

Review Article

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Vol.XLII, No.4, December 2000, pp. 385-397

Development Microeconomics*

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I Introduction

In recent times interest in economics of development has once again gained in importance. The present set of literature is different when compared to the earlier set of literature on development economics. Much of the earlier literature was oriented towards policy with an emphasis on industrialization of countries. The agricultural sector was expected to respond to the signals of industry by supplying labour, raw material and wage goods needed for industrialization. Further, agricultural sector was supposed to absorb the output of industry either in the form of consumption or as input in agriculture. The industry-agriculture linkages are expected to pull the economy on a growth path with industry playing the role of engine of growth. The industrial sector was viewed as the engine of growth in the economy. However, the stimulus provided by industry did not always translate into growth in the aggregate economy, raising some important questions in development economics in general and development and growth of agricultural sector in particular. In this context, it is worth noting the contributions emerging from the study of contracts in the agricultural sector, most notably the tenancy contracts, the labour contracts etc., within the discipline of what is being called 'Institutional Economics'. The present day models in development economics, which evolved in this context, have shifted the emphasis from policy prescription involving industrialization to understanding the role of agricultural sector and the forms of organization of production in agriculture.

The Handbook of Development Economics (Vols.1,2,3A,3B) provides an exhaustive review of the work done in this latter tradition. One of the early books in this tradition, before the Handbook Series, was by Kaushik. Basu (1984) titled "The Less Developed Economy: A Critique of Development Economics". As the title indicates, the book attempts to understand a less developed economy and in the process develop a critique of the earlier development economics. Debraj Ray (1998) has a book titled "Development Economics" which emphasizes the importance of inequality and its relation to development. The latest book in this tradition, the book under review, is by Pranab Bardhan and Christopher Udry (1999) titled "Development Microeconomics" which is published by the Cambridge University Press. Another book which also studies issues of development but from a class efficiency framework is by Amit Bhaduri (1983) and the book is titled "The Structure of Backward Agriculture".

*By Pranab Bardhan and Christopher Udry, Oxford University Press, Mumbai, 1999, pp. 242, Rs.425/-.

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The author is grateful to the anonymous referee for the incisive comments. I am also grateful for the comments on the earlier draft by Professor V. S. Chitre, Professor Arindam Das Gupta, Dr. Kavita and Dr. Sunil Ashra. Of course, the mistakes that still persist are the authors only.