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## **Understating Economic Backwardness of the North Eastern Region In The Light Of the Theory of Under Development**

**Dr. Jamal Uddin**

*Assistant Professor, Dept. of Economics, R.K. Nagar College, R. K. Nagar, Assam, India*

### **Abstract:**

*Despite being an advantageous position with rich natural resources, economic backwardness of the North East India is glaring instances of uneven regional development of India since independence. It not only suffer from monetary resources, other economic and non economic factors are also responsible for it backwardness. Generally, the backwardness of the region has sought to explain in terms of what Meier (1970) called 'missing component' and constraints amenable government policy of 'welfarish approach'. A special conceptual framework is needed to correctly identify the maladies that plague the region. In this contest this paper makes an attempt to examine the roots of its backwardness with the light of some importance theories of under development.*

**Keywords:** *Missing components, welfarish approach, left out, Jhumias generous recourses transfer spread effects.*

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**Introduction:** North East India, literally call seven sister is endowed with vast natural resources and is acknowledged as the eastern gateway of India look east policy. Not with standing economic backwardness of the region is a glaring instance of the uneven regional development of India since independence in spite of decades of planning in India. Moreover, the region remains isolated from the rest of India and has not been able to attract investors or produced skilled labour entrepreneurial resource. An economy with abundant natural resources but with out the necessary technology or capital to developed them, is almost as poor as one without these resources (Kurihara,1965). Insurgency problems and autonomy movements have added, political dimension to this scenario of relative backwardness as the social scientists have sought to explain political turmoil and social unrest in terms of economic problem and as the protagonists of various violent and non violent movements have been harping on concept like regional ethnic exploitation and privation, the central government apathy etc. Generally the backwardness of the region has been sought to be explained in terms of what M.G. Mirer (1970), has called 'missing components'. It is pointed out that geographical factor like topography, political factors like long international border and isolation from rest of India, sociological reality like presence of large section of disadvantaged people like the tribals in the population, human

deficiencies like primitive technology in agriculture, lack of skill entrepreneur, and over all handicap posed by weak infrastructure retard the economic progress of region. Some of these can be regarded as obstacles limiting the possibility and rate of progress (e.g. hilly, topography, geographical isolation etc.) while some others (weak infrastructure, lack of skill enterprise etc.) may be taken as the constrains amenable to policy measures (Bhattacharjee. 2003). But as Meier opines, the ‘missing component’ approach is a mechanistic approach that over looks the inter relations among the elements and evolution of the forces of development in an organic process.

The roots of under development have to be searched much deeper. A special conceptual framework is needed to correctly identify the maladies that plague the region. In this context an attempt is made to examine the roots of backwardness with the light of some importance theories of under development.

**Dependency Theories:** There are still points of serious disagreements among the various strains of dependency theories but there are some core propositions which seen to underline the analysis of dependency theories.

As is well known, dependency theories were originally developed to explain international differences in development Paul Baran, the father of dependency theories attempts to show that economic development in under developed countries is profoundly inimical to the dominant interest in the advanced countries. To avoid such development, the advanced nation will form alliances with pre-capitalist domestic elites and have easy access to domestic resources and thus be able to maintain traditional modes of surplus extraction. With this context the possibilities of economic growth in dependent (underdeveloped) countries would be extremely limited (Baran, 1989). However, Frank (1969) has shown that metropolis-satellite chain ensure that surplus generated at each stage is successfully drawn towards centre. It is satellite status which generates underdevelopment as development of the centre necessarily requires the underdevelopment of the periphery (Frank, 1969).

Some centre-periphery models stress the balanced of payments implication of the particular pattern of production and trade between rich and poor countries which arise from the fact that industrial goods produced traded by rich countries have a higher income elasticity of demand than goods produced by poor countries. In this category lies the model of Prebisch (1950), who arrives at the conclusion that the relative growth rates of periphery and centre will be equal to the ratio of the income elasticity of demand for two countries

commodities:  $\frac{g_p}{g_c} = \frac{e_p}{e_m}$ . Here,  $g_p$  and  $g_c$  are growth rates of the periphery and the centre respectively and  $e_p$  and  $e_m$  are income elasticities of demand for primary goods and manufactures respectively. Since  $e_p < e_m$ . We have  $g_p < g_c$  and this explains the widening relative income gap between the centre and periphery.

**The Theory of Circular and Cumulative Causation:** Gunnar Myrdal (1956) has put forward the hypothesis of circular and cumulative causation as an explanation of the

backwardness of developing nations. Basically, it is a hypothesis of geographical dualism, applicable to nations and regions within nations and it is intended to account for the persistence of spatial difference in a wide variety of development indices like capita income, rates of growth of industrialization and trade, employment growth rates etc.

Accordingly to Myrdal, once development differences appear, there is set in nation a chain of cumulative expansion in the favoured region which has what Myrdal calls “backwash” effect on other regions. Factors flows from one region to another accentuate income differences instead mitigating them. In a free market, capital as well as labour will tend to move where the prospective return is highest and this will be to the region where demand is buoyant capital, labour entrepreneurship will migrate together. The benefits of trade will also accrue prosperous regions. If production is subject to increasing returns, the region experiencing rapid growth of factor supplies will be able to increase its competitive advantage over the relatively lagging regions containing small-scale industries. In the same way, the general freeing and winding in the international markets and the expansion of world trade will tend to favour the more rapidly growing regions within nations states. In, Myrdal’s terms the “spread” effect are always weaker than the “backwash” effects and without state intervention spatial difference in development will tend to widen.

**The Theory of Dualism:** The feature of dualism has also been considered by many economists to be a casual factor underdevelopment (Singer,2007). There are number are possible definition and interpretation of the term dualism, but in the main, it refers to economic and social divisions in an economy such as differences in the level of the technology between sector or regions, differences in the degree of geographic development and differences in social customs and attitudes between the indigenous and imported social system.

Dualism creates a member of problems. For example, different development strategies will be required to cope with dissimilar conditions in different societies and this may involve real resources costs encountered in developed unified economies. Similarly technological dualism may imbeds progress when the ‘modern sector’ possess capital impansive method of production with relativity fixed technical co-efficients and the traditional sector is characterized by labour-intensive techniques and variable technical co-efficient. Because in that case absorption of labour from the traditional section in the modern sector will be highly restricted.

**Export-Growth Model of Regional Growth-Rate Differences:** A.P. Thirwall (1987) shows that it is possible to combines the ideas of Myrdal with the insights of Prebisch and other dependency theorists in a single model called by him “Export Growth Model of Growth-Rate Differences”. The hypothesis Thirwall’s model is that once a region obtains a growth advantage. It will tend to sustain it at the ‘expense’ of other regions because faster growths lead to faster productivity growth (Verdroon’s Law) which keeps the region competitive in the export in the export of goods which gave the region its growth advantage

at the first place. Exactly the opposite is true of the region which obtains an export-growth disadvantage.

**Relevance the Theories on the North Eastern Region:** Now to examine how far the dependency theories are suitable for explaining the underdevelopment of the NER.

Firstly, during the British rule the North Eastern Region was never strongly integrated with British India politically, socially and economically. Even today, the problem of NER is mainly one of weak link and imperfect Socio-economic integration with the rest of India. Therefore, A.G Frank's theory of dependency where periphery is incorporated in to the world economy (in the NERs case via the national economy) to serve the capitalist interest of the metropolis is not applicable to the NER in an unmodified form. However, the careless exploitation of the mineral resources like petroleum, Coal, Wanton destruction of forests to meet the commercial demand of the people in the rest of India, link of the plantation industry with the foreign Capital consequent poor multiplier effect on income and employment, support the dependency theory propounded by Paul Baran who hypothesized that underdevelopment of the backward area is caused by the development of advanced areas.

The model of Prebisch has also some relevance to the North Eastern Region with low income elasticity of demand for its products and high income elasticity of the products it imports from the rest of India. But explanation of regions backwardness derived from such a theory does not touch the root cause as it says nothing about the structural deficiencies of NE economy. The alleged apathy of the Central Government towards the development of the region can not be construed as assign of dependency relation, in the face of high per capita assistance both in plan and non-plan accounts. However, as the Central Government holds control over the infrastructural network like railways, communicational channels, financial institutions etc. the apathy or negligence hypothesis has some kernels of truth in new of the proverbial deficiency in this respect that in the region. Even infrastructure creation is not unrelated to demand and one reason of the underdeveloped infrastructure may be the inadequate demand emanating from defective economic structure of the region.

Secondly, as compared to the dependency theory, Gunar Myrdal's hypothesis of circular and cumulative causations seems to be better suited to explain the relatives backwardness of the North Eastern Region and its inability to participants vigorously in the process of planned development. Following the prediction of Myrdal's theory, both social and economic forces have produced tendencies disequilibrium (regional divergence) in the Indian economic scenario. The growth of the regions like Punjab, Maharastra, Haryana and Gujrat has much greater "backwash" effect than "spread" effect on the economy of the North East in spite of the center's policy of generous resource transfer in this regions on plan and non-plan accounts. The green revolution having greatly bypass the NE states, they are helplessly dependent on import of essential primary products likes rice, fish etc. along with the manufactured items from the rest of India. Capital, entrepreneurship and even skilled labour have been concentrated in the advanced regions. Assam and other North

Eastern states have not been able to strengthen their economics as their base mostly consist of traditional agriculture (along with semi-primitive shifting cultivation), small and cottage industries and only few modern enterprises connected with natural oil and gas extraction., oil refinery, power generation, paper mills etc. and the crisis-ridden plantation sector unable to generate dynamism.

Thirdly, the theory of dualism is also relevant to the NER. The North Eastern Region is characterized by dualism of all types described reinforcing each other. The rural-urban dualism is reinforced by tribal-non-tribal dualism and hills-plains divide. Consequently, even the traditional agriculture is technologically divided between settled and shifting type contributing to social dualism between the present farmers jhumias. This grates complicates the problem of development. The problem of the dualism in the North East manifests itself in twofold dilemma in policy adoption. First, in the NER one must distinguish between economic development of an area and economic of its backward section of population especially the tribals. In spite of the policy of the reservation and other measures of protection meant for the tribals and disadvantages groups the spillover of benefits is so large that any meaningful attempt of development inevitably generates inequality not only between the tribals and non-tribals or between the hills and the plains but also between advanced and backward groups of tribals themselves. The geographic dualism in the region is also intimately related to the problem of striking a balanced between the requirements of economic development and those of protecting the fragile ecology of the region. Although the region is very rich in respect of hydel –power potential, forests, minerals etc. these resources can not be exploited to the optimum limit without keeping in mind the constraint imposed by ecological consideration.

It is observed that dualism as a theory of under-development can explain much of the difficulties faced by the North Eastern Region and it has only theoretical significance but also important policy of implications.

Fourthly, Thirwall's theory has great relevance for explaining the backwardness of the North Eastern states as they have been unable to participate vigorously in meeting increasing national demand for goods through regional exports. The North Eastern states face great imbalance between their exports and imports and this gap is being met through high rate of resources transfer from the Central Government to the states and generation of disproportionately large services sector. But central resource transfer has failed to have the desired multiplier effect and thus generate dynamics in the North Eastern economy as income leaks out of the region through various channels of imports of both consumptions and capital goods.

**Conclusion:** The foregoing review of the theories of underdevelopment and examination of their applicability to the North Eastern situation go to show that although these modes are useful in many ways, they can not answer all questions. The level of economic development of the North Eastern could suggest that there is a wide gap between the potential and actual development. The region is not only more backward than India as

whole, but its backwardness stands in the great contrast to its resource endowments. In particular theories are unable to explain Government failure in achieving rapid growth of the regional economy. The Government in the political units of region have not been too much concerned with the welfarish approach rather the commodity producing sector and the task of long term, growth. The fact lies at the root of non-fulfillment of the aspirations of people of the region giving birth to strong descent against the national policy. Firstly, it was expected that during the plan period, the rate of economic growth of the NER would be high enough so that a substantial reduction in regional inequality would be achieved. But the inequality seems to be on the increased. Secondly, the natural, resources, particularly forests, minerals and hydral resources expected to utilized for industrialization of the region so that what Bhattacharjee (2003), called 'regional colonialism' would come to on end. Thirdly, in the process of economic development, the indigenus population of the region would have their genuine share of participation in the process of development. Fourthly, it was expected the pattern of economic development would be in conformity with maintenance of the socio cultural identify of tribal groups and their environment and protection of their interests from the attack on the market economy. Finally, the successive Indian Governments supported the Indian 'Look East Policy, built on it. It is this process that a new vision to serve as the gateway to South East and East Asia, Jairam Ramesh, (2005), forcefully argued, "political integration with the rest of India and economic integration with east and South East Asia particularly to certainly one direction that this region must be looking to as a new way of development".

It is alleged that none of these aspirations have been fulfilled during the plan period. The Government in the political units of the region have not much concerned with the welfarish approach and thus, most of these aspiration remained unfulfilled.

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