

# The Fall of Ragnar Nurkse: A Long and Winding Road to Underdevelopment

Ragnar Nurkse was a Swedish economist who developed a theory of 'balanced growth' in the 1950s. Nurkse's theory was based on the idea that economic development could not be achieved through a piecemeal approach, but rather required a simultaneous investment in all sectors of the economy. Nurkse's theory was once a popular development strategy, but it has since fallen out of favor.

## Nurkse's Theory of Balanced Growth

Nurkse's theory of balanced growth was based on the following three assumptions:



### The Fall by D. Nurkse

★★★★★ 5 out of 5

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\* First, Nurkse argued that economic development was a process of cumulative causation. This meant that a small initial investment in one sector of the economy could lead to a virtuous cycle of growth in other sectors. \* Second, Nurkse argued that there were a number of 'critical

minimum effort' levels that needed to be reached in each sector of the economy in order to achieve sustained growth. \* Third, Nurkse argued that balanced growth was necessary in order to overcome the problem of 'circular causation'. Circular causation occurs when a lack of investment in one sector of the economy leads to a lack of demand for goods and services in other sectors.

## **Nurkse's Policy Recommendations**

Based on his theory of balanced growth, Nurkse made a number of policy recommendations for developing countries. These recommendations included:

\* Governments should invest heavily in infrastructure, education, and other public goods. \* Governments should provide incentives for private investment in all sectors of the economy. \* Governments should coordinate their development policies with other countries in the region.

## **The Fall of Nurkse's Theory**

Nurkse's theory of balanced growth was once a popular development strategy, but it has since fallen out of favor. There are a number of reasons for this, including:

\* The rise of the 'Washington Consensus'. The Washington Consensus is a set of neoliberal economic policies that were promoted by the International Monetary Fund (IMF) and the World Bank in the 1980s and 1990s. The Washington Consensus emphasized the importance of free markets, privatization, and deregulation. These policies were often at odds with Nurkse's emphasis on government intervention and balanced growth. \* The failure of some countries to achieve balanced growth. A number of

countries that adopted Nurkse's theory of balanced growth failed to achieve sustained economic growth. This led some economists to question the validity of Nurkse's theory. \* The emergence of new development theories. In the 1990s and 2000s, a number of new development theories emerged, such as the 'sustainable development' and the 'human development' approaches. These theories emphasized the importance of environmental sustainability and human well-being, respectively. Nurkse's theory of balanced growth was seen as being too focused on economic growth and not enough on these other important factors.

Nurkse's theory of balanced growth was a significant contribution to the study of economic development. However, his theory has since fallen out of favor. There are a number of reasons for this, including the rise of the 'Washington Consensus', the failure of some countries to achieve balanced growth, and the emergence of new development theories.



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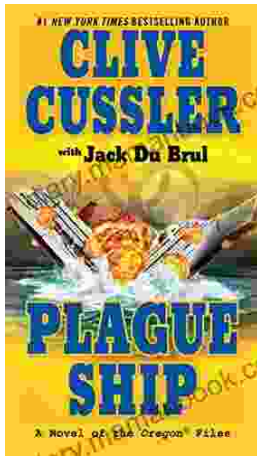
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