Development Policies in LDC’s with Several Ethnic Groups — A Theoretical Analysis*

By

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The presence of economically and socially disadvantaged groups is a common feature of most less-developed countries (LDC’s). These “backward classes” share a common religion, or belong to the same ethnic or tribal group or originate from a particular geographic region. In each instance they form an easily-identifiable minority. The “untouchable” or “scheduled castes” in India readily come to mind but even a casual observer of other South Asian, or indeed African and Latin American countries can readily furnish his own examples.

Economic planners in LDC’s have long been concerned with the economic and social advancement of such groups1 and various na-

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1 For example see the Five Year Plan documents of the Government of India. Indeed, in terms of general objectives of the Indian Five Year Plans, the following excerpt from Chapter XXXIV of the Third Five Year Plan is illuminating. “... besides ensuring rapid and sustained growth for the economy as a whole, at least during the next two or three Plans, measures for advancing the economic and social interests of scheduled tribes,
ional plan documents are replete with a variety of policy measures introduced to help such communities. Such measures have typically taken the form of specific employment quotas, minimum wage legislation, regional subsidies and specially targeted development expenditures. A natural question arises as to whether such policies accomplish what they are intended to do and the impact they have on the welfare of other groups and on the country as a whole. An analysis of these issues has been lacking in the development literature. This literature, by and large, confines itself to a two-sector setting with a homogeneous labor force whereas the very nature of the problem calls for a general equilibrium analysis in a multi-sectoral setting. Such an analysis is presented in this paper.

The plan of the paper is as follows. Section 1 presents the model. Section 2 considers four policy issues and Section 3 indicates several other questions which our model can easily answer. Section 4 concludes the paper and an Appendix is devoted to a technical result required in Section 2.

1. The Model and the Equilibrium Concept

We study a small, open economy with one urban city-center and \( n \) rural sectors, some or all of which typically may be regarded as backward. There are \( n \) ethnic groups, one associated with each of the \( n \) rural sectors, whose members come to the urban center to find employment. The volume of migration is controlled by expected wage equalization, a seminal idea introduced into the development literature by Harris-Todaro [7]. However, our multi-sectoral setting allows us to extend the Harris-Todaro equilibrium condition by postulating that each migrant calculates the probability of finding a city-job on the basis of the unemployment rate specific to his own tribe rather than the aggregate unemployment

scheduled castes and other weaker sections of the community should be so intensified, that they do, in fact, reach a level of well-being comparable with that of other sections of the population.”

2 For example, see the reports of the Committee on the Welfare of Scheduled Castes and Scheduled Tribes published yearly by the Lok Shabha Secretariat, Government of India. Together with general developmental expenditures, there exist regulations for the reservation of posts for the members of scheduled castes and tribes in the public sector. The Committee notes “... that the present policy of the Government in reserving a percentage of vacancies occurring every year for Scheduled Castes and Scheduled Tribes is not only equitable but is also in the overall interest of the Administration.”