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Chapter

DUALISM—SOCIAL AND TECHNICAL

INTRODUCTION

The underdeveloped countries generally exhibit some elements of modernization in one sector and some elements of backwardness in the other sector. Dualistic economy is the co-existence of a traditional indigenous economy and the modern money economy. In fact, it implies a vast backward traditional economy and small co-existence of modern techniques of production.

However, according to Higgins and Boeke, dualism in less developed countries to a large extent, is a sine qua non of their backwardness. The 'Economic Dualism'. This brings two basic phenomena in the context of less developed economies as :

- (i) The theories of growth or models of development as evolved in developed nation are not applicable for the less developed countries
- (ii) a uniform policy of development cannot be adopted across all sectors of the less developed economies.

MEANING OF DUALISM

According to Prof. Higgins, 'Dualism means existence of two distinct sectors in an underdeveloped economy. A modern commercialized industrial sector is developed alongside a traditional subsistence agricultural sector.'

Features of Dualism

Prof. H.W. Singer has given main features of dualism as :—

- (1) It possesses different set of conditions and out of which some are superior and others inferior. There is co-existence of modern and traditional methods of production, the co-existence of wealthy educated people with illiterate poor people, the co-existence of wealthy industrialized sector with poor agricultural sector.

- (II) The difference between both sectors i.e. superior and inferior will not eliminate itself over time. It is deep rooted. Agriculture is the main occupation while machines are used only to a limited extent.
- (III) The degree of difference between superiority and inferiority fails to show any mark of diminishing rather it has an inherent tendency to increase. For instance, the difference of production techniques between the workers of developed and less developed countries seem to be broadened over time.
- (IV) The inter-relations between superior and inferior elements are such that superior elements do little or nothing to improve or pull up inferior element. But the universal truth is that superior element always tries to push down the inferior element.

THEORIES OF DUALISM

As economists like Higgins and Boeke are of the opinion that dualism in less developed countries has been the principal constraint in their growth process. There are four basic theories in this context.

- (1) Social Dualism
- (2) Technical Dualism
- (3) Financial Dualism
- (4) International Dualism

The present chapter deals with only SOCIAL and TECHNICAL theories of dualism.

1. THE SOCIAL DUALISM

The leading exponent of the theory of sociological dualism was a Dutch economist, Prof. J. H. Boeke, who elaborated the social dualism. According to Prof. Boeke, there are three characteristics of a society as (1) social spirit (2) organization form and (3) The technique dominating it. Their interdependence and interrelation are called the social system or social style. It is not necessary that a society be exclusively dominated by one social system. If at least one social system prevails, the society may be called homogenous. But when two or more social systems prevail simultaneously, the society may be called a dual society. Boeke qualifies the term dual society to societies "showing a distinct cleavage of two synchronous and full grown social styles which in the normal historical evolution of homogeneous societies are separated from each other by transitional forms as for instance, precapitalism and high capitalism by early capitalism, and which there do not coincide as contemporary dominating features". Without these qualifications, it would be impossible to distinguish between homogeneous and dualistic society. Thus, Prof. Boeke is of the view that social dualism has proved to be an great bottleneck in the process of growth of less developed countries.

1 Meaning of Social Dualism

According to Prof. Boeke, "Social Dualism is the clashing of an imported social system with an indigenous social system of another style. Most frequently the imported social system is high capitalism. But it may be socialism or communism just as well, or blending of them."

Prof. Boeke uses 'East' and 'West' as different expressions for the underdeveloped or dual economies and developed capitalist economies, respectively. Underdeveloped economies, that is economies of the East are generally underdeveloped economies. Co-existence of two diverse social orders is the principal property of such economies. Social dualism thus is kind of social disintegration caused by the rise of capitalism in less developed economies. This integration highlights the conflict between the imported social order and the indigenous social order of the underdeveloped economies. In the opinion of Prof. Boeke,

"Without doubt the most frequent form of a social dualism is to be found there where an imported Western Capitalism has penetrated into a pre-capitalistic agrarian community and where the original social system, be it not undamaged, has been able to hold its own or, expressed in opposite terms, has not been able to adopt the capitalistic principles and put them into full practice."

2 Characteristics of Social Dualism

According to Boeke, following are the main features of social dualism.

1. **Limited Needs.** The foremost characteristic of eastern or the precapitalist indigenous sector of dualistic economies is marked by limited needs in sharp contrast with the western society. In western society, wants are unlimited. The reason of limited needs of the dualistic economy is simple habits and simple way of thinking. People are therefore contented with their limited means or money incomes. As soon as people earn sufficient money income to fulfil their limited needs, people start preferring leisure to work. The supply curve of labour is thus generally backwars sloping in these economies. This implies that in response to rise in wages beyond a particular point the supply of labour starts diminishing, rather than increasing.

2. **More importance of Social Needs.** Boeke's theory lays more emphasis to social needs. Social perspective is of greater importance than the national perspective. In other words, social value of the goods is of more important than their economic value. In the words of Prof. Boeke "It is not their economic usefulness or the individual services they render their possessor which determine the value of goods. It is what the community thinks of the commodities that give them value." In fact the lower the development of individual, the greater his

dependence on social tradition and the fewer his economic needs, the more place is given to social needs. In this way, he gives more importance to social needs of eastern sector as compared to western sector.

3. **Importance to Self Sufficiency.** The eastern society considers 'family' as unit and every individual is self sufficient in his needs. People cannot easily induce to organise production or to collect investment. According to Boeke "Not only do they feel strangers to basic forms of exchange like business and profession but in so far as these are business they are always one man affairs that can hardly compete with western capitalism and are not lasting." Thus, the purpose of production is not merely profit-making but also satisfying personal needs.

4. **Unorganized Labour.** According to Boeke, the labour is totally unorganized, passive, silent and casual in dualistic economy. Moreover, the labour is unskilled and immobile too. People hesitate to leave their homes as they have attachment for petty things. Due to immobility, the labour remains unorganized and as such his bargaining power remains weak. The people are orthodox in outlook. In contrast, the people in western economy are progressive, dynamic and forward looking. They display their interest in every type of adventure. Wages in the eastern sector are low due to lower marginal productivity.

5. **Idea of Income is not Suitable.** The idea of income does not fit in eastern society. Income is a thing that a man gets more or less regularly as a result of acts of exchange. If income is not received in the shape of money, it can never be evaluated in terms of money. In fact, eastern society has barter terms of trade. Thus, maintenance of household cannot be termed 'income' in strict sense because there is no absolute price basis nor any basis to determine the costs.

6. **Lack of Profit Motive.** Production is not done for the profit motive in the economies of East. Thus the modern theories of business enterprise do not hold good in these economies. Windfall profits and losses are attached greater significance in these economies than the continuous and consistent flow of income. Further there is general lack of entrepreneurship in these economies.

3 Policy Implications of Social Dualism

Boeke's theory of social dualism has the following implications;

1. **Agriculture.** Boeke feels that western economic theory can hardly bring about any improvement in agriculture in eastern areas. Instead, it may cause retrogression because the mental attitudes of farmers is not changeable. They stick to old and unscientific methods of cultivation. Boeke is of the opinion that the culture of villagers is totally based on traditionalism and the farmers cannot afford to accept new change.
2. **Industry.** In the field of industry, the eastern countries have different approaches to its counter part i.e. western countries in producing

the same commodity. However, technological progress along western lines is impossible because, there is no question of the eastern producer adapting himself to the western example technologically, economically or socially. If the eastern producer initiates a western producer he will merely loose his competitive qualities. In support of his view, Boeke holds the example of Indonesian economy who adopted western technology to achieve the goal of industrialization and self-sustained growth but ruined its small industry.

3. Unemployment. Prof. Boeke's pessimistic approach also held the similar views to the problems of unemployment. Thus, he distinguishes five type of unemployment (i) Seasonal (ii) Casual (iii) Unemployment for regular labour (iv) unemployment of white collaried in urban areas (v) Disguised employment.

The problem of unemployment in underdeveloped areas is so acute that its solution is beyond the reach of government. The solution to these five kinds of unemployment would need large financial investment and thus, government remains in Government has limited resources and, thus, dilemma.

4. Economic Development. Prof. Boeke says that economic development is hampered by the limited wants of the eastern society. The increase in the supply of food stuff and industrial goods results in glut in commodities in the market which does not help in improving economic development of the area. This leads to depression and fall in investment. In short, Boeke's idea was that any industrialization or agricultural improvement should be gradual so as to suit in the frame work of dualistic economy. Otherwise, any radical changes in the structure of the dualistic economy might prove harmful. Therefore, Boeke advices that development process must be slow, and the urge for development must be the soul of the people.

5. International Relations. Prof. Boeke has stressed the need for 'Village restoration'. The term village restoration implies that basic character of village should be kept intact and it should not be disturbed through the influence of international trade. The restoration of the village can take place through the revival and adoption of democratic means among the rural peasantry class. This will provide an opportunity for new leaders to come forward and take up the local and social responsibilities with a sense of determination and devotion. They should work for the goal of economic development with faith, confidence and patience.

6. Organization. In organisation too, there is a lot of difference in eastern and western countries. The highly capitalistic forms of organization specially in mining, transportation in western society cannot be adopted in eastern society. Another feature of dualistic economy in the eastern society is almost the absence of profit motive. The profit from speculative activities, however, holds attraction for them.

7. Absence of Profit Motive. Another feature of dualistic economy in the eastern society is almost the absence of profit motive. The profit from speculative activities, however, holds attraction for them.

8. No Technical Advancement. Technological progress of western sector has yet to touch the eastern society of dualistic economies. In the words Boeke, "in fact, there is no question of the eastern producer adapting himself to the western example technologically, economically or socially."

9. Lack of Industrialization. The Industrialization in the eastern sector lacks initiative, drive, discipline and organizational capabilities. In contrast, in western sector, industry passes all these business qualities.

10. Aversion of Capital. According to Boeke, industry in the eastern sector is not investment minded. He further claims, "aversion to capital owing to some sort of conscious dislike of investing capital and risks attending this."

11. Lack of Professional Trading. The Professional Trading is conspicuous by its absence in the eastern sector. Indeed, there is exchange of goods at personal level. By and large, trading profession is almost unknown to the people as they are totally ignorant of the new market 12. Urban Development at Behest of Rural Economy. Prof. Boeke holds the view that in a dual economy, urban development flourishes at the cost of rural economy. In the wake of urbanisation, there occurs a progressive fall in the rural population and income. In other words, hardships of rural life compel the villagers to pull to the cities.

13. Absence of Free Competition. Another dominant characteristic of eastern sector is that there is absence of full competition of land and rent and it depend on the land owner's need for money. Moreover, factors of production lack homogeneity and mobility. As a result distribution of income is not in accordance with marginal productivity theory.

14. Export is main Objective. Boeke also makes distinction on the ground that export is the great objective of foreign trade in the eastern sector. It means that it only makes import possible in the western sector.

15. Fatalism. Above all, another outstanding feature is that eastern society is guided by fatalism and resignation while western industry moulded by common sense and reason.

ए Critical Appraisal

Boeke's theory of social dualism points a gloomy picture for under-developed countries. This is due to peculiar circumstances in which it was formulated. In fact, under the name of Ethical Policy, in Indonesia a genuine effort was made to raise the standard of living during 1900 to 1930. But this policy was a great flop which gave the feeling of gloom, sorrow and defeatism. Prof. Benjamin Higgins makes a scathing attack on Boeke's theory of social dualism development. However, following are the main grounds of Higgins criticism :

1. Wants limited—Not True. It is wrong to universalise that people in underdeveloped countries have limited wants and supply curves in underdeveloped sloping. Truly speaking, the marginal effort and risk taking are backward sloping.

tendency to consume and to import are high which result into larger demand for domestic and foreign semi luxuries. Therefore, it is a problem of those governments to control the fast expanding wants of the people. The wants of the villagers are numerous and varied. Thus, Boeke's intention that wants in under developed countries are limited, is not borne out by the actual facts and not consistent with human nature.

2. Trade Unions not Visualised. Boeke's dualistic theory ignores the role of trade union. The workers are unorganised, passive, silent and casual in underdeveloped countries. This is inconsistent with the growing strength of organised labour even in Indonesia. In fact, trade union activities are becoming more and more streamlined all over the world. Workers are more organised, vocal and active. These trade unions fight for their rights and actively participate in various activities.

3. Labour not Immobile. It is not possible to accept that people in eastern economies are inherently immobile and do not move from villages to towns. Rapid urbanisation in these economies is a specific proof of the migration of village people to cities. In fact, the attraction of the urban life such like cinemas, cafes, shops, libraries and sport events, has proved to be attractive to the villagers who get a taste of it which has resulted in congestion, inadequate community facilities and unemployment in big cities.

4. Not Peculiar to Underdeveloped Economies. Prof. Boeke takes one eyed view by saying that the phenomenon of dualism is only confined to the eastern economies. He himself admits that social dualism also exists in underdeveloped economies of Africa and Latin America. But this fact is not peculiar in underdeveloped economies. To some degree, it exists in almost all economies. To quote Prof. Higgins, "even in the most advanced countries such as Italy, Canada and United States, more are areas in which techniques lag behind those of the advanced sectors, and in which standards of economic and social welfare are correspondingly low." In this sense, even the most developed countries can be categorised as dual.

5. Applicable to Western Societies. This theory has also been criticized on Boeke's view that western economic theory is not applicable to the problems of eastern economies. But Prof. Higgins holds the view that the tools of western economic theory pertaining to monetary and fiscal policies can be applied with certain modifications to solve the crucial problem of balance of payments, disequilibrium and unemployment etc. of UDCs.

6. Not a Theory but Description. Prof. Boeke fails to provide a distinctive economic and social theory for underdeveloped economies. The dualistic theory undoubtedly explains the various traits of eastern economies but fails to furnish an integral approach to the social and economic theory of such countries. On this ground, dualistic theory failed bitterly.

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7. No Solution to the Problem of Unemployment. Prof. Boeke has talked about five types of unemployment in his dualistic theory. He has not provided any satisfactory solution to meet with the problem of unemployment. In fact, he regards unemployment of various categories as 'beyond the reach of government help'. Modern government really plays a pioneer role in mitigating the unemployment problems through the device of development planning.

8. Technological Possibilities are not limited. Prof. Boeke's view regarding limited technological possibilities in both agriculture and industry is also not sustainable. A number of underdeveloped countries have introduced new techniques in the agricultural sector and have recorded substantial improvement in agricultural productivity. Similarly, in industrial sector one finds a growing number of enterprises efficiently organised and managed by eastern people.

9. Characteristics not Specific to Eastern Society. Boeke's theory gives no specific characteristics to Eastern Society. A number of these characteristics are found in western society as well. The preference for speculative profit over term investment in productive enterprises which Boeke thought, was specific to eastern society but it was also found in western society. In the same manner, the conscious dislike of investing capital and the risk attending is very common everywhere. Therefore, the differences between underdeveloped and advanced economies, according to Bauer and Yamey, "are of degree rather than of kind".

10. Wrong Impression Depicted. Boeke has wrong impression about the business community of eastern societies. The business community lacks initiative and fails to make the best use of the opportunity which comes its way. Lewis does not agree to the assumption that wants are limited in eastern societies and compulsion would be necessary to obtain adequate supply of labour. He says, "These compulsions (except slavery) are still to be found in one or the other of African colonies of all European powers but they are not necessary now as they were formally thought to be. The Africans have acquired new wants and are willing to work to satisfy them without compulsion." Again Bauer and Yenren disagree that wants of agriculturists are static. But in reality, the entrepreneurial acumen and other business qualities are very much there in the underdeveloped countries.

Conclusion

On the basis of above criticism, it can be concluded that this theory does not provide answer to problems of underdevelopment. The main problem of underdeveloped country is unemployment and scarcity of capital. In the end, "there are no special economic theories or methods of analysis fashioned uniquely for the study of underdeveloped world. But while the tools of analysis are of wide relevance in a study of underdeveloped countries, the situations to which they must be applied vary greatly." In fact, there is no

question about the phenomenon of dualism as a distinguishing feature of underdeveloped countries, yet the solution has to be sought not in a sociological sense but to be in technological terms. This is a realistic society on the pattern of development.

2. THE THEORY OF TECHNOLOGICAL DUALISM

B. Higgins, leading exponent of the theory, has advocated a theory of technological dualism suggesting that the labour employment problems of poor countries are due to existence of technological dualism. The different production functions and factor endowments in advanced and backward indigenous sectors are responsible for generating an even increasing volume of unemployment. According to G.M. Meier, "technological dualism is associated with structural unemployment or technological unemployment, a situation in which productive employment opportunities are limited, not because of the lack of effective demand, but because of resource and technological restraints in two sectors." This theory of technological dualism incorporates to the factor proportions problem as discussed by R.S. Eckans.

Meaning of Technological Dualism

Prof. B. Higgins explains the theory of technological dualism with the co-existence of traditional sector using traditional technology and modern sector using modern technology in less developed countries. In this context, dualism is "a situation in which productive employment opportunities are limited not because of lack of demand, but because of resource and technological restraints in two sectors."

An underdeveloped country is characterized by such dualism as it provides a lot of unemployment and under employment. The resource endowments and differences in production functions in two sectors forms the basis of technological dualism which results in an inadequate number of openings for productive employment. Prof. Higgins is of the opinion that different Resource Endowment and Production Function across the traditional and modern sectors of the less developed economies is the fundamental basis of technological dualism in these economies.

Characteristics of Dual Sector

The traditional rural sector has following main features :

1. It is engaged in peasant agriculture, handicrafts or very small industries.
2. Products can be produced with wide range of technologies and wide range of combinations of labour and capital. Thus, the sector will have variable technical coefficient of production.

3. The factor endowment in this sector is such that labour is relatively abundant factor and techniques are labour intensive.

Features of Modern Sector

- (1) This sector includes industries, plantation, transport and related activities as its principal occupations.
- (2) There is a limited scope of Technical substitutability of factors of production. Accordingly, technical co-efficient of production remains generally fixed.
- (3) Compared to labour, more of capital is utilized. Thus the process of production is dominated by the capital intensive technique of production.
- (4) Besides labour and financial-capital, developed land also constitutes a major resource of production in this sector. This sector caters to the domestic needs of the consumers as well as producers goods for exports.

Explanation of Technical Dualism

There are two fundamental basis of technical dualism, according to Prof. Higgins.

1. Differences in factor-Endowment. Difference in the availability of capital and labour is one of the two fundamental basis of technical dualism. The traditional sector of the dual economies is generally characterised by the abundance of labour but chronic shortage of capital. So, production techniques are often labour intensive in the sector. In contrast, in the modern sector, more of capital compared to labour is generally employed. Thus almost two distinct techniques of production are found to exist across two different sectors of the dual economies.
2. Difference in Production Function. Difference in production function is second fundamental basis of technical dualism. While there are fixed coefficients of production function in the modern sector, these are often variable in the traditional sector. Higgins analyses this duality in the context of "Factor proportions". Eckans offered a detailed explanation of this feature of less developed countries. Higgins used this concept in this descriptive analysis of problem of unemployment in less developed countries.

Technological dualism suggests that the existence of vast unemployment in less developed economies is not due to the lack of effective demand but owing to the 'resource' constraint as well as technological backwardness. As regards resource utilization, the less developed countries have severe structural imbalances : (1) One finds different co-efficient of the same factor in its alternative usage, (2) the price structure is not compatible with resource supply. Thus, Prof. Eckans is of the opinion that the problem of unemployment is generated owing

(1) incompleteness of price management and (2) Surplus of labour owing to the technical as well as demand constraints.

Prof. Higgins explained with the help of figure 1 below the existence of unemployment in underdeveloped dual economies. The Fig. 1 is based on the following assumptions :

- (1) there are two sectors of the economy : (a) traditional sector (b) modern sector
- (2) there are two factors of production (a) capital (b) labour
- (3) two commodities are produced.

In this diagram 1 units of capital (K) are measured on vertical axis and units of labour (L) on the horizontal axis. The points a , b , c denote the fixed combinations of factors i.e., capital and labour ($K \& L$). The curve q_1 is an isoquant representing a certain level of output, as drawn, the output q_1 can be produced only with the unique combination of factors at point a .

The curves q_1, q_2, q_3 and q_4 etc. represent different levels of output increasing along the expansion line OE . The output can be increased only by increasing the use of K and L in constant proportions given by slope of OE . The dotted curves represent the case of 'fixed technical coefficient'. The line OE represents the expansion path of this sector and its slope is constant, relatively capital intensive factor ratio.

When capital and labour are actually available in proportions equal to fixed capital labour ratio, it is possible that both factors are simultaneously fully utilized. If the actual factor endowment is to the right of the OE say at point F i.e. there must be some unemployment of labour in this sector. To produce an output of q_1 , the sector will use OK_1 units of capital and OL_1 units of labour. If OL_2 units are available, $L_1 L_2$ units of labour will remain unemployed or will find to seek employment in the traditional sector. Therefore, it is only when capital increases over time and more labour will be employed with the result of expansion of output.

According to Higgins unemployed labour in the industrial sector is left with no option other than seeking employment in the rural sector of the economy. Technical coefficient of production can be changed in the rural areas facilitating the absorption of labour with still greater

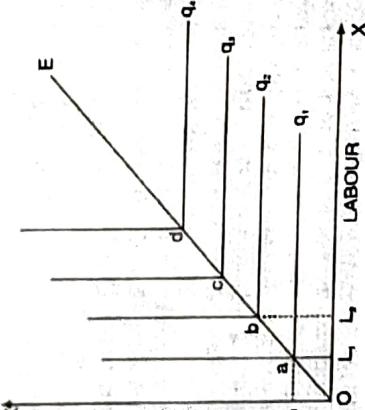


Fig. 1

application of the labour intensive technique of production. But this reduces the marginal productivity of labour even to the zero level causing the problem of Disguised unemployment in the rural areas of less developed countries.

From the above discussion, we can conclude that the existence of technological dualism tends to increase unemployment and disguised unemployment in underdeveloped countries. The expansion of industrial sector mostly takes place with the help of foreign capital, industrialization leads to much faster growth of population as compared with the rate of accumulation of capital which is the major cause of growing unemployment in these countries.

Critical Appraisal

The theory of technological dualism definitely is an improvement over Boeke's social dualism. It is realistic as it focusses now disguised unemployment gradually arises in the dualistic economies. Despite the fact, its relevancy in the contemporary world can be challenged. In this regard, Prof. G. Meier has expressed his doubts saying, "Has the production in the advanced sector actually being carried on with fixed coefficients? Even if an advanced, capital intensive processes were initially imported, was there subsequently no adaption to the abundant labour supply? Was technical progress actually labour saving in advanced sector?" These are the crucial questions which call for empirical investigation. As such the theory is criticised on the following grounds :

1. Coefficients not fixed in Industrial Sector. This theory assumes that the production in industrial sector is carried on with fixed proportions between labour and capital, but this assumption is not valid and possibility of substitution of one factor by another cannot be ruled out. Modern age is a dynamic age and the notion of fixed coefficients appears to be unconvincing. Everything is likely to undergo a change and nothing remains constant. Hence, the assumption of fixed coefficients is untenable.
2. Factor Prices do not Depend on Factor Endowment. This theory successfully explains how the factor endowment and differences in traditional sector. This is related to the pattern of factor prices. But factor prices do not depend on factor endowments completely.
3. Neglects Institutional Factors. Another drawback of the theory is that Higgins neglects the institutional and psychological factors which greatly influence factor proportions. It is not the technological factors alone that affect labour capital ratio but the sociological factors also exercise their influence on it.

4. Neglects the use of Labour Absorbing Techniques. This theory indicates that capital intensive techniques are used in industrial sector while such techniques are generally labour saving. (All imported techniques are not labour saving.) For example, Japanese agricultural

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development cannot be attributed to use of capital intensive technique. But it was the result of the application of better seeds, manure, improved methods of cultivation, increasing use of fertilisers etc. Thus, Higgins neglects the possibility of such developments in a dualistic society.

5. Concept of Disguised Employment is Ambiguous. Prof. G. E. Meier maintains the opinion that the concept of disguised employment has not been properly discussed in Higgins theory. Further, he suggests that, "greater clarity is needed on the nature of unemployment and underemployment in traditional sector." Similarly, he fails to assess the extent of excess labour supply in industrial sector. In this way, technological dualism seems to be ambiguous.

Conclusion

Since Higgins' theory of technological dualism suffers from various drawbacks, yet it clearly explains the reason for the appearance of disguised unemployment in underdeveloped countries. It appears to be more realistic in saying that technological dualism is the real cause of structural and technological unemployment in Dualistic Economies. In this regard, this theory is superior to the theory of Prof. Boeke's social dualism.

→ Self Study Question

→ A. LONG QUESTIONS

1. Briefly explain the concept of dualism. Give main characteristics of a dualistic economy.
2. Discuss the Social dualism giving its features and policy implications.
3. Explain critically Boeke's theory of social dualism.
4. Critically evaluate the theory of Technical Dualism.
5. State the theory of Technical Dualism as given Prof. Higgins. Give its limitations.

→ B. SHORT QUESTIONS

1. Define the concept of dualism.
2. Give the main features of a dualistic economy.
3. Discuss the concept of social dualism.
4. State the main features of social dualism.
5. What are the policy implications of social dualism in U.D.Cs.
6. Describe any four defects of Boeke's theory of social dualism.
7. Explain technical dualism.
8. What are the limitations of Higgins' theory of technical dualism?



B. Technical Dualism : It generates from the gaps in technology between the rural and industrial sectors of the economy. In India on one hand, there is rural sector burdened with disguised unemployment and using indigenous technology, suffering from lack of capital, on the other hand there is modern industrial sector characterized with capita intensive technology and high wage rate. Whatever foreign investment is attracted, they are also interested in establishing enterprises in modern sector, specifically in consumer goods (luxury cars, fast foods, electronics goods, cosmetics etc.). This further aggravates technological dualism between modern and hand Sector. It would be worth noting here that the mechanization of Indian agriculture, with the objective of rise in productivity i.e., Green revolution of late 60's has resulted in mounting disparities in the rural sector of the country. The benefits of green revolution remained concentrated in the hands of the top 10% of rural population whereas the poor peasants, who were lacking in finance, either went for farming in traditional ways or had to sell their lands to the rich farmers. Thus green revolution initiated dualism in India.

C. Geographical Dualism : It generates from the spatial differences in a wide variety of development indices including per capita income, rates of growth of industrialization and trade, employment, growth rates. The geographic dualism in India has its roots in the pre-independence period when the foreign rulers concentrated their economic activities in the geographically more favored regions such as Gangetic plane, Deccan trap, Chota Nagpur plateau. It was followed by labor migration, capital movements and trade and retarded the development of the backward regions. Empirical evidences have shown that economic and social forces tend to strengthen the difference by leading to cumulative expression in the favored region at the expense of other regions which become comparatively worse off, retarding these feature development. The reason behind the capital, labor and entrepreneurship will tend to migrate together where the prospective returns is highest.

6. Describe the theory of Circular cumulative causation ?

Ans. Circular cumulative causation is a theory developed by Swedish economist Gunnar Myrdal in the year 1956. It is a multi-causal approach where the core variables and their linkages are delineated. The idea behind it is that a change in one form of an institution will lead to successive changes in other institutions. These changes are circular in that they continue in a cycle, many times in a negative way, in which there is no end, and cumulative in that they persist in each round. The change does not occur all at once as that would lead to chaos, rather the changes occur gradually. Gunnar Myrdal developed the concept from Knut Wicksell and developed it with Nicholas Kaldor when they worked together at the United Nations Economic Commission for Europe. Myrdal concentrated on the social provisioning aspect of development, while Kaldor concentrated on demand-supply relationships to the manufacturing sector.

This theory was advanced by a Swedish economist Gunnar Myrdal, and it rejects

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the assumption of automatic tendency of socio-economic system towards stabilization and holds that a change does not create opposite reaction but other changes which emphasize it. In other words: "when after a shock the system starts moving the changes of individual factors go in the same direction". When analyzing the socio-economic development at a global level, this theory is based, according to Blaek on three facts:

1. there is a small group of wealthy countries and many more extremely poor countries
2. wealthy countries continues to grow while poor states stagnate (here Myrdal notices the paradoxical fact that the stagnating countries are termed developing countries - the countries which are developing) and

3. from a global point of view the differences between the rich and the poor are growing larger.

Myrdal was convinced that market forces lead to deepening of interregional differences - i.e. the rich regions are getting richer and the poor are getting poorer. The impulses which may cause negative cumulative process include a sudden bankruptcy of a production plant or local increase of taxes. In this context, Myrdal points out that the rich regions may utilize external and internal economies of scale. Myrdal considers traditional mechanisms such as mobility of capital, regional drainage (outflow of financial resources from the periphery to the center via bank system) and selective migration a means by which cumulative mechanisms manifest themselves. Myrdal held that the effects of individual cumulative mechanisms are related and lead to a growth spiral - i.e. to the outflow of growth sources (capital and labor) from the underdeveloped to more developed regions.

In this context Myrdal's circular cumulative causation differentiates between negative (i.e. polarized or back-wash effects) effect of more developed regions to underdeveloped regions and positive effects (spread or trickle-down effects) - e.g. growth of demand in more developed regions for resources and agricultural products produced in underdeveloped regions or expansion of technological advancement.

Myrdal identifies international trade as the main mechanism which causes market forces to increase inequalities between developed and underdeveloped countries. The development of interregional problems happens in three stages:

1. Selection - subjects achieve different levels of success,
2. Expansion of the successful - the difference are at their peaks as successful subjects utilize their dominance to the maximum and
3. Diffusion/integration - differences are decreasing due to mutual relationship or the organicity of the whole system.

7. Examine in brief the causes of the regional imbalance or inequalities in reference to the context of India ?

Ans. Most of the countries of the world are faced with the problem of regional

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degradation post-industrialisation. But, if the economy continues to expand, then inevitably some resources will continue to be used in greater measure. There is no guarantee that long-term levels of environmental degradation will continue to fall.

5. Countries with the highest GDP have highest levels of CO₂ emission. For example, US has CO₂ emissions of 17,564 tonnes per capita. Ethiopia has by comparison 0.075 tonnes per capita. China's CO₂ emissions have increased from 1,500 million tonnes in 1981 to 8,000 million tonnes in 2009.

The link between levels of income and environmental degradation is quite weak. It is possible economic growth will be compatible with an improved environment, but it requires a very deliberate set of policies and willingness to produce energy and goods in most environmentally friendly way.

11. Describe Kuznet's Inverted U-Hypothesis on Income Inequality?

Ans. Simon Kuznets put forward the hypothesis that relationship between per capita national income and the degree of inequality in income distribution may be of the form of inverted-U. Due to limitations of data he used an inequality measure of the ratio of income share of the richest 20 per cent of the population to the bottom 60 per cent of the population known as Kuznets' ratio. According to the Kuznets' Inverted U-hypothesis as per capita national income of a country increases, in the initial stages of growth inequality in income distribution rises and after reaching the highest degree in the intermediate level the income inequality falls. This is shown in the following figure where as a country develops and its per capita income rises, the degree of income inequality initially rises and after reaching the maximum level, it falls as GDP per capita increases further.

As time series data of the transition of the countries from poor underdeveloped stage to the developed stage was not available, he used the data of cross section of countries including both developed and developing countries. In his 1955 study he calculated the Kuznets' ratios and found that the developing countries tend to have a higher degree of inequality whereas the rich developed countries tend to have a lower degree of inequality.

Later in his 1963 study Kuznets provided further evidence of his inverted U-hypothesis regarding the relationship between inequality and economic growth. In this study he included eighteen countries. From this later study he concluded that the share of upper income groups in the developed countries was significantly lower than their counterparts in the developing countries. This means income inequalities were higher in developing countries compared to those in the developed countries.

Fig. : Kuznet's Inverted-U curve

Kuznet's ratio

Domestic product per capita

X

O

Y

Y

X

X

X

X

X

X

X

X

Explanation of Kuznets' Inverted U-Hypothesis

Leaving aside the case of East Asian countries where Kuznets' Inverted U-Hypothesis changes in inequality as a result of economic growth does not apply to a number of other countries, both the developed and developing countries, Kuznets' Inverted U-hypothesis seems to apply well. What explanations have been offered for this inverted U-hypothesis. It is Arthur Lewis's famous model of Economic Development process in a dual Supply of Labour' that was put forward to explain the development process in a dual Supply of Labour' that was put forward to explain Kuznets' inverted U-hypothesis. The developing economy has also found to be highly useful to explain Kuznets' inverted U-hypothesis regarding the relation between economic growth and changes in income distribution over time.

It may be noted that Lewis's development model like those of Ricardo and Marx was based on the assumption that the unlimited amount of labour was available for employment in modern industrial sector at a fixed real wage rate which was unlike the neo-classical economists who assumed that labour was a scarce factor of production to be bid away from alternative uses and therefore was not available in unlimited quantity for being employed for the growth of modern industrial sector.

Lewis's labour-surplus model suggests that as economic growth takes place with withdrawal of surplus labour from low-productivity agriculture to the high-productivity modern industrial sector, income inequality will first increase and then after a point tends to decrease. This is therefore consistent with Kuznets' inverted U-hypotheses. In Lewis's labour-surplus model there are two reasons for increase in income inequality in the initial phase of economic development.

First, the share of profits or surplus of the capitalist's (who in the Lewis's version of the model may be either private capitalists or government running State-owned enterprises) increases as the modern industrial sector expands. The second reason for increase in income inequality in the early stages of economic growth is that in the beginning of urban industrialisation, wages in the modern industrial sector, according to Lewis, are 30 per cent higher in real terms compared to the subsistence wage level in the traditional agricultural sector. This tends to increase the overall income inequality in the economy.

However, according to Lewis's model, this tendency toward increasing inequalities is finally reversed as growth proceeds further and when all surplus labour has been fully withdrawn from subsistence sector and absorbed in the modern sector. This is because when all surplus labour is productively absorbed in the modern sector, labour becomes scarce and as demand for labour by the modern sector further increases, the increment in wages are needed to bid away workers from the marginal uses.

Thus, it is eventually rise in general wage level in Lewis's model that causes decline in income inequality and also leads to the elimination of poverty. Thus commenting on changes in income inequality as economic growth takes place in Lewis's model Debraj

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Ray writes, "It should be quite clear that economic development viewed in this way cannot be evenly spread across the entire population at any one point in time. Initially only a few people got access to the progressive or modern sector. This view also suggests that the developed countries that have completed the transition from 'old' to the 'new' sectors should exhibit less inequality than the developing countries that are in the middle of transition process where individuals are in both sectors. The argument suggests that change is first uneven and then compensatory."

The second factor that causes increase in income inequalities as a result of economic growth is that technological progress initially benefits relatively few industries that employ a relatively small number of workers. Thus technological progress in the developing countries initially can benefit only a fraction of the industrial economy benefiting only a small number of workers employed in the industrial sector.

The modern capital-intensive farming is less applicable to the agriculture of the developing countries that have a large number of workers in the rural sector who are poor. The small and marginal farmers do not have access to bank credit to buy and use modern inputs such as fertilizers, high-yielding varieties (HYV) of seeds, pesticides, modern tools which are important inputs for adoption of green revolution technology. That is why, in the initial stages of the green revolution in India only rich farmers and landlords were mainly able to get benefits.

There is another way in which the technological progress can lead to the increase in inequality in developing countries. This is because superior technology is biased against unskilled labour and can be used only by the trained skilled manpower. However, in developing countries initially only unskilled labour is in surplus and needs to be productively employed and their larger supply tends to lower wage rate and this tends to increase inequality in income distribution in the initial stages of growth. To quote Debraj again, "The skill differentials are ultimately compensated by the growing educational status of the labour force but this is a slower process. When it does occur, inequality tends to decline."

Lastly, without the bias of technological progress and without the dual economy structure industrialisation itself also leads to the large profits accruing to the capitalist class which owns financial resources and entrepreneurial ability seize the opportunities of making profits from industrial growth that causes increase in income inequalities higher wages, especially when the labour is organised into trade unions.

But, as emphasized by Prof. Debraj Ray, in many developing countries labour are initially in surplus so that wages do not rise right away and laws that protect labour are either absent or difficult to implement. However, it has been a general belief among economists that with the passage of time, rise in wages will ultimately eat into profits

Dualism and Economic Development

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Ray writes, "It should be quite clear that economic development viewed in this way and lower the share of profits. This will therefore eventually bring about greater equality in income distribution. It was therefore claimed that inequality in the present-day developed countries was less as compared to developing countries.

Conclusion

Kuznets' inverted U-hypothesis suggests that in the growth process inequality first rises and then declines. The various factors and arguments have been advanced in favour of inverted U-hypotheses. However, as pointed out above, in case of East Asian countries such as Japan, South Korea, Taiwan, Thailand, Singapore where, contrary to Kuznets' inverted U-hypothesis, economic growth has resulted in the reduction in income inequality. This is because the effect of economic growth on income distribution has been influenced by economic policies pursued in these countries. For example, in countries of South Korea, Japan, Taiwan and other East Asian countries there had been redistribution of land and also other interventions by Government in influencing economic activities that growth process worked to lower inequality in income distribution.

In our view, there is no single path of growth which first increases inequality and then decreases it and much depends on the character of growth and policies followed by the governments of countries in the growth process. Many factors and policies influence growth and income distribution and the view that each country must travel through the inverted U-hypothesis is quite unwarranted.

12. Examine the centre or core-periphery model or thesis of development?

Ans. The centre or Core-Periphery Model is a model of the spatial organization of human activity based upon the unequal distribution of power in economy and society. The core dominates (although it in turn may be dominated from outside) whilst the periphery is dependent. This dependence is structured through the relations of exchange between core and periphery. Unequal exchange, the concentration of economic power, technical progress and productive activity at the core, and the emanation of productive innovations from the core help to maintain the flow of surplus value (see Marxian economics) from core to periphery. For example, increases in productivity in the core may, with an effective labour movement, be translated into higher wages.

At the same time, a more plentiful supply of unorganized labour in the periphery may serve to sustain a downward pressure on wages. If wage levels are reflected in the relative prices of the products exchanged between core and periphery, the consequence of higher wages in the core will either be to generate a balance of payments crisis in the periphery or to enforce increased exports from the periphery to finance the increased cost of imports. In either case autonomous development in the periphery is made more difficult and may, indeed, be subverted.

Friedman's Contribution

Core-periphery relations were seen by Friedman (1966), with whom the core-periphery model is most closely associated, as the second in a four-stage sequence of

In recent years, the core-periphery model was used by Andre Gunder Frank in his analysis of underdeveloped nations of Latin America, including Honduras and Mexico. Analysing the underdevelopment of the Third World countries, he used 'dependency theory'. It challenges modernization theory by arguing that underdevelopment is not an early stage in a country's evolutionary process, but a condition resulting from their exploitation by modern First World countries. He argues that though some of the nations have become independent from colonial rule but they are still dependent for their development on modern First World countries - United States, Britain, etc. For him, development is a myth which obscures the reality of exploitation - the capitalist powers have never seriously intended to give up their economic domination over their erstwhile colonies.

Frank had noted that this exploitation is done through unequal trade and exchange keeps them (Third World countries) in a permanent state of socio-economic dependency on dominant capitalist states, or the 'metropolitan' countries of the world. Dependent states are merely satellites whose surplus is extracted, especially by powerful multinational corporations. In this metropolis (core)-satellite (periphery) relationship, the majority - overwhelmingly peasant - remains poor and only the elite and a small urban middle class develops in a situation of 'uneven' development.

13. Examine the dualistic development thesis and point its implications?

Ans. Dualism is a concept widely discussed in development economics. It represents the existence and persistence of increasing divergences between rich and poor nations and rich and poor peoples on various levels. One of the elements of dualism is that there is a coexistence of wealthy, highly educated elites with masses of illiterate poor people within the same country or city. According to this theory, there is a coexistence of powerful and wealthy industrialized nations with weak, impoverished peasant societies in the international economy. This coexistence is chronic and not merely transitional. It is not due to a temporary phenomenon, in which with the capacity of time, the discrepancy between superior and inferior elements would be eliminated.

It is the international-structuralists model which highlighted the **concept of dual societies**. This means that there exist rich nations and poor nations at world level; and a few rich accompanied with a majority of poor people in the developing countries. Thus, dualism is a concept which represents the existence and persistence of increasing divergences between rich and poor both at world level and at country levels.

Components/Elements of Dualism : Prof. Hans Singer presents the four components of dualism:

1. The different sets of conditions amongst which some are superiors while others are inferior, and they coexist in a given space at a same time. For example, the co-existence of modern and traditional methods of production in urban and rural sectors; the co-existence of wealthy, highly educated elites with the masses of

illiterate poor people; and the coexistence of powerful and industrialized wealthy nations with the weak, impoverished peasant societies in the international economy etc.

2. The co-existences which we mentioned above are chronic, not just the transitional. Thus it is not a temporary phenomenon which in time will eliminate the discrepancy between the superior and inferior elements.
3. The degrees of superiority or inferiority have an inherent tendency to increase, rather diminishing As the productivity gap between a DC industry and its counterpart in LDCs goes on to widen day-by-day.
4. The inter relations between superior and inferior elements are of such nature that superior element does little or nothing to pull up the inferior.

International Dualism: There are four components of international dualism:

1. There exist greater differences in between different countries and geographical regions regarding per capita incomes.
2. These differences are not temporary and short termed, rather they are chronic. As the standard of living enjoyed by an average Pakistani and that of an American is different for centuries, not for decades.
3. These differences go on increasing, rather decreasing. As the growth rates of GNP and that of GNP per capita have really been widened between developed countries and under-developed countries.
4. The inter-relationships between rich and poor countries in international economy are of such a nature that they have promoted the growth of the rich countries at the cost of poor countries.

Factors of International Dualism

The following factors have been found responsible for international dualism:

1. The DCs have a power to control and manipulate world resources and commodity markets to their advantage.
2. The foreign investment activities by MNCs.
3. The privileged access of rich nations to scarce raw material.
4. The export of unsuitable and inappropriate science and technology.
5. The transfer of out-dated and irrelevant systems of education to societies where education is considered as a key component in the process of development.
6. Dumping policies pursued by the rich countries which discourage industrialization efforts of UDCs.

7. The harmful international trade theories and policies which have confined the UDCs to export just primary products.
8. The harmful aid policies pursued by donors which help in perpetuating the international dualistic economic structures.

9. The creation of elites in poor countries who are influenced by the external ideas.
10. The transfer of unsuitable methods of university training for unrealistic and often irrelevant international professional standards, for instance the externally conceived degree requirements for doctors, engineers, technicians and economists.

11. The international brain-drain which has encouraged the international mobility to the rich nations because of handsome salaries etc.
12. The demoralizing 'Demonstration Effect' of luxury consumption on the part of wealthy people both at home and abroad, as propagated in through foreign movies and magazine advertisements.

No doubt, most of the problems arising out of international poverty are due to international capitalistic system, yet the poverty of UDCs can not be entirely attributed to the behavior of rich countries. Thus we conclude international dualism with the remarks given by **Hans Singer**: "The growth in the rich countries has led to develop the most sophisticated, costly and capital intensive technologies, mortality reducing and diseases control measures etc. All such have led to create population explosion, rising unemployment and inability to develop their own technological capacities".

Domestic / Local Dualism

Above we told international dualism where we showed that greater differences exist regarding social and economic aspects between the rich countries and poor countries. The same like situation also exists in case of poor countries at the domestic levels. It is shown by the following arguments:

1. The standards of living vary greatly between the top 20% and the bottom 40% of the population. The majority of the rich reside in big cities like Lahore, Karachi and Islamabad in Pakistan, while the great cluster of mass poverty are generally found in the rural regions. Not to talk of disparities in life standard of the rich and the poor of the UDCs, there also exist the pockets of great wealth co-existing with spreading slums. The case of exalted buildings and increasing *Katchi Abadies* (Muddy Shelters) in Karachi is before us. The phenomenon of inferior and superior not only exists in respect of distribution of wealth, income and power, it is also available in the technological nature of UDCs industrial production. The advanced manufactured large sector using capital intensive technologies co exists with labor intensive, small scale activities catering for limited local needs.
2. The coexistences of a few rich accompanied by mass poverty, and the craze to use capital intensive technologies by a few producers accompanied by labor intensive technologies by majority of the producers go on increasing, rather disappearing.
3. The gap between the rich and the poor, and between modern and traditional methods of production shows signs of growing even wider, not only within

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Individual UDCs, but also among the 3rd world countries as a group. Countries like South Korea, Singapore, Taiwan and Malaysia etc. have experienced higher growth rates of per capita. While Pakistan, India, Bangladesh and Ghana etc., have shown a little growth in per capita. Again, the gap between the rich and the poor within the dualistic economies is also widening.

4. In case of UDCs one does not find any relationship between the rising wealth of modern enclaves and improvement in the living standards of traditional society in other words, in case of dual societies one does not find the existence of "spread effects", it means that the growth of the superior is keeping inferior weaker and inferior.

□

Questions

- 10-
- 1 - what do you mean by dualism? discuss the different types of Dualism.
 - 2 - what do you mean by cumulative causation theory? discuss the applicability of it from developing country.
 - 3 - Discuss the Kuznets Inverted U relationship Theory.
 - 4 - Discuss the stochastic development theory and its implication.