Human (H) Factor in Emerging Country Stable Economic Development

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ABSTRACT

The emerging market economies are at the great effort of economic growth, and the problem of them is not only growth but growth which is stable and sustainable. The question arises as to what factors make a stable and sustainable growth (SSG). This paper makes a modest attempt to meet this question, and it is found that the human factor count the most in managing a stable and sustainable growth in the emerging market economies.

KEYWORDS

HUMAN FACTOR, SSG, ECONOMIC DEVEOPMENT

1. INTRODUCTION

Economic development of growth is an increase in international and per capita incomes of a country to give its people a high standard of living (Meier and Baldwin; 1957). Development, it is needless to say, need to the optimum, stable and sustainable to maintain the high standards of living attained, and no slip back from it. There is, however, no such problem in the classical growth theory.

The nations of Asia, Africa and Latin America, by and large, are at the process of economic development, and their economies are emerging from underdevelopment to development, but, are often facing stoppages, as say, India, an emerging market economy which swears by free market enterprise. Of late, its rate of growth having come down from about 8% to around 5% (Mukherjee; 2013) creating a number of problems such as large budgetary and foreign trade deficits and falling rupee value (EPW; 2013). The other emerging market economies (EMEs) are also found not immune to slippage in their growth including the giant Chinese EME (Heinz & Matthias; 2012). The problem, it is quite well-known, has got accentuated following the global financial crisis of 2008 and the Great Recession following in fallen growths is also a problem facing the developed world of the USA, Europe and others, (Rampell & Healey, 2009).

The crisis and Great Recession appear to have thrown into prominence human factor and human development in managing stable and sustainable growth of the emerging market economies, as well as of developed economies. This paper is addressed to a view of the role of human (H) factor and human or Human Resource Development in promoting optimum, stable and sustainable development, for lasting development of the developing or new growth nations, with the below noted Objectives (Os) and Methodology (M).

2. Os & M

i. To view the process and history of development,

ii. To take a note of development/growth theory

iii. To examine the factors of economic growth, with a special reference to human factor in growth management

iv. To drive the meaningful policy conclusions

The methodology of the study , briefs is to view developments theory against development experience, especially if the developing nations in which policies and programs of economic developments appear to sub-optimal , resulting in sub-optimal and unsteady growth.

The recent global financial crisis and resultant alleged great recession is seen as a new experience for growth and economic stability and managing growth of the emerging market economies, which are caught in a web of complex circumstances of a globalized economic conditions. This highly competitive global economic environment calls for HRD and an enlightened citizenry, and eminent and committed business leadership which take the EME forward. It is held that, it is, ultimately human who make great or small businesses. Businesses no doubt, needs to excel in Excellence, but Excellence should extend not just product and profits but also to environmental human and social concern, and it is lack of these human concern which appears to be behind the financial crisis for being totally self-concerned (Ahmed; 2013). The businesses, after all, are to be of the people, by the people and for the people similarly, economic growth , especially of the populace and democratic countries like that of India which is a special case of economic growth because of its 1-2 billion people and a great extent of poverty, is to 'inclusive' of all people. Its growth must first, encompass Human Development, and stress H-factor all though. That is, it is the common man and the masses which must be at the center of economic growth, along with the environment, for optimum growth and steadiness and sustainability over long periods of time, because of any changed circumstances may make a new turn, a new equation and a new higher height, with a new technology like the present day information technology which has revolutionized world and opened up new avenues of employment and drastically changed the existing one as banking.

Whatever may be, Economic growth in the emerging market economies, setting a new trend, especially in heavily populated and more poverty afflicted nations like India, needs to be humane and human-faced, not just gap fronted, to be stead, stable and sustainable. This is what the most concerned leader of India, Mahatma Gandhi (1869-1948) about the plight of the dumb millions of his country felt (Gandhi; 1947), making the late Prof. Covey call Mahatma Gandhi a model of leadership (Covey; 2012). This, humanism and H-factor marks the laissez-faire development theory of Adam Smith.

3. DEVELOPMENT AGE & THEORY

The Age of (Economic) Development commencing with the momentous

Industrial Revolution in England (1760-1830), which is still continuing in the developing world and EMEs across the globe is Adam Smith (Smith; 1776), Smith's is a very optimistic theory of economic development, against the environment of pessimism enlighten business and growth today. Smith's is a market model of development in which growth is steady, stable and sustainable. It's self-starting and self-sustaining. Economic growth is in-built in the economic system, and no external efforts either to regulate the functioning of the economy or promote over a long, long period will a state of stationary state is reached where the economy just repeat itself it's a state long-run equilibrium, a state of economic nirvana or state of salvation wherein the highest possible economic aspirations are fulfilled. It's a perfect work come of growth , wherein things just fall in their place and wherein everything is in equilibrium with everything else. It's a perfectly competitive, internally and externally or in the area of foreign trade. How the world of today appears to be far, far removed Smith's perfect growth world, a world of perfect growth, of no ups and down, and steady and stable and optimum, with fallen and uncertain growth, all over.

Perfect growth, of perfect competition is the result of a divine hand like "invisible" hand that is guiding the economies functioning in perfect order and is also taking care of its growth, as growth is also a function of the economy, the captains of which are the capitalist & entrepreneurial classes, along with Land & Capital. Significantly, Smith's foundational book is called *The Wealth of Nations*, Shortly, the full title being An Enquiry into the Nature and Causes of the Wealth of Nations, National wealth being made up of material goods of consumption and production or further production. The H- factor is very much present in Smith's Market Theory of Growth, with markets operated by prices, a collection of prices or price system which together determines the quantitative of goods to be produced and supplied.

As a moral philosopher of eminence of his Age of Enlightenment, Smith appears to have set a right human tone for the inexorable path of economic development Economic growth should belong to the people at large, when only it would be of steady, lasting and beneficent nature. For example, in the present crisis, there are bailout and easy credit policies for businesses, but No deal, like the New Deal of the Great Depression times, for the common people, thus, the crisis becoming a matter between the big and small businesses and government and not of the victim public giving rise to popular anger as the "Occupy Wall Street" movement in the United States of America, which is a thing about very seriously.

Not that there were no dissembling, brooding and dark voices against Smith's grand theory in the classical School of growth, the dissenting voices are that of David Ricardo (1772-1823) and Robert Thomas Malthus (1766-1834), whose is a pessimistic prediction of the future and prospects of economic development during the rising tide of scarcity of land, increasing cost and prices of food production and over population, respectively (Samuelson, 2010). Smith, Ricardo, Malthus are classical trinity of Development theory (Penguin Dictionary of Economics; 1977). Even Malthus's population theory, found to be at fault on several grounds, brings home the importance of 'optimum' population numbers for optimum economic growth of enduring nature.

Even then, there may be 'divine' or natural interventions like floods, wars, earth quakes etc., which may throw the economy and growth off the balance for a time, from when the growth will take on its normal or usual momentum.

Smith, the captain of the New Development Age of the 18th Century which had a long spell of run and the emergence of Europe and America, Japan as developed nations had due cognizance of 'divine' (invisible hand) and human factors in his ground development theory of steady march of nations towards a long-run equilibrium of prosperity and tranquility. In a way, it stands for universalism, with its free trade principle, and human brotherhood. Hence, its seeming success over Ricardo-Malthus pessimistic theories.

4. THE SECOND DEVELOPMENT RUN

The end of the second world war (1939-45), with the UNO, IMF, IBRD or World Bank GATT and other international bodies, and the emergence of India and others as free nations from colonialism had begun the age of development of underdeveloped countries and the second run of development with new and novel theories of growth and development, seemingly pushing the H-factor into the background and capital (C) as the key to the development of the underdeveloped countries or the third world (Nurkse; 1973). 'K' was meant to break the so-called 'vicious circle of poverty' or poverty breeding poverty. There is a great literature belonging to this new growth era of development of underdeveloped countries, initiated by UNO (UNO; 1951). Poverty is the hallmark of underdevelopment. There is an immense literature on poverty and any number of poverty estimates, poverty reductions becoming the like measure of economic growth . It is the end of poverty that lends stability to an economy, only then, quite understandably, market forces come into full play. Once again the importance of H-factor amidst the clash of so-many growth models- intent to maximize the economic growth of underdeveloped countries. The models being models appear not to have taken the developing economies not a far, India standing for sub-optimal growth of about 3-5 % per annum, not enough to make any deep dent in its deep and widespread poverty. K-factored growth is capitalistic growth path, bent on accumulating H stock; with H- intensive production not creating optimum employment, devoid of any concern for direct human welfare, from the beginning, the Fund-Bank. The IMF and the World Bank are known to be for free enterprise, market driven and export oriented growth as sure way of alleviating poverty and attaining good standards of living, with the ASEAN nations held as the models of this free enterprise. FDI model, an Asian showcase of growth (Ahmed; 2009), the Asian tiger economies. Also Taiwan, Hong Kong, Singapore & South Korea beside the giant China and under the shadow of forever threat, Japan, Germany post-war (WW II) economies as Paul Streeten and Mahbub Ul Haq (Streeten; 1997. India too, with its great democratic attempt at economic development involving a continental population is combining, since the Economic Reforms (ERs) of 1991 of liberalization, globalization, privatization, with, among other thing, food security at highly subsidized prices of Rs 3, Rs-2, Rs. 1 a Kg of rice, wheat, coarse grains (Economic Times; 2013).

5. BOP

It is in recognition of the H-factor and the need for poverty removal and failure on that front by government efforts alone, the late Prof. C. K. Prahalad had advanced his famous BOP-Bottom of the Pyramid theory advocating MNC investments in the developing economies to create more employment opportunities and produce and provide goods for the purpose of the BOP people at affordable prices and yet make economic returns or market returns in their FDIs (Prahalad; 2002). BOP seems to be the new business frontier for business prosperity and stability. For, with a large BOP population left in lurch and made to mend for itself in poverty in poverty and penury, the emerging economies cannot aspire for why business stability and sustainability with their serving of only a half of the market.

6. THE CRISIS AND HUMAN FACTOR

First, the global financial crisis of 2008 appears to have bought the human factor into prominence in economic growth and stability, with the crisis is generally felt to be human making, and not arising out of any external factors. The collapse of Lehman Brothers of the mid-19th century vintage in its September 2008, signaling man-made crisis alone had cost upward $ 600 billion, more than the GDP of many nation. The crisis and aftermath of the Great Recession is a big on-going contemporary history, with same or the other financial trend coming to light almost daily. And, the a/cs of the crisis preset to computed but are sure to run into a couple of billion USDs.

The emerging market economies have lessons to learn from the crisis, in human factor, leadership and growth management, for their optimum, steady, viable and sustainable growth .

7. GROWTH MANAGEMENT

The Management Science / Discipline, which is having increasing applications in diverse fields, can make its own contribution to managing stable, sustainable growth in the emerging market economies by having MBA courses in growth management that would be of great help to growth managers in government and business sectors.

It is only slowly the importance of Human factor and HRD is dawning for stable and sustainable growth purpose in the EMEs (Lame & Cela; 2004).

8. CONCLUSION

Thus, of all the factors of which economic growth is a function of, human factor and human development seen to be the most factors in managing stable and sustainable development of the emerging market economies.

This fact appears to be double enforced by the global financial crisis of 2008, attributed to human failures and weaknesses at all levels.

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