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THE INTERNATIONAL ECONOMICS OF DEVELOPMENT

# **From Classical Economics to Development Economics**

Edited by

**Gerald M. Meier**

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First published in Great Britain 1994 by  
**MACMILLAN PRESS LTD**  
Houndmills, Basingstoke, Hampshire RG21 6XS  
and London  
Companies and representatives  
throughout the world

A catalogue record for this book is available  
from the British Library.

ISBN 978-1-349-23344-1 ISBN 978-1-349-23342-7 (eBook)  
DOI 10.1007/978-1-349-23342-7

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First published in the United States of America 1994 by  
**ST. MARTIN'S PRESS, INC.,**  
Scholarly and Reference Division,  
175 Fifth Avenue,  
New York, N.Y. 10010

ISBN 978-0-312-12033-7

Library of Congress Cataloging-in-Publication Data  
From classical economics to development economics / edited by Gerald  
M. Meier.

p. cm.

Includes index.

1. Economic history. 2. Economic development—History.  
3. Classical school of economics. 4. Asia—Economic conditions.  
5. Asia—History. 6. Development economics. I. Meier, Gerald M.  
HC51.F76 1994

330'.09—dc20

94-37497  
CIP

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© Gerald M. Meier 1994

Softcover reprint of the hardcover 1st edition 1994 978-0-333-60414-4

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Transferred to digital printing 1998  
02/040 March 1998

To **Hla Myint** — a leader on the development frontier who for more than four decades has enriched the subject with his reinterpretation of the dynamics of classical economics, welfare economics, and the history of economic thought.

Generations of students, professional economists, and development practitioners have benefited from the breadth and quality of his insights.

In his honor, former students, colleagues, and friends now contribute these essays.

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# Preface

Most development economists are versed only in the post-World War II period of their subject. But economic growth was a major concern in the eighteenth century, and colonial economics and policy commanded much attention in the nineteenth and first half of the twentieth centuries. A return to these earlier concerns can now provide present-day development economists with a greater appreciation of the intellectual history of their subject. Even more, such a return might strengthen the conceptual and empirical foundations of the subject. These are this book's objectives.

The contents range from a general exposition of the relevance of classical economics for development issues to specific studies of countries and periods in terms of export-led development, colonial policy, colonial economic thought, and the role of government. Taken as a whole, the volume may widen the perspective of development economics and encourage fresh thinking for the future in light of the past.

Special appreciation is extended to all the contributors. As a warm personal tribute to Hla Myint, each contributor undertook his assignment most generously and enthusiastically. And their essays have been contributed with the highest professional care.

Ronald Findlay, Deepak Lal, and Heinz Arndt have been most helpful in advising me on the volume's contents and contributors.

Support from the Economic Development Institute of the World Bank is also gratefully acknowledged. David Davies of the World Bank was especially encouraging, and it is satisfying to know that development practitioners recognize the value of the larger and longer perspective, as represented in this book.

GERALD M. MEIER

# Notes on the Contributors

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**P. J. Drake** is Vice-Chancellor of Australian Catholic University. His previous academic appointments were in The University of New England, where he was Deputy Vice-Chancellor and Head of the Department of Economics, The University of Melbourne and The Australian National University. He has held visiting fellowships in the University of Manchester and the University of London, Institute of Commonwealth Studies. He has been an adviser to the World Bank, the Australian International Development Assistance Bureau and various governments in the Pacific region. Professor Drake has published many journal articles and several books, including *Money, Finance and Development*.

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**R. M. Sundrum** was educated in economics at Rangoon University and had his first academic appointment there. Since then, he has been with UNESCO, ESCAP and the World Bank. He has been a visiting professor at Columbia University, Delhi University, the University of Kerala and Dalhousie University, and has been a consultant to the IMF and ILO. He was a Professorial Fellow in Economics at the Australian National University, 1970–89. His most recent book is *Economic Growth in Theory and Practice* (1991).

“Our interpretation of the classical outlook on the economic problem, if accepted, seems to cast a serious doubt on the practice of taking it for granted that the central problem of the classical economists was to demonstrate the ‘allocative efficiency’ of the equilibrium adjustments to consumers’ demand in the free market. ...The central principle, which successfully unifies the various classical economic doctrines from Adam Smith to J.S. Mill, embodies the following fundamental proposition: viz. the economic welfare of society can be more effectively promoted (i) by increasing the physical productivity of labour, and (ii) by increasing the total volume of economic activity, rather than by tamely accepting the given quantity of productive resources and making refined adjustments in allocating them among different industries. From this follow the two major canons of classical economic policy, (i) free trade which extends the scope of division of labour and brings fresh resources into the productive framework, and (ii) capital accumulation which enables society to maintain a greater quantity of labour....

“After all, even when the economic welfare of society is regarded as consisting in the satisfaction of individuals’ wants, it cannot be denied that this subjective economic welfare is as much quantitatively affected by the techno-institutional factors as by the equilibrium process of the market. Or perhaps even more. Therefore, it is not surprising that after decades of work on the ‘allocative’ problem many modern economists should have turned their attention to such problems as output per man hour, the extent of unused capacity, the socially desirable rate of investment, etc., problems having a distinctly classical flavour.”

— Hla Myint, *Theories of Welfare Economics* (1948), pp. 12, 14.