



Economic and Social Development

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1

Introduction: developing countries and their problems

This introductory chapter focuses on the meaning of 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 the central topics of this book. However, the interplay between economic and non-economic factors is of great importance for a good understanding of development processes. 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, in sections 1.3 to 1.6 we will look at the various aspects of the concept of development and at indicators of development. In section 1.7 the differences between developing countries will be discussed. The final section addresses the question: what do developing countries have in common in spite of all the differences between them.

1.1 Involvement and detachment

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 hunger and misery in developing countries and on the question of what should be done in order to improve 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 a *long-term* effect on economic growth or stagnation.

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 unacceptable. Their aim is to arrive at concrete recommendations for action by means of scientific study of the issues. This approach has close links with development policy at international, national, regional or local levels. Some interpret this technocratically, others in a radical-political sense, arguing for political action in order to achieve dramatic changes in the existing order of things.

The drawback of such involvement is a certain degree of trendiness (see van Dam, 1978, 1989). To illustrate this point, I will mention just a few of the many ideas and slogans that have played a role in post-war discussions on development: the idea that large-scale injections of capital are the key to development ('big push'); the notion that the missing link in development is human capital; the green revolution; community development; basic needs; integrated rural development; self-reliance; delinking from the world economy; the New International Economic Order; stimulation of the informal sector; structural adjustment; and 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 reach certain goals, preferably within a decade (see, for example, Brandt, 1980, 1983; Brundtland, 1987). In the meantime, developments that take place irrespective of the fashion of the day are disregarded. These fashions often evoke a brief wave of enthusiasm within the world of politics, policy and science. Soon, however, a period of disenchantment sets in. The issue disappears from the public eye, and new and more appealing solutions are sought after. The greater the involvement, the greater the confusion between desirability and reality, and the greater the disappointment that follows when reality proves less manageable than one had hoped (see Elias, 1970). Sometimes, major mistakes in development policies are a direct consequence of erroneous advice from Western advisers and experts. An example of this is the drive for industrialization at all costs in the 1950s, as a result of which the agricultural sector came to be neglected.

The long-term approach 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 and cultural differences. Economic and social policies can be an important factor, but considering policy as one out of many other factors may help to deflate immoderate pretensions of policymakers, politicians and scientific advisers.

Economic growth in its modern form is very much associated with the economic development of the Western countries since the mid-eighteenth century. Therefore,

the history of the economic development of prosperous European and North American countries will often serve as a point of reference in our comparisons. 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.

Economic growth in its modern form is also associated with industrial development and a process that Higgins and Higgins (1979, p. 3) have ironically described as 'getting rid of farmers'. Again this relationship between industrialization 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 a lot about the role of institutions in advancing or impeding economic development. In this context one can think of land tenure relations, property rights, patent institutions, processes of state formation, or 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 realized 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 has been replaced by direct coercion by the state. Both mechanisms have resulted in the transfer of income to social groups (capitalists, entrepreneurs, government policy makers) that were both able and willing to save and invest. It is not likely 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 policymakers, politicians, entrepreneurs and aid workers are 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 analyze problems and developments in a more independent and critical manner. The emphasis on long-term developments can make us more immune to the fashion of the day and it may change our view of reality dramatically.

In this book the emphasis will be more on the detached approach to problems of development. However, there is no absolute contrast between the two approaches. There is a need for both. It is completely legitimate for politics and policy to ask for support and advice from scientific researchers. Besides, strong involvement does not necessarily preclude independent judgement or critical analysis. On the other hand, a long-term approach offers a starting point for the assessment of the effects of the development strategies pursued. 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 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 Discussion about development issues

Posing the questions mentioned at the end of section 1.1 is more important than giving unambiguous answers. 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 *debate on issues of development*. This debate is characterized by numerous clashing perspectives and theories. The results of empirical studies are often contradictory. At times it even seems that empirical research leads to more rather than less uncertainty. I have tried to represent the different views on issues of development in a balanced fashion, providing the reader with suggestions for further reading. Further, I have tried to sketch a picture of developments in post-war thinking on issues of development.

This approach should definitely not result in a noncommittal enumeration of points of view, perspectives and approaches, between which no choices need to be made. It is of great importance to learn to evaluate statements on development critically and to ascertain to what extent they are consistent with or contradicted by the empirical information 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 find out their own way in empirically grounded discussions of the issues of development.

By way of example, I will present a number of statements that are no longer tenable as generalizations in the light of the empirical information presently available to us.

- *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. Besides, one should always remember that each 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 pictures of starvation and malnutrition on the African continent, is generally untrue. In the long term, world food production is increasing marginally more rapidly than