986]). It has therefore been argued at various occasions that development planning and family planning should go hand in hand. However, the stance in development 'planning' in the developed world is, to put it bluntly: transfer 1½% of your national income to the developing world and all is well. It does not come as a surprise to the armchair development economist that this state of affairs has not led to a better world. As I will argue in this chapter, the fact that population developments diverge

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1. See for the issue of sustainability of economic development Pezzey [1989].
leads to untenable or repugnant policy conclusions. More seriously, the practice of development aid is bound to be well meant but futile. Being a Good Samaritan is not enough. Development efforts should at least lead to a convergence of population growth rates and preferably to a convergence of technology levels. To clarify my points on questions of development planning, and more generally on optimal resource allocation, I will construct a model of optimal growth in a two-region world economy to show the straightforward consequences and difficulties of a demographically divided world (section 3.1). It is used to contrast the analysis of later chapters. The comparative statics of this model are derived in section 3.2. The general conclusion which one may deduce from the standard model of optimal growth is that there is no time like the present for carrying out population policies directed at lowering the population growth rate in developing countries. Or in a more formal tone of voice: the sooner the population growth rate of the developing countries converges to that of the developed world the better.

Section 3.3 discusses the use of development planning in a more or less 'decentralised' setting. Development aid is inspired by the care of the developed world for people living in the developing world at a lower living standard. Interdependence of utility in a demographically divided world leads again to a modified repugnant conclusion if population growth is exogenous and if the planners take the average principle of utility as their policy objective: if the size of the population of the developing world becomes too large compared to the population of the developed world, the developed world will not offer any aid, or in case of an exogenous difference in population growth rates it will stop transferring resources to the developing world at a certain point in time. If, however, the planners use the total