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A STUDY OF POSITIVE AND NEGATIVE PROBABILITIES ON ECONOMIC DEVELOPMENT – THE BALANCE SCALE MODEL

RESEARCH ARTICLE

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ABSTRACT

The paper deals with the aspects of precise understanding of the differences between an individual and a nation and the different stages undergone by the individuals to progress. A clear view of Economic development of the nation is given with an inclusion of many examples. The main plan of discussion is about the phenomenon of economic development and lack of development, through a precise enclosure of positive and negative factors that influence the development of a nation. It describes the probability of development of a nation through various parameters.

Then, the explanation of economic and non-economic factors or determinants of economic development is followed by the obstacles to economic development. It examines the aspect of availability of resources and their utilization that would lead to the productive surplus. This work consists of the consideration of productive and skilled human resources that lead to the better utilisation of resources. The paper then studies the role of balances or ups and downs in the levels of probabilities of positive and negative nodes on the economic development. It also gives suggestions regarding the development of an individual, choices of individual and the impact of individual's growth on nation's progress. The aspects of economic planning, motivation and desire to develop are clearly concerned as means to development.

Key Words: Probability- Positivity- Negativity- Resources- Productivity- Economic growth- Economic development.

1. INTRODUCTION

For years, there have been many analysis based on the study of development of the nation. The development of a nation depends upon many factors that include Human resources, natural resources, social and political agenda, capital formation, technological know-how, population growth, skilled labour and many more.

For instance, let us look at the root cause of building a nation. It might be ridiculous to go through this very beginning, but, we need not ignore aim the main agenda. Knowing that every area or a group of collective people or a territory with common characteristics that is controlled by a single system and where there is stable government action comes to be a part of the nation, stable government indicates the distribution of powers in an equal and efficient way throughout the nation. But, let us know that a nation is a group of individuals. It records every individual in the group irrespective of their characteristics and way of life. The nation as a whole holds a lot of individuals under its control and guides all individuals equally.

2. Elaborating the probabilities of positives and negatives

Consider the game of cricket or football, where we expect the winning position or lead only if all the players in the team perform well; the probability of winning the game is much higher if all the players perform more than their expected standards. But, in accordance, we can say that, 'What if the team wins if only one or two players perform well and the rest all fail or perform less than their expected standards?' Remember that the 'probability

P(A) when all the players perform well would earn a win' is more than the probability of winning the game 'if one or two players perform well.'

In the same way, the probability of development of country P(D) is more if all the individuals (100%) perform or progress well and are able to get a better position in the economy. P(C)+P(D)=1, P(C) is the probability of backwardness or negativity or no development in an economy. P(D) is a positive indicator of probability of economic development, that includes saying that if all the individuals progress, then there would be a rise in development levels. If P(D) is higher, then P(C) would diminish gradually.

Here P(C) can be a negative indicator of development. These probabilities would generate a kind of assumption that enables to compare and discuss the positivity and what ifs' precisely. In the same way, each individual's positive attitude, skills and effectiveness is taken as a positive indicator for the economy to develop. The positive aspects are taken as P(D) while negative aspects are taken into P(C) while comparing. The Education, skills, income related aspects are also taken into consideration.

3. Stages of an individual and various issues in their lives

The main elements of discussion of an individual from his birth till his death can be arranged as follows:

1) BIRTH
2) Diseases and disabilities of an individual by birth
3) Hospitality
4) Family
5) Education
6) Knowledge, Skills gained
7) Employment & Welfare
8) Income earned
9) Savings & Insurance
10) Expenditure
11) Tax payment
12) Participation in the development of the nation
13) Physical and mental health
14) Job security and satisfaction
15) Promotion in the job and overseas career
16) Research and technology
17) Contribution to build national strength and improving environment
18) Retirement
19) Family developed by the individual
20) Individual's demise

4.   Elucidation of individual's choices and opportunities

If all the individuals depend on a single sector, then their future is demanding. Then, there is a question that leads to choose a different field of study as 'too many opportunities' in the same field entertaining 'too many people' would be impossible, since there is a certain limit, it enables people to run on a different track than to follow others.

For example, the economic sector of a nation grows very well when compared to the technological sector. There is no steady growth in the later sector because the individual or a group is putting no efforts to achieve their targets. The main point that could be noticed is that the low performance of an individual. As seen in the game of cricket, the probability P(A) decreases (<1) when one of the players cannot perform well. In the same way, the probability of development of a sector P(D) goes down due to the non-performance of an individual.

5.   The Balance scale model

Different studies say that the development is an overall growth of an economy. It suggests that there should be growth in all the sectors of the nation. So, for a country to develop there should be more positive aspects than negative aspects.

In this case, P(C) must be less than P(D). Suggesting that P(D) and P(C) are both positive and negative aspects of a nation respectively. It leads to a point of comparison that P(D) and P(C) are both sides of Balance scale.

Consider P(C) on left hand side of balance and P(D) as right hand side of Balance. P(C) is a negative factor, while P(D) is a positive factor. ↑P(D) implies a fall in P(C) and vice versa.
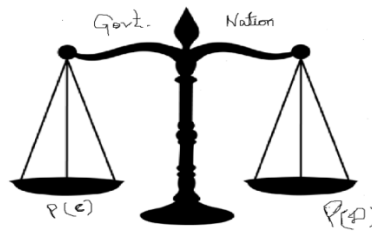

Figure 1

"**It is simply to be kept in mind that P(C) is considered as the 'Obstacles to development', while P(D) is considered to be the 'Determinants of economic development.'**" If positive aspects like the increase in employment levels, increase in literacy rate, increase in levels of technological know-how, increase in levels of productive human resources, decrease in levels of crime rates, pollution and poverty, natural calamities etc., occurs then, there is an automatic decrease in P(C), which is the probability of occurrence of negative factors. P(C) consists of increase in levels of poverty and unemployment, decrease in literacy rates and is quite opposite to P(D), i.e., the probability of development. Then, what if both the probabilities rise, i.e., [P(C), P(D)]→∞, then there would be an aspect of construction accompanying an aspect of destruction and then a neutral effect. If they perform equally, like if the P(C) and P(D) are normal and stay stationary, the economy also stays motionless. If P(C) is more than P(D) then, there is a negative correlation indicating the downward movement on the right hand side of the balance scale , the development begins to recoil. If P(D)→1, then P(C)→0, D→∞ and C→0. The major aspect is that these two factors can be represented as a coin with two sides. The tossing of a coin gives you ½ probability of appearance of a head or a tail, in the same way, if a head leads to positive appearance and a tail compared to negativity in a system, we can assume that more number of 'productive heads of the nation' leads to the 'Development of the nation'.

For instance, the tossing of a coin leads to head or a tail, when the head↑ (positive factor) appears, the tail (negative factor) moves down↓. It means these events are mutually exclusive in nature, means that the occurrence of event A suppresses the occurrence of event B. The positive factor can be compared to the brilliance of an individual or a group of productive people whose characteristics lead to the progress.

Considering the markets, a comparison is made to future fall or rise in the market interest rates, the risk of losses should be observed and measured. It is a fact that a nation which predicts the momentum of change in its economy and that takes necessary steps before the occurrence of loss would be considered as a forward looking and a sustainable nation.

6.   Economic growth and the probability of development

The main fact of positivity and negativity assumed to a nation and compared eventually is that it could help the study of development of the nation. Economic growth is an increase in real national income/ national output while Economic development means an improvement in overall quality of life and living standards. It is also clear the economic growth leads to economic development in one way. Economic development is more complex and qualitative and leads to the consideration of various aspects. The measurement of Economic development is done through HDI (Human development index) which takes into deliberation the adult literacy rate, per capita income and life expectancy. While measuring with assigned numbers, there are various different aspects in which we see that a rise in standard of living, leads to a rise in probability P(D).

7. A Factor that limits development

Only if the individual improves day by day, he can witness the change and develop himself. Lethargy allows an individual to dampen the efforts made. Strictly speaking, there are three main types of people whom we can classify based on their efforts. First group of people are active, second group are moderately active and the third group are lazy. **For example**, we can differentiate these people accordingly as in the case of choosing steps or elevator to go to 3rd floor from the ground floor. The first group of people have greater probabilities of taking the steps due to their activeness. The second group of people have equal probabilities of taking an elevator or steps, while the third group of people obviously have greater probabilities of taking an elevator instead of steps and are

strictly opposite to the first group. It may be considered as a group of people which means it refers to the type of nation on the basis of developed, developing and under developed nations respectively.

8.   **Economic planning and ways to develop through utilisation of resources**

No plan can be an 'effective' one. Every action has some loopholes. For the plan to get implemented and developed, the probability of serving the majority of the nation should be more than the action of derision, and it must be benefiting more than half of the productive population of the nation. If a certain plan serves more than expected, then it is said to be consistently effective.

There are two main ways to increase the P(D) namely increase the positivity P(D)→(↑), and the other way is by reducing the negativity P(C)→↓. Reducing inequalities would obviously strive for the prosperity and movement in the developmental path. This decision should be in everyone's control.

Ex: The nations like UAE, Japan etc., which have been under developed until the 1960s have started to attain greater paces of development in spite of many drawbacks.

It is also to be noticed that P(D) consists of P(H) and P(N). If there are no high levels of probability or growth of two factors, there would be less probability of P(D) to increase. Where P(D)= P(H).P(N) implies that if P(N)↑ and P(H)↓.Then there is no exploitation of the available natural resource that implies that there would be less production of goods or output which reduces ED ↓. If P(H) ↑ and P(N)↓, then there would be an increase in P(C), that leads to higher unemployment levels which decreases P(D). If both are increasing, the nation keeps growing at a substantial level or else if both decrease at a certain rate, P(C) increases. Note that P(H) is the probability of effective utilisation of productive human resources, skilled labour and not the growth of the population while P(N) is the probability of availability and utilization of natural resources.

In order to get a clear understanding about the factors that determine the economic development of a nation, we can categorise them as under:

9. Determinants of economic development:

Economic factors

1.   Capital formation
2.   Natural resources
3.   Marketable surplus of agricultural or industrial output
4.   Conditions in foreign trade
5.   Economic system

Non-economic factors

1.   Social organization
2.   Human resources
3.   Technical know-how & General education
4.   Corruption and other factors
5.   Political stability
6.   Desire to develop

A)   **Economic factors**

1)   **Capital formation**: In general sense, if the surplus available or borrowed amount (debt capital) is invested in establishment of an organisation, then it would be capital. It may also be borrowed from financial institutions. The adequacy of capital leads to more effective functioning and utilisation and paves for meeting the regular expenses. Capital is the life blood of every business. In this case, if an organisation grows, it increases P(D) by increasing levels of employment and progress, thereby decreasing the levels of P(C), the negative waves in the nation.

2)   **Natural resources**: The principal factor affecting the development of an economy is the availability of natural resources. Among the natural resources, the land area, quality of soil, forest wealth, good river system, mineral and oil resources, good and bracing climate etc., are included.

According to Lewis, It is definitely required to cite that, "Other things being equal, man can make better use of rich resources than they can of poor. In less developed countries, natural resources are unutilised, underutilized or mis-utilized. This is one of the reasons of their backwardness. This is due to economic backwardness and lack of technology."

3) **Marketable surplus of output**: Increase in agricultural or industrial production, means not only the people in the nation would be able to utilize the agricultural product, but also there must be an excess such that it is marketable. It is to be known that without agriculture there is no industry that flourishes. So, it needs to utilize the agricultural products. Increased urban population may lead to increased demand for the food products. But, what feeds an urban city is that a rural area or a group of farmers present near by the city. So, the term 'marketable surplus' says that there should be an excess amount of production to earn foreign income.

4) **Conditions in foreign trade**: The surplus of output would also be used to export foreign countries to earn foreign exchange. It is also to be noticed that the foreign exchange is very much important in maintaining foreign relations and also beneficial to the countries that export and import the goods. The country which is scarce of some resources can import those resources from another country which has adequate.

5) **Economic system**: The economic system and historical setting of a country also decide the development prospects to a great extent. Economic planning is very much needed for Economic development. Economic system can be in the form of a capitalist path which will require an efficient market system supported by a rational interventionist role to the state. It would be wrong to conclude that a planned economy has built–in efficiencies which are bound to arrest economic growth.

B) **Non-Economic factors**:

1) **Human resources**: Peter Drucker is of the opinion, "The ultimate resource in economic development is people. It is not capital or raw materials that develop the economy." Human resources are an important factor in economic development which was clearly explained in previous pages. If there is no balance between natural and human resources, the process of production and distribution activities would slow down. Presence of productive, highly skilled human resources would be a great advantage to the nation where $P(H)\uparrow$, then $P(D)\uparrow$ rises eventually. The human resources that are unskilled and lethargic prove to be a burden on the economy that make $P(C)\uparrow$ and $P(H)$ and $P(D)\downarrow$.

2) **Technical know-how and general education**: It has never been doubted that level of the technological know-how has a direct relation with the development pace. As the scientific and technological knowledge advances, the nation begins to grow.

Due to this scenario, the human resources build more skills and improve themselves resulting in the increase of (Probability of presence of skilled labour) $P(H_s)\uparrow$ and it implies decrease of (Probability of the presence of unskilled human resources) i.e., $P(H_{US})\downarrow$ that in turn encourages their scientific knowledge to invent new techniques for the purpose of high production and productivity levels.

3) **Political freedom**: There are two driving factors to Economic development; the first one is the individual or the group of 'individuals' and the next are the political parties. Political parties include the ruling and oppositions who discuss and implement their decisions. Development of a nation depends largely on political stability and freedom.

The more the developmental activities, the higher would be the development.

4) **Social organization**: Weak social organization leads to the levels of the growth and development to shift downwards. Effective participation of public in social activities, the governmental activities, the cooperation given to government to support improvement in transport, resources, cleanliness, curbing poverty, illiteracy and unemployment would be appreciable and paves a way larger than expected towards Economic development through reducing inequalities.

5) **Corruption and other negative factors**: Corruption is one of the main causes of the economic backwardness and contributes to the weakening of the economic and financial system of the nation. It makes the rich people become richer and the poor become poorer. This generally leads to a fall in development levels $\{P(D)\downarrow\}$ by encouraging greater losses in GDP and national income.

6) **Desire to develop**: The desire to develop would be a self-motivated inner driving factor that enables an individual or a group to move towards a nation's progress. The activity of development is not a mechanical process. There should be an act of motivation. If for example, in a country, there are some people who accept poverty as their fate, it is their incapability and there is no hope for their individual development as

they remain poor throughout their lives. This in turn generates an increase in the poverty levels in the country.

10. Obstacles to Economic development:

Below are some of the major factors that dampen the Economic development:

1. Vicious circle of poverty
2. Capital deficiency
3. Inadequate natural resources
4. Internal and External debts
5. Undeveloped human resources
6. Political instability
7. Unproductive expenditure
8. Socio-cultural constraints
9. Natural calamities
10. Illegal activities

Conclusion

An analogy would make us understand the process of development. 'In order for a plant to grow without a glitch, it needs better soil, adequate water, sunlight, temperature, air, nutrients etc.' So, in the same way, for an individual or nation, it takes many factors that lead to his/her growth. Ex:- A man needs to be efficient in many factors so as to be skilled and a multi-talented person is always a productive individual provided he utilises his resources well. An overall growth of an individual can be compared to the growth of a nation. If there is any deficiency in an individual, it leads to the breakdown of his body organs. In the same way, if there are many negative factors that dominate the working of the positive aspects of the nation, then there would be less possibilities of economic development.

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