



1 Developing countries and the concept of development

This introductory chapter focuses on the concept of development. The low standard of living of the mass of the population in developing countries is singled out as the key issue in development. The development of per capita income over time and the factors that influence economic development or stagnation are important topics in this book. However, the interplay between economic and non-economic factors is of great importance for our understanding of the dynamics of socio-economic development. Economic development cannot be explained by economic factors only, and the concept of development includes more than mere changes in economic indicators.

After a discussion of problems of involvement and detachment in the study of development issues in sections 1.1 and 1.2, we examine the concept of development in sections 1.3 to 1.5. Indicators of growth and development are presented in section 1.6. Section 1.7 highlights the differences between developing countries and the variety of development experiences. The final section addresses the question of what developing countries have in common in spite of all their differences.

1.1 Approaches to development

In discussions of development issues two general approaches can be distinguished (see Myint, 1980):

1. *The fight against poverty* This approach focuses on the problems of widespread poverty, hunger and misery in developing countries and on the question of what can be done in order to realise improvements of the situation in the *short term*.
2. *The analysis of long-term economic and social development* This approach concentrates on comparing developments in different countries, regions and historical periods in order to gain a better understanding of the factors that have *long-term* effects on the dynamics of socio-economic development.

One of the characteristics of the first approach is a strong involvement with the problems of developing countries and their inhabitants. Most people who study development issues do so because they feel that present levels of poverty, misery and injustice are simply unacceptable. Their aim is to arrive at concrete recommendations for action. This approach is closely linked with development policies and strategies at international, national, regional or local levels. Some people choose a technocratic interpretation, focusing on policies, instruments and projects, others choose a more radical-political interpretation. The latter argue for political action in order to achieve dramatic changes in the existing order of things.

A potential drawback of strong involvement is a certain trendiness in thinking about development. To illustrate this, one can point to the endless succession of ideas and slogans that have played a role in post-war discussions of development: the idea that large-scale injections of capital are the key to development ('big push'); the 'small is beautiful' movement; human capital as the missing link in development; the green revolution as a technological fix for agricultural development; community development; appropriate technologies; basic needs; integrated rural development; self-reliance; delinking from the world economy; the New International Economic Order; market orientation and deregulation; promotion of the informal sector; structural adjustment policies; or sustainable development.

A common characteristic of these recipes for development is their short-term perspective. Time and again, proposals have been put forward in order to achieve certain goals, preferably within a decade or two (see, for example, Brandt, 1980; 1983; Brundtland, 1987; UNDP, 2003). In the meantime, developments that take place irrespective of the fashion of the day are ignored or disregarded. These fashions often evoke a brief surge of enthusiasm in the world of politics, policy and the development sciences. But when the immediate

results are slow in materialising, disenchantment sets in again. The issue disappears from the public eye, and new and more appealing solutions and catch-phrases emerge. The greater the involvement, the harder it is to distinguish between desirability and reality, and the greater the disappointment that follows when the real world proves less manageable than one had hoped (see Elias, 1970). Some of the major mistakes in development policies are a direct consequence of erroneous advice from development advisers and experts. An example is the neglect of the agricultural sector in the drive for industrialisation at all costs in the 1950s.

The long-term approach to development is more detached. One tries to comprehend why, in the long term, such great differences in development have occurred in the different parts of the world (Szirmai, 1993). One tries to identify the factors that may help to explain different patterns of development, such as the accumulation of production factors, the efficiency with which these factors of production are being used, technological changes, external political and economic influences, historical factors, institutions and cultural differences. Economic and social policies figure among these factors, but considering policy as only one of many relevant factors may help to deflate immoderate pretensions and hopes of policy makers, politicians and scientific advisers.

The long-term approach emphasises that economic growth in its modern form is intimately associated with the economic development of the Western countries since the mid-eighteenth century (Landes, 1998; Maddison, 2001). Therefore, the history of the economic development of prosperous European and North American countries will often serve as a point of reference in our comparative discussions of the experiences of developing countries. This is not simply to advocate the copying of Western solutions by developing countries. Rather we hope to gain an insight into the similarities and differences in development processes.

The history of modern economic growth is also associated with industrialisation and a process that Higgins and Higgins (1979: p. 3) have ironically described as 'getting rid of farmers'. Again this historical relationship between industrialisation and economic growth cannot be applied indiscriminately to developing countries. It does, however, serve as another point of reference. Furthermore, comparisons of the historical development of economically advanced countries and developing countries may teach us much about the role of institutions in advancing or impeding economic development. In this context one can think of land tenure relations, intellectual and other property rights, patent institutions, processes of state formation or the emergence of financial institutions.

Finally, the historical study of processes of economic growth reveals the importance of processes of saving and investment in the accumulation of factors of production. Such a study leaves us under no illusion with regard to the human costs of economic growth. In the past, economic growth has always been coupled with an enormous increase in the capital-labour ratio. In order to

invest in capital goods a considerable portion of the national income has to be saved. In poor countries, saving means that people living at subsistence levels have to postpone present consumption for the sake of investment in future production. This is not easy. In Western countries such savings have been realised through the ruthless workings of the market mechanism of nineteenth-century capitalism, which kept wages low. In the centrally planned economies of the twentieth century exploitation of people by people through the market was replaced by direct coercion by the state. Both mechanisms have resulted in the transfer of income from consumers to social groups (capitalists, entrepreneurs, government officials) that were both able and willing to save and invest. It is unlikely that such tough choices can be avoided in the future.

An objection to the long-term approach is that it seldom offers neat solutions to the kind of practical problems and choices policy makers, politicians, entrepreneurs or aid workers are inevitably faced with on a day-to-day basis. On the other hand, it is exactly this kind of distance to policy that enables one to analyse problems and developments in a more independent and critical manner. The emphasis on long-term trends can help make us more immune to the fashions and fads of the day and may dramatically alter our perceptions of development.

The choice between the two approaches is not a matter of all or nothing. Both are important. It is perfectly legitimate for politicians, policy makers, engineers, entrepreneurs or aid workers to ask for support and advice from scientific researchers and development experts. Also, strong involvement with the plight of individuals in developing countries does not preclude independent judgement or critical analysis. On the other hand, a long-term approach offers a starting point for a realistic assessment of the effects of national and international development strategies and policies. It provides us with greater insight into the significance and scope of socio-economic policies amidst the many factors that impinge on processes of development.

Central questions that will be tackled in each chapter are: how do the factors discussed influence the development of per capita income, the standard of living and the conditions of life in poor countries? Which are the factors that contribute to socio-economic development? Which are the factors that hamper development? What are the explanations for the observed developments and trends? How can the differences between regions and between historical periods be interpreted and explained?

1.2 The development debate

There are no final answers to the questions mentioned at the end of the previous section. There is no such thing as scientific certainty, especially not in a field as controversial as that of economic and social development. Although the author's views will undoubtedly leave their imprint on this book, it is primarily intended as an introduction to the *debates on issues of development*.

These debates are characterised by numerous clashing perspectives and theories and deep differences of opinion. The results of empirical studies are often contradictory or ambiguous. At times it even seems that empirical research leads to more rather than less uncertainty. This book tries to represent different views and perspectives of development in a balanced fashion, providing the reader with suggestions for further reading. Further, the book provides an overview of trends in thinking about development issues since the end of World War II.

This approach should definitely not result in a non-committal enumeration of points of view, perspectives and approaches, between which no choices need to be made. Though differences of opinion may exist, this doesn't mean that 'everything goes'. It is of great importance for students of development to learn to evaluate statements on development critically and to ascertain to what extent they are consistent with or contradicted by the best empirical evidence available to us at present. Therefore, the exposition is illustrated as much as possible with statistics on development in several countries and regions. The purpose of this material is to introduce readers to international statistics and to stimulate them to distinguish between sense and nonsense in development studies and to find their own way in empirically grounded discussions of the issues of development. Background material to these statistics is presented in a separate website accompanying this book: <http://www.dynamicsofdevelopment.com>.

By way of example, Box 1.1 presents a number of general statements on development that are no longer tenable as generalisations in the light of the empirical information presently available to us.

Box 1.1 Untenable generalisations about development

- *Developing countries are trapped in a vicious circle of stagnation; they are condemned to stagnation and poverty.* This stereotypical view of developing countries is generally untrue. As will be indicated in Chapter 3, some developing countries exhibit strong economic growth and dynamics, while other countries stagnate. One should also always remember that every economically advanced country was once a developing country.
- *Given the pace of the population growth, food scarcity in developing countries will always be a problem.* This statement, often associated with horrible images of starvation and malnutrition on the African continent, is generally untrue. In the long term, world food production is increasing more rapidly than world population (see Chapter 10). This is the case in most developing countries. However, this does not mean that hunger and malnutrition can be eliminated in the foreseeable future.
- *Agricultural and mining exports cannot contribute to the economic development of a country.* This unfavourable image of agricultural and mining exports originates from the late nineteenth century when tropical developing countries exported agricultural products and industrial countries exported industrial products. Nevertheless, there are many countries where agricultural and mining exports have been the foundation of later economic prosperity. They can also make a positive contribution today.
- *Dependence of developing countries on the advanced economies leads to a net outflow of capital.* This proposition originates from the first half of the twentieth

century, when there was an outflow of resources from colonies to their colonisers. However, during most of the second half of the twentieth century, developing countries have profited from net inflows of capital (see Chapter 13).

- *Rapid population growth is always a threat to economic development.* There is no point in denying that rapid population growth is a problem in many developing countries. However, as will be discussed in Chapter 5, under certain conditions a too low population density may form an obstacle to economic growth. Rapid population growth does not preclude economic growth. Sometimes population growth can be a stimulus to economic development and technological change.

1.3 Growth and development

In the preceding sections, the term ‘development’ has figured prominently. In common parlance the term is used both frequently and rather casually: development studies, problems of development, developing countries, less developed countries, development cooperation, underdevelopment, development aid, development strategies, development policy and so forth. So what do we mean by ‘development’?

Implicit in almost every use of the term ‘development’ is the notion that some countries and regions of the world are extremely poor, whereas other countries, representing a relatively small fraction of the world population, are very prosperous. The discussion of development is always tied up with basic questions like: why are poor countries poor and rich countries rich? Why do poor countries lag behind rich countries in the development of their standards of living? How can poor countries become more prosperous? How can poor countries catch up with the rich countries? In this sense an important dimension of the concept of ‘development’ refers to economic growth or more precisely growth of national income per capita.

Development conceived of as economic growth is a quantitative concept and basically means more of the same. Yet, even if we limit ourselves to the economic sphere, it is clear that economic development is more than economic growth alone. Economic development refers to growth accompanied by qualitative changes in the structure of production and employment, generally referred to as *structural change* (Kuznets, 1966). Of particular importance for developing economies are increases in the share of the dynamic industrial sector in national output and employment and a decrease of the share of agriculture. This implies that economic growth could take place without any economic development. An example is provided by those oil-exporting countries, which experienced sharp increases in national income but saw hardly any changes in their economic structure. Another important qualitative change is *technological change*: the ongoing process of change in process and product technologies, resulting in radically new modes of production and new product ranges (Abramovitz, 1989).

In the 1960s the identification of development with economic growth came under increasing criticism. Authors such as Dudley Seers, Gunnar Myrdal, Paul Streeten, Hollis Chenery, Mahbub ul Haq and institutions like the International Labour Organisation (ILO) pointed out that developing countries did not experience much change in the living conditions of the masses of the poor in spite of the impressive growth figures in the post-World War II period (Chenery *et al.*, 1974; ILO, 1976; Myrdal, 1971; Seers, 1979; Streeten, 1972; ul Haq, 1976). They came to the conclusion that development involves more than economic growth and changes in economic structures. Seers formulated three additional requirements for the use of the term development, namely that there should be a decrease in poverty and malnutrition, that income inequality should decline, and that the employment situation should improve (Seers, 1979).

Other critics went even further and challenged the too narrow focus on the economic dimensions of development alone. A country can grow rapidly, but still do badly in terms of literacy, health, life expectancy and nutrition (Sen, 1999). The environmental costs of growth are insufficiently recognised (Mishan, 1967). Economic growth does not necessarily make people more happy or satisfied (Easterlin, 1972). Criticism of growth fetishism led to the emergence of so-called ‘social indicators’: life expectancy, literacy, levels of education, infant mortality, availability of telephones, hospital beds, licensed doctors, availability of calories, and so forth. Some authors even went so far as to posit an opposition between growth and development. Sri Lanka or the Indian state of Kerala, where growth was not very rapid but where welfare facilities and the level of education were improving, were compared with countries like Brazil where extremely rapid growth had hardly affected poverty levels. Still, most authors reached the conclusion that, especially in the poorest countries, growth is a prerequisite for development, while development involves more than just growth.

Social scientists have stated that development should not be viewed in terms of economics only. One should also pay attention to changes in family structures, attitudes and mentalities, cultural changes, demographic developments, political changes and nationbuilding, the transformation of rural societies and processes of urbanisation.

The Swedish Nobel prize-winner Gunnar Myrdal has argued that discussions of development have implicitly been based on a series of modernisation ideals or values. Opinions may differ on the way in which these ideals should be pursued. Nevertheless, according to Myrdal, there was a widespread consensus on the ultimate objectives of development among the members of political elites in developing countries involved in developmental policy (Myrdal, 1968: pp. 57–69). The broad concept of development therefore involves a change of the entire society in the direction of the modernisation ideals. The modernisation ideals are reproduced in Box 1.2. Compared to the 1960s, the climate of opinion has since changed. Some political leaders in developing countries would now hesitate to use the term modernisation. But the list of modernisation ideals compiled by Myrdal still seems highly relevant.

Box 1.2 Modernisation ideals

- *Rationality* (in policy, in the application of technological knowledge, in structuring social relations, in thinking about objectives and means).
- *Planning for development*; searching for a coherent system of policy measures in order to change situations that are considered undesirable.
- *Increases in production per capita and production per worker*, primarily through industrialisation and increased capital intensity of production.
- *Improvements in the standard of living*.
- *Declines in social and economic inequality*. Development ought to be for the benefit of the people, the masses.
- *More efficient institutions and attitudes* that are conducive to an increase in productivity and to development in general (for example, institutions that allow for mobility, initiative, entrepreneurship, effective competition and equal opportunities; attitudes like efficiency, diligence, orderliness, punctuality, economy, honesty, rationality, openness to change, solidarity and future-orientedness).
- *Consolidation of the national state and national integration*.
- *National independence*.
- *Political democratisation*. The concept of democratisation can be interpreted in various ways of which parliamentary democracy is but one. Democratisation always implies some notion of involving the masses of the population in political decision-making.
- *Increased social discipline*. Developmental goals cannot be attained if governments cannot impose obligations on their citizens.

Source: Myrdal (1968).

Recently, Amartya Sen (1999) has argued for an even broader concept of development focusing on the concept of freedom. He sees development as an integrated process of expansion of substantive freedoms. Economic growth, technological advance and political change are all to be judged in the light of their contributions to the expansion of human freedoms. Among the most important of these freedoms are freedom from famine and malnutrition, freedom from poverty, access to health care and freedom from premature mortality. In a telling empirical example, Sen shows that urban African Americans have lower life expectancies than the average Chinese person or inhabitants of the Indian state of Kerala, in spite of much higher average per capita incomes in the USA.

According to Sen, freedoms are both ends and means. Thus, markets can be an engine for economic growth (means), but – what is sometimes forgotten – they constitute important freedoms in themselves, namely freedoms to exchange or transact. One important area where freedoms have frequently been restricted is the labour market, where slavery, serfdom or other institutional arrangements can restrict the free movement of labour. Political freedoms can contribute to economic dynamism, but are also goals in themselves. Sen argues somewhat optimistically that all freedoms are strongly interconnected and reinforce each other. He also tends to underemphasise clashes between freedoms of different groups of people and the value choices that still need to be made. There is no objective definition of development and there may be

basic differences of opinion about the goals of development, even including that of the very goal of freedom, which may not be the ultimate goal from a variety of religious perspectives. Nevertheless, his use of the concept of freedom as a normative yardstick for development is insightful. In his perspective economic growth remains important, but not as a goal in itself. It is important in its potential contribution to a wide range of freedoms. It is not enough in itself. Sometimes changes in other spheres such as education and health can be at least as important in the expansion of freedoms.

At this stage four remarks can be made. First, as Myrdal, Seers and many other authors have noted, development is unavoidably a normative concept involving very basic choices and values. Our normative assumptions should therefore be made explicit. Secondly, though the formulations vary greatly, in practice most writers on development come up with a set of similar developmental goals including reduction of poverty, increased economic welfare, improved health and education, and increased political and social freedom. Development can then be defined as a movement in the direction of these developmental goals. Third, an increase both in productivity and production per head of population in poor countries is an essential ingredient of every definition of ‘development’; this is even the case in interpretations of the concept that are critical of a narrow economic approach to ‘development’. Economic growth always remains one of the necessary conditions for ‘long-term development’ and tremendous advances have been made in measuring it in a standardised fashion. It will continue to play a central role in this book. Finally, the fact that there are modernisation ideals or development goals does not mean that all societies ought to develop in the same manner or that they ought to converge to some common standard.

1.4 Are growth and development desirable?

The desirability of economic growth and socio-economic development is not undisputed. Critics have pointed out the drawbacks of growth, development and modernisation. They have pointed to the irreversible disruption of traditional societies and lifestyles, and the spread of a uniform materialistic mass culture, which may lead to cultural shallowness, loss of meaning and spirituality and to the increasing exploitation of people as a result of the spread of capitalist market relations. Sometimes it is suggested that people are happier in traditional societies than in modern societies. They would be more in tune with their natural environment, and their needs and wishes would balance their potentialities. There is a strong Malthusian movement which maintains that continued economic growth will disturb the balance of nature, and will eventually lead to ecological catastrophes (Brundtland *et al.*, 1987; Meadows *et al.*, 1972). The present debates on environmental pollution, global warming and climate change are good examples of this way of thinking (IPCC, 2001; Lindahl-Kiessling and Landberg, 1994; World Bank, 2003).

Some authors see ‘development’ as a euphemism for Western penetration and domination of the world, involving great misery and exploitation in both past and present (Frank, 1969). An eloquent example of this viewpoint is Stanley Diamond’s frontal attack (1974) on a concept associated with development and progress, i.e. ‘civilisation’. Diamond argues that processes of civilisation have always involved conquest, violence, coercion and oppression with respect to so-called less civilised peoples. For instance, the Indians have been victims of Western penetration into North America, the slaves have been victims of Western penetration into Africa, and the Eskimos have been victims of the spread of Western culture to Alaska. Yet, Diamond does not restrict himself to the results of Western expansion in the world. Wherever people try to spread their civilisation the fire and the sword are always involved, whether it concerns the expansion of the Greek, the Roman, the Egyptian or the Islamic civilisations.

Such criticism is valuable though at times one-sided. First, it creates an awareness of the costs involved in development. Secondly – and perhaps most important – it brings to our attention the relation between the ‘concept of development’ and international power relationships. What one understands by ‘development’ in a particular historical period is strongly influenced by dominant cultures and powers of that period.

On the other hand, it is no coincidence that fiercest criticisms of growth and development are often formulated by members of the elites in the richest countries in the world. When members of traditional tribal societies come in contact with modern consumer goods, their needs turn out to be far from limited. The possession of new goods will be sought for eagerly and widely. If one were to ask poor peasants or residents of urban slums in Africa or Asia whether they would prefer improvement in their productivity and standards of living, an overwhelming majority would respond positively. Only people who have been raised in very affluent societies can afford to have their doubts about the merits of economic growth and material progress.

Criticism of economic growth and development is sometimes inspired by a romantic idealisation of an harmonious and balanced society that may never have existed. And even if isolated and socially and ecologically balanced societies did exist in days gone by, they no longer exist today. The problems developing countries are facing today have much to do with the fact that these countries have already been ‘opened up’ to trade, investment, colonial domination and partial penetration by the money economy a long time ago (Myint, 1980). If there ever was a choice in whether or not to strive for development, this ‘choice’ has already been made in the past. Traditional self-sufficient societies have been disrupted. Modern technologies have contributed to a rapid growth of population, the needs of which cannot be met by traditional technologies and methods of production. Contact with the outside world has led to the emergence of modern preferences and needs. Present-day societies have no choice but to strive for socio-economic development. Given the rapid rates of population growth the alternative would be to sink deeper and deeper into a situation of poverty, misery and starvation, which has, for instance, been the