THEORETIC APPROACHES AND PARADIGMS UNDERPINNING RURAL DEVELOPMENT STRATEGIES

Mirela-Adriana Rusali, Dr., Institute of Agricultural Economics – The Romanian Academy

Abstract: Whereas not possible existing a generally accepted theory or model of rural development, the article aims to present analysis of several paradigms of development and the relevance for the study of development processes in rural areas of the theories developed by economists and academics, outside the classic schools, that have approached development in general and developing countries in particular. There were selected development theories, among which relevant for rural areas are highlighted: "great shock" investment theory; "critical minimum effort" thesis; "dual-sector model"; "backwash and spread effects" upon regional disparities; the human capital development model. The results provide a conceptual framework and responses to economic development inquests, which could be options and instruments to support the foundation of sustainable rural strategies and policies.

Keywords: rural areas, economic development, theoretic approach.

INTRODUCTION

Within the past economic literature of classical economists, no special contribution to rural development was evidenced, probably assuming the economic growth is leading to development. Subsequent the experience of the period of "industrial revolution" in Europe, the developing complex process imposed analysis of growth conditions that economists focused on at the end of the eighteenth century and the beginning of the nineteenth century.

Among the classical economists, Adam Smith, David Ricardo, Thomas Robert Malthus, John Stuart Mill and Karl Marx have been evidenced to lay the foundations of sustainable development [1]. Of the basic ideas of the classical school upon nature and cause of economic growth, an interesting element argued by economists was the concept of circularity that characterizes the relationship of interdependence between technology, investment and profit. Classics wanted to emphasize that neither success nor failure of economic development appear as phenomena *per se*, but as a consequence of circular argument that can explain performance differences between developed and developing countries.

Towards the end of the Second World War, development has become an important area of study that has attracted various researchers. Most of the original writings included an explanation of the meaning of development, identifying of influence factors and investigating the relationships between factors. There were then two distinct streams of thinking: capitalist and Marxist, corresponding to two distinct theories, namely, "*modernization theory*" and "*dependency theory*", although criticized because lacking of important factors in explaining development issues.

Beyond these schools considered classics, several other economists are attractive in their thinking on development in general, developing countries in particular, which general being, have implications for sustainable development of the rural economy as main segment society.

DEVELOPMENT THEORIES APPLICABLE TO RURAL AREAS

The content of ideas included in this category is reflected by analysis of theories presented below, applicable to regions or areas with shortage or imbalance of development, such as rural areas.

- **The "big push model " of development**

According to Paul Rosenstein-Rodan's “big push model”, is needed a minimum level of resources, although not enough, and a development program to have a chance of success [2]. *Alike an aircraft's takeoff process, to launch a country into self-sustaining growth is a process that needs a critical initial speed to produce the launch*.

In essence, this theory argues that the success of the development process needs to be invested only minimum amount of necessary elements, i.e.: government investments, infrastructure, thinking of an exhaustive plan, trade openness.

This theory contests the procedure "drip by drip" that cannot cause a cumulative effect simply by summing up the effects of each item. There were identified three different types of elements considered to be indivisible, considered as being the main obstacles in the process of economic development in developing countries: social capital, demand and savings.

Rosenstein-Rodan argues the need for a "big push", evidenced by a large comprehensive investment package to overcome economic obstacles and economic externalities created by them.

It therefore follows that the development process consist in a series of discontinuous jumps and each jump requires an impulse.

At the same time, there may be a complementary phenomenon of that we enforce a sustainable and well targeted policy. The scientist supports the theory by two theses:

(a) *Isolated and small efforts cannot induce a sufficient impact on growth;*

(b) Development can occur only after it has reached a minimum level of investment.

Mobilizing sufficient resources to cause the necessary shock continues to be the greatest difficulty that rural areas with development deficit cannot overcome by themselves. Criticism of this theory relates precisely to the fact that the resources needed to produce great shock are of such high order of magnitude that relies on external help. In fact, a country that is able to mobilize the amount of necessary resources is not a poor country.

Summing up, in countries where rural areas dominated by agriculture is the most poorly developed segment of the economy and society, as is the case of Romania, launching its development, at national, regional or local level, needs that investment impact.

- **The "minimum critical effort" thesis**

To support rural growth can appreciate that thesis on "critical minimum effort " advanced by **Harvey Leibenstein** [3] seems more realistic than the theory of "great shock", as a minimum critical effort can be programmed and phased in a series of small efforts to determine a sustained economic development rhythm. However, the central idea of Leibenstein 's thesis is that in order to achieve sustained growth is essential that the initial stimulation of the development to have a minimum critical size.

According to Leibenstein, low economic development is characterized by a set of correlation factors, which have a certain degree of stability to low levels of balance. Actual values are different from equilibrium values because the economy has always been subject to incentives and shocks. Incentives have tended to increase per capita income above the equilibrium.

In underdeveloped economies, long-term economic development does not take place because the size is too small incentives. In other words, efforts to overcome obstacles to development, whether spontaneous or induced, are below the minimum critical needed for sustained growth.

For small values of incentives, the factors generated by reduction of income, in the long-term, are more significant than forces induced by income growth. Opposite phenomenon occurs when high levels of incentives. Population growth may be an example of this phenomenon. A small increase of capital obtained by incomes rising will be a better incentive than an equivalent increase in population and a declining proportion of per capita income. Thus, *persistent capital accumulation over a minimum rate will finally allow development*.

The need of a little effort appears to prevent the loss in revenue that can be generated by increasing incentives and to generate enough moments in the system, so that factors that stimulate the growth to continue to play their role.

This theory is consistent with the concept of decentralized democratic planning. Therefore this paradigm provides indices of the absolute necessity of an investment amount for launching new programs, including in rural areas.

- **The “dual-sector model” of economic development**

W. Arthur Lewis’s “dual-sector model” introduced the development based on the fact that in predominant rural countries, or zones, there are large reserves of labor at subsistence limit [4]. It explains the growth, with respect to a developing economy, in terms of a labor transition between two sectors: capitalist and subsistence sector. The subsistence sector is defined as *that part of the economy which is not using reproducible capital*, opposite to the capitalist sector which *uses reproducible capital and pays capitalists thereof*.

Large labor supply can enable the creation of new industries and existing ones can expand. Capitalist sector also requires skilled labor, but Lewis assumed the problem of training is only a temporary restriction and can be eliminated by providing training facilities.

Technical progress in the capitalist sector can also increase the share of profits in national income as long as surplus labor exists. Share of profits will increase, both by introducing innovation and as a result of growth of the capitalist sector itself.

Capital can be created not only by profit but also by bank loan. In developing countries characterized by unemployed labor resources and lack of capital, credit facilities will increase production and employment in the same way that profit makes it. Capital formation by credit has however as result a temporary increase in prices. Inflationary process ceases when voluntary savings from increased profits are large enough to finance new investments without recourse to credit.

Sir Lewis’s model seems to provide an appropriate framework for understanding the process of economic development in countries with surplus labor. The basic premise is that *agricultural productivity must increase substantially to generate surplus products to be used for the development of non-agricultural sector* and to release surplus labor from agriculture to meet non-agricultural sector demand.

To complete the theory it could be introduced elements such as: creating investment capital necessary to employ surplus workers in agriculture; agriculture must be subjected to a strong shock through a strategy that provides modern technologies and supporting the development of infrastructure and services.

- **The "backwash and spread effects" thesis**

Referring to income, health and education disparities at international level, **Gunnar Myrdal** thesis states, in the thesis on "backwash and spread effects " upon regional disparities, that in normal circumstances a change is not achieved by compensatory changes, but by supporting changes that move the system in the same direction with the initial change, but much faster, according to the principle of circular cumulative causation [5]. As a result of such circular causation a social process tends to evolve faster, while a social process can be stopped by introducing new exogenous changes in the system. The concentration in certain area of companies, capital and individuals with a high level of training are elements of growth for those places, but causing a decrease in the level of economic development in neighboring areas greater than if those factors have appeared.

Contrary to the backwash effects, certain centrifugal spread effects of expansionary momentum may occur from the center to other regions.

Experiences have revealed that the backwash effects are neutralized by the spread effects only on a high level of development. This is one of the reasons that sustainable progress becomes an almost automatic process once a country has reached a high level of development. At low levels of growth, the backwash effects can be either very weak, or strong enough to cancel the spread effects, in both cases causing development stagnation and poverty. Likewise, international trade, capital movements and migration have strong backwash effects on development.

Both effects might be considered while designing rural development plans.

- **The human capital development model**

In essence, however, at the basis of all development processes stand the human resource. Human capital development model proposed by **Katar Singh** [6] emphasized the importance of investment in human capital within the economic and social development processes.

Classical and neoclassical economists have explicitly included the quality of human resources within their theory.

The concept of human capital, as developed, among others, in the modern neoclassical economic literature, by Theodore Schultz [7], was defined it as mental and physical abilities gained through education and training, obtained through human effort and financial investment and developed through mental training. He explicitly stated that *investment in human capital is an important determinant of economic development*.

Singh's model addresses the whole human potential and stressed the need to strengthen it in terms of culture, religion, values and social structures. According to this theory, approach to rural development through human capital is based on two assumptions, ignored by the classical theory:

(i) *human physical and mental capabilities are partly inherited and partly acquired and varies from individual to individual, which denies the classical assumption of homogeneity of labor.*

(ii) Human capital contributes directly to development through its positive effect on productivity and through reducing resistance to the diffusion of new technologies in the economy, especially in rural areas.

Singh's model moves the focus from physical capital formation on human capital formation and from the industrial development on rural development as a basis for global development.

This model is appropriate where there is a potential for development represented by the labor surplus. Development strategies of tertiary sector that is growing fastest in the world require the existence of specialized human resources, experienced and creative, with entrepreneurial capacity. In this regard, the necessary priorities for human resource development might focus on balanced nutrition, health, education and appropriate training and information.

FINAL REMARKS

Given that there is no pattern, or a generally accepted theory of rural development, as a branch of development theory, explaining existing phenomena and anticipate their evolution are included in a set of hypotheses in the general area of development. Many of these assumptions relate to both economic and non-economic determinants of development, although sometimes not being fully operational in that they are difficult to test [8].

Within this context, the paper proposed the examination of certain development paradigms and their relevance for the study of development processes in rural areas, based on the theories developed by economists and theorists who, while not belonging to classics schools, have approached development in general, and developing countries in particular. However general, these theories have implications for sustainable rural development where rural areas encompass a main segment of the economy and society.

The results emphasized enlightens given by some theorists and economists to issues raised by economic development, providing options and tools to the foundation of strategies and policies for rural development.

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