




Concept of development and modernisation





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- **Development as modernisation and economic growth**
 - **The post-Second World War world order**
 - The events leading up to the Second World War and the war itself had a profound impact on political and economic structures. The main impact was the emergence of a bi-polar world order, with the rise of a communist power, the USSR, on the one side and the United States as leader of the liberal capitalist system on the other. The US had emerged from the war as the strongest economy, enjoying rapid growth and capital accumulation and saw itself as leader of the emerging monetary and economic system in the capitalist world.


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- A major early objective of the US was to assist Europe's recovery and lay the foundations of a new economic and political order, while containing the spread of communism in Western Europe. It was felt that institutions were needed that were able to create functioning,
 - liberal market economies and order the economic, social, and political development in a post-war world. Amongst other things, the Bretton Woods conference of 1944 saw the establishment of the International Monetary Fund, and the International Bank (IMF) for Reconstruction and Development (IBRD or World Bank).
 - Initially, these institutions were tasked with providing the loans, credits, and investment necessary for Europe's post-war reconstruction and preventing a backlash into depression. As former colonies of European powers achieved independence from the 1950s onwards, these two institutions started to get more involved in broader international development.




➤ **Development as growth and modernisation**

- Post-war development theories were dominated by the idea of development as economic growth and material well-being. With it came a strong focus on the state: The belief that growth and prosperity would come if the market was left on its own had been shattered by the Great Depression and mass-unemployment of the 1930s. Furthermore, the apparent success of state planning in the early years in the USSR led to a rethinking about the role of the state in the economy.

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- the European Recovery Programme, an aid programme for Europe, allowed reconstruction of war-damaged industries. In most Western countries, growth picked up rapidly and was driven by the state and the industrial sector. The path of growth was assumed to be a linear one:
 - State intervention and aid would encourage savings and investment for technological innovation. The resulting increase in productivity would absorb the workforce from low-productivity sectors (agriculture) to the industrial sector and thus accelerate industrialisation and fuel growth. Progress in this model was - and to a large extent, continues to be - measured in terms of growth in the size of national economies and per capita income.



The end of colonialism and the foundation of independent nation states reinforced the notion of development as growth and modernisation.

- The rapid recovery of post-war Europe had led to widespread optimism and the firm belief that the newly independent states could copy the example of Europe's reconstruction. Emulating 'modern' Western societies, so it was believed, would lead developing countries out of poverty and allow them to catch up with the developed world.
 - It was widely assumed that development could only happen if traditional values were replaced with modern ones.
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➤ **Economic development**

- Economic Growth implies a process of increase in National Income and Per-Capita Income. The increase in Per-Capita income is the better measure of Economic Growth since it reflects increase in the improvement of living standards of masses.
 - Economic Growth is measured by increase in real National Income and not just the increase in money income or the nominal national income. In other words the increase should be in terms of increase of output of goods and services, and not due to a mere increase in the market prices of existing goods
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