Changing perspectives about development economics: Indications from literature on the history of economic thought

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Abstract : This paper focuses on the implications that economic development has connoted in the history of economic thought. It is based on an extensive review of literature of the most notable development economists. The paper enunciates that growth and development have been the concern of economic thinkers since the earliest times, though more often than not other mainstream economists have overshadowed the development theorists. However, a recent upsurge in environmental concerns, societal culture and institutions and their interactions with economic activities have given a new dimension to the way development economics as a subject may be studied in future. Due to reasons of brevity, the paper acknowledges its limitations in its concluding section and points out scope for future studies.

Introduction

People in underdeveloped countries are hauntingly reminded of conditions in less developed lands, while people in the less developed countries are continually exposed to the relatively affluent style of living in the developed nations (Salvatore and Dowling, 1977).

This precipitates studies in economic development, which has been variously defined at various points of time. But, essentially, economic development is a complex historical process, in which economic and non-economic factors are closely interwoven. It can be best defined as the exploitation of all productive resources by a country in order to expand real income (Alpert, 1964). Economic growth is generally thought of as one-dimensional and is measured by increase in income. Economic development involves structural and functional changes as well. In the absence of effective measures of the latter however, states of development are estimated by the growth of income. Ordinarily, levels of income and rates of increase are given on a per capita basis, to approximate measures of efficiency and welfare (Kindelberger, 1965).

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There are broadly three periods in the early history of economic thought. The first is the period of early industrialisation in Europe, the second is the period of industrial revolution in England, i.e. the period from about 1775 to 1832, and the third period falls in the third quarter of the nineteenth century when other countries like Germany and the United States began to catch up with Britain and finally overtook it as the leading industrial power of the world (Hoselitz, 1960). But economic development as a discipline comprising systematic and scientific study may be said to have developed over the last few decades (Todaro, 1997).

Pre-classical notions of economic development

During the mercantilist era it was believed that material resources of the society were, in general, to be used to promote the enrichment and well being of the nation-state (Ekelund and Hebert, 1975). As Hoselitz (1960) notes that according to the mercantilists, GNP was a function of the size of the labour force, the quantity of capital and the quantity of money (or its substitute).

To the physiocrats, economic development was synonymous with capital formation. They argued that it was not men (i.e. population) that were needed in the countryside, but capital and in this sense, the physiocrats discarded the mercantilist notion of labour and the "utility of poverty" (Ekelund and Hebert, 1975). In contrast to the mercantilists, the physiocrats promoted the theories and policies of *laissez faire* or non-interference by the government in economic activities wherein economic development was sought to be achieved by seeking to free agriculture, manufactures and commerce from feudal controls (Whittaker, 1960). Adam Smith carried this idea forward in England through his theory of the "invisible hands" (Smith, 1950).

However, these early schools of economic thought, namely those belonging to the medieval times and the mercantilists did not have a strictly objective approach towards analyzing the factors responsible for economic development and were influenced by considerations of Christian ethics and political nationalism (Whittaker, 1960).

The Classical School

The last quarter of the eighteenth century heralded a new era in the European continent. It saw the emergence of the industrial revolution and radical economic and political thoughts. If Boulton and Watt represented the communion of industry and science, Adam Smith and his treatise, *Wealth of Nations* marked the beginning of the classical school of modern economic thought.

Roll (1973) has pointed out that during this period the conditions in England and other countries were very favorable to the reception and survival of classical ideas and their influence on policy matters.

Economic development was sought to be explained by Adam Smith through the applications of the rules of natural order and opposition to state interference in business and commerce (Abbot, 1973). Insofar as the notion of economic development is concerned, Smith neglected fixed capital formation in favor of agriculture as the principal source of a country's wealth. It may be because, as Blaug (1962) points out, that Smith never considered wealth as a *stock* but rather as a *flow* concept in the long-run and at that point of time he, like many others, was not much aware of the industrial revolution taking place around him.

The same notion of economic development is carried forward in the writings of the other classicists, namely David Ricardo and Thomas Malthus. According to the Ricardian theory of stationary state, investment is a subsistence-fund to maintain a larger number of workers. In his conceptualization of economic development, the Ricardian theory of stationary-state fails to expound "balanced-growth" as investment is directed towards agriculture, turning the terms of trade against manufacture (Myint, 1964).

Ricardo was primarily interested in analyzing the distribution of social product among recipients of wages, profits and rents. The Ricardian model assumes diminishing returns. It is also supposed that the total product is divided into two parts, that of the labourers which is all consumed and that of the landowners which is accumulated apart from the relatively small portion that is consumed by them. Wage rate is determined by the Marginal Productivity of Labour. Hoselitz (1960) presented the Ricardian model as a Cobb-Douglas function as follows:

$$Y = bL^{\alpha}K^{\beta}$$

$$\Rightarrow w = \frac{\partial Y}{\partial L} = b\alpha L^{\alpha-1}K^{\beta}$$

$$\Rightarrow \pi = Y - wL = [1-\alpha]Y$$

The assumption that follows are that all profits is reinvested. Thus,

$$I = \pi = [1 - \alpha]Y$$

Since α and Y are positive and $0 < \alpha < 1$, the amount of investment is a positive fraction of the total product and depends in its magnitude on the magnitude of Y.

When Malthus' first essay was published, England was in the midst of an agricultural revolution which was transforming long standing agrarian relations between landlords and tenants; it was on the verge of an industrial revolution which would soon make it the paramount manufacturing nation in Europe; and it was five years into a counter-revolutionary war with its growing commercial rival, Napoleonic France (Ross, 1998). Indeed, as Kaldor (1996) observes that perhaps the single most important scientific hypothesis which originated from economics of this period was Malthus' law of population which was put forward as a basic generalization relating to all living matter and which the great biological discoveries of the mid-nineteenth century served to confirm.

According to Malthus, as long as the wage level is above a certain minimum w_0, population tends to grow very rapidly. Since the actual w never rises above w_0, any short-run increase of the wage is sufficient to provoke a large enough upsurge in population to bring the wage down to a minimum level. Thus, if once the whole world were inhabited, population would increase in an arithmetic ratio as resources do, and not show a tendency of increasing in a geometric ratio, then there would be progress. But this progress would consist of a proportional increase in the total quantity of capital and the total number of workers. There would be no increase in the standard of living since by hypothesis, every increase in the living standards, *i.e.* wages would lead to a sufficient increase in population to wipe out again the increased standard of living (Hoselitz, 1960).

Thus, with its primary focus on population Malthusianism provided a way of looking at the origins of poverty – and, by extension to more recent times, to underdevelopment – which effectively mystified the central role of capitalist relations to production (Ross, 1998). In sum, the principal notion in the classical period was that population is the effect of economic development (Meier and Rauch, 2000).

It may be noted here, that Smithian and Ricardian concepts of economic development through international trade were later expounded in the twentieth century by Viner (1962) through the Marshallian "real-cost" theory, Haberler (1964) through the "opportunity-cost" theory, and Hecksher and Ohlin (Sodersten, 1992) through the "factor-endowments" theory.

There was a general agreement among the economists of this period that economic development was dependent on successful solutions of certain basic problems, in particular, the accumulation and use of maximum material and human resources in order to increase and improve production. It was understood that while the quantity and availability of material and human resources are basic, the manners in which these resources are used determined the direction and speed of economic development (Alpert, 1964).

Early development theories

Economic development, as it is understood today, started as a discipline requiring singular rigour as late as the 1930s when economists began realising that most of humankind did not live in an advanced capitalist economic system. During this time Europe – especially, post-war European reconstruction – and the industria-lisation of its eastern precincts were of the greatest concern. It was not before a few years later that economists really began turning their concerns towards Asia, Africa and Latin America. Economics during this period was an approach or a mode of thinking which assumed optimizing behaviour by individuals together with an all over coherence of the economy in the form of balancing supply and demand (Arrow, 1987).

This was a time of rapid decolonisation that led to the formation of a plethora of nations whose standards of living and institutions were vastly different from those that conformed to the European theories of development. This caused analysis not only of growth but also of the institutions, which could induce, sustain and accelerate growth in these countries. These were the countries with good potential prospect for using more capital or more labour or more available resources, or all of these to support its present population on a higher level of living, or if its per capita income is already high, to support a larger population on a not lower level of living (Viner, 1952). It was understood that for economic development, nationalism, associated with competitive enterprise and socialism, maintaining an international outlook were both necessary (Clark, 1960). As such, economic development in this phase referred to a study of the components of different social systems that correspond to particular levels of economic progress. The relevant relationships between these systems were termed as "pattern variables" which were regarded as the determinants, on the most generalized levels, of socially relevant behaviour, of average real output of a society (Hoselitz, 1960). It was also realized that economic development is not without its cost to the society, which is the consumption it must sacrifice in order to save for the purpose of accumulating capital (Spencer, 1971).

Marxian economics

In continuation with the discussion above, it may be noted that like other economists of his era (for example, Ricardo), Marx highlighted long-run dynamics. Marxian economics emphasized the changes of the economics system, rather than presenting a within-between analysis of these economies, *per se*. Like Ricardo, the focus of Marxian economics was upon (a) the relationship between the production process and income distribution, (b) social class distribution, and (c) the contribution of the working class, the less powerful of the social class through its exploitation by the bourgeois.

According to Marx, the dynamics of an economy that is driven by the contribution through exploitation of the working class is first manifested through the bourgeois impulse of capital accumulation. This move towards capital accumulation is fuelled by capital-intensive production processes. The augmentation of capital-intensive production processes is made possible by reducing the wages of workers and thus creating their rate of exploitation. Furthermore, the accumulation of capital accumulation leads to unemployment thus creating a vast 'reserve army'. The process continues with lower wages for employed workers accompanied by increasing rate of unemployment and this leads to the creation of successful workers' organization. Ultimately, these successful workers' organizations overthrow the more powerful bourgeois capitalist class through the process of class conflict.

The importance of placing Marxian analysis in the context of the present study is in its two-fold implications: (a) it forms the basis for 'imperialism' theories where the advance/developed nations can be looked upon as the 'capitalists' and the less developed countries as representing the 'worker class', and (b) it led to the dependence theories (do Santos) and the unequal development theory (Amin).

Planning and economic growth

A paradox in economic development has been that the better-off the nations become, the bigger do they conceive the gap between what is actually their lot and what would be desirable, while in the poor countries large masses of people seem to be satisfied by merely surviving (Myrdal, 1972). As Bauer and Yamey (1959) pointed out, underdevelopment came to imply low levels of economic and technical achievement. Thus, development economics concerned itself with devising ways to emancipate underdeveloped countries from poverty.

Thus, at this point of time the ultimate goal of development economics was to obtain an answer as to how to set low-income economies of the world on the track of sustained economic development for the immediate goal of reducing poverty and the long-run goal of catching up to the wealth of developed economies (Hayami, 1997). The process to achieve this was suggested to be industrialization. This was more so, given the rate at which productive factors in the underdeveloped countries were growing all the time, through the increase in population numbers, health, education and capital, home-made as well as imported. On the other side, there was no doubt that world demand for a wide range of primary products was relatively slow in expanding. Under these circumstances it was contended that exclusive emphasis on traditional pattern of growth through trade would be out of place (Nurkse, 1953).

Boulding (1958) suggested that eeconomic progress consisted of improved means, the discovery and application of better ways of doing things to satisfy wants, without considering the ends. However, the means of development policy applied in different countries depend very much on the preference of their governments with regard to *economic order*. In most countries, *prices* are the main instruments of policy, whereas in smaller countries, *trade* is the instrument of policy that has considerable impact on the economy (Tinbergen and Bos, 1962).

Social development theories

The next concept that is highlighted concerns the social development theories of economic development. In comparing the "backward" and the "advanced" economies, Hoselitz (1960) makes the following observations.

- Backward economies exhibit a lack of reliance on achievement as a norm for acquiring economic goods which, on the other hand, is the characteristic norm for assigning economic objects in advanced societies.
- In economically backward society particularism and diffusion in the distribution among performers of economically relevant tasks is highly prevalent. Thus, precise distribution of job is a requirement of modern, complex machine production, which is also the reason for high per capita output of an economy in which such complex methods of production are widely used.
- Finally, in economically less advanced societies there predominates an attitude of self-orientation with relation to economic goods, whereas in more highly advanced economies, attitude of collectivity-orientation predominates.

As Leibenstein (1967) notes that broadly speaking, there are three elements of economic backwardness, namely

- the often found persistence in low yields per acre and per man in agriculture
- the lack of non-agricultural employment opportunities
- the role of the general demographic characteristics in the dynamics of backwardness

The contingency of large imports of foreign machinery and foreign know-how and the concomitant opportunities for rapid industrialization with the passage of time increasingly widened the gulf between economic potentials and economic actualities in backward countries (Gerschenkron, 1965). The traditional development economist's perspective has been a very broad one – not only aggregating over goods and people but also spanning vast stretches of time. On the other hand a disaggregated analysis of several aspects of backward economies take into account the causes of technological stagnation, consequences of different forms of land tenure and nature of the rural credit markets (Basu, 1984).

It was argued that the aim of industrialization in international depressed areas was to produce a structural equilibrium in the world economy by creating productive employment for the agrarian excess population (Rosenstein-Rodan, 1966).

The balanced growth theories was based on the income effect and set patterns of expansion in consumption and production in the light of the substitution effect and flexible patterns of consumption and production of neo-classical analysis. The problem of choice cannot be ignored for long, for beyond a certain point, different lines of economic development activities compete for the available scarce resources.

On the other hand, the unbalanced growth approach illustrated the method of harnessing the market mechanism for economic development. In the short run the market mechanism deals with the shortage of a particular commodity or factor of production by raising its price sharply enough to cut down demand and equate it to the given supply. In the long run it deals with the shortage by raising the price of the scarce commodity high enough to induce increase in supply (Myint, 1964).

The violation or fulfillment of basic liberties or rights tends to be ignored in traditional utilitarian welfare economics not just because of its consequentialist focus, but particularly because of its "welfarism" whereby consequent states affairs are judged exclusively by the utilities generated in the respective states, which implies the need to integrate procedural considerations in consequential analysis in the field of rights and liberties (Sen, 1995).

Thus, the whole question of interrelationship of economic and social development became important with governments trying to assume increasing responsibility for the promotion of social progress and economic growth. There was, however, a large measure of conflict and difference on the question of allocation of resources for programs, which are either economic programs with social purpose, or social programs with economic purpose or integrated programs (Deshmukh, 1972). In this phase, very few, even among the most ardent advocates of the application of market principles to development would deny that there is an important role for the state in economic development especially in the areas of human development through health, education and the like (Singer, 1998).

Thus, the process of economic development in underdeveloped countries consisted basically of the separation of the economic sphere, first from the complex of the social organization and the norms that govern it and subsequently and to a lesser extent, from the political environment by which it is constrained (Adelman and Morris, 1967).

Structuralism and development

Economic development has always been propelled by classes and groups interested in a new economic and social order, has always been opposed and obstructed by those interested in preservation of the *status quo*, rooted in and deriving innumerable benefits and habits of thoughts from the existing fabric of society, the prevailing mores, customs and institutions (Baran, 1957).

Dynamic Keynesian models emerged, associated with the names of Harrod, Domar and later Joan Robinson. From the point of view of development economics, Keynesian theory gave encouragement to models in which labour played no constraining role. It was the unemployment problem of the developed countries that was under consideration, but these theories provided a major stimulus for development planning (Arrow, 1987).

The Harrod-Domar model developed independently by R. F. Harrod and E. D. Dommar in the 1930s suggested that savings provide funds that are borrowed for investment purposes. According to Ray (1988) with reference to economic development the Harrod-Domar analysis presented the following points.

1. The pivot of the economy is investment, it being central to the generation of income and raising productivity.
2. Depending on the trend in generation of income, resultant larger capacity or larger capital base, being a concomitant of larger investment will either raise the national output or product or raise the efficiency and productivity of the economy.
3. In order that full employment is sustained, it is essential that the rise in income and investment should be more than proportionate, and at a compound rate of growth.
4. If actual growth rate is higher than the warranted growth rate, the economy will move towards chronic inflation; and if conditions are reversed, towards chronic deflation.
5. The more pronounced are the deviations of the business cycle, the more pronounced will be the swings away from steady growth towards chronic inflation or chronic deflation.

It has been suggested in later discussions that the Harrod-Domar model has perhaps contained a number of *ceterus paribus* assumptions, which were marked by shortcomings with subsequent changes in the original variables or presumptions. Nevertheless, the issues raised and discussed have extensive relevance to the generation and sustenance of economic development.

Kuznets (1966) prescribed that economic growth can be achieved if an economy exhibited the characteristics of

- high rates of increase in per capita output arising out of quality rather than quantity of inputs,

- rate of growth in efficiency of production sectors,
- changes in sectoral origins of total output which means decline in share of agriculture and related industries, shifts from less to more durable products and to a limited extent from consumer to producer goods, and
- changes in structure of final demands, distribution of total output and allocation of labour force among economic units.

Thus, the transition of under-developed societies to developed societies required a high proportion of the population to be interested in material well-being, having an ability to look ahead and willingness to take risks, having an interest in techniques and innovations, perseverance and possessing an ability to collaborate with other people and to observe certain rules (Tinbergen, 1967).

In this context, one may note that Solow (1956) proposed a basic equation, which determines the time path of capital accumulation that must be followed if all available labour is to be employed. The equation is:

$$K^* = s\, f(K, L_0 e^{nt})$$

where,

$$K^* = \frac{\partial K}{\partial t} = \text{Net investment}$$

s = fraction of ouotput saved (a constant)

K = community's stock of capital

L_0 = available labour supply

e^{nt} = constant exogeneous rate of technological growth over time

The above is a differential equation in the single variable, K(t). The solution gives the time profile of community's capital stock, which will fully employ the available labour. The Solow growth model exhibited diminishing returns to labour and capital separately and constant relations to both factors jointly. Technological progress became the residual factor explaining long-term growth and its level was assumed to be determined exogenously (Todaro, 1997).

Earlier, Lewis's dual structural model proposed that in the less developed countries or LDCs, where two sectors, namely the traditional agricultural sector and the modern industrial sector coexisted, economic growth would result as the modern industrial sector would attract workers from the rural areas. In retrospect however, conditions in the LDCs where urban poverty has replaced rural poverty restricts the duality theory of economic development.

Singer (1964) argued that an increase in agricultural productivity insofar as it releases labour from the farm creates part of that elasticity of factor supply, which makes a balanced investment package possible. Investments designed to raise non-urban agricultural productivity by lowering real cost curves will create markets where non existed before and they do so without the need for broadly based investment package. Thus, while aiming at balance as an investment criterion, this objective is achieved by unbalanced investment.

Myint (1964) argues that the state should make deep and sustained explorations of particular sectors of the economy by revealing economic opportunities overlooked by the light reconnaissance of private enterprises normally concerned with quick profits meaning deliberate distortion of prices and differentials and holding on to these distortions instead of letting the prices and costs be distorted by random imperfections of the market and short run speculative factors associated with inflation and balance of payment difficulties.

Thus, in underdeveloped countries, subsistence production being large and the extension of the exchange sector is an important factor in development, as it often results in import of capital, as also entrepreneurial, technical and administrative skills or their acquisition by the local population (Bauer, 1973).

Preston (1996) summarises the broad sweep of structuralist analysis in terms of the three key implications of the rejection of the Ricardian inspired theories of international specialization and exchange: (a) the analysis of relationship in terms of centres and peripheries, rather than equal market players; (b) a focus on industrialization as a means to catch up and join with core economies in preference to continued dependence; and (c) a concern for the social and cultural implications of dependency.

***Contra*-structuralism**

Earlier it was argued that because of the fundamental dependence of the economic aspect of things on everything else, it is not possible to explain economic change by previous economic conditions alone for, the economic state of people does not simply emerge from the preceding economic conditions, but only from the preceding total situation (Schumpeter, 1961). However, in surveying the broad contours of stages-of-economic-growth, it was found that the sectoral structure of economies and a succession of strategic choices made by various societies concerning the disposition of their resources included and transcended the income and price elasticity of demand (Rostow, 1960). One way to understand economic development was through projections of future investment and the domestic and foreign resources, which will finance it (Malenbaum, 1962).

The 'patterns-of-development' analysis focused on the sequential process through which the economic, industrial and institutional structure of an underdeveloped economy is transformed over time to permit new industries to replace traditional agriculture as the engine of growth (Todaro, 1997). Chenery showed that the market would fail to coordinate if there are elements of increasing returns.

From the perspective of development, the concept of increasing returns seemed to offer and endogenous explanation for economic progress (Arrow, 1987). Other theories such as, the theoretical growth model of von Neumann postulated that with a constant real wage, growth is maximized when prices are such as to make the profit-rate equal to the growth-rate (Dobb, 1979). Seers (1972) proposed that poverty, unemployment and inequality, all need to be reduced below an appreciable limit to term a period as the period of development for a given country. Kalecki argued for dramatic land reforms and other major institutional changes as a means to achieve economic progress (Basu, 1984).

It was understood that there is a pervasive influence of trade on the distribution and growth of resources and its role in widening people's access to alternatives (Bauer and Yamey, 1959). Contra-structuralism led to a revival of the trade theories of development. As Galbraith (1958) puts it that since the shape of the problem is not known, the requirements for solution also remains unclear. As a matter of fact it was noted that the advantage of economic growth is not that wealth increases happiness, but that it increases the range of human choice (Lewis, 1954). The tension of development was therefore not so much between the known benefits and costs as between the goals and the ignorance and misconceptions about the road to that goal. It was concluded that it is foreign capital that plays an important role in enabling and emboldening a country to set out on the path of progress since economic growth depends on a continuing outcropping of profitable opportunities (Hirschman, 1961).

New directions

Although, in terms of policy, the major strategies of development economics have been industrialization, rapid capital accumulation, mobilization of underemployed workers, and planning for an economically active state, the real limitations of traditional development economics arise from the insufficient recognition that economic growth is no more than a means to other objectives, and its concentration on national product, aggregate income, and total supply of particular goods rather than on ''entitlements'' of people and the capabilities these entitlements generate (Sen, 1983). Thus, we can define economic development as a process whereby people of a country or region come to utilize the resources available to bring about a sustained increase in per capita production of goods and services, rather than consider economic development as an end in itself, and not as a means to other objectives and goals (Mukherjee, 1994).

Over the last two decades a movement from the plan to the market has characterised development thinking and practice (Lal, 1996). In the current context, Mukherjee (1994) suggests three interpretations of economic development as,

1. failure to utilise potential output permitted by existing technical knowledge;
2. backwardness in the level and character of economic performance in relation to some other country; and
3. failure to provide acceptable level of living to a majority of the population.

Meier (1995) notes that the potential rate of development of an economy is determined by the relaxation of four constraints, viz. savings, foreign exchange, human resources and agriculture. But the economy's actual rate is below the potential because of inappropriate policies. The 'super-constraint' is management – both private and public. Appropriate policies must be undertaken to mobilize resources, allocate the resources efficiently and raise productivity. By so doing the actual rate of development can be brought closer to the potential rate over time.

Underdeveloped countries already operate under a *grand tension* that stems from the universal desire for economic improvement oddly combined with much resistance to change. An attempt to make the most of the positive relation between development and the tension it creates would lead to a new emphasis and to greater effectiveness in extending technical assistance and policy advice to underdeveloped countries (Hirschman, 1961).

Theoretical developments in different time periods, especially the theories developed in the 50's and 60's compared to those developed in the late 80's and early 90's imply old and new models and may be treated as exogenous and endogenous growth models respectively (Mallick, 1995). On the one hand, Kaldor (1996) argues that ultimately it is the exogenous component of demand, which will determine what the level of output in the aggregate will be, subject to the proviso that effective demand thus determined is less than the maximum output for full employment while on the other hand, Hahn (2001) points out that though it is not certain whether the global economy can be modeled in a similar way to the local economies, with functional forms remaining unaffected, national characteristics, utility functions and organizations may converge to make an endogenous theory of growth more plausible. In any case, given that economic progress implies using resources, some of which are not renewable, the true costs of resource depletion and environmental degradation must be accounted for (Lundhal and Ndulu, 1996).

Recent work has shown that beyond a certain level of income, some aspects of environmental quality improve with further economic growth, a relationship that is depicted by the Environmental Kuznets Curve (Ekins, 2000). Human sustainability will depend more on environmental conservation and less on economic growth requiring preservation of communities in inclusive terms, rather than exclusive or specialized terms of economic globalization (McMichael, 1996). Thus, the degree of industrialization maybe and often is the consequence of rather than the cause of the level of prosperity. Hence, it is a questionable proposition to use "underdevelopment" and "non-industrialisation" as synonymous terms (Viner, 1952).

Another point of view that has steadily gained grounds over the past few years is that economic development must always be placed in a setting of overall cultural change (Boulding, 1958). The process of economic development constitutes the dynamic as well as the core of cultural evolution. In explaining the process of economic development, the focus should be on the advance of useful knowledge, which in its application and innovation appears as technology and in its store as culture. The methodology to explain economic phenomenon and the process of economic development in the framework of cultural evolution is called *cultural economics* (Brinkman, 1981). The New Institutional Economics or the NIE approach also points out that individual incentives depend upon the behaviour patterns and the cultural norms of the rest of the society (Clague, 1997). As a summary, the three types of economic development as propounded by Galbraith (1964) may be noted as follows,

1. S*ymbolic modernization* designed to give the developing country the aspect, though not necessarily the substance, of development.
2. *Maximized economic growth*, which proclaims over some periods of time, the greatest possible increase in per capita income and product.
3. *Selective growth*, which argues that benefits through development planning must accrue as a matter of priority to the more needy sections of the population.

Conclusion and future scope of research

This study was aimed as an attempt to chart the meaning and implication of "economic development" in the history of economic thought. To this end, the discourse began with description of economic development as it was understood by the seventeenth-century mercantilists and physiocrats, the eighteenth century classicists, the early development theorists and later the stage theorists, the structuralists and the *contra*-structuralists, and some recent developments such as environmental concerns of economic development and cultural economics.

Development economics, as noted in the introductory section, has always been overwhelmed by its brethren from mainstream economics. Nonetheless, as this paper points out, concern for it has always been present, since the time human activities have been analysed in the light of their economic significance. A study of the history of development economics is therefore, a study of the history of economic thoughts itself and has to take into account factors that are considered essential for development, such as institutional complexities, resource allocation, and role of values in social behaviour, and conflicts and contradictions of normative assessment (Sen, 1984).

Development economics is a vast subject in which to write a monograph entails a formidable problem of choice (Basu, 1984). As such the views of quite a few schools, eminent in their stance in economic history, represented by their no less eminent academic patrons remains unincorporated. Examples that may be readily recalled are the English Romanticists, the heterodox school, Marxism and such other schools of economic thought. Nonetheless, it is hoped that the paper has been able to cover thoughts that have had profound impact on the understanding of developmental economics over the ages and its influence on human welfare.

Literature relevant to the present study (c.f. Shin, 2005) indicates the need for a multi-country and multi-institutional investigation of development economics. Indeed, future research should move away from *mono*-economics to *hetero*-economics and adopt the same in its methodology. In this context, two immediate proposals for future studies in the area of development economics would be: (a) a more structured discussion of the methodological issues of development economics including the existing theories, and (b) a focus on inter-disciplinary aspects of development economics.

It appears that a gap in research still exists with respect to structural Marxism as propounded by Althusser and his followers. Furthermore, development economics has been dominated wither by 'particularists' or 'universalists'. There is an urgent call of meso-level research in this area. Finally, issues concerning the global environment and its sustainability also assume a great deal of significance and can become an area of possible future research.

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