AN ASSESSMENT OF DEVELOPMENT AND PLANNING *

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I – INTRODUCTION:

Development and planning separately or together, are the two vital subjects which have drawn a great deal of attention of public and the scientists, with respect to theory, policy and technique. In most cases, the concept of development calls for planning: since some economists view planning as a "must" or an indispensible catalyst for development. Considering planning and development as complementary concepts under certain restricting assumptions, is the prime aim of this paper. This paper intends to pinpoint the various features of development and planning so that the project analysts could avoid using eyeblinkers and gain a broader perspective in relation to integration of a single project with the whole economy. This is very much like the organ transplantation problem that the surgeries are faced with. Cells, tissues, organs and the whole body (constituents and the body) should be properly put together to reconstruct the magnificiant harmony of the nature.

There have been great efforts given by the economists and the other social scientists in linking the two concepts: development and planning, former being very intricate due to its intangible and qualitative nature, and the latter sophisticated and quantitative in character. Probably, this is why the studies on the common set of development and planning are mostly carried out by the econometrists. Development, being a multidimensional subject with numerous unsolved issues deserves endeavour of an increasing number of professionals. It is inevitable that development draws not only the professionals' attention, but also, the majority of the world population's. Great majority of the world population living in the underdeveloped countries and the small minority in the developed countries, cooperatively or independantly, have been trying to find out concrete solutions to the ''backwardness''. The problem is

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not limited with single nations, but it is rather international or even supranational in nature. In other words, underdevelopment may be counted as an international eqidemic! Therefore its not only the problem of the poor, but the rich's as well! If balanced world development is desired by both parties, poor and rich, only then "mutual interest" may be relevant and meaningful.

II – DEFINING PROBLEM:

Consultant to General Director

"If language is not correct, then what is said is not meant. If what is said is not meant, then what ought to be done remains undone."

Confucious.

One can't possibly give at once a thorough and a generally accepted clear definition for economic development. Therefore, some economists, instead of defining "economic development", prefer to express what it is not. It should be recognized that economic development is not equivalent to the total development or a general development of a society. Actually general development consists of social, political, economic, legal or administrative and cultural development which are interrelated to each other. Therefore, economic development should be viewed as a subset of the general development and it should no be equated with industrilisation. Industrilisation may be an appropriate strategy for accelerating a country's economic development but it is not by itself the economic development. As G.M.Meier stated, "economic development is much more than simple acquisition of industries" (1). Economic development is defined or rather interpreted by Gunnar Myrdal as the "upward movement of the entire social system" (2). Attainment of a number of "ideals of modernization" may also be used as indicators of economic development. Some of them may be listed as follows: "a rise in productivity, social and economic equalization, modern knowledge, improved institutions and attitudes, and a rationally coordinated system of policy measures that can remove the host of undesirable conditions in the social system that have perpetuated a state of underdevelopment".(3)

Economic development should not be equated with economic growth either, since it consists of growth plus the structural change which has qualitative aspects,

⁽¹⁾ G.M.Meier, Leading Issues In Economic Development, 1971, pp:6

⁽²⁾ G.Myrdal, Asian Drama, New York, 1968, p.169

⁽³⁾ G.M.Meier, Loc.cit.

some of which are listed above. In other words, growth doesn't necessarily bring forth economic development. In order to accomplish economic development, some subgoals beyond economic growth, should be set. For instance, goals like certain distribution of income, maximum level of unemployment, minimum level of consumption of certain goods and services may take place as sub-goals within the overall development targets. Increase in Real per Capita Income of a country is frequently and traditionally used as an index to indicate economic development since it is thought that this index embraces most of the above - mentioned dimensions of the economic development. Although it is not quite easy to give a precise meaning to economic development, it is obvious that the ultimate objectives of economic development should be listed as follows: better nourishment, better health, education, better living conditions, and expanded range of opportunities in work and leisure. As A. Lewis said, "The advantage of economic growth is not that wealth increases happiness, but that it increases the range of human choice.))

III – CHARACTERISTICS OF UNDERDEVELOPMENT:

Professor Harvey Leibenstein had provided a list of characteristics of which were based either on statistical facts, general observations or conclusions from analysis. This list of characteristics is given below:

A) General Economic Characteristics:

- 1. " A very high proportion of the population in agriculture, usually some 70 to 90 per cent.
- 2. "Absolute over population" in agriculture: that is, it would be possible to reduce the number of workers in agriculture and still obtain the same total output.
- 3. Evidence of considerable "disguised unemployment" and a lack of employment opportunities outside agriculture.
- 4. Very little capital per head.
- 5. Low income per head and, as a consequence, existence near the "subsistence" level.
- 6. Practically zero savings for the large mass of the people.
- 7. Whatever savings do exist are usually achieved by a landholding class whose values are not conducive to investment in industry or commerce.
- 8. The primary industries, that is, agriculture, forestry and mining are usually the residual employment categories.
- 9. The output in agriculture is made up mostly of cereals and primary raw materials, with relatively low output of protein foods. The reason for this

is the conversion ratio between cereals and meat products; that is, if one acre of cereals produces a certain number of calories, it would take between five and seven acres to produce the same number of calories if meat products were produced.

- 10. Major proportion of expenditures, on food and necessities.
- 11. Export of foodstuffs and raw materials.
- 12. Low volume of trade per capita.
- 13. Poor credit facilities and poor marketing facilities.
- 14. Poor housing.
- B) Basic Characteristics in Agriculture
 - 1. Although there is low capitalization on the land, there is simultaneously an uneconomic use of whatever capital exists due to the small size of holdings and the existance of exceedingly small plots.
 - 2. The level of agrarian techniques is exceedingly low, and tools and equipment are limited and primitive in nature.
 - 3. Even where there are big landowners as, for instance, in certain parts of India, the openings for modernized agriculture production for sale are limited by difficulties of transport and the absence of an efficient demand in the local market. It is significant that in many backward countries a modernized type of agriculture is confined to production for sale in foreign markets.
 - 4. There is an inability of the small landholders and peasants to weather even a short-term crisis, and as a consequence, attempts are made to get the highest possible yields from the soil, which leads to soil depletion.
 - 5. There is a widespread prevalence of high indebtedness relative to assets and income.
 - 6. The methods of production for the domestic market are generally oldfashioned and inefficient, leaving little surplus for marketing. This is usually true irrespective of whether or not the cultivator owns the land, has tenancy rights, or is a scharecropper.
 - 7. A most pervasive aspect is a feeling of land hunger due to the exceedingly small size of holdings and small diversified plots. The reason for this is that holdings are continually subdivided as the population on the land increases.
 - C) Demographic Characteristics:
 - 1. High fertility rates, usually above 40 per thousand.
 - 2. High mortality rates and low expectation of life at birth.

- 3. Inadequate nutrition and dietary deficiencies.
- 4. Rudimentary hygiene, public health, and sanitation.
- 5. Rural overcrowding.

D) Cultural and Political Characteristics:

- Rudimentary education and usually a high degree of illiteracy among most of the people.
 - 2. Extensive prevalence of child labor.
 - 3. General weakness or absence of middle class.
 - 4. Inferiority of women's status and position.
 - 5. Traditionally determined behaviour for the bulk of the population.

E) Technological and Miscellaneous:

- 1. Low yields per acre.
- No training facilities or inadequate facilities for the training of technicians, engineers, etc.
- 3. Inadequate and crude communication and transportation facilities, especially in the rural areas.
- 4. Crude technology. (4)

The characteristics listed above are mostly common for the underdeveloped countries in varying degrees. It should be noted that the underdevelopment category is quite a wide range. In this category whatever it is called, "backward", "underdeveloped" or "developing", poor countries take place. These countries are at the bottom of the ranking of the countries of the world by pear capita real income.

These countries are counted or classified as "poor" with respect to quality of diet, housing, transportation, health education and so on. Of course in ranking, some are poorer than the others. Approximately 70% of the world population is "poor" in this respect. The recent trends in development indicators show that underdeveloped countries are not better off in all respects (5).

⁽⁴⁾ Benjamin Higgins, Economic Development, New York, 1959, pp: 11-13.

⁽⁵⁾ See the Table 1 — "Selected Indicators of Development". taken from Fikret Senses, "Development Economics at a Crossroad", Studies In Development, Vol: 11, 1984, p:119.

Share of Primary	Pro.in Total	rt (6)	1960–1981	50 57	27	ol de la constante	1960–1981	34 41	90	and servic
Share of	Pro.in	Export (6)		79 89	34	School Enrolment (12)		18 14	64	of goods ol as perce
Export	Growth	(5)	1960–1970 1970–1983	5.4 0.3 5.4 2.6	8.5 5.6	Life Expectancy (Male) (11)	1960–1982	42 58 49 58	68 71	 (9) debt service as percentage of exports of goods and services (10) avarege annual rate (per cent). (11) at birth (years). (12) number enrolled in secondary school as percentage
lture's	Share in GDP	(†	1982	dod alls ju	i jud	nd position.	-1970 -1982	11.5 12.8	6'6	 (9) debt service as percentage of ex (10) avarege annual rate (per cent) (11) at birth (years). (12) number enrolled in secondary of an error
Agriculture's	Share i	(4)	1960–1982	49 37 24 15	6 3	Rate of Inflation (10)	1970–1970 1970–1982	3.2 3.0	4.3	 (9) debt service as p (10) avarege annual (11) at birth (years) (12) number enrolle
Investment	Rate	(3)	1960–1982	24 24	20	Debt Service Ratio (9)	1970–1982	8.8 1 16.9	and ¹ 435 18 anni 19 anni	Supply - C
Inve	byi			5 19 4 20	2.8 21	Debt S Ratio (9)		87 11.3 91 10.1	66) (per.cer
GDP	Growth	(2)	1960–1970 1970–1982	4.5 4.5 6.0 5.4	5.1 2.	Terms of Trade (8)	1979–1982	108 87 99 91	106 9	 (1), (2) and (5): average annual rate of growth (per cent) 3) Share of gross domestic investment in GDP (per cent) (4), and (6) : per cent. (7) share of industrial market economies (IME) in exports (per cent)
Population	Growth	lagop Colora RWGE	1960–1970 1970–1982	1.9 2.4	0.7	IME Share in Exports (7)	1960–1982	52 65	99	rate of grow stment in G conomies (II
Pop	Gro	(1)	196	es 2.3 mies 2.6	1.1	IME in E	196	ies 51 mies 68	67	ge annual nestic inve market e
			E1-11 m	e Economi me Econo	arket (IME)			e Economi me Econo	larket (IME)	(5): avera f gross dor) : per cent f industrial
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Source World Bank. World Development Report 1984, Washington, 1984.

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TABLE 1: SELECTED INDICATORS OF DEVELOPMENT

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IV - UNDERDEVELOPMENT OF "DEVELOPMENT ECONOMICS"

What we call progress is the exchange of one nuisance, for another". - Havelock Ellis

In the post - war years, the concept of economic development has been introduced to emphasize the distinction that should be made between economic growth and economic development. In the post- war years, due to the widening of the gap between the developed and the underdeveloped countries, new tools for diagnosis and prescriptions for underdevelopment were demanded. It is quite apparent that the gap between the industrialized and the unindustrialized countries widened because of the following factors:

- a) Even a small percentage of growth of industrialized countries is much greater in terms of absolute values, compared to the higher growth rates of the poorer countries.
- b) Productivity increases in industrialized countries are higher than the increases realized in underdeveloped countries.
- c) With high growth rates, population growth in underdeveloped countries is a restricting factor for achieving economic welfare.

It seems that efforts of introducing new instruments to ' deal with underdevelopment created development economics. Development economics aims to solve the bundle of intricate problems of under-development which are interwoven in character. Therefore, development economics is multidisciplinary and interdisciplinary in nature. And it is the least settled field. The tools introduced for diagnosis and prescription of underdevelopment have not been thoroughly developed yet. Since "development is not smooth, uni-directioal and non problematic but, in Schumpeter's words, is ... 'lopsided', 'discontinuous', 'disharmonious', the solution of one set of problems leads to the creation of new ones which in turn require solution" (6) In other words'', There are always problems to every solution''. (7)

In his article, "Development Economics: Some Thoughts On Its Past and Its Future", George Rosen achieves a conclusion: "Most development economists

⁽⁶⁾ Frederick Nixon, "Economic Development: Utopian Ideal or Historical Process, "Studies In Development (Special issue on Development Economics) Middle East Technical University, Ankara / Turkey, Vol: 11, 1984, pp.89.

⁽⁷⁾ Paul Streeten, "Development Dichotomies", World Development Vol: 11, No. 10, 1983, p: 886.

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today realize that economic development is a for more complex process than they thought when the discipline was first being formulated. In the early days of development the economist was 'king'; today his role is far more limited, and his work is most valuable when it is associated with other disciplines, such as anthropology and political science. The economist is a technician with a very useful bag of tools. If those tools are used effectively they can have desirable consequences: if they are not so used the results can be costly and even disastrous'' (8).

I think the ambiguities and the complexities of the development problem, and the underdevelopment of the development economics, lead J.Bhagwati to say, "It is perhaps true that the only valid generalization in development economics is that no generalization is possible." (9)

"Albert Hirschman, in his stimulating essay entitled "The Rise and Decline of Development Economics" (Hirschman –1981) used two criteria for classifying development theories: one, whether they asserted or rejected the claim of mutual benefits in North–South relations: and two whether they asserted or rejected the claim of monoeconomics, that there is a single economic discipline, applicable to all countries and at all times. Using this classification, he derived four types of theories. Orthodox (neoclassical) economics asserts both claims. Neo-Marxist and dependency theories reject both claims. Development economists tend to reject the monoeconomics claim-the reason for their existance calls for a distinct subject - but to assert the mutual benefit claim, whereas paleo-Marxists assert the monoeconomics claim (except insofar as class determines consciousness) but reject the mutual benefit thesis.

One may want to quibble with Hirschman's classification. Development economists comprise a large group, many of whom would reject the mutual benefit claim, without regarding themselves as Neo-Marxists or dependency theorists. Others would assert the unity of economics, while considering it legitimate to carve out special areas for development economics, to which particular branches or modifications of the single discipline apply. In other words, there are development economists who analize interest conflicts and development economists who are neoclassical. Jon Elster has pointed out that Marx in his Theories of Surplus Value makes the point that capitalist countries exploit "backward" countries even though both parties gain from exchange. (Elster 1922). And Joan Robinson wrote: "The misery of being exploited by capitalist is nothing compared to the misery of not

⁽⁸⁾ George Rosen, "Development Economics: Some Thoughts on Its Past and Its Future", Studies In Development, Vol: 11, 1984, p: 27

⁽⁹⁾ Jagdish N.Bhagwati, "Development Economics: What Have We Learned". Studies In Development, Vol: 11, 1984, p: 49

being exploited at all". (Robinson 1964: 46). Mutual benefit is therefore not denied" (10).

In general, theories aming to bring forth an explanation of how development begins and proceeds and the role of public policy in that process, may be classified in two groups:

a) View centered on the idea that development is just a stage in the course of economic growth. Walt Whitman Rostow's The Stages of Economic Growth, (an anticommunist manifesto) is the most popular work in this category. According to this view, all countries travel along a certain growth path. Today's developed (rich) countries have passed the stage of "take-off" and have arrived to the stages either "stage of maturity" or "stage of high mass-consumption. ". On the other hand, today's underdeveloped (poor) countries have not yet realized the "preconditions for take-off" or completed the "take-off". This view implies that when the underdeveloped countries complete the missing factors in each of the stages, they will inevitably reach to a stage where self-sustained growth will take place. This view ignores the impact of the rich countries on the poor. It is widely criticized because of the theory's excessively deterministic nature and its hidden assumption of independant growth path for each country.

b) View centered on the idea that underdevelopment is a consequence of developed countries. The well-known representative of this view, Andre Gunder Frank, says "the rich 'underdevelope' the poor." According to this view, coexistence of rich and poor, leads failure in developing a consistant and a relevant development policy. The conclusion from this view is that underdeveloped countries should put up "barriers between themselves and the destructive intrusions of trade, technology, transnational corporations, and educational and ideological influences, and should aim at "delinking" or "decoupling", at pulling down a poverty curtain, at insulating and isolating themselves from the international system". (11)

It is quite obvious that the views expressed above are incomplete in various respects and rooted from ideological points.

The ambiguities and the intricate nature of the under-development and the development process with economic and non-economic, qualitative and quantitative factors made it impossible to "manage" the "development problem" unless a high degree of abstraction and thus oversimplification be done. This phonomenon of oversimplification with its comparative advantage in relation to management, lead countries to adopt simple "growth" models as a realistic "substitute" for development

⁽¹⁰⁾ Paul Streeten, "Development Economics in Retrospect and Prospect", Studies In Development, Vol: 11, 1984, pp: 29-30

⁽¹¹⁾ Paul Streeten, "Development Economics In Retrospect and Prospect" Studies In Development, Vol: 11, 1984, p: 34

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models. For instance Harrod-Domar growth model is the most famous one used for this purpose. This model takes capital as the key factor. The growth rate is given by avarage saving ratio over marginal capital-output ratio.

$$g = \underbrace{S}{c/o}$$

g = growth rate S = avarage saving ratio c/o = marginal capital output ratio.

This model points the importance of the resources to be devoted, and channelled to investment. Of course, from this simple identity, one can deduct the two following important policy implications;

- a) to achieve a certain growth target the required resources should be provided,
- b) The required resources may be from domestic savings and/or foreign resources (aid, credit, direct investment, etc.)

Simple theories have great comparative advantages with respect to applicability but they exclude most of the important determinants. They are centered or focused on few factors. Policy implications derived from such theories are mostly straight forward and simple. For instance, R.Nurkse's well-known description on underdevelopment with "vicious circle of poverty " is also centered on the income deficiency. According to Nurkse's view, poverty is both the cause and the result of under-development. In other words, since a poor country has a low-income, its short of sufficient savings. Due to the low-savings capacity country is deprived of realizing the necessary investments to produce increased income. In this vicious circle, low income yields low income! Harrod–Domar model prescribes the means that can break the circle or rather convert this circle to a kind of spiral, ignoring all the bottlenecks that the underdeveloped countries encounter except the capital deficiency I think the danger of oversimplification is that it injects optimism!

V – PLANNING:

Especially in the post-war years efforts of adopting planning as an instrument for economic development have been increasingly realized. For instance, before the Second World War the sole planning implementation was witnessed in Soviet Russia. On the contrary, after the World War II most countries regardless of their development levels, have adopted planning, in varying degrees, as a catalyst for their development either to sustain or to initiate. It is interesting to note that planning, as an economic policy tool was used not only in the centrally planned economies but also in the market – oriented economies. Some underdeveloped countries have perceived planning as an indispensible tool for their development. These countries were in

urgent need of narrowing the gap which was formed between the developed and the underdeveloped countries. Development problems were mostly neglected and underestimated or ignored mainly because of the liberal doctrine which was dominant for years. Classical economic view was based on the idea of automatic equilibrium. In this context, there was no need for a state intervention to maintain equilibrium. However, beginning with the great depression in 1929, this belief of "magnificiant dynamics" have lost its miracolous strength. Doubts on the efficiency of the invisable hand in realizing the optimum resource allocation induced a demand for a visible hand to regulate market. J.Maynard Keynes with his work in 1936, introduced the "visible hand" of government to maintain this equilibrium. This is how the active economic policy emerged once again in the history of economics. As a consequence of this event, economic planning came into sight.

I think any "visible hand" should not be equated with planning. All controls, arbitrary or planned, should not be counted as the outcomes of economic planning. As, P.T.Bauer stated, "Since about the 1960's close state economic control has become the order of the day in less developed countries, especially over much of Asia and Africa. The instruments of control include state monopoly of major branches of industry and commerce notably in the import and export trade, including agricultural exports; numerous state-owned and operated enterprises; official licensing of commercial and industrial activity, including the establishment and operation of businesses; ethnic quotas in employment and in the allocation of licenses; comprehensive control over international transactions; restriction on the external and domestic movement of people, capital and commodities; officially prescribed prices and wages: and large-scale state support to cooperative societies which are in effect extensions of government departments rather than voluntary cooperative societies such as are often seen in the "West" (12). In order to clarify the distinction between the extensive state control and the economic planning, the following definition may be useful: All activities pertaining to accomplish certain socio-economic objectives, most of which should be set in measurable terms, for a certain region within a certain period of time, and by organs which are intentionally organized for the purpose of implementing instruments that are previously decided may be called economic planning.

Economies with respect to economic planning may range from entirely planned to entirely unplanned status in a planning continium. Imperative central planning, mostly used in Eastern Socialist countries may be situated very close to the entirely planned status. On the other hand, market-oriented economies implement indicative planning for private enterprises. In these countries economic planning is accepted not

(12) P.T.Bauer, "Market. Order and State Planning in Economic Development", Journal of Economic Growth, Vol: 1, No.1, 1986, p: 9

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- Market prices do not reflect the opportunity costs to society. (In other words, private costs and benefits differ from public costs and benefits, due to externalities, monopolistic market structures, indivisibility and immobility and immobility of factors of production, state intervention etc.)
- Personel income distribution is disregarded.
- Lack of institutions and organisations required for the proper functioning of the market mechanism. (for instance lack of capital market, and enterpreneurship)

- As a consequence, market mechanism in underdeveloped countries wastes the scarce resources.

It seems true that the development level of a country may be correlated to the functioning quality of the market mechanism, since most of the arguments related to malfunctioning of the market forces listed above diminish and even disappear as the country gets developed. Then the problem is to "develop" the market mechanism and economic planning may well be suited for this purpose.

Professor Jan Timbergen, pioneer in introducing the "Planning by stages", insists on the idea that instead of rejecting planning it should be improved. In his latest essay, Timbergen wrote: "Individual projects cannot be appraised, in my opinion, without the framework of at least a national plan, if not even a plan covering a wider area. Instead of rejecting we must try to improve planning. An example of the impossibility to appraise a project without a general plan is an electricity plant. Itsuse cannot be estimated if we don't know to what industries electricity will be supplied" (14) Timbergen's explanations refer to his former view on "planning by stages".

(13) P.T.Bauer, Ibid, p: 4

⁽¹⁴⁾ Jan Timbergen, "Lessons and Prospects", Studies In Development, Vol: 11, 1984, p: 15.

Among various types of planning, "planning by stages" occupies a very special place due to its being adopted by most of the underdeveloped countries in . their, development planning. This type of planning consists of three stages, (macro planning, sectoral analysis, micro planning) all linked to eachother to maintain consistency. In macro planning stage, macroecnomic variables (growth rate, savings, capital/output ratio, Investment, etc.) of the selected growth model are set. In the sectoral phase, amount of the final goods to be produced, the input requirements of the sectoral output (demand of the intermediate goods) and the interindustrial relations are set to achieve the target stated in macro stage. Microplanning being counted last, but is never of the least importance. It is probably the most vital part of the economic planning since it consists of the building blocs of the whole planning framework. Appraisial and evaluation of projects, consistant with the sectoral requirements, are realized in this stage of planning. Criteria used in the project evaluation process are of high importance with respect to the projects impact on the firm and the national economy. Projects may be evaluated from the national economy's point of view by measuring the project's contribution to national income, employment, balance of payments, consumer's rant, or simply by calculating the social cost/ henefit.

Various techniques are implemented in economic planning to accomplish consistency and optimisation. Input -output analysis for consistency and linear programming for optimisation are the two practical tools mostly used in many countries' development plans.

It should be noted that the success of economic planning is closely tied to factors like political stability, administrative efficiency, availability of data and a number of feasible projects, proper implementation of the advanced planning techniques and realistic formulation of economic development.

V - CONCLUSION:

Dominant feature of the world economy is dualism, which has been created by the coexistence of the developed and the underdeveloped countries. This structure prevails until the world wide measures are taken by both parties. Otherwise measures taken by single nations will fortify dualism especially through policies avoiding integration with the rest of the world. So underdevelopment should be regarded as an international problem and all countries, poor and rich, benefit from the solution of it.

Underdevelopment theories and development economics are incapable of prescribing appropriate policies, to initiate and sustain development which is complex and ambiguous in nature. As a consequence of this event, growth models with few

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variables have been adopted as a substitute for this purpose. (Of course, availability and applicability of such models don't necessarily indicate their relevance) However, there hasn't been any better device invented or discovered yet.

Economic planning, if it is properly implemented, may be a valid device in developing the market mechanism in the underdeveloped countries which have poor performance in resource allocation. In this sense, the role of economic planning in the market economies is to maintain properly functioning market mechanism. All goals and subgoals of development should be aimed at this ultimate objective.

Success of economic planning in development depends on not only the careful implementation of plan but also the realistic and rational formulation of development which is multidimensional in character. G.M. Meier confirms this view by saying, "a major difficulty with development planning has been the economists' inadequate understanding of the development process and that the secret of successful planning is not only - nor even mainly - a matter of implementation". (15)

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