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W. Arthur Lewis

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# The State of Development Theory<sup>†</sup>

By W. ARTHUR LEWIS\*

Development Economics deals with the structure and behavior of economies where output per head is less than 1980 US \$2,000. Whether this dividing line is somewhat too high or too low is of no significance in this context. A search for precision would send us clambering among Kravis dollars—or cause us to abandon dollars in favor of other indexes; like my favorite choice, the proportion of the labor force required in agriculture to feed the whole population; or more nebulous measurements of entrepreneurial potential. Nothing turns on these distinctions, so we need not pursue them.

However defined, Development Economics is said to be now in the doldrums, after a couple of spirited decades. It seems to be true that the subject has been deserted by American Ph.D. students. Their antennae tell them where to find the best jobs. In this contest, Development Economics no longer competes. Foreign aid has been cut, the multilateral institutions cannot keep up with the inflation, and the Ford Foundation has changed its priorities. At the graduate level, our subject still beckons only one group. The number of Third World students in the United States still runs high, and they are thirsty for our subject; so universities that admit a lot of Third World students continue to have flourishing teams of development economists.

This counting of heads is liable to lead us astray. There are more students and teachers of Development Economics than are revealed by counting those who are denominated as such. To some extent, the practitioners of other disciplines have taken over from the Development Economics team those parts of the subject that run with their disci-

plines. Thus dual labor markets are standard in the Labor Economics Department; the International Finance Department handles the effects of disequilibrium in small, open and poor economies; and the Industry Department is studying multinational corporations and appropriate technology. This has both advantages and disadvantages. Monetary disequilibrium in poor countries should be studied both against the background of disequilibrium in rich countries and also against the general background of poverty. There is therefore no substitute for the development team that concentrates on poor countries as such, though this may not be a large team if other departments are committed to including the problems of poor countries in their teaching and research programs.

However, the reference to the doldrums goes beyond counting heads to the subject matter itself, which is said to be producing fewer new ideas (right or wrong) than it was doing in the 1950's and 1960's. The current output of factual analysis is probably larger than ever, considering the number of English language journals that it keeps going. It is the current output of new development theories that is smaller. The 1950's and 1960's were a period of great theoretical innovation and controversy.

This indictment is probably true, though not particularly damning. In any field of thought the output of worthwhile innovations is subject to fluctuations. Quiet periods are needed for digesting the great feasts. A scientific field should not be abandoned because it has not had a brilliant new idea for a decade; for all we know, it may just be about to erupt.

The principal question I want to tackle in this paper is whether there is need for a separate economics—Development Economics—for countries with less than 1980 US \$2,000 per head: never mind where the students are to come from, nor how the subject

\*Woodrow Wilson School of Public and International Affairs, Princeton University, Princeton, NJ 08544.

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*Walter Lewis*

Number 85 of a series of photographs of past presidents of the Association

matter is cross classified. This adds up to asking whether such countries differ in structure or in behavior from the richer countries, in ways that require different concepts or tools to understand their functioning.

We are not going to find an unbridgeable gap between Development Economics and the Economics of the Developed, any more than a pediatrician would claim that geriatrics was an unrelated body of knowledge. The overlap between the developing and the developed is bound to be great. The more so in economics because the two basic tools, Supply and Demand and the Quantity Theory of Money, will take you a very long way if you just want to understand what is going on. This is why there are so many good untrained economists, and also why some of our most high-powered colleagues perform no better in practical matters than a good undergraduate. Given the power of these elementary tools, one could study either the economies of the developed as preparation for studying the developing, or the economies of the developing as preparation for studying the developed. However, the differences are also rather large, which is why each also has some tools of its own.

I shall divide our subject matter into two parts: matters relating to the allocation of resources in the short run, and matters relating to long-term growth.

### I. Allocation in the Short Run

In this department the differences are of degree rather than of kind; that is, developing and developed are both affected, but developing more so.

*The first and easiest category* for comparisons consists of cases where price does not equate to real social cost. This is easy because the problem is much the same in rich and poor countries, and is tackled with the same benefit-cost apparatus in both cases. Leading causes of price defects include externalities, Manoilesco wage differentials, learning factors, inappropriate exchange rates, inappropriate interest rates, unemployment and disguised unemployment. Economists argue about particular cases, whether the model is valid, and even if valid, whether it accords

with the facts, but the legitimacy of the category is not in question. These are the building blocks of the activity known as development planning, which can be bought at any level of complexity from the benefit-cost of, say, a few miles of road to the highly esoteric general equilibrium models that are the cutting edge of the neoclassical system.

One should, however, note that the neoclassical system of price formation is under attack, even when its prices are Pareto optimal, on the ground that they may be inequitable. Economists are used to shrugging this off when making comparisons inside a given country, but the same argument has now surfaced in the analysis of trade between rich and poor countries, which yields unacceptable terms of trade because tropical produce reaches the market at prices that reflect alternative cost rather than equal pay for equal work. A whole chain of demands for a new international economic order hangs from this pillar.

*My second category* is again a regular part of neoclassical economics, where the unregulated market constrains productive capacity.

Location theory yields an important example, namely the formation of growth poles, where a useful tendency to form towns runs away into the creation of huge concentrations, holding many millions of people, far beyond economies of scale into the diseconomies of congestion. This is due to externalities, to prices falling under monopolistic control, and to inappropriate government actions which prevent the costs of congestion from turning up in marginal costs. The result is destruction of growth potential elsewhere; smaller production for the same total of resources than one would have if the resources were distributed over more growth centers.

The dependency concept in international trade theory is related to the growth pole. In either case, potential is destroyed at the periphery. The market works to concentrate rather than to diffuse the benefits of trade.

One may mention here, as another example of market failure, the tendency of small farmers to become heavily indebted; whereupon their incentives to invest in raising the productivity of their lands is reduced. The

well-known remedies, such as prohibiting the mortgaging of agricultural land, substitute one problem for another.

I have been talking about market failure to move towards the right equilibrium. The failure to move smoothly even when right is another distinction between rich and poor countries. This derives from low elasticities of demand and supply, coupled with low levels of stocks of commodities in the poor countries; as a result of which market events bring quick and large changes in price, and only slow responses in quantity: the phenomenon known as "structuralism." These wide price ranges are disruptive in production and also in the social tensions exacerbated by resulting disturbances in income distribution. Governments are then driven, when dealing with commodities of mass interest, to use quotas, rations, licenses and other market-sharing arrangements.

What I have said so far about the functioning of the price mechanism does not distinguish rich and poor countries in theory, though it does so in practice. For one thing, if these points are listed as weaknesses of market systems, they are more prevalent in poor than in rich countries. Wherefore, secondly, practitioners of the Economics of the Developed get into the habit of writing as if the prices yielded by market systems were obviously the right prices, and all other prices are "distortions"; whereas development economists get the opposite habit of writing as though nothing mattered but these blemishes. Thirdly, the theoretical work has been done by development economists, even when the new model is used for analysis of developed economies. The list of new models invented by development economists in the 1950's and 1960's is quite impressive:

two-gap model	indicative planning
unbalanced growth	appropriate technology
vent for surplus	
Dutch disease	big push
dual economy	growth pole
disguised unemployment	rising savings ratio
structural inflation	low-level equilibrium trap
dependency	

It is unlikely that students will get to study

this set of models unless separate provision is made for teaching Development Economics.

There remain *two categories* of cases where the assumptions of market economics may not hold. The first is almost exclusively a phenomenon of poor countries. Here some production and exchange are governed not by desire for income maximization, but by other "noneconomic" considerations. Thus in some countries living near subsistence level, production and exchange are governed by ritual laws, based on kinship and on authority status. Anthropologists love those islands where the most successful fishermen burn some of their boats to demonstrate their superior achievement. I draw attention not to acts of conspicuous consumption, which are universal, but to deliberate destruction of productive assets, which is not.

Members of a community may also be divided by language, race, religion, or other tribal division. When a utility company plans to build a dam in Province *A* to feed electricity to a town in Province *B*, the cost and the flow of benefits in the building of the dam will depend on the technology applied. The dam may cost more in money when built by unskilled labor than when built with imported bulldozers, yet the benefit-cost analysis may show the cost with unskilled labor cheaper, whether because of divergence between money wages and real labor cost, or because current exchange rates or interest rates are inappropriate. In the economics of rich countries, we do not distinguish between men of *A* and men of *B*, but, in plural societies, *A* cannot be added to *B* by simple arithmetic. The benefit-cost analysis may have to list gains and losses separately by ethnic classification. Perhaps a plural society will use bulldozers, where a homogeneous society would use unskilled labor.

We rely on anthropologists for our knowledge of such matters, and economic anthropology is a speciality on its own. It has always attracted more anthropologists than economists, and links have diminished since economics moved beyond supply and demand and the Quantity Theory. Development economists are no more likely than other economists to move into economic anthropology.

Of course, the argument for an anthropological approach to economic behavior is not confined to poor countries. The study of economic behavior in rich countries would benefit from more observation (statistical as well as anthropological) rather than more deductive reasoning. Large elements of human behavior—investing, saving, having children, bearing or avoiding risks, setting attainable targets—are not dominated by the calculus of marginal utility, unless utility is given a universalistic and therefore useless meaning. Development Economics, which relies more on history, statistics, and anthropology, may to this extent be a little more realistic than other economics.

The second noneconomic factor that development economists cannot leave out of their calculations is the government's behavior. Although government expenditure is a smaller share of national income in poor countries, nevertheless the government is more closely intertwined in poor countries with the modern sector, where no large private event occurs without the government becoming involved in some way. Hence an economic analyst who tries to figure out the likely consequence of any economic event must assess how the government may react. We usually say that such situations require an interdisciplinary approach. Since in practice there is no interdisciplinary discipline, and since the economist's counsel is sought separately from that of political experts, the economist is forced *faute de mieux* to become his own political scientist. It then soon emerges that we need a sound political science as much as a sound economic science.

One reason why government is closer to the developing economy is that the market works less efficiently there than in the developed economy. So government is constantly asked to rectify market error or market inequity. To say this is not to imply that government action in the market always gives a better answer than the uncontrolled market, whether in allocation or in distribution. For just as the market gives better service in rich than in poor countries, so also the government tends to be better administered, has more resources, and is slightly less

dominated by "politics" and personal advantage in decision making. Pigou taught economists that the market was imperfect, but that points of imperfection could usually be eliminated by handing the problem over to the government for tax or subsidy. Such an assumption is not valid for all LDCs. Here it is often the case that the imperfect solution of the market could be better than that of the government. The government needs to be modernized just as much as the market. Also the assumption that the government "represents" the people may not hold. Political scientists offer us many different models of government—military (with generals), military (with sergeants), technocratic, aristocratic, popular front, peasant, kleptocratic—which react differently to similar stimuli.

To sum up, in matters relating to the allocation of resources in the short run, Development Economics marches most of the way with the economics of developed market economies, except that there are more special cases; and except that sociological implications cannot be brushed aside, or be assumed to be held constant while decisions are reached on the basis of "economic" considerations alone.

## II. Long-Run Growth

The matters at issue fall into two categories: the Search for the Engine of Growth and the Patterns of Growth.

The economist's dream would be to have a single theory of growth that took an economy from the lowest level of say \$100 per capita, past the dividing line of \$2,000, up to the level of Western Europe and beyond. Or to have, since processes may differ at different stages, a set of theories growing out of each other longitudinally, and handing over to each other. Or putting aside what happens after \$2,000 is passed, to have at least one good theory for the developing economy from \$100 to the dividing line.

We are well endowed with models for the final state of economic maturity. Most schools of economics have projected their models into the future. The results are usu-

ally discouraging. The model has some constraint which fails to expand in proportion with the rest of the resources, and therefore pulls the growth rate down. Adam Smith's economy grows to its "full complement of riches," as permitted by its laws and institutions, and there it rests. Ricardo's model is brought to stagnation by the exorbitant rise in rents. Marx's model is flooded by continuously increasing technological unemployment, due to inadequate investment. Cassell's neoclassical model comes to stagnation because capital accumulation drives interest rates too low. Later neoclassical models escape retrogression. By eliminating land and maneuvering the growth of capital to equality with the growth of population, one can then obtain steady states with or without the Golden Rule.

Since we are not interested in the fate of mature economies, we can pass by this set of theories, and begin instead with the lowest levels of income.

We are also well endowed with theories for this end of the scale. The first problem is why so many countries have grown so slowly over long periods, and especially since 1850, when the main elements of modernization were already well understood. The second problem is why, after a while, countries do join the mainstream and float up past \$2,000 per capita. We must be able to explain both what inhibits and what releases energy.

One can begin with threshold models, which require a country to attain some minimum level before it can move towards continual growth. Rostow's model, which is also the last of the "stages of growth" models, has this period in which the "pre-conditions for take-off" are established. The low-level equilibrium trap is another example. The "big push" is a third.

Other obstacles in the way of movement include negative externalities, the two-gap model, and the need for balanced growth.

Then there are the models of paralysis, where entry into the world market is debilitating. Thus a country may be drained of its human and physical capital by a nearby growth pole. Or it may suffer the pangs of dependency. Or its potential labor supply

may be reduced by inhuman treatment by colonial employers.

Since World War II, the developing countries growing least rapidly (the bottom third, growing at less than  $3\frac{1}{2}$  percent) have had one or other of two handicaps. Either their rainfall is inadequate, so that their agriculture contributes little to growth. The farm surplus is too small. Senegal is an example. Or else they have had significant internal political disturbance, which has discouraged investment by their own natives, no less than by foreigners. This is what has shown up over two decades of world prosperity; whether the same differentiation would show over a period of world depression we cannot say.

No-growth models are going out of fashion. Their logical validity was never in doubt; at issue was their relevance. Two forces have worked against them. First, there has been so much growth among LDCs that models proving that growth could not happen are now less persuasive. Secondly, these models were anaesthetic. One could examine a country and pronounce it not to be growing without hurting the feelings of its inhabitants; one model or another could be used to show that it was not their fault. Nowadays it is accepted that things sometimes go wrong because rulers have adopted mistaken policies, and we do not need the anaesthesia.

Fashions aside, what the models set out to explain is real: the long near stagnation of so many countries. Equally real is the fact that economies escape from this stagnation, raising the question of why some move sooner or faster than others.

In its present state, our material on the middle-income countries may be divided into three categories of theories: for the growth of resources, for the patterns of growth, and for the processes of investment.

Our theories for the growth of resources in middle countries are building up. For the size of the labor force, we have population theories, labor force participation, dual markets, human capital, education, and all that. We overlap with the study of such matters in advanced economies, though our results are not always the same.



We are collecting material on capital in low-income countries—theories of savings, private and public. Here we are at odds with students of developed countries, whose objective was to explain why the savings ratio is constant, where our objective is to explain why it rises.

We are also at odds on the quantity and quality of entrepreneurship. After much disputation *MDC* economists have abandoned this subject, taking the line that a profitable economy will have no shortage of entrepreneurs. We, on the other hand, observe that the Ibos show more entrepreneurship than their countrymen the Tivs, or the Chinese than their countrymen the Malays. We also observe for the Third World as a whole a level of foreign entrepreneurship which is resented despite the obvious benefits deriving from its presence.

This part of the subject—the growth of resources—is lively and needs no defense.

The second set of materials relates to the patterns of growth. We know more about the patterns imposed by growth than we know for certain about the causes of growth. This part of our subject has a long history, reaching back to Petty's observations about changes in the relative proportions of the labor force in agriculture and services. Interest was revived by Colin Clark's book on the *Conditions of Economic Progress*, since when we have had a large literature led by Simon Kuznets and Hollis Chenery.

The topic has spilled over to calculate other kinds of sectoral changes: the sectoral composition of imports and exports; the share of income and nonincome taxes in government revenue; etc. Any propensity that is thought to be a function of income per head can be derived, whether from longitudinal or from cross-country observations. The technique is particularly helpful for those engaged in development planning. It has, of course, its weaknesses, including the fact that cross-country and longitudinal studies frequently give quite different answers. So the results must be used with care.

The evolution of the urban labor market is a particularly interesting part of the pattern of growth: the emergence of noncompeting groups, the bifurcation into superior and in-

ferior tracks, the creation of reserves of surplus labor in disguised or undisguised unemployment. All this is occurring now in front of our eyes. Here *MDC* and *LDC* economists have fertilized each other.

The pattern of growth is at the heart of the argument as to alternative strategies of growth, since different strategies yield different patterns. The approach of the economist, qua philosopher, is to try to understand what is going on; the approach of the "social engineer" is to change the outcome. At issue is the percentage of the national income received by the bottom layers of the population, perhaps the bottom 80 percent, since, in *LDCs*, the man at 20 points from the top is pretty poor. The package for the rural poor is fairly well agreed—embracing land reform, irrigation, fertilizers, better varieties and the usual agricultural extension measures, so that they may produce more, plus a social service package of schooling, public health and such, which can count either as increased consumption or as investment in human capital. The urban package is not so obvious or agreed, since one of its components, nationalized industry, has in low-income countries doubtful effects on output per worker; but this package also includes more food and social services.

Looked at from the angle of consumption, this is a "Basic Needs Strategy." It says that a wider distribution of income must be a social objective along with a larger output per head. Its claim to be an "Alternative Strategy of Development" is presumably based on the relatively greater expenditure on social services, which will also count as investment in human capital. Proposed changes in structure, such as distribution of land or emphasis on small-scale industry, are not unique to an alternative strategy.

Insofar as the philosophers are concerned, the crux of the matter is how output would be affected by policies that gave say an extra five percentage points of the national income to the bottom 80 percent of the population, assuming a peaceful transfer over, say, 10 years. Would output per head rise faster, more slowly, or at the same rate? One must also ask whether it matters, or should the change be made in any case?

The priority accorded to such questions is determined by politicians in the *LDCs*, and not by economists in the *MDCs*. Our contribution is to assess the facts and analyze them as dispassionately as we can. This we have not failed to do.

### III. The Engine of Growth

The third set of materials relates to the incentives for investment, whether in physical or in human capital. It is not hereby argued that investment is the sole contributor to growth, but it is highly correlated with growth, and may serve as a proxy for the forces propelling the economy. Here we need material on the adaptation and diffusion of new techniques; on credit institutions, and such. The management of the economy is vital, that is to say the maintenance of a mutually consistent set of exchange rates, interest rates, reserve ratios, agricultural prices and wages. We need much more research in this area, so it is not surprising that many developing countries go down to defeat here. Another major cause of defeat is found where the political conditions are not consistent with new investment.

The relationship between incentives and institutions is one of the oldest parts of Development Economics. Our forefathers worried about the institutional framework of agricultural societies: about land tenure, primogeniture, sharecropping and such; and later formed quite sharp opinions about the joint stock company as it came along. The important point that differentiates them from the spirit of our age is that they did not expect to reach conclusions in this area from first principles only. Their writings about such matters are as much historical as economic analysis. And their conclusions recognize that the same question requires different answers at different times or in different places, and cannot therefore be answered without reference to circumstances.

I make these remarks, which are obvious, not for completeness but in order to point up one of the weaknesses of our subject, namely the widening gap between Economics and Economic History in Development Economics. If our subject is lowering its sights, this

may be because the demise of Economic History in economics departments has brought us a generation of economists with no historical background. This is in marked contrast with the development economists of the 1950's, practically all of whom had had some historical training, and guided by Gerschenkron and Rostow, looked to history for enlightenment on the processes of development.

Given the importance of incentives and institutions, are there particular circumstances that favor growth? If economists have not failed to theorize about mature economies and about the poorest economies, neither have they failed to account for the in-betweens. Every school has offered its own candidate for driver of the engine of growth. The physiocrats, agriculture; the Mercantilists, an export surplus; the classicists, the free market; the Marxists, capital; the neo-classicists, entrepreneurship; the Fabians, government; the Stalinists, industrialization; and the Chicago school, schooling. Speaking for the geographers, one should add that it helps to have rich minerals or well-watered soils; and for the political scientists, one should add enough political security to encourage the indigenous peoples to invest in their own country.

We have it over our predecessors that we can apply econometric techniques to the search for the engine of growth. However, our answers are no more satisfactory. Application of Denison's technique of growth accounting yields the same stone for *LDCs* as for *MDCs*, namely a large residual. And Tinbergen-Klein models, whose forecasts become less reliable over more than half a year, despite the massive volume of statistics which they use in *MDCs*, are no better in *LDCs*.

We know why these income-projection models do so poorly in the long run. The reason is because success is determined not by the increase in the physical factors of production, but by a set of intangibles—political security, the quality of the infrastructure, the reliability of skilled workers and contractors, the opening up of new market opportunities, and so on. Adelman and Morris try to capture these intangibles, but run into problems of identification.

Given the range of possibilities a search for "the" engine of growth must be foredoomed. Growth occurs wherever there is a gap between capability and opportunity. Capability covers skills (domestic and foreign), government, savings, and technology. Opportunity can be of any kind, including markets, rainfall, access to licenses, infrastructure. The engine may be at home or abroad, an innovation, a good site for a transportation center, or much else.

It follows that a model for an economy at this level must be rather complex. There is no one growth theory, but a set of complementary theories. We do not yet have agreement on this set. At the core must be a theory of distribution, since this is going to provide incentives and savings. But economists cannot agree what determines the distribution of incomes in Western Europe, so how could we predict what effects growth would have on the distribution of income in Thailand? Here we should also put what we know about the growth of the volume of resources—the labor force, capital, knowledge.

Another building block would be a theory of government, where government would appear to be as much the problem as the solution. There must be a theory of class formation and class conflict, to go hand in hand with a theory of entrepreneurship. Thus a theory of the growth of the economy as a whole brings together what we know of its parts.

Such reasoning is not acceptable to all. A first line of attack is against this eclectic procedure: that this conglomeration of theories of various kinds does not make a unified subject for study. The material is unified by its subject matter—the behavior of low-income economies—and by its tools—especially supply and demand and statistical analysis. The problem is not how to take over relevant history or sociology or anthropology, but, on the contrary, how to avoid rushing in with economic answers beyond the limits within which they apply. These limits are different for *MDCs* and *LDCs*. As I said earlier, there is an element of utility maximization in studying fertility, rates of

saving, migration or entrepreneurship but it tends to be overlaid in poorer countries by social, religious, and political rules, that must be approached through the disciplines of political science and social psychology. The argument is not about quantification; everybody supports making historical statistics available, and the rapid increase in materials suitable for longitudinal or for cross-country statistical analysis is also a bonus for all. At issue is the working of institutions that influence decisions, and the changing of these institutions through time. Also at issue is the kind of thesis that we demand from Ph.D. students. Development Economics will certainly die if they come to think, rightly or wrongly, that work on economic institutions will not count for distinction in Ph.D. exams.

The second line of attack is that this approach abandons predictability, where the future is thought to be predictable. Not all predictability is abandoned: we can predict that the birth rate will fall, that meat consumption will rise and so on, but we cannot predict the future of the economy as a whole. What lacks is the vision of the future, already predetermined by history—or, to change the metaphor, a theory of development that is like the life story of a horse, beginning as a tiny speck and developing all its life in accordance with its genetic code already imprinted at conception. Instead we offer a theory of development that is more like the manufacture of a car, buying windshields here, tires there, carburetors some other place. The biological theory, which is "natural," sounds more attractive than the assembly line theory, which is "artificial." But cars run faster and longer than horses.

Many people have had the vision and offered us long term predictions, notably Marx, Rostow, and Toynbee. But most social scientists have rejected such models on principle. They have not discovered whether history has a purpose, or if it has, what timetable it is working to.

Looking closer in, one would particularly like to be able to predict, at a much lower level of speculation, "self-sustaining growth" (to use Rostow's phrase for development).

Many countries grow for several years at 5 percent or more, after which they grow slowly or may even decline. So it is not enough to have a model that produces growth; one must also be able to explain why some countries fall out of the line while others keep up the pace.

The analysis of self-sustaining growth proceeds at two levels; one to do with resources, and the other to do with leadership. At the resource level, a country may be judged to have reached self-sustaining growth when it is more or less self-sufficient in savings, in its managerial cadre, in skilled workers, and in other infrastructure. The physical part we can quantify, even if rather arbitrarily; say its net capital inflow is less than 2 percent of national income; private consumption is down to 60 percent of *GDP*; annual output of high school graduates is at least 5 percent of the cohort; expatriate managers and employees are less than 1 percent of the labor force; and so on. How countries get to these benchmarks is what Development Economics is about.

What cannot be predicted or prescribed is the quality of leadership that will see a country through its crises; such that if, for example, it loses an export market it will not decline, but will make for itself new economic space. This is the kind of leadership, private and public, that we expect of the countries of Northwest Europe, and it may be that most *LDCs* are too young in independence to have the cohesion that it takes. But age is not the only requirement, as Latin America testifies.

In trying to understand how a society, as distinct from its individual members, learns, chooses new directions, creates new loyalties, faces up to costly tasks, and so on, we come up to the limits of the mechanical analogies normally used by the economists, and find ourselves along with the sociologists seeking helpful biological analogies. Economists have talked about this since Alfred Marshall, but without making much impression. I doubt that philosophers are about to reach agreement on what determines the spirit of a nation, so Development Economics should stop short of that question.

Now I am ready to approach the question with which I began: do we need a separate economics for the growth of poor countries from that which we have for the growth of rich countries? The answer must be taken in parts, according to what you mean by theory of growth. If the reference is to mathematical Growth Economics, everybody agrees that this is a separate subject overlapping rather little with Development Economics. If we mean making Tinbergen models of an economy in order to predict its movement over the next twelve months, we do this in both branches, with the same less than handsome success; presumably our forecasts will all improve as we get a better understanding of the determinants of changes in investment and *MV* over the short run. The revival of trade cycle analysis will bring us closer together here. We also share a third collection of growth theory: namely the determinants of growth over 25 to 50 years, say in Britain or France or the United States for the developed, or in Ceylon or Ghana or Mexico for the developing. Here we are still lost when trying to explain why the United States sank so low in the 1930's, or what the British were doing around 1900, or why Japan leapt forward in the 1950's: with parallel questions about the wide range of performance of underdeveloped countries today, of whom one-third have been growing continually at more than 5 percent a year—an outcome without precedent. This kind of question belongs as much to history as it does to economic analysis. Development economists will owe their insights to both and will welcome any useful tools that the economists of the advanced countries may occasionally fashion for this area.

In conclusion, the concern referred to at the beginning of this paper as to the state of Development Economics seems to me quite misplaced. One's attitude must depend on one's expectations. If the critic is seeking a clear vision of whither history is leading us, he is bound to be disappointed. But if his interest is in economists collecting facts, making testable theories and testing them, then the development economists seem to be as fully engaged and as successful as any

other group of economists. Areas where especially exciting work is being done at this time include the labor market, urbanization, the monetary problems of an open economy, the consequences of the Green Revolution

and income distribution. If conflict and dispute are indices of intellectual activity, our subject seems adequately contentious. Development Economics is not at its most spectacular, but it is alive and well.