INTRODUCTION

In this volume, selected authors have tried to push forward the frontier of the economics of the developing countries using all available methods without distinctions: mathematical, computational, and analytical. This was the philosophy of Prof. Tom Kronsjo, who made significant contributions on analytical methods of development planning and applications over some decades and in whose memory this volume is dedicated.

Takashima has proposed a new model for the East Asian economies to analyze how initial conditions for growth and the policy undertaken have sustained the growth process continuously. The model negates the alternative analysis proposed by both Krugman and Lucas. It is a novel approach to theorize effectively the historical process of the East Asian countries.

Mats Lundahl has developed a theory of population growth and it is on economic growth following the original ideas of Wicksell. The author has developed a general equilibrium model to analyze the impacts of emigration from an old country to a new country and their corresponding effects on income, investments, and trade.

The question of immigration on economic growth was also analyzed by Partha Sen in a new model of growth with immigrations. Exogenous growth models predict a fall in steady-state welfare (or, equivalently in descriptive models, consumption per capita) following an increase in the growth rate of population — accompanied by an increase in the growth rate of the economy. This prediction certainly does not match the facts of those economies that received large number of immigrants over long periods, e.g., the US, Australia, and Canada. Under certain conditions, it can be shown that in a two-sector overlapping generations model, an increase in the rate of growth of population (or immigration) of (raw) labor can raise the welfare of all steady-state generations.

The question of migration was analyzed further in the section for Labor Economics. Shimada, assuming a two-country economy with labor migration, investigates which of the two regimes — inter-government monetary cooperation between two independent monetary authorities or centralization of monetary policies by a single monetary authority under a monetary union — is advantageous under certainty and under supply or demand shocks. He showed that the utility of the monetary authority does not differ across regimes under certainty, whereas centralization of the monetary policies under a monetary union tends to be advantageous to the monetary authority if a two-country economy is subject to supply or demand shocks. Most important of all, he showed that the utility of the workers does not differ across regimes under certainty and under supply or demand shocks. This suggests that in reality, centralization of the monetary policies under a monetary union appears to be preferable to inter-government monetary cooperation between the two independent monetary authorities. The results are very useful for situations when a country is sending its excess labor forces to another superior economy, which may demand coordination of economic policies of the two countries.

Microeconomics of labor market, the relationship between employment relations, and financial behavior of the firms are analyzed by Garvey and Gaston. Previous research indicates that firms increase their leverage in order to moderate wage demands by organized labor. While firms will use more debt when bargaining power is the primary cause of high wages, Garvey and Gaston show that they will use less debt if wages are driven by incentive considerations. For a sample of large firms, the authors confirm previous findings that firms in more unionized industries use more debt. However, holding constant unionization and other well-known determinants of the capital structure, there would be a negative relationship between debt and employee compensation as predicted by the specific human capital approach. Along with the economic reform program, as more and more developing countries are adopting capitalistic employment relations, it is crucially important for the developing countries to consider the financial implications for the firms in relation to the structure of the employment relations.

The conflict between the objectives of equity and decentralization in models of resource allocation is very important for the development policy. Lahiri considers a new model of allocation, where at most one object is allocated to each individual, with no two individuals sharing one or more objects, and possibly some allocations being defined infeasible. In the existing literature, such problems are known as house allocation problems. In the traditional Arrow-Debreu economy, where the concepts of decentralization are independent of concepts of egalitarianism, the preference structure of the agents exhibits the property that "more is preferred to less". It is this characteristic of the preference structure of the agents, which is supposed to be egalitarian. With having no such hypothesis built into the preference structure, this analysis would provide an important insight about the issues concerning equity in an economy comprising indivisible objects. In the context of organization where resources are indivisible but got to be allocated fairly and efficiently, this analysis can open new horizons.

In the light of his own experience as the regulator of the British electricity sector, Littlechild considers the role of negotiated settlements as an alternative to regulation in the resolution of conflicts between customers and companies within the utility sector. As well as suggesting a way ahead for more-developed countries, this can provide lessons for the newly emerging countries as they increasingly consider the relative roles of public and private enterprises and representatives of customer groups.

Uchida and Ahmed have examined whether the Japanese financial system can provide any lesson for the developing countries. In the Japanese system instead of the stock market firms depend on a main bank for their financial needs, which give them the stability and long-range view regarding investment decisions. The authors have examined the behavior of this financial system on small- and medium-sized firms in Japan and whether this model can be imitated for a developing country like Bangladesh with undeveloped stock market.

Structural adjustment program for India was analyzed using an adaptive optimal control model of the fiscal policy structure of India by Dipak Basu. Fiscal policy structure of an emerging capitalistic economy as implemented during 1990–1995 was compared with an alternative fiscal policy structure based on a mixed economic system of a planned economy. The method of adaptive control system was used where the model will undergo changes along with the optimization process. The results show that a mixed economic plan would be able to provide similar economic growth as a reformed economy. The implications are important. A mixed economic system can possibly maintain a more balanced society whereas a reformed economy by creating an unequal society would create social imbalances.

Guncavdi and Selim made an attempt to investigate the gender-biased distributional consequences of trade reform and openness in Turkey. Women are the most vulnerable group in developing countries, and are negatively affected by economic reforms in general, and liberalization in trade regimes in particular. Therefore, they are considered as the main source of poverty in these countries. Despite this nature of women, the gender issue has largely been ignored in the literature. This paper aims to fill this gap in the literature. Their research shows that female-headed households (FHHs) are poorer than the male-headed households (MHHs) in Turkey and that an involvement in an economic activity in internationally open and highly export-oriented sectors increases the possibility of being poor for FHHs.

Tisdell has analyzed the process of economic growth of China, its relationship with other major trading blocks and examined the hypothesis of Kuznets in view of the growing environmental problems in the Chinese economy. The author has concluded that the conclusion of Kuznets regarding income inequality is not valid for China where rising economic growth has resulted in rising income inequality.

Issues of globalization was discussed by Victoria Miroshnik, who has compared the corporate management systems of Toyota Motor Company in both Japan and India. Globalization can, according to some, create a global corporate culture, but the results show that a multinational company normally strive to transplant its own culture to its foreign subsidiary rather than to accept the global culture. Japanese management system is unique and very different from the standard Western management system. Thus, it is possible for a developing country to have diverse management systems rather than to have any specific management system even in the days of globalization.

The book covers most of the important areas of development economics with the basic analytical framework to formulate a logical structure and then suggest and implement methods to quantify the structure to derive applicable policies. We hope the book would be a source of joy for anyone interested to make development economics a useful discipline to enhance human welfare.