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The Meaning of Development: Interactions Between "New" and "Old" Ideas

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Summary. — The paper explores the interactions between the early concerns of development economics, and the new issues which the discipline is called upon to address. Particular emphasis is placed on the meaning of development in the context of economic history, of industrialization and modernization, "people-centered" development, sustainability, political and civil liberties and development ethics. The conclusion is that economists are responding to the challenges of these new concerns, though these dimensions of development are as yet only imperfectly understood and articulated.

1. INTRODUCTION

Development may be regarded as a goal toward which countries strive, and also a process which involves causal relationships. Unless we understand what development means both in terms of goals and in terms of processes, there are likely to be problems.

> . . . the main question, what does development mean, is important. The failure to have an objective that is widely understood and accepted, and has relevance for policy is an important reason for the many difficulties that nations encounter in designing consistent and effective policies.[1]

When development economics first emerged as an academic discipline after WWII, economists operated in a much more certain intellectual environment, believing that development would effectively replicate the experience of those countries which had already industrialized during the 19th century, in particular that development would follow the pattern of Britain, France, Germany, the United States and Japan. Taking evidence from these cases economists stressed the importance of increased savings and capital accumulation in economic growth. Since then development economists have learned that they cannot take for granted the historical experience of today's rich countries. The circumstances in which the 19th century giants prospered differ radically today. Moreover, few economists and policy makers are now prepared to make the ready identification of "economic growth" with "development" as did the pioneers of the discipline. Indeed, for some today, what is seen as the historical process of "Westernization" may well be rejected outright as a goal for developing countries.

From the earlier conceptual perspectives, however, new insights can be gained. In answering the question "what is the meaning of development?" a number of generalizations can be made based on present-day interpretations of the old wisdoms and our newer concerns. In summary they are:

(a) The historical dimension is crucial. Though it is misleading to expect a simple replication of 19th century industrialization and growth, the new institutional approaches to history may provide important clues as to how growth is spread within an economy.
(b) Structural change whereby the agricultural sector declines relative to the manufacturing and service sectors, remains important though there may be costs in terms of increased international dependency, unemployment and loss of a traditional way of life.
(c) Modernization, which encompasses social, political and cultural changes as well as the purely economic, has many critics. No one as yet, however, has specified a truly successful indigenous model of development.
(d) Economists have been to the fore in demonstrating that the benefits of economic growth are not always distributed equitably. What determines the distribution of income through time turns out to be an enormously complicated issue, though clues are emerging both from the study of history, and from cross-sectional empirical analysis.
(e) Economists may well be criticized for an exclusively "goods-centered" view of develop-

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ment rather than a "people-centered" development ethic. The work of development economists such as A. K. Sen and Paul Streeten may represent an increased focus toward the concept of human development. Economists are also taking more interest in issues of decentralization, participation and grass roots rural development in order to reverse the concentration of power and resources at the center, which is observed in many developing countries.

(f) Sustainable development is a concept little used by development economists until quite recently, being the preserve instead of environmentalists, conservationists, ecologists and the like. Economists need to respond to demands for sustainable development, and to deal with the criticism that orthodox economic analysis often runs counter to a desire for conservation and environmental protection.

(g) Political change is seen as increasingly important for development. Political and civil liberties seem to go hand in hand with improvements in the quality of life, as measured by life expectancy, infant mortality and real national income per head.

(h) Economists are increasingly called upon to confront ethical issues arising out of the concept of development. They need to be made aware of the different philosophical perspectives out of which their ethical judgements may emerge.

2. GROWTH AND DEVELOPMENT IN HISTORICAL CONTEXT

. . . the historical dimension [needs strengthening] so that we understand how things came to be what they are, so that we may know the limits of and opportunities for desirable change.[2]

Over a period of some 25 years, Irma Adelman and Cynthia Taft-Morris have researched the historical pattern of growth for a number of countries, including today's "developed" as well as today's "developing" countries. Using a variety of empirical methods, they have tried to shed light on the meaning of "development," in ways which will provide lessons for today's developing countries. Their work is noteworthy for two reasons; first, for the evidence it provides, covering a wide range of "economic" and "noneconomic" varables, and second, for the methodology employed, which is a variant of the inductive pattern approach favored by Chenery, Hirschman and a number of other researchers active in development economics.

The conclusions of Adelman and Morris stress respectively the role of agriculture, markets, export expansion, and political institutions in economic growth.

For agriculture, Adelman and Morris conclude from the historical experience that this sector fulfils a key role in economic growth. Most notably it provides a marketable surplus over and above the subsistence income of the agricultural population. In the later stages of growth, the agricultural sector also becomes important as a market for consumer goods and as a source of labor for industry. In the early stages of growth, a high concentration in the ownership of land tends to be beneficial because it provides a large investible surplus. In the later stages of growth, however, a more widely distributed ownership of land is essential for the diffusion of innovations and spread of growth within the agricultural sector. Finally, agricultural growth tends to be strongly associated with the land tenure arrangements in the country in question. Arrangements which give improved rewards to the cultivators of land rather than to their absentee landlords, tend to favor growth in agricultural output.

As far as markets are concerned, Adelman and Morris argue that market systems with their associated price incentives are powerful forces for export expansion and economic growth. Evidence indicates that nations grow faster where governments promote specialized market institutions, where they remove institutional barriers to factor mobility, and where they help to secure private property rights. Nineteenth century experience, however, also suggests that the strengthening of market systems can fail to spread the benefits of growth. For example, in the poor peasant economies of the past commercialization tended to increase indebtedness and landlessness. Those without assets and skills were unable to exploit the expanding opportunities associated with the spread of the market system.

Export expansion also appears to have promoted growth and economic change, but the spread effects in the domestic economy at large have varied greatly from country to country, and from time to time, depending in particular upon land tenure arrangements and the distribution of land. Political power structures, the educational system, transport, investment and tariffs have also been of significance in the diffusion of benefits. Heavy dependence on foreigners also appears likely in the long run to have constrained domestic economic growth.

Political institutions do matter, according to Adelman and Morris. History shows that only where governments have been prepared to invest in public education (especially in adult literacy) and in agricultural extension, where they have undertaken land reform, and provided improved transport, does economic growth spread significantly throughout the economy.

From their historical studies Adelman and Morris conclude that there is no universally recommended path to economic growth. Any prescriptions must be very general, such as the need for a progressive agriculture to sustain industrialization, and the need to increase the power accruing to nonelite groups. But government economic policies which aim to spread growth widely are always and everywhere of key importance.

The work of Adelman and Morris is in the tradition of institutional economics. It stresses the importance of institutions to economic growth and to the diffusion of growth throughout society. There is similarity with the work of Hollis Chenery, though Chenery focuses on structural indicators of an "economic" kind, savings ratios, trade, agriculture, industry and services output, whereas Adelman and Morris concentrate specifically on social, political and institutional indicators.

Other historians working in the institutional tradition, Douglass North and Mancur Olson for example, also have theories of growth which may have a bearing on the question "what do we mean by development?" Economists tell us that markets provide the most efficient solutions to allocative problems, yet they rarely consider the costs of arriving at market equilibria. North has argued from the evidence of history that it is the high costs of transactions which prevent certain economies and societies from realizing their economic potential. He refers to a whole range of well-specified and well-enforced property rights whose proper evolution ensures that markets function with relatively low transactions costs. The types of institutional arrangements which promote economic growth include guarantees, brand names, formal contracts, and elaborate monitoring and enforcement mechanisms, all of which maintain the legal basis of a competitive economy. These are the institutional arrangements which characterize the most highly developed societies. Of course, one of the problems we encounter in an approach of this type is that efficient property rights may be regarded as being as much a consequence as a cause of economic growth.

Mancur Olson has a somewhat different approach to the role of institutional factors in growth. He claims that growth is hindered by the existence of special interest groups such as professional associations and trade unions which obtain market power and political influence. In countries where special interest groups (with monopoly power) have been abolished in the course of war or revolution, growth tends to be quite rapid once a free and stable legal order is established. The example Olson gives is of Germany and Japan after 1945 as compared with Britain. Slow-growing countries such as Britain which have not had massive social upheaval or foreign invasion suffer from a multiplicity of growth-repressing organizations and combinations. Germany and Japan on the other hand had a "fresh start" unencumbered by these monopolistic elements. This explains the faster rate of economic growth in Germany and Japan.

Institutional economics similarly may be able to shed some light on a contemporary development puzzle. When comparing Southeast Asia with Latin America, development economists are aware of significant divergences in growth performance since the 1960s. In the 1990s, Latin America's per capita income is equal only to that which it had already achieved by 1970. On the other hand, in South Korea and Taiwan real incomes rose significantly during 1970–90, and especially in 1986–89. South Korea and Taiwan have followed successful policies of export-oriented industrialization. Latin America, with massive external debt, adopted a less successful protectionist policy with strong emphasis on import-substituting industrialization. Why should such different policy choices have been made? One explanation, consistent with an institutional approach, stresses the role of special interest groups in the two societies. Jeffrey Sachs has pointed to a contrast in the distribution and ownership of land in the two cases. In Latin America, the exchange rate depreciation necessary to an export-oriented policy was resisted by the majority of the population because it would have transferred income from them to a small class of landholders and exporters. Import substituting industrialization, involving heavy subsidies and an overvalued exchange rate, was the favored policy in Latin America. In South Korea and Taiwan there was a much broader distribution of land creating a large bloc of exporters who would have opposed an overvalued exchange rate. Thus South Korea was able to implement export-oriented policies with little or no opposition either from landed oligarchies or from labor.

The above examples illustrate how institutional economics can provide insights into the political economy of growth. There are other examples of the use of institutional economics in development economics, for example, Hirschman's concept of "exit and voice," or in another context, the new political economy of neoclassical economics. But it is in history that the most convincing progress has been made. In particular it is possible to discern the beginnings of an intellectual link between the experience of economic growth, and the wider concept of development, through the study in an historical context of the emergence of appropriate institutions.

Less happy has been the historical approach in which economic growth is viewed as a sequence of historical stages. Although this methodology is not exclusively associated with the economic historian Rostow (it can be found in the successive modes of production of Marxian analysis) it was popularized by him. Rostow designated the sweep of modern history in five stages, the traditional society, the preconditions for takeoff, the takeoff, the drive to maturity, and the age of high mass consumption. The main criticism which has been levied against this approach is that it is a linear conception of history. Both mainstream and radical theories share the view that "developed" countries are further along the path of progress than "developing" countries. All economies are assumed to have passed through, or be about to pass through, the same sequence of stages.

This view of history is patently misleading. Economies may miss stages, become locked in one particular stage, or even regress. Moreover, there may be alternative paths, a point taken up later in this paper by the critics of "modernization." Hirschman has drawn our attention to the mistakes in development policy which may arise from the stages approach.

> . . . the underdeveloped countries [are] expected to perform like wind-up toys and 'lumber through' the various stages of development singlemindedly.[3]

The unlikelihood of stages evolving in practice is reinforced by the evidence that European history itself has been traumatic and aberrant, not smooth and sequential. Gerschenkron has shown that modern economic growth was not, as Rostow claimed, repeated from country to country with identical phasing. The industrialization of the late-coming Europeans (Russia and Germany) differed from the industrial revolution in Britain, said Gerschenkron, because of the intensity of the "catching-up" effort required on the part of the latecomers. Depending on the degree of backwardness on the eve of industrialization, the character of industrialization in Europe varied. Gerschenkron divided European countries in the 19th century into three groups: advanced; moderately backward; very backward. He showed that there could be more than one path to development, depending on the degree of backwardness. In particular, the more backward a nation's economy the greater the part played by the government in the catching-up process, by promoting special institutions designed to increase the supply of capital to nascent industries.

The important countries in the world economy in the late 19th century were Germany and the United States. These two countries gradually caught up and eventually overtook Britain in terms of per capita income. Yet there are some newly industrialising countries in the developing world today, let us say nine in number, which have an average rate of growth in per capita income more than double that of Germany and the United States in the nineteenth century. This is a tremendous achievement. The scale of the achievement can perhaps be appreciated only by economists who have some knowledge of history. As in the 19th century, the developing world today can be divided into three categories: "fast growers," "slow growers" and "stationary" or "regressive" states. The fast growers have been able to reap the advantages of being latecomers. In particular, they have been able to benefit from a desire for development on the part of their populations, from large international transfers of funds, and from an accumulated stock of knowledge which undoubtedly includes improved techniques of economic management.

So, although 19th century European growth does not lend itself to a straighforward identification with development, it does help us to understand how economic growth spread in the 19th century. It did not spread to the whole world at that time, and the work of economic historians such as Adelman and Morris brings us a little closer to finding out why not. Key emphasis needs to be given to the emergence of favorable institutional framework: a political structure, ideology, and educational system conducive to growth, together with an appropriate ordering of economic incentives.

3. DEVELOPMENT AS STRUCTURAL CHANGE

One of the key ingredients of the historical growth process was industrialization. This is true both for the leading countries of the 19th century, and for today's newly industrializing countries (NICs). This raises the question of the degree to which development can be identified with industrialization.

The economist to whom credit is generally given for defining development in this way is Colin Clark, though he in turn credited it to the mercantilist economist and pioneer statististician of the 17th century, Sir William Petty. Clark argued that in the course of economic growth the occupational structure of an economy changes. Labor increasingly moves away from agriculture which is the primary sector, going to the secondary, and then to the tertiary sectors, which are the manufacturing and services sectors respectively. Employment opportunities increase in manufacturing and services as they decline in the agricultural sector. This process of structural change is closely identified with economic growth.

Colin Clark gave two reasons for declining primary shares, and increasing secondary and tertiary shares in national output. First, on the demand side there is Engel's Law. As incomes rise the share of income spent on food declines and resources shift from agriculture to manufacturing and services. Second, Clark perceived on the supply side that productivity grows faster in manufacturing and services, relative to agriculture, increasing the share of manufacturing and services in national output. Either way, because of demand or supply side changes structural change is closely identified with economic growth.

Empirical evidence indicates that developing countries have already undergone significant transformation since 1945, with service sector activities playing an increasingly important role. The majority of development economists appear to accept that structural change as such is a key element in development. Given a changed world order, it is no longer sufficient for a country to specialize in the production of primary commodities for export. Industrialization is an essential ingredient of development, but is likely to differ in some important respects from the historical path followed by today's developed countries. Industrialization in the developing world is likely to be based on capital intensive techniques. It may be less effective therefore than it was in the 19th century in absorbing unlimited supplies of labor from agriculture. In addition, industrialization in developing countries today is likely to come about through the medium of a multinational company. This may raise broader "political economy" questions concerning foreign management and control.

The view that development is necessarily identified with industrialization is not, however, accepted by all social scientists. Some claim that new technology and the institutions which accompany it evoke resistance and protest in developing countries, an argument which can be traced back to the Marxian view that industrialization entails the alienation of the worker. More particularly, it may mean the introduction of an inappropriate technology based on the resource endowments of technologically superior countries. Inflation and balance of payments problems may accompany industrialization, and as multinationals export their profits to the metropolis little in the way of increased purchasing power finds its way into the pockets of the majority of the population. The resistance to technology may also include an unwillingness to be subjected to industrial discipline. Or there may be protests aimed at specific activities which involve environmental degradation such as chemical plants and nuclear power stations, all subsumed within a broader critique of "modernization".

4. DEVELOPMENT AS MODERNIZATION, AND ITS CRITICS

> It became fashionable in the 1960s to decry growth without development and modernization. [We take] a different tack. Our criticism is directed against development and modernization, not growth.[4]

Stephen Marglin is one of what appears to be a growing number of developmentalists who argue that we should explore the possibilities of "decoupling" growth from development and modernization. Growth is necessary to combat poverty in developing countries, to provide greater life expectancy, healthier children, more food and clothing, ample shelter and better amenities. But does this have to mean modernization, the complete transformation of economic, cultural, social and political life?

Modernization is a broad social science concept and many of its critics adopt a social science perspective. In economic terms, modernization implies industrialization and urbanization and the technological transformation of agriculture. Socially, it involves the weakening of traditional ties, and the rise of achievement as the basis for personal advancement. Its political dimension is in the rationalization of authority and the growth of the bureaucracy. Culturally, modernization is represented by increased secularization of society arising from the spread of scientific knowledge. Taken together, modernization means change toward those types of economic and political systems that developed in Western Europe and North America in the 18th and 19th centuries. Modernization is closely identified in the eyes of its critics with Westernization.

Hirschman has argued that development economics never really recovered from the political and social disasters which struck developing countries from the 1960s onward, problems which he attributes to the stresses and strains accompanying modernization. Of these we might mention the high levels of conflict and tension in developing countries, as witnessed in wars, civil unrest, ethnic violence and political repression. There is also the uneven record of development in which poverty and unemployment persist among the poorest people in Africa, Asia and Latin America, despite rising levels of affluence in many developing countries. Most recently, there is the association of modernization with ecological problems, such as the loss of the tropical rain forests, the transformation of subsistence land to desert, and the high energy costs of modern technology.

Some of the critics of modernization even deny that modernization has expanded choice. The modernization process is irreversible. We cannot go back once it is underway. Marglin points out that the aged in the developed society of the United States can choose between a vast array of nursing homes. What they cannot do is to choose to stay with their children, as parents do in poor societies.

Critics of modernization are also strongly represented in developing countries themselves, expecially among the educated elites. It is erroneous to assume that as people become more "modernized" and "educated" they necessarily become more "Westernized". In the Middle East urbanization and the growth of a literate middle class has fostered the growth of Islam. Moreover, in the developing world generally, traditional systems have proved to be unexpectedly persistent and adaptive, "bending to the currents of modernisation but not being replaced by them."[5]

Because the critics of modernization come from such a varied disciplinary background and wide ideological spectrum it is difficult to formulate a response which satisfies all, or even a majority, of the issues raised. Listed here are some of the points which a "mainstream" economist might make in response to the critics, though these by no means do justice to the complexity of the issues raised.

(a) The alternative to modernization is some indigenous model of development. This model is not free of its own prejudices. It may represent only the preferences of intellectuals, or have other class or partisan biases. Where it has been tried, e.g., the post-revolutionary Iranian model, it has not been conspicuously successful in delivering growth.
(b) To many in developing countries traditional indigenous institutions are not symbols of pride and nationalism but of backwardness and underdevelopment. Large sections of the population and their leaders see modernization as representing national strength and prestige. The push from Western intellectuals for indigenous development may be seen as way of keeping developing countries subservient and dependent.
(c) Modernization has delivered tangible benefits. These include what even critics such as Goulet and Berger concede to be important gains in the context of freedom of choice. People are free to choose what they believe, which values to adopt and how to live. Expanded choice has been particularly important for women and children. Modernization has also been responsible for a higher degree of tolerance of diversity in religion, culture and attitudes.
(d) Material gains have come about as technological progress has freed people from time-consuming and physically burdensome tasks. Technological progress has also expanded communications, permitting improved decision-making processes on the basis of enlarged information.
(e) Traditional societies frequently exhibit strong tendencies toward violence and repression. There are built-in inegalitarian structures and institutions which enable the rich and powerful to exploit the weak. Modernization creates conditions for mutual generosity, what Myrdal described as a movement from the "oppressor state" to the "welfare state." Although violence and repression also feature in modern societies, complex systems of laws and regulations constrain their use.

5. DEVELOPMENT AND POLITICAL CHANGE

No one disputes that the political and economic arrangements which have governed the world system of trade and payments since 1945 were designed specifically for the developed market economies. When the Bretton Woods institutions, that is the International Monetary Fund (IMF), World Bank and General Agreement on Tariffs and Trade (GATT) were established, most of the developing world still had colonial status. The major world powers were not expected to take into account the separate interests of colonial dependencies. Today, the decision-making processes in these institutions are still dominated by the major developed countries. Even in multilateral institutions like the United Nations the policies of powerful countries still hold sway.

The 1990 "South Report" which originated from policy-makers and intellectuals drawn from developing countries, stressed the importance of pressing for changes in international institutions so that they become more responsive to policies which aim to promote global development. Otherwise the growth of the richer nations may simply mean increased marginalization and powerlessness for poorer countries. This is the international dimension of political change, which is concerned with the implication of the external political environment for development.

Economic analysis suggests that all gain from a competitive framework, but there is no mechanism to ensure that all gain equally. This represents a genuine and unresolved dilemma for the development economist. One of the most robust doctrines of economics is that of free trade. All gain from international specialization and exchange, but there is no promise that all will gain equally. Moreover, growth through trade may conflict with the desire for self-reliance and independence on the part of developing countries.

Countries which have notably followed outward-looking development strategies have higher rates of growth in per capita income than countries which have followed more inward-looking import-substitution industrialization. Although suggestive of the importance of international competition and market forces, this may mask some other important relationships. For example, free trade is not always achieved by "liberal" or "laissez-faire" policies. The state has played an important role in the growth of trade in the Asian NICs. Openness to world markets may be a matter of culture or geography, working hand-in-hand with development policy.

When we consider the national dimensions of political change, it is necessary for the economist to take account of the process of democratization underway at present in Africa, Asia and Latin America as well as in the ex-socialist states of Europe. Greater political freedom is regarded favorably, both as a means of promoting material welfare through increased competition, and as offering a more equitable distribution of income. It is also regarded as a goal in itself, increasing human satisfaction by promoting freedom of the individual and expanded choice.

The World Bank has argued that not only is democracy valuable in its own right but also that there a causal relationship between democracy and sustained growth. Democracy provides the politically enabling atmosphere for economic development to proceed. The 1989 World Bank Report "Sub-Saharan Africa: from Crisis to Sustainable Growth" cited evidence that only those African economies with multi-party systems (Botswana and Mauritius) have a good economic performance. Relatively acceptable economic performers like Kenya, Côte d'Ivoire and Malawi also have incrementally more political accountability than their poorer neighbors in Africa.

Leaving aside at present questions of individual freedom and expanded choice, what does empirical evidence tell us about the relationship between political liberty and development? Certainly the empirical evidence does not indicate that democracy is a necessary condition of development, though democracy is consistent with development. Some recent empirical evidence indicates that much depends on the ideologically based choice which is made between "planning" and "the market." For countries which follow market principles, development and political liberty appear to go hand in hand. In planned economies, however, the degree of political liberty appears to have no significant influence on growth. Fast-growing planned economies may have no political liberty. Slow-growing planned economies may have significant political liberty. There is no simple relationship between growth and democracy for that type of economic system, "where economic liberty does not exist, political liberty does not matter. Where economic liberty exists, political liberty matters" (Vorhies and Glahe, 1988).

The historical evidence on the relationship between democracy and development is similarly ambiguous. Does history indicate the existence of political preconditions for economic growth? Rostow certainly thought so in his 1971 book. In the traditional society rule is through custom. Society is politically stable. Authority tends to be exercised through the elders. In the "preconditions" stage society begins to suffer from political insecurity as competition breaks out between the military, the bureaucrats, the aristocracy and emerging business owners. In the take-off stage, political competition persists, but has settled down to competition between the classes, i.e. between labor and capital. There is also an ongoing struggle between the military and civil bureaucracies. Eventually with the drive to maturity a liberal democracy emerges. Issues of justice, welfare and equity come to the fore and a close positive relationship is established through time between democratization and economic growth.

Do today's development economists accept the Rostovian view that economic growth implies an "Anglo-American linear model" whereby economic growth is inevitably associated with movement toward a liberal consitutional democracy? Gerschenkron argues to the contrary that backward economies "catching up" in Europe through successful industrialization required a strong state, which could direct capital into industrial enterprises and force savings from the peasantry. From this, others have argued that if today's developing countries are to grow they must limit democracy. The belief that rapid growth is associated with authoritarian regimes was shared by some economists and many policy makers until comparatively recently.

Adelman and Morris in their studies were unable to show any systematic relationship between growth and democratization, other than to suggest that the spread effects from growth are greater if landed elites are no longer in power. This is borne out by the recent experience of South Korea. After the 1961 coup governments sought to redistribute wealth to smaller farmers. There was little in the way of opposition to economic policies from landed oligarchies, because of the political effects of previous land reforms.

Looking at the developing country experience, political scientists have pointed out that culture influences political thought and behavior. The attitudes toward power and authority may be dissimilar in different societies. In some countries more value may be placed on collective happiness than on individual self-interest. For example, it has been claimed that in Southeast Asia there is a paternalistic patron-client style of personal power which survives contemporary economic growth and modernization. In Africa democratic values may be found at only subnational levels, i.e. in tribal and regional solidarity.

From historians and political scientists therefore, development economists may need to learn that democracy itself is an ethos rooted in a set of cultural values. Although political change affects the rate and character of growth and the distribution of income and wealth, it is difficult to discern historically a straightforward relationship between liberal democracy and economic growth. In the 18th and 19th centuries, authoritarian regimes were characteristic of those societies from which today's market economies emerged, but this may not always be the case. What is true is that after a certain level of development has been achieved the demands for democracy for its own sake become difficult to resist. Individual freedom and expanded choice are perceived as important ingredients of human development over and above any benefits they may confer in terms of material welfare.

6. DECENTRALIZATION AND PARTICIPATION

Present-day emphasis on grassroots participation was foreshadowed in the 1960s and 1970s by development strategies which saw rural projects as a way of reducing large-scale poverty. It was felt that through participation development policies would better grasp the practical realities of rural development. In the 1980s the focus switched somewhat. Participation came to be seen as a means of promoting democracy by enfranchising the economically weak. A special claim was made that participation would harness the talents of women, so participation has often been seen as having a special relevance to the gender dimension of development. Development policies are decided from above by an elite, usually male. The benefits of development are similarly distributed, with a male bias. Participation should promote the cause of women in development.

The breadth of meaning given to the concept of participation can be judged from the definitions of participation provided by Denis Goulet. There is the definition of participation associated with the writings of Ivan Illich, which is deprofessionalization in all aspects of life, schooling, health, planning, in order to make people more responsible for their well-being. This is a view of participation which has also been stressed by the Indian educator J. P. Naik. Then there is the definition of participation associated with Paulo Freire in which participation enables people to become subjects rather than objects of their own destiny. When they are oppressed or reduced to the "culture of silence" they become objects. When they participate and construct their own history they become the subject of "authentic development." Finally, there is the working definition of participation provided by the United Nation Research Institute for Social Development which refers to "organised efforts to increase control over resources and institutions for groups hitherto excluded from such control."

A difficult question for the economist is whether to take participation in development as a goal or a means. Economists are accustomed to judging a particular form of decision making as to whether it leads to "better results," for example, a higher rate of growth, reduced unemployment, or a more egalitarian distribution of income over time or space. In other words, economists tend to regard participation as a means to an end, where the end is development. But other social scientists may regard participation as a goal in itself, that is as part of development. Participation empowers the weak by giving them control over their destiny. Other social scientists therefore may be prepared to accept what economists might regard as "wasting time" on extensive consultation procedures. The consultation procedures may be valued by other social scientists because they harness the energies of the population and involve them in the decision-making process.

Participation as a goal is often a feature of "bottom-up" development strategies. These strategies may be spontaneously generated by the weak themselves, or more likely, be initiated by third parties such as missionaries or political activists. "Top-down" participation, from the government or an elite, is generally regarded as a means of arriving at some stated government policy objective, for example, the "mass participation" in China under Mao Tse Tung which aimed at improving the delivery of basic goods and services, health and education.

The earlier emphasis placed on participation as a means of alleviating rural poverty does, however, persist. In order for the rural poor to lose less and gain more from development, spatial reversals are required. Decentralization is the key to spatial reversals (Chambers, 1983). Certain forces in society tend to centralize economic activities. These forces include national urban and class interests; political and administrative influences; markets, facilities and communications. But these processes are not unalterable. Resources can be forced outward, giving more local discretion at the grassroots. Participation can empower and enable the poor, permitting greater choice and stricter control over their rights. Participation is a way of breaking into what Chambers terms the "deprivation trap," a mutually reinforcing situation of powerlessness, vulnerability, physical weakness, poverty and isolation, into which the majority of poor people are locked.

An approach which focused on spatial reversals in both resources and administration, is what Stöhr advocated in his strategy of "development from below" (1981). This was a new concept of development, arguing that the direction of decision making required reversals. Decisions should go from the "bottom up" rather than from "top down." Stöhr was in effect arguing for decentralization, the dispersal of resource allocation and administrative powers to local or regional levels.

Since the early 1980s decentralization has become a very fashionable concept in the development literature. It is argued as a solution to the problem of overblown bureaucracies in developing countries, which are unresponsive to local needs. In its most recent manifestation decentralization is linked to fiscal decentralization, whereby revenue and spending are switched to local and regional levels in order to improve the quality and effectiveness of public services.

Although decentralization is still a highly popular concept in the development literature and indeed is frequently tied to "liberalization" and "privatization" in World Bank documents, a number of commentators are now sceptical about its supposed benefits. The argument is that there is no necessary correspondence between democracy and the dispersal of administrative power to regional and local levels. In a number of developing countries regional and local interests are anti-democratic. Elites capture the benefits of decentralization. At worst it can mean that "the state moves its guns from the capital to the villages" (Slater, 1988). Decentralization may mask a quite different agenda from that envisaged by agencies such as the World Bank. It is important therefore to distinguish the concepts of decentralization and participation. At its best popular democracy and greater participation may be embodied in decentralized administrative structures. At its worst decentralized structures may be dominated by the state, or its elites, and even be used as a pretext for anti-democratic measures.

7. REDISTRIBUTION AND BASIC NEEDS

Growth in national income, structural change, industrialization and modernization, as manifestations of development, were augmented in the 1970s by broader considerations of income distribution, poverty and basic needs. Newer concerns with income distribution in developing countries were prompted by the results of the Brazilian census of 1970. Fishlow used that census to demonstrate that impressive growth in national income in Brazil had been accompanied by increasing inequality in income distribution in society. Some low-income groups may even have become worse off in absolute terms. This point was taken up by Robert McNamara, President of the World Bank, in his annual address to the Board of Governors meeting in 1972. Before this time economists had tended to assume that "all good things go together," either that economic growth would automatically solve problems of relative and absolute poverty, or that progressive taxation and "welfarism" could be used to counteract any inegalitarian tendencies in the economy.

Income distribution in developing countries is a difficult issue, in terms of theory, of evidence, and no less in terms of policy. As far as theory is concerned, economists do not have clear-cut explanation of long-run changes in income shares. Some recent work by economic historians from the United States, however, may be bringing us a little nearer the truth (Williamson, 1991). On evidence there is a variety of measures of income distribution, not all of which provide unambiguous answers as to whether "welfare" has improved. Finally, where policy is concerned, it appears from the work of Chenery and others that the equity versus growth tradeoff can be avoided, given an appropriate pattern of growth and an egalitarian ideology. Some countries have achieved improved growth performance and have also secured increased equity, demonstrating that growth can be diffused more widely given favorable circumstances. Others have performed less well.

Let us take concern for income distribution a little further. Suppose that we are really only interested in the effects of economic growth on the poorest groups in society. In other words, we are placing much greater weight on the income shares of the poor. At the extreme we could adopt the "Rawls criterion" and argue that no worthwhile development has taken place unless the poorest groups receive more income. Chenery has shown that attaching weights to the income gains of different groups can affect our judgement of whether equitable growth has taken place. Let us divide income recipients into five groups (quintiles). Then attach poverty weights to each quintile. A poverty weight of 0.6 is attached to the two lowest quintiles, 0.3 to the middle two quintiles, and 0.1 to the top quintile. Countries are then ranked according to their performance in income distribution.

Chenery shows that certain countries have a significantly worse performance when measured by weighted indices. This is because their income gains have been concentrated in the upper quintiles. Examples of countries which perform in this way are Panama, Brazil, Mexico and Venezuela. By way of contrast, in countries where growth of income has been faster in the lower quintiles, weighted indices indicate a good performance. Examples of such countries are Taiwan, Korea and Sri Lanka.

So far we have been concerned with a relative situation in which some end up worse off in income terms than others. But there is more to poverty than a relatively low income. Poverty can be defined in terms of a specific income level which is necessary to secure basic human requirements of food, clothing and shelter. Without this level of income, the individual is condemned to a life of pauperism, an altogether different concept to that of being "relatively poor." What we are concerned with here is absolute poverty. Economists have discovered that economic growth will reduce absolute poverty but the relationship is not an exact one. Decades of growth may mitigate but never eliminate absolute poverty.

The level of income regarded as necessary to secure basic human needs varies from place to place and from time to time, and has its own historical and cultural dimensions. But assuming that we can agree on a level of income for a specific situation, poverty can be measured in either of two ways. We can take the poverty line, and count the numbers living below the poverty line. Or we can take another income measure, the average amount by which the income of the absolute poor falls below the poverty line. Using either or both of these measures, if poverty has increased in a country then it is improper to regard development as having taken place.

In most developing countries, it is indeed possible to identify the groups in which the greatest poverty can be found. It tends to be concentrated among the rural landless, small farmers, the young and recent migrants to the towns. Some countries, Bangladesh, India and the countries of sub-Saharan Africa, have a disproportionately high share of the world's poor. In all cases, poverty is highly correlated with other indicators of social deprivation such as poor education, ill-health, illiteracy and low life-expectancy. It also tends to persist through generations and can be found concentrated in particular areas, in certain social groups and even in certain families.

A new dimension to the concept of absolute poverty has been provided more recently by the emphasis on entitlements and capabilities. Sen has argued that by looking at development in terms of national income, economists may be missing important ingredients of the development process. His contribution, focusing on entitlements and capabilities, has made significant progress in answering the question, what is development?

Capabilities refer to what a person can or cannot do, can be or cannot be. There are many kinds of capabilities. Examples are freedom from hunger and starvation, being free to participate in communal life, being adequately sheltered, and being free to travel. A person with many, varied capabilities is in a good position relative to others. In addition, it is possible to set standards of minimum capabilities, such as the ones listed above which are relevant for any society. No matter what a person's relative position, failure to meet minimum material capabilities should be regarded as indicative of poverty.

Capabilities are generated by entitlements, where entitlements are measured not simply as income but as the bundle of rights and opportunities available to the individual. Herein lies a problem. In the development process traditional entitlements may disappear. For example, in most poor societies the extended family acts as a support mechanism for the young, the old, the sick, and the unemployed. But development increases dependence on the market. Economic individualism takes over from communal activity. Traditional entitlements which are associated with the extended family may be eroded. Capabilities will be reduced and poverty will increase. Eventually, social security benefits will replace traditional entitlements. But in the meantime development increases poverty. Development erodes traditional means of support and entitlements. Sen has pinpointed the lag that exists between the destruction of traditional support systems and their replacement by modern transfer mechanisms.

This prompts a further question. Instead of trying to raise the incomes of the poor, would it not be better to provide for their basic needs directly? Would it be necessary for us to concern ourselves with development at all, if governments were prepared to guarantee certain basic levels of living in terms of clothing, nutrition, sanitation, health care, shelter, literacy, security and defence, and to offer them to all sections of the population?

"Basic needs" is a concept of surprising complexity. A central problem was identified some year ago by Paul Streeten, when he asked the question "who is to determine basic needs?" The basic needs concept depends on culture and values, already a problematic issue in the context of modernisation. Basic needs change perceptibly as income levels rise and society becomes more complex; the concept of basic needs is itself a country-specific and dynamic concept. For example, literacy may be unnecessary in a traditional rural society, but assumes great importance as development gets underway. A society which prizes communal life will have different basic needs from one which sees the satisfaction of individual needs as the ultimate goal.

Finally, in discussion of income distribution and development, the role of gender has assumed increasing prominence in recent years. Households are not egalitarian institutions. This is true historically, and for contemporary societies both developed and developing. Women are, and always have been, disproportionately represented among the poor, the illiterate and the unemployed. Any definition of development, therefore, which aims to take into account distributional issues, must be aware of the gender distribution of income. Increases in male incomes in a household do not automatically translate into improved satisfaction of basic needs for the family as a whole. History indicates that widows and single female parents have always been vulnerable to poverty. This did not originate with industrialization. It is a familiar feature of all preindustrial societies. Industrialization makes the situation worse.

Industrialization means more migrant husbands, and more female-headed households or households with only intermittent support from a male income earner. This tends to widen the gap in the gender distribution of income. Changes have often occurred whereby women have lost control over earnings which were traditionally theirs. The introduction of machinery to clean rice, for example, has deprived women in Asia of a source of wage income. Additionally, women may find it difficult to participate fully in development because they do not have education, they tend not to own assets such as land, and because they have inadequate access to credit and other inputs. Institutions such as trade unions and producer cooperatives frequently discriminate against women. Most important, subsumed in the gender distribution of income is the question of intergenerational distribution of income. A disproportionate number of the poor are children. Child poverty is explained by single-earner families. Children do not vote and have no financial power. They are unable to influence decisions. The implications of this fact for "development" is far-reaching.

In conclusion then, if our definitions of development assume that a more equal income distribution is an integral part of an acceptable development strategy, we need to take account of the fact that economic growth of itself may generate increased poverty. An increased gender gap is one possible manifestation of increased poverty. Others, in summary, are the erosion of traditional entitlements (Sen); a rise in the cost of living of the poor as food prices rise relative to nonfood goods; and a rise in the demand, and hence the prices, of land, skills and capital, all of which are assets which the poor do not own. All these changes involve complex long-run relationships, which as yet are only imperfectly specified and understood by economists.

8. DEVELOPMENT AS HUMAN DEVELOPMENT

Although the present-day development economist tries, through considerations of income distribution and basic needs, to approach a wider definition of development than is encompassed by economic growth, nevertheless this is still a goods-oriented view of development. When development is defined as human development, however, what is proposed is a people-oriented view of development.

The United Nations Development Programme has produced Human Development Reports which rank countries by their success in meeting human needs. Countries with a low national income per capita may rank high on a Human Development Index (HDI) if people live relatively long lives, are mostly literate, and if they have enough purchasing power to rise above poverty. Japan, for example, is not the richest country in the world. Nine other countries have a higher per capita income. But Japan has an average life expectancy of 78 years, which is the highest in the world, and 99% of its population is literate. Poverty is insignificant in Japan with enough purchasing power for all to buy commodities which meet basic needs. Japan (with Canada) is at the top of the world's HDI ranking.

The three variables on which the HDI depend are used as proxies for the human dimension in economic development. High life expectancy is valued in itself, but is also indicative of the quality and delivery of health care. Literacy is essential if people are to be able to communicate, to appreciate their culture, to obtain and keep jobs. Purchasing power demonstrates the ability of the population to meet its basic needs. Taken together, the three variables show the choices available to the population, the priorities set by national leaders and the degree to which funds are allocated to meet these needs.

Developing countries have made significant gains in human resources since 1945 when the discipline of development economics was in its infancy. In the 1950s, the death rate in developing countries was 25–30 per thousand. In the 1980s, the per annum death rate was 10–15 per thousand. Life expectancy on average in the developing world is now 62 years. In 1945, it was 40 years. There have been widespread increases in literacy rates. Enrolment in higher education has increased since 1945 by a factor of 20; in secondary education by a factor of 15; and in primary education by a factor of five. It is important to recognize these achievements, both for their intrinsic value, and for the hope they provide. Many social scientists appear discouraged by the apparent inability of their theories and policies to deliver development. Unfortunately, if a situation begins to appear hopeless, people are liable to do nothing about it. That is why it is important to recognize the achievements in developing countries over the past 50 years in terms of human development.

The other side of the coin is that there are enormous disparities in developing countries when we consider their success in meeting human needs. Some countries have done better than others in human development, outstripping in terms of the satisfaction of human needs, their own growth performance. The UNDP cites Chile, Costa Rica, Jamaica, Sri Lanka, Tanzania and Thailand as countries with a good performance in meeting human needs. But the overall picture is bleak. Within developing countries there are big disparities: urban areas perform significantly better in HDI terms than do their rural counterparts. Rural areas have only half the access of urban areas, to health services and safe drinking water. Men gain more than women, and the comfortably-off gain more than the poor. Social services tend to be pre-empted by the relatively well-off. There are more than a billion persons in the developing world in absolute poverty and the number is increasing. Fourteen million children die each year before their fifth birthday.

Writers have identified a number of reasons why certain countries, despite economic growth, may not have delivered results in terms of human development. One argument is that particular attention needs to be paid to competition from military spending. Developing countries as a whole have three times the equivalent military burden of the developed countries. Expenditure on imported arms in the developing world has trebled since 1970. Increasing military expenditure has significantly reduced the availability of public funds for health and education. Attention has also been given to the burden of structural adjustment policies in the 1980s, which has borne particularly heavily on spending on health and education. When governments in the developing world have been obliged to adopt belt-tightening because of external indebtedness, public expenditure on education and health has been cut.

If the development economist is to adopt a people-oriented definition of development, rather than a goods-oriented definition, it is not sufficient to view human development simply in terms of increased spending on health, education and related activities. Social scientists have called for a change in the philosophy of development policy, to reflect the human dimension. Some things which the economist may need to take into account, are listed below.

(a) *Focus on expanding capabilities*

Economic development means expanding capabilities. The question should be, "What are people capable of doing or being?" For example: "Can people read and write?" not "How much is being spent on primary education?", not "What is the output of foodstuffs?" but "How many people are malnourished?"; not "What is expenditure on health?" but "Are people living longer?" Economists are asked to recognize that an individual who is illiterate and in poor health does not have the same capabilities, even though he/she has the same level of income, as someone who is literate and in good health.

(b) *Beneficiaries*

Social scientists also seek to remind economists that people should not be seen as target groups to be "impacted" by policy. Instead, they are to be regarded as intended beneficiaries, to be benefited, not "impacted," by development policy. Uphoff has remarked on the unfortunate tendency in development theory and policy to see people as "the problem" and technicians, bureaucrats and planners as "the solution." He suggests that this offers a highly misleading view of who is supposed to benefit from development. It excludes the contribution that can be made to development even by poor people who have very limited resources.

(c) *Women*

Human development needs to take greater note of the role of women, both on grounds of equity because they bear a disproportionate share of poverty, and also on the grounds of growth because they play a vital role in productive activities, and in maintaining their families and households. It is not sufficient merely to provide resources and formulate development objectives with women in mind. What is needed is a gender-sensitive culture. This involves changing traditional perceptions of women, and in particular rejecting cultural arguments for the subordination of women.

(d) *Culture*

It is necessary in promoting human development to be culture-sensitive. The study of developing countries' own history is a vital ingredient in increasing cultural awareness. Often traditional values can be reassessed; and the economist will find many of these values surprisingly conducive to progress in human development. For example, the work of both Lipton and of Chambers suggests that the wish to educate children is a common characteristic of the very poor, even among those who are wholly illiterate. Or, one might recognize that traditional societies often have mutual support systems which are highly flexible and efficient. For example, traditional savings institutions can be adapted to mobilize domestic resources for development.

The other side of this argument is that the failure of economists to discuss development in a culturally-sensitive way can itself provide an obstacle to human development. If economists are insensitive to the dominant cultural and social mores of a society, they are likely to provoke resistance to change, which may set back the cause of human development.

(e) *Social Costs*

In considering the dimension of human development, the economist needs to raise issues of intergenerational and intertemporal gains and losses. The choice of an appropriate discount rate raises important questions. Development may mean sacrifices now for future generations. But what limits should be placed on the high social cost demanded of present generations? Peter Berger has criticized planners who claim to speak for people and demand current sacrifices of human welfare for the sake of future development. Against this must be set the human costs of allowing present underdevelopment to continue and even to increase for future generations (Wilber and Jameson, 1992). Important ethical issues are raised here, not least by arguments which suggest that intertemporal gains and losses can only be discussed in terms of a commitment to the slowing-down of population growth through integrated population and human development policies. Lower rates of population growth will bring large personal and social benefits to people in developing countries, especially to women, but the policies implied raise difficult ethical problems for the development economist.

9. SUSTAINABLE DEVELOPMENT

Until comparatively recently development economists did not concern themselves with the question of whether development was "sustainable." Others, they include geographers, ecologists, environmentalists and physical scientists, have made sustainability an issue. There is, however, no single definition of sustainable development adopted by all those who have found it necessary to comment on sustainability. Physical scientists may stress different aspects as compared with environmentalists or conservationists. Some or all of the following elements are encompassed in the varied approaches to sustainability.

First, a sustainable system is one which can go on indefinitely in time. A system which is unchanging, or is in equilibrium, clearly can do so. Natural societies, however, are composed of living entities. Change is part of the process of birth, growth and decay. Change, including development, is sustainable in natural societies provided that there is no waste of resources.

Second, sustainability focuses particularly on the need to conserve food resources. The agricultural system in wealthy industrialized societies is wasteful. For example, grain is used to produce animal feed. Seventy-eight percent of all US grain is directed to animal foodstuffs. Eight pounds of grain protein is needed to produce one pound of animal protein for human consumption. It is wasteful to convert grain protein into meat protein, an argument which converts into demands for the place of vegetarianism in sustained development.

Third, agricultural systems are to be regarded as sustainable only if they can withstand collapse under stress. Modern "developed" agricultural systems may be highly productive but subject to great risk. They tend to depend on a very narrow genetic base. A threat to a few species threatens the entire system. Species may become resistant to artificial controls such as herbicides and pesticides. High yields may be maintained only by increasing the dosages of artificial fertilizers.

Fourth, developing countries particularly are in need of sustainable productive systems. We need to take into account the fact that the majority of the population in these countries is dependent on primary activities, agriculture, forestry and fishing. If these activities become unsustainable in the course of development society may be threatened. This is particularly so because the majority live close to the margin of subsistence. "Failure," in the absence of insurance or social security systems, can mean starvation. Rapid increase of population brings insurmountable problems when income levels cannot be maintained. Capital and labor mobility is often low in developing countries. If environmental deterioration occurs in one area or region, it may be difficult to find alternative means of livelihood elsewhere.

Fifth, traditional societies often have their own conceptions of sustainability which may be at variance with modern, market-oriented values. For example, they may believe that land and resources are best left in their natural state. Future generations should be given priority over current needs. Forest societies are particularly vulnerable in this respect. Such societies live in symbiotic balance with their forest environment. There is complete identification of their way of life with the forest. They extract only enough for their own sustenance and are fully aware that overexploitation will result in their own destruction. Their own shelters are simple structures, using renewable mud and thatch. But when contractors from outside are brought in they cut down trees for building materials, in order to earn the foreign exchange to buy imported goods, goods incidentally for which the forest people themselves have no use. Sustainable development in this case may mean leaving resources unexploited, and letting the forest cover remain in the state that it is found (Seabrook, 1988).

Nothing in what has been said so far has much meaning for development economists, who are most likely to have encountered the concept of sustainability in the context of macroeconomic management. For the IMF and World Bank, sustainable growth refers to increases in per capita income which can be maintained without encountering inflation and balance of payments problems.

This latter definition of sustainability has little immediate relevance to the concerns of the conservationists, ecologists and "greens." Indeed, IMF/World Bank policies may favor the type of activities which others would regard as unsustainable. For example, developing countries may be encouraged by international agencies to apply cost-benefit techniques in assessing public investment projects. A nuclear power station yields a future stream of benefits and costs. Admittedly the sensible appraiser will take into account likely spillovers. The appraiser will calculate any social costs in terms of environmental pollution. But the appraiser will still be encouraged to discount the future by applying an appropriate discount rate to net benefits. The adoption of a discount rate will favor net benefits in early years relative to any net benefits which accrue thereafter. It may thus be economically rational to engage in unsustainable activities (Tisdell, 1988).

With an appropriately high rate of discount, the fact that a power station yields very little in the way of net material benefits 60 years hence is of no significance, if the present net gains are sufficiently high to offset this. Nor is the appraiser expected to take account of the non-reversibility of the current decision. Yet there may be uncertainty about future gains and losses. The power station may actually inflict harm after 60 years. The conservationists argue that we should err on the side of safety, when we do not know the long-term outcome of what are, in effect, irreversible decisions. Conservationists point out that societies which make decisions on the basis of maintaining resources for their children in the same form in which they were received (i.e. implicitly using zero rates for discounting the future) may be economical naive but survive because they have adopted a goal of sustainable development.

The countercriticisms which present-day development economists may levy against conservation pressure groups are that such groups often fail to specify the goals of sustainable development and/or to suggest appropriate measures of sustainability. As far as goals are concerned, conservationists may express sustained development in terms of a need to prolong the earth's capacity to support human life. But economists point out that this depends on the way we value present versus future satisfaction. It implies decisions about intertemporal and intergenerational gains and losses. For example, how do we decide intergenerationally on family size? Should family size be limited now in order to allow a larger population in the future? Economists point out that there is no reason per se to favor the present over the future, or vice versa. It depends on the discount (or interest) rate adopted, which must reflect in some way the cultural values placed on present and future satisfaction.

As far as measures of sustainability are concerned, few ecologists have provided satisfactory quantitative assessments of sustainability. Isolated measures are made, for example, of soil erosion, loss of forest cover, water and atmospheric pollution. But these need to be brought together by economists, if they are to have any meaning for sustainable development. Given suitable measures it may well be found that in developing countries, outside of the larger cities, the damage to the environment attributable to pollution is relatively low.

Development economists have also been asked to pay more attention to the depreciation of the physical and human stock of capital in developing countries. For example, malnutrition, especially in pregnant women and children, reduces the "human capital" of developing countries. Account should be taken of the prevalence of malnutrition in arriving at measures of net national income. Similarly soil erosion in economically fragile parts of the developing world represents a critical deterioration in land and related resources, which needs to be captured in measures of depreciation.

Finally, there is a school of thought which argues that in developing countries, where the majority of the population are at the margin of subsistence, society is likely to have a high rate of time-preference in consumption. In these societies, there will be little demand for sustainable productive systems. People will have little inclination to avoid taking risks with the environment. The income elasticity of demand for basic commodities and services will be high, and the income elasticity of demand for environmental protection will be low. Low incomes may also mean that the demand on exhaustible resources is kept within acceptable limits. Wealthy countries on the other hand have a high income elasticity of demand for environmental protection, and a low income elasticity of demand for basics, a consideration which has important implications. It sheds light on the increasing propensity of richer countries to "export" their environmental pollution problems to the developing world. It is sufficient to note, however, that attitudes toward environmental protection in developing countries are not immutable. Much depends on the way in which national leaders set priorities, indicate the choices available to their populations, and allocate resources to sustainable alternatives.

10. AN ETHIC OF DEVELOPMENT

> While the tendency to avoid facing foundational questions is quite common, it is more a reflection of escapism than a demonstration of uncanny wisdom. Ultimately policies have to be justified in terms of what is valuable and how various policies may respectively enhance these valuable things. There is no escape therefore, from considering both the question of what is fundamentally valuable and the question of what instruments enhance these things best (Sen, 1989, p. 772).

Arguments in development economics frequently conclude by saying "but this is a value judgement," or "this is an ethical question." In the above quotation by A. K. Sen, one of the foremost contemporary development economists, we are reminded that economists must in the end be prepared to confront ethical questions about development. This is not to say that economists should abandon their claim to be "impartial." It is possible to have a subjective view as to what constitutes "development" and still arrive at an impartial analysis of the theory and policy judged necessary to achieve that goal. There are many moral questions associated with development policy, which require an answer. Foreign aid brings new technology to agriculture. This puts a number of poor agricultural laborers out of work. Is this moral? Or, there is a proposal to raise incomes by increasing tourism in an area of scenic value, noted for its endangered species. The land is traversed by poor nomadic tribesmen. An alternative policy proposes that nomadic farmers stay put on the land and sell cash crops. This second policy will also bring economic growth to the region and save families from severe poverty. But endangered species and a traditional way of life will be lost. Which policy of the two is morally better? These and similar questions confront any economist who studies development issues and engages in development practice.

A number of the more recent development theories are explicitly ethically based. Sen's capabilities approach builds on an agreed notion of a "just society" and "basic needs" for a minimum acceptable level of living. On closer examination, there are other development theories which have ethically based criteria for development. It is unlikely, therefore, that the economist who studies development either from a theoretical perspective or as a policy specialist will be able to avoid ethical questions. This applies not only to the development economist. Alec Cairncross, from his experience as economic adviser in Whitehall, referred to the "myth of the philosopher down the corridor," the idea that the economist can present a range of policy options, the choice of which, using the appropriate ethical considerations, can be left to someone else. Of course, there never is a philosopher down the corridor who can undertake this task. Very few people are philosophers as such, and it is safe to say that not many of these would be found practicing as economists in the civil service. Economists, in the absence of social philosophers, are likely themselves to be called upon to justify and apply ethical principles to the policies they advocate.

Since, however, philosophers do not all assume the same ethical principles, development economists who consciously or unconsciously offer ethically based theories or judgements may be arguing from one or other, or from a mixture, of philosophical perspectives. They may be influenced by a Kantian duty-based ethic that stresses the moral obligation of the rich and powerful to meet the basic needs of the world's poor. Or they may be making an appeal to universal laws, of which among economists the best-known is probably John Rawls's universalist rule of right. Or it may be utilitarianism which is the governing perspective, in which actions are judged according to how they affect the happiness or satisfaction of affected individuals.

Peter Singer is a well-known applied philosopher, a popularist who concerns himself with the ethics of everyday life. He subscribes to a utilitarian position, and his views on development and basic needs can be taken as indicative of how utilitarian perspectives impact on present-day development economics. Singer argues that choice should be based on consideration of "best consequences" for all affected. This differs from the "classical utilitarianism" of Bentham and Mill in that "best consequences" are understood as meaning what furthers the interests of those affected, rather than what merely increases pleasure and reduces pain. The starting point is the assumption that starvation, lack of shelter and lack of medical care are bad. The argument runs as follows, "if it is in our power to prevent something bad from happening, without sacrificing anything of comparable moral importance, we ought, morally, to do it." How much then should the rich be prepared to give to the poor? A consistent utilitarian ethic demands that the rich should sacrifice income up to the point where to give more would impose as much suffering on the rich, as it alleviates suffering in the poor. That is a very strong version of utilitarianism. But there is a more moderate form which according to Singer would still require the rich to give away enough to ensure that the growth of the consumer society, dependent as it is on spending on trivia which contribute little to the sum total of happiness, would slow down.

Singer employs utilitarian ethics to promote a goal for society which is highly egalitarian. In the 1970s his views aroused controversy, a famous debate with Garrett Hardin in which Hardin likened the world to a lifeboat. Hardin claimed that the world's increasing population created a drain on all aspects of the environment. Helping the poor effectively means encouraging more people to climb aboard the "lifeboat." Eventually the lifeboat will be swamped and all will be lost. Hardin dismissed Singer's philosophy of sharing, as a "philanthropic burden," which would reduce the resources available per head of the population and destroy the environment.

Between these two ethical positions there appears to be no compromise, but since it is the philosophical underpinnings which interest us at this point, let us consider another approach to justice and income distribution, as determined by Rawls's universalist rule of right. Rawls argues that the property of moral personality is a property which all human beings possess. A moral person has a sense of justice, and therefore can come within the scope of ethics. Ethics is a contract, a mutually beneficial agreement. People are vulnerable to attack by others, resources are scarce in relation to demand and mutual cooperation is the order of the day. "Don't hit me and I won't hit you!" If you can appreciate that you are not being hit, and can refrain from hitting others, you come within the scope of ethics. This is the contractarian theory of justice.

The main implication of Rawls's analysis is political. It constitutes an argument for a constitutional democracy. But there are socioeconomic implications. There should be equality of opportunity and equal distribution of income and wealth in a society. Inequality may be tolerated only if it contributes to the long-run interests of the poorest groups. Once a minimum standard of living for all has been achieved, it need not be unjust for additional income to be allocated through the price mechanism. Saving by the present generation should not create an institutional structure which will violate justice in subsequent generations.

Both utilitarian and nonutilitarian perspectives can be used to arrive at ethical judgements about income distribution which may be relevant to the choices of development goals. Both approaches may be criticized, however, for being culturally specific. They owe everything to European values, Western views of justice, rationality and cooperation which may not translate easily into the wider development context.

Freedom is another concept which has specific cultural connotations, and may need care when it is employed by development economists. Sen has recently explored the ethical issues involved, taking as an example the connections between freedom and the command over food (see Table 1).

Sen has conceptualized freedom in a fourfold way. Following the philosopher Isiah Berlin, freedom can be viewed in a "negative" or "positive" way. A positive view of freedom looks at its benefits in terms of what it enables us to do, or to be. A negative view of freedom focuses on the independence of the individual from interference by others. Its benefits are seen essentially in terms of freedom from governments, freedom from institutions and freedom from the demands of other individuals. Freedom can also be distinguished according to whether it is perceived as "instrumental" or as "intrinsic" in delivering its benefits. If it is intrinsic, then freedom is valued in its own right, an asset which individuals strive to acquire. If it is instrumental, then it is a means to an end, a way of delivering other benefits to the individual. Milton Friedman is an economist with a negative view of freedom, with freedom being perceived as a means to an end, not of intrinsic value. Buchanan, Rawls, J. S. Mill and Nozick attach an intrinsic value to freedom, though again it is largely perceived in a negative sense as offering freedom from interference. The classical utilitarian, Bentham, viewed freedom as instrument, but one nonetheless which conferred positive benefits by influencing what individuals are able to do or to be. Finally the classical economists, Smith and Marx, are considered to have attached positive attributes to freedom, regarded also as valuable in itself.

Sen is able to discuss the ethical arguments surrounding food policy in developing countries in the light of this fourfold distinction. The World Bank, for example, invokes an instrumental-negative approach. Farmers should have greater freedom to earn profits in agriculture, and greater freedom from interference in order to promote food supply. By way of contrast, the economist Peter Bauer argues that farmers have a right to enjoy their profits without interference by the state or other individuals, irrespective of the effect on food supplies. For Bauer freedom is of intrinsic value. Bauer has an intrinsic-negative approach to food policy.

Moving to the positive view of freedom, the basic needs literature epitomized by Paul Streeten invokes a positive-intrinsic approach to food policy and freedom. The freedom to fulfill basic needs has an intrinsic worth. Freedom from hunger is seen in a positive-intrinsic light. The welfare economist A. C. Pigou, on the other hand, offers a positive-instrumental view of freedom. Freedom from hunger and related objectives serves other more basic goals such as enhanced happiness or welfare.

Sen is able, from these ethical considerations of the concept of freedom, to draw some important conclusions for food policy in developing countries. For example, if it turns out that contrary to World Bank expectations, free markets and profits do not provide sufficient incentives for the growth of food supplies, the instrumental defence of the free market may well collapse. But arguments such as Bauer's, which see the right to earn profits as intrinsically of value, are not affected. The intrinsic view is less vulnerable to empirical counterargument than is the instrumental view. The ethical foundations of the instrinsic view, however, may be significantly less secure, at least as argued from a utilitarian perspective.

Table 1. *Concepts of freedom*

	Negative (freedom from interference)	Positive (able to do, or to be)
Instrumental (means to an end)	Milton Friedman	Bentham
Intrinsic (valuable in itself)	Buchanan Rawls J. S. Mill Nozick	Adam Smith Marx

Based on Sen (1989).

CONCLUSION

Given the complexity of the concept of development, it is no surprise that economists have debated at length the problems involved in arriving at a measure of development. Economists have long known that national income measures can be misleading as indicators of development, either for a single country through time, or for purposes of crosscountry comparisons. Many economic activities in developing countries are nonmarketed. Nonmarketed agricultural output, produced by farmers for own consumption, is usually estimated, and valued at market prices. It is likely to be the source of significant error in national income calculations. Moreover, a common currency needs to be used when comparing per capita income levels in different countries. Official exchange rates are rarely satisfactory for this purpose, reflecting as they do distortions and rigidities in the international trade and payments system.

Even if official exchange rates are adjusted for imperfect information, tariffs and other distorting effects, there is still the problem that international exchange rates are determined by traded goods rather than by nontraded goods and services. Exchange rates tend to underestimate the relative income of developing countries which have a high proportion of cheap nontraded goods in gross national output.

The definition of development as human development requires us to move beyond measures of relative purchasing power to consider a range of social indicators. One of the first indices to combine a range of social indicators to provide an overall view of the well-being of a nation, was Morris David Morris's "Physical Quality of Life Index" (PQLI) which aggregated three measures: life expectancy at age one, the infant mortality rate and the literacy rate, in order to provide international comparisons. More recently we have the Human Development Index (HDI) from the United Nations Development Programme, which combines the social indicators of life expectancy and literacy, with a measure of basic income (adjusted to reflect purchasing power) sufficient to raise the populace above the poverty level.

Further refinements in measures of development move beyond the socioeconomic sphere into the political and civil spheres. Dasgupta and Wheale have looked at cross-section data for approximately fifty countries. Data on life expectancy at birth, infant mortality rates and adult literacy rates were assembled for each country. The innovation was the data provided on political and civil liberties. Rights to political liberty were defined in terms of the citizens' rights to play a part in determining who governs their country and what are the laws. Countries were coded with scores ranging from one (highest degree of liberty) to seven (lowest degree of liberty). Rights to civil liberty were defined as the rights of the individual *vis à vis* the state. They included freedom of the press and freedom of the judiciary. Again, countries were coded with scores ranging from one to seven.

In view of the question addressed in this paper, what is the meaning of development, the empirical findings are of some significance. The researchers showed that a majority of poor developing countries have severe deprivation of political and civil liberties. Thirty-three countries in the sample of 48 suffered from systems that scored five or more for civil rights. The poor but exceptionally liberal countries were few in number, notably Botswana, Gambia, India, Mauritius and Sri Lanka.

The statistical results indicated that countries whose citizens enjoyed greater political and civil liberties also performed better in people-centered measures of development, in life expectancy at birth, in real income per head and in infant survival rates. Correlation does not, of course, imply causation. Nevertheless, this finding perhaps represents a departure from the perceptions of earlier writers. The pioneer development economists, with notable exceptions such as Peter Bauer, tended to identify development with government. The fact that authoritarian governments do not necessarily achieve economic and social results, may be an important signpost on the way to improving our understanding of the meaning of development.

NOTES

1. Bruton's review (1990, p.870) of H. W. Arndt's book *Economic Development: The History of an Idea.* Those who are interested in the history of economic thought may refer to Arndt's book, showing how the definition of development has changed through time. Sun Yat-Sen's *International Development of China*, published in 1922, was one of the earliest contributions on the subject.
2. In Meier and Seers (1984), pp. 360–361.
3. Hirschman (1981), p. 24.
4. In Marglin and Marglin (1990), p. 1.
5. In Wilber and Jameson (1992), p. 59.

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