

UNDEREMPLOYMENT, REMOVABLE SURPLUS AND THE SAVING FUND

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THE concepts of 'full' and 'under' employment acquired prominence in economic analysis with the advent of Keynesian Economics and soon the concept of 'disguised unemployment' joined their rank. By fusion the concept of 'disguised underemployment' was evolved to analyse the economic situation in the underdeveloped areas. Since the 1940's it has been one of the corner-stones of the theory of economic development of these areas.

As against the older discussions that were carried out in terms of over-population in relation to an optimum, which was never satisfactorily defined, the new concept was held to have a more precise meaning and to be operationally significant even in static terms. A considerable literature grew up based on the belief that most underdeveloped countries suffered from disguised underemployment, particularly in agriculture, and estimates of it ranged from 20 to 50 per cent of the total agricultural population. It was supposed to represent surplus population that could be removed without any significant reorganization of agriculture and without reducing agricultural production. The next step was to discover a concealed saving potential in this surplus which could be used for increasing capital formation without significantly increasing consumption and so bringing about economic development of these countries under their own steam. Increasing of investment without reducing consumption represented a compromise between the classical notion of investment and consumption being alternatives (under full employment) and the Keynesian one of investment and consumption as possible complements (with under-employment).¹

Some criticisms were directed against this analysis. The criticism was broadly directed to two aspects, (a) the measurement and extent of invisible or disguised underemployment and the removable surplus population; (b) the extent and significance for economic development of the 'savings fund' concealed in it.

¹ Duesenberry James S., 'Some aspects of the theory of Economic Development' (*Mimeo-graphed*), *Explorations in Entrepreneurial History*, Vol. III No. 2, December 15, 1950.

Nurske Ragner, *Problems of Capital Formation in Underdeveloped Area*, Oxford, 1955.

Besides these two those who actively developed, the analysis of invisible or disguised underemployment and/or tried to measure it in the field may be mentioned, Rosenstein-Rodan, Lewis W. A., Singer H., Molinari A., etc.