

Unbalanced Growth

The chief advocates of the theory are A.O. Hirschman, Rostow, Fleming and Singer.

This theory stresses on the need of investment in strategic sectors of the economy instead of all sectors simultaneously.

According to ^{H.W.} Singer, unbalanced growth is a better development strategy to concentrate available resources on types of investment, which help to make the economic system more elastic, more capable of expansion under the stimulus of expanded market and expanding demand.

Miesz Meir and Baldwin are also of the opinion that planners should concentrate on certain focal points so as to achieve the goal of rapid economic development. The priority should be given to those projects which ensure external economies to the existing firms and create demand for supplementary goods and services.

= $\frac{1}{4} \frac{1}{4} \frac{1}{4}$ - भारतीयों के लिए देश में विकास की दृष्टि से एक अच्छा उपाय है जो कि भारत को एक विकासशील देश बनाए देगा

= Hirschman is of view that there is acute shortage of basic resources in U.S.C. The capital is not the ~~problem~~ only problem, the problem of risk bearing is ~~impedance~~ ^{impedance} for proper utilisation of resources in the economy. The investor or entrepreneur should get incentive to generate production.

= Hirschman emphasised on two sectors :- ① Social Overhead Capital, ② Directly Productive Activities.

Public Utilities

Infrastructure

① Education Health

Transportation

Communication

Water

Electricity

Balanced Growth VS Unbalanced Growth

Prof. R. Nurkse - Book - "Problems of Capital Formation in Underdeveloped Countries".

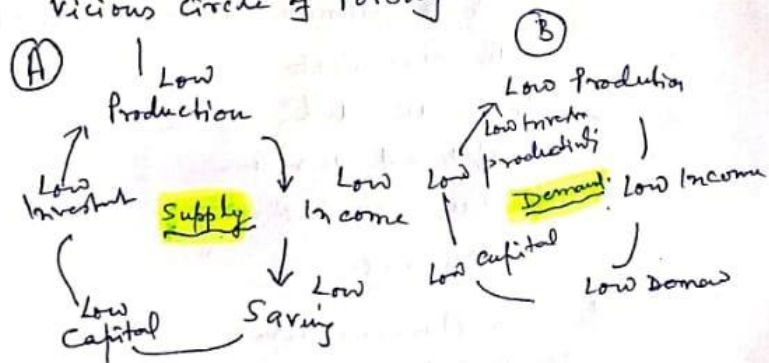
= He emphasized on importance of capital formation
Balanced Growth and
Disguised unemployment.

= According to Nurkse - There is problem of underdevelopment and inequality in U.D.C.

= It can only be solved by balanced eco. growth, it is possible only when excess man power is utilised ~~in~~ for capital.

= According to Nurkse - There is shortage of capital in U.D.C. Only 5% to 8% is saved in U.D.C. whereas 10% to 20% of the total income is saved in developed countries.

Vicious circle of poverty



= To cope with the problem of inequality, Nurkse advocated balanced growth. It was his view that excess man power of agriculture can be shifted to other sectors of capital overhead capital which will generate saving and investment.

= Transfer of unproductive labour to productive sectors of the economy. (Disguised unemployment to other sectors)

According to Nurkse the balanced growth aims at the development of all sectors of the economy simultaneously.

- = Balanced growth refers to expansion of several sectors at a time.
- = The theory hypothesises that the govt. of any U.D.C. needs to make large investment in a number of industries.
- = This will enlarge the market size, increase productivity and provide an incentive for the private sectors to invest.
- = Expansion of and intersectoral balance between agriculture and industry is necessary so that each sector provides a market of the product.
- = Role of state in balanced growth: Nurkse was of view that to promote economic development does not concern with economists only, it is an administrative problem.
- = It is the duty of the government to make ~~invest~~ dispersed investment to expand market and leads to higher productivity.

criticisms

1. Simultaneous investment needs ^{large scale, heavy investm.} heavy capital, technique, skilled labour, able management etc. which are not available in U.D.Cs.
2. Nurkse was of view that industries are complementary but in the long run it becomes competitive.
3. Hirschman stressed the fact that U.D.C. are underdeveloped because they face a lack of resources which is unrealistic.
4. Heavy resource but in U.D.Cs. There is scarce resource.

= Increase investment in these sectors, incentive for private investment is initiated.

= Investment in SOC lowers the price of inputs.

= Imbalancing with Directly Productive Activities (DPA)

यदि प्रत्यक्ष उत्पादक गतिविधियों में प्राथमिक निवेश कम हो जाता है तो SOC पर खर्च होता है जो इसकी लागत बढ़ाता / DPA increases the cost of production, ultimately it increases the investment in SOC.

= Path to Development.