

MEASUREMENT OF ECONOMIC DEVELOPMENT AND GROWTH POTENTIAL

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I. *Introduction*

1. Even though the acceptable practice for measurement of the level of economic development of a country is in terms of *per capita* income, the fact that this measure may not be quite satisfactory has been pointed out already, among others, by Haberler.¹ In this paper an alternative measure has been suggested. We wish to examine whether it would be more meaningful to compare the level of development of an economy with its own 'developmental potential'.

2. Economic development can be viewed as the process of the transformation of the economy from its present level of technology to a better technology. But when we are thinking of Development Potential we should look to the "best available technology".² A technology, that is "best available technology", for one economy may not be so for another one; because initial conditions at the time when technological transformation is being considered, including the resource base, in terms of natural and human resources may not be the same for two different economies. The problems of determining which one is the best available technology for this particular economy at this time is itself a complex problem. Thus, India may have various alternatives to choose from: for example, the U.S. 1961 technology, the technology of Germany of 1956, and of Japan for 1955 etc. In such a case when India in 1961 has three alternative technologies available it is not obvious which one of these three alternatives, will be most suitable for India in 1961 to adopt. In our framework we assume that this problem has already been solved and we 'know' the

¹ G. Haberler, *International Trade and Economic Development*, Fiftieth Anniversary Commemoration Lectures, National Bank of Egypt, Cairo, 1959. See also the Appendix.

² Attention may here be drawn to Dr. Anne Carter's early work. See for example, Anne P. CARTER, 'Innovation and Diffusion', *Conference on Quantitative Description of Technological Change*, April 6-8, 1951, sponsored by the Committee on Economic Growth, etc., Social Science Research Council.