

THE CHANGING DEFINITION AND MEASUREMENT OF DEVELOPMENT

It seems strange now to say so, but until the last war nobody discussed 'development' in the sense of the economic development of the countries of Africa, Asia and Latin America. Previously, if people thought about objectives for these areas they used vague concepts such as 'progress' or 'modernization'.

The concern with 'development' in this sense has been in fact a consequence of the break-up of the big colonial empires since the war. Dr. Kaunda once said to me: "After political independence in Zambia, we must achieve economic development". At the time, this was thought of as catching up with Europe. The U.S. and European governments broadly accepted this aim, in part at least because of the fear of the former colonies going communist.

A convenient yardstick, the national income per head of the population, had also come into common use by the 1950s. So catching up with Europe could be measured by the growth of per capita income. At that time, economic growth in this sense was almost a synonym for development.

Moreover, the orthodoxy then current showed how this could be achieved. It required above all capital investment. Using the model devised by Sir Roy Harrod and Evsey Domar which linked investment and changes in income, one could estimate how much investment would be needed to achieve a particular national income target. And since one could also make a rough guess at how much of this need could be covered by local savings, it was possible to deduce how much capital would be required in the form of aid and/or private investment. (In terms of this sort of model it did not matter very much whether aid or private investment filled the 'gap'.) Capital was also needed, from other points of view, to provide the technology and foreign exchange needs of economic growth.

There was in fact a development 'paradigm', providing quantitative links between (i) politically important economic targets, (ii) a government's economic policies and (iii) its need for external finance. This analytical framework was very simple and it suggested solutions to political problems: so it exerted a powerful appeal. It implied that 'underdeveloped' countries

should give up nationalist policies of protecting local industries so it was attractive to the governments and financial interests of the leading industrial countries. Moreover, it provided arguments to those in 'underdeveloped' countries who considered themselves modern. If governments opened their doors to foreign capital and technology, their countries need not remain 'underdeveloped'. This approach held therefore a further attraction: it was optimistic, even if the grounds for optimism were rarely spelled out.

The 'development' plans of the post-war era (actually growth plans) have been built on this paradigm, and it has been the central justification for aid programmes, through which 'developed' countries would help the 'less developed' catch up. Social targets, at least until the 1970s, were usually subsidiary to growth. Lower unemployment and greater equality, even parliamentary democracy, would, it was assumed, be achieved if per capita incomes rose to high enough levels. But the emphasis must be on growth; redistribution could come later.

This was the justification for the United Nations target of 5% national income growth by the end of the 1960s for the 'underdeveloped' countries. When this target was put forward in the late 1950s, many European diplomats privately thought it absurdly high. But there was general agreement that if the 'underdeveloped' countries grew at anything like this pace, big social and political advances would be feasible.

Actually, the opposite seems to have occurred. To measure the national income in countries with large numbers of people in subsistence agriculture (or even to define 'income' in this sector) is in fact very difficult. But, for what they are worth, the national income estimates of 'underdeveloped' countries suggest that the growth rate for this group as a whole did accelerate to about 5% by 1970 (with big differences between countries, of course) and to have maintained this rate into the 1970s. This is something quite new in the world: this area had been economically stagnant for the whole of past history. But unemployment and inequality appear to have become if anything more severe, and country after country has fallen under military dictatorships.

To generalise drastically, what has been happening is that growth has been concentrated very largely in a few industries using imported technology, and associated sectors such as transport, banking and public administration, mostly in the big cities. Here a small minority are able to live more or less 'modern' lives, copied from overseas. But fiscal and banking systems have turned out to be too weak to spread the benefits of growth. Country districts (and parts of cities) have remained slums: indeed some rural industries, notably the handloom weavers of South Asia, have been virtually wiped out. And those who did benefit have turned to the military to protect their gains. So growth is not followed automatically by redistribution or democracy. On the contrary, the typical fast growth policies seem both to require and to induce oppression.

From a social and political point of view, what matters in fact is not so much the pace of growth as its pattern. There has been a general realisation that growth as such cannot be called development. Hence the rising interest in the 1960s in 'social indicators' (such as measures of nutrition and mortality), and in the 1970s in 'basic needs', not only in national planning offices but also in some aid agencies (especially those of the Netherlands and Sweden, and the ILO). This approach implies priorities for investment in agriculture and rural industries, and for the adaptation of technology in all sectors so that a given quantum of investment provides more jobs.

Another element has also now entered the picture. Although economic growth had been expected to bring not only social welfare and democracy but also greater independence, here too it has had the opposite effect. The fast-growing countries - especially the smaller ones - may have become less dependent on the exports of a narrow range of primary commodities, but they have become more dependent on imports of foreign equipment, technology and fuel, obtained mainly through the multi-national corporations. For most of them, foreign exchange problems remain therefore as chronic as ever, or more so.

The dawning realisation of this led to the 'dependency' theories which emerged in Latin America - e.g. the work of Osvaldo Sunkel of Chile and Fernando Henrique Cardoso of Brazil. Here was the origin of the doctrine of 'self-reliance' which does not mean autarchy but a much more selective approach to foreign capital than was customary in the 1950s. Self-reliance is now seen not merely as a means to development, but as one element in its definition. Development has had to accommodate nationalism - with which it once seemed scarcely compatible.

The oil crisis of 1973 -74 underlined the vulnerability of many of the new industrial structures, and raised the spectre of an international struggle for oil and other resources. The experts of the Club of Rome had already been making similar warnings. But their exaggerated style and their tendency to raise many bogies had blunted their impact. The oil crisis did, however, really cast considerable doubt on the previous unthinking optimism that sooner or later everyone in all parts of the world would be able to enjoy a European standard of life. It is conceivable that with nuclear power and other non-conventional sources, the industrial countries will be able to solve their energy problem in the 1990s; it is hard to see how countries like India could possibly find the immense capital needed.

However, the success of OPEC had another effect. It not only made "A New International Economic Order" more necessary for the rest of the 'Third World' it also provided them with moral and political support.

The NIEO includes many demands which are familiar to those who have followed the long and sterile UNCTAD negotiations on aid, tariff concessions and commodity price stabilisation. But there is a new insistence on national sovereignty over sub-soil minerals, on monitoring the multinational corporations, and on obtaining a much bigger share in world industrial output. In brief, it is a demand for redistribution of economic power, such as has already been partially achieved inside industrial countries, but on a world scale.

The oil crisis had still another effect. It aggravated the foreign exchange difficulties of a number of European countries normally classed as 'developed', especially Portugal and Italy, but also Britain. Indeed, many began to show what had previously been considered the classic Latin American combination of chronic inflation and heavy unemployment (which can hardly co-exist simultaneously for long, according to Keynesian economics) not to speak of political instability and a high degree of concentration of economic power.

There is now a growing tendency to extend the concept of 'development' to Europe itself. The dividing line between 'developed' and 'developing' countries has in any case become increasingly blurred, even in terms of per capita income. While there are of course many differences between (say) Italy and Argentina, it may for some purposes be worth stressing their common problems - e.g. how best to select and purchase the technology they require, and thus how to handle the multinational corporations, the main sources of the technology. These are now clearly big issues for Britain too (e.g. over North Sea Oil, pharmaceuticals and automobiles). Ensuring that 'their own' corporations follow policies in the national interest, in some sense, can even be a problem for the governments of the United States and West Germany, if not Japan.

Taking 'development studies' out of the tropics - which is what this means - brings an immediate diplomatic payoff. The subject is now no longer so paternalistically concerned with showing countries overseas how to develop and solve their problems of poverty. Research and teaching programmes increasingly contain European case studies as well as those of the 'Third World'.

In any case, the political basis of the old aid-oriented approach has dwindled, and the governments of European countries are less concerned with the question: what can we do for poor countries? than with another one: what are the mutual interests of rich countries and poor? Research studies now going on (e.g. in OECD and also in the British and French Governments) deal with questions such as : How compatible is the development of the Third World, especially that of the 'newly industrialized

countries' or NICs (such as Brazil and South Korea) with the economic growth needed in Europe to cut down unemployment? What modus vivendi can be worked out with the NICs? Which of the many demands in the New International Economic Order can industrial countries afford to concede? And do the richer members of the EEC have the resources both to enlarge and change the Community and also to continue investment in other continents? It is safe to predict that the report of the Brandt Commission will deal with these topics, not primarily with aid, the focus of its predecessor, the Pearson Commission.

'Development' is ultimately about a broader - and non-quantifiable - problem into which all these questions fit: quite simply, can we construct a world capable of digesting technological advance and also surviving the next round of oil price rises and less predictable crises? This must mean a more equitable world. Unless we can bring it to birth, we face a future of growing turmoil, and no society will escape unharmed, however stable it looks today.

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