Backwash effect and Spread effect of 'Circular Causation Theory' of Gunnar Myrdal.

Backwash effect: It is an economic development effect suggested by Swedish economist Gunnar Myrdal.

It is basically means if one particular area in a country starts growing or developing, it causes people, human capital as well as physical capital (infrastructure, finance, machines etc) from other parts of the country to gravitate towards this growing centre. This essentially leaves the other areas worse off than before, because their best brains and capital leave them to go to the growing centre. It means that growth in one area adversely affects the growth in the later. For example, India. We can observe the following lines.

* Delhi is the developing centre with all the companies being set up there.

* Then people from all over Haryana, Punjab, UP, Bihar etc. have a tendency to move to Delhi because all companies are located there and better employment opportunities exist.

* So, Delhi will grow but the remaining areas will be worse off. This is backward effect.

Spread effect: It is an economic development effect suggested by Swedish economist Gunnar Myrdal.

Spread refers to the situation where the positive impacts on nearby localities and labor markets exceed the adverse impacts.

* Development in one place, spreads to its suburbs and all the adjoining areas.

* Again taking the example of Delhi, we could argue that suburbs like Faridabad, Gurgaon, Ghaziabad etc. have benefitted from Delhi's growth due to the spread effect caused by Delhi's growth.
