

ECONOMIC POLICIES FOR DEVELOPMENT

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Abstract : Economic prosperity is the goal of all developing countries in Asia, Africa & Latin America which became independent after the II. World War .The developed countries also want to sustain Economic development .All economic policies aim at economic growth. The role of economic policies is very important in fulfilling this goal. The government has to play a significant role in the formulation of economic policies and to set nation in the right direction.

In this era of globalization, where planning has become irrelevant the significance of economic policies has increased. The objectives of the paper areas follows.

- 1) To bring out the close relationship between economic policies and economic growth.
- 2) To bring out the need for investment in skilling the labor to enhance physical capital and thereby improve productivity

Keywords: Economic Policy, economic Growth, Economic Prosperity& Physical Capital.

1 INTRODUCTION

Development is change for better. In the context of a country it refers to a process whereby the total volume of goods & services produced increases over a period of time. Development is not an end in itself but a means through which country aims bringing about an improvement in the standard of living of the people. There are two ways in which it can be done namely through planning or market mechanism. In this era of Globalization, Privatization & Liberalization planning is become irrelevant hence the role of economic policy has increased immensely.

For a developing country. like India the monetary policy needed is controlled expansionary .policy the fiscal policy has to care of saving & Investment .At the same time in this era of globalisation & liberalisation the exchange rate policy has to be formulated within the parameters . Policies are formulated so that the economy moves in the right direction.

Policy paralysis leaves the economy directionless thereby has an adverse impact on the growth of the country.

ECONOMIC POLICY

Importance of state & the enormous influence of it legislative & regulatory powers. Government. Can add to economic well-being as well as subtract from economic well being .there will be numerous examples of Policies which have had perverse effects or avoidable problems being worsened by government refusals take responsibilities Therefore it is important to do all that is possible to help get policies right Policy making implies politics& politics implies that problems will not be exclusively viewed through the eyes of the economists. To offer practical contributions to policy issues, it is necessary

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to be sensitive to the political context and the non-economic factors that will contribute to the final decision making. For economists to make their own best professional contribution they need an understanding that extends beyond the conventional frontiers of their own discipline.

Hayek: “The authority directing all economic activity would control not merely the part of our lives which is concerned with interior things----. Economic control is not merely the control of human life which can be separated from the rest; it is the control of the means for all our ends.”

All governments---is founded on compromise & barter. Far from being a disinterested search among all available alternatives for optional solutions, the decision process is characterized by bargaining between groups, organization & individuals.

Policy formulation, implementation & benefit sharing

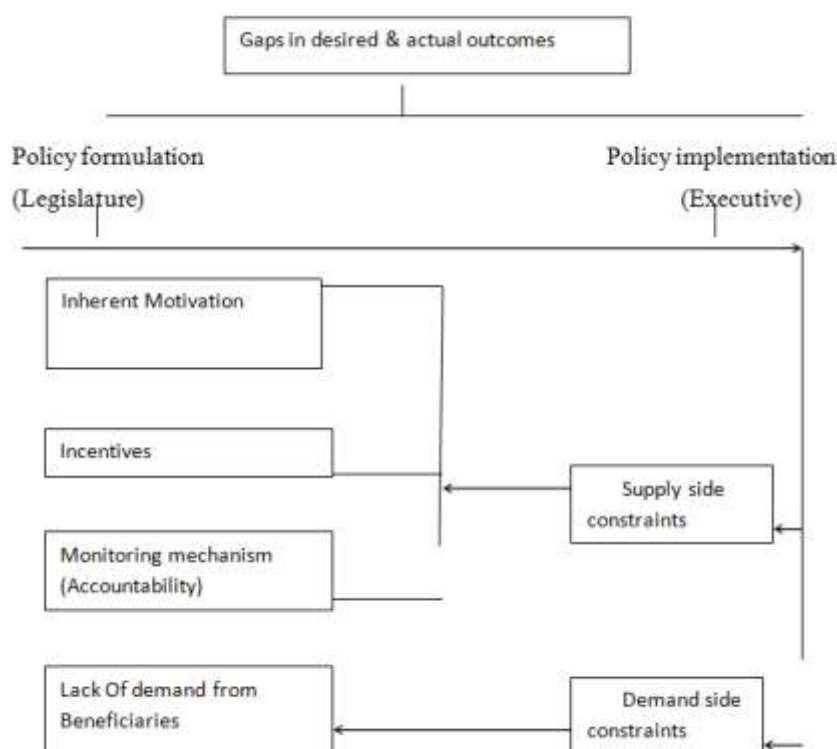


Fig: 1

The gaps between designed & actual outcomes of public policy arise at two levels Viz policy formulation & policy implementation as shown in the above figure.1, which is due to Supply side & Demand side constraints

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<ol style="list-style-type: none"> 1. Inherent Motivation 2. Incentives structure 3. stringent Monitoring mechanism 	<ol style="list-style-type: none"> 1. Lack of Demand for public goods from major beneficiaries

The policy makers pursue policies that are more targeted & short term. Following are the essential features of policies :

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1. Visibility: the benefits of policies should be clearly observable
2. Traceability: policy effects should be traceable to the action of the policy maker
3. Excludability policies should be such that the benefits can be targeted only to supporters and the opponents can be excluded
4. Short time horizon -- benefits of the policy-- maker concerned to ensure (2) & (3)

Policies yield broad public goods like quality literacy & health care which may not satisfy the above criteria, get neglected and policies like jobs, school buildings which are observable traceable & most importantly excludable get priority. It is well known that the pay-off from broad goods like basic literacy & health care is highest for the poorer sections of society.

On demand-side constraints in policies yielding these public goods arise mainly due to the lack of effective demand from the major beneficiaries of such policies in the poor.

The preferences for short-term transfers of poor unorganized groups is not only of this low incomes, but also lack of awareness about the beneficial impact of broad public goods in improving long run welfare.

Public action in promoting literacy can greatly enhance the capabilities of the disadvantaged groups to organize themselves to fight government apathy. There are few success stories of public action in India to draw encouragement from Kerala's Success in achieving high degree of social development in terms of literacy & life expectancy is remarkable. This is possible mainly due to the achieve role of both government & civil society. In West Bengal the political commitment of the leftist Government was instrumental in the success of land reforms.

LINK BETWEEN ECO GROWTH & SOCIAL DEVELOPMENT:

1. Is economic growth a necessary condition for development of capabilities?
2. Is economic growth a sufficient condition for the development of capabilities?
3. Is the development of capabilities a necessary condition for faster & sustainable economic growth?
4. Is the development of capabilities a sufficient condition for better economic growth?

Economic growth is neither a necessary condition for social development. Which social development is a necessary but not a sufficient condition for economic growth

A complete exclusion of either market forces or the state from the economic. Sphere is totally inappropriate & may prove counterproductive. The state can provide the enabling environment and produce desired results thought a judicious mix of market- excluding and market complementing interventions depending on whether the type of error by the market is a commission or an omission.

HUMAN & GROWTH

Labour is the only input of production augmented by the pace of technical progress which contributes to development. Rich countries not only have access to a large stock of physical capital, but by investing time & money education, it is also possible for these countries to produce a large stock of human capital that is skilled in production, labour that can operate sophisticated machinery labour that can create new ideas and new methods in economic activity. Developing countries are likely to have a shortage of the former & surplus of the latter.

MEASURES OF HUMAN CAPITAL

1. Literacy rates
- 2) Primary & Secondary school enrolment
- 3) Extent of vocational training
- 4) The presence of research universities

Human capital—is a notion of skilled labour that can be created or augmented -along with physical capital. Skills add to the physical ability of the work force. Today it is imperative that the labour force not only learns the 3 Rs but also the two Cs communication skills, computer.

Skill acquisition will lead to delinking jobs from degrees. This calls for identifying the skills & the demand for them. Then set up institutes which will impart the skills. It calls for manpower planning. It first & foremost requires that we a society inculcate a sense of dignity of labour. —Unfortunately we have failed, hence majority of our youth prefer a white collared job to blue collared one.

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