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The Birth, Life and Death of Development Economics
(revisiting a Manchester Conference)

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In 1964, Kurt Martin took the initiative, with John Knapp, in organizing a conference at Manchester on the 'Teaching of Development Economics: Its Position in the Present State of Knowledge', and subsequently edited the conference proceedings under the same title (Frank Cass 1967). The conference was called because (as the jacket said) a feeling had grown 'that current, orthodox economic theory is inadequate in this field'.

The conference was lively. This was really the first major public celebration of such misgivings, and it was a landmark in the evolution of both the subject and its teaching. I shall argue that the heuristic problems raised are still with us today, and discuss some lines of solution which were aired then. But in order to show why 'development economics' took the shape it did, and why this persists today, one has to go back to its origins.

We tend to forget how recent a subject it is, only having started life in the 1950s. The parent was colonial economics, which catered mainly for those working in, or hoping to enter, the colonial services. In retrospect, the world assumed in these courses was essentially static. A basic problem was trade fluctuation which had been characteristic of the inter-war years. The main objective, implicitly at least, was stabilization. This reflected both the needs of the colonial powers (especially those with interests in Africa, where com-

*I am very grateful for comments from two experienced teachers and researchers in this field, Pramit Chaudhuri of the University of Sussex and Gerald Helleiner of the University of Toronto.

modity exports were important) and the Keynesian fashion then current. Insofar as social and political change was considered, it was depicted as gradual progress requiring economic stability. The economic role of the state was very limited.

The war not only disrupted the colonial systems: it upset this way of perceiving problems. The newly-independent governments that emerged subsequently were under pressure to produce 'development', not stability. The wartime success of the Soviet Union, then at the height of its international power and prestige, was interpreted as implying that purposive development of a very backward economy was by no means impossible. The United Nations which had just been born, provided a forum in which these governments were starting to press their claims collectively.

From the viewpoint of the governments of the major capitalist countries, there was grave danger that ex-colonial countries might, if there was little social progress, fall under Communist domination: then investment opportunities and access to markets and sources of raw materials would be diminished. In addition, egalitarian and humanitarian tendencies had been reinforced by wartime propaganda.

A political basis thus emerged in the early 1950s for large-scale financial and technical aid. Many economists in Europe and North America began to fashion tools for analyzing the problems of 'underdevelopment'. A seminal work on which they could draw was Kurt Martin's *The Industrialisation of Backward Areas*,¹ showing what resources industrial development would need. By focussing on South-East Europe, this book also helped establish a wider geographical coverage than just the colonial empires.

So the pedigree of Development Economics reads 'By Colonial Economics out of Political Expediency'. After the usual academic inertia, university courses previously called 'colonial economics' came to include one or more units on 'planning' (sometimes constituting the whole course).² This was fashionable in newly-independent countries, and the need for it was accepted, more or less reluctantly, by those responsible for external policy in the United States and Western Europe. Even in the capitalist world, planning had contributed to winning the war. However, *laissez-faire* influences were still strong³ and this ambiguous word often meant little more than the construction of hypothetical projections; the implicit role of the state was still usually not very great.

How much use such courses have been is questionable. They tended to develop a focus which seems less convincing now than it did in the 1950s. Development became increasingly identified with economic growth, as measured by the national income (defined according to Keynesian conventions). There was a simplistic chain of reasoning. Did not the 'developed' countries, then seen as political and social models, have high per capita incomes? Was not, therefore, raising per capita incomes the condition for building political democracy and creating welfare states with a high level of employment — a necessary condition and by implication a sufficient one? To raise income, capital was needed. There were naturally political differences about how the capital could best be obtained, and what scope should be allowed market forces. But a general consensus existed, covering even Marxists, that higher incomes was the end and capital investment the means.

This way of looking at development was heavily reinforced by theoretical innovations in mainstream economics and associated ones in statistics. The Harrod-Domar identity 'explained' economic growth in terms of savings ratios and capital-output coefficients, making it possible to estimate the capital investment, and thus aid needs, for any target rate of growth.⁴ Subsequent developments in project evaluation enabled a simple (or simplistic) frame to be constructed for comparing the financial costs of a project with its expected contribution to the national income.

National income accounting was naturally stimulated, leading to a great proliferation of economic statistics. While these numbers were useful for quantifying models, many of them had little factual basis, and they were in any case designed to fit accounting frameworks and concepts of 'income', 'investment', etc. devised for industrial countries.⁵

To understand why economists teaching development courses employed a theoretical framework which had been developed in a different context, and loaded it with largely meaningless numbers, one must look at professional convenience and career interests especially in the 'developed' countries, where most of the theoretical advances in the field originated.

The growth models that were fashionable there had a powerful intellectual appeal and provided welcome opportunities for a display of professional skills (e.g. in graduate theses), in ways that seemed socially relevant. The scientific and humanitarian pretensions of the discipline appeared to be simultaneously justified, in-

creasing its capacity to attract research funds and its weight in academic politics.

Moreover, reducing the complexity of social change to a single yardstick eliminated a large number of issues — notably the distribution of the benefits of growth between different social classes, ethnic groups and regions. This made the models of very doubtful relevance in countries where these were precisely the key issues. But it kept them manageable and free of factors to which economists were unaccustomed.

The focus on growth was also welcome to politicians in power, because these issues were potentially divisive. Moreover, the publication of technically sophisticated economic growth projections (called ‘development plans’) also formed a major political occasion, celebrating an apparent dedication to development. They provided an apparently objective basis for aid requests, which was appreciated by (in some cases required by) donor agencies.

Still, it was already clear by the early 1960s that planning of growth was not as successful as had been hoped — the results of the Indian Five-Year Plans had been particularly disappointing (since they were of relatively good technical quality). Incremental capital-output ratios turned out to be too unstable to be used in planning, and in any case research on industrial countries showed that growth functions were incomplete if they made no provision for ‘technical change’.⁶

Rising professional doubts surfaced at Manchester.⁷ In their preface to the proceedings, the editors wrote ‘there was general if somewhat belated agreement at the Conference that *differences in circumstances* [their italics] may often call for significant departures from some of the factual assumptions habitually made in Anglo-Saxon economic theories, with corresponding changes both in the results of analysis and in its application in diagnosis and policy formation.’

There was less agreement at Manchester on how much these differences in circumstances mattered. In his personal contributions to the conference, Kurt Martin took an intermediate position. He followed E. E. Hagen and Hla Myint, who argued that despite the differences the central corpus of economic doctrine was still relevant, by urging the need to keep stressing ‘certain axioms or basic tools of economics’, instancing the concept of opportunity cost and the idea of a market (p. 146). On the other hand, he also felt that ‘textbook economics does not take us very far’ and that many con-

ventional theorems needed reconsideration. And he doubted (p. 205) the practical usefulness in this field of advanced mathematical and econometric techniques. He described more down-to-earth, empirical case studies in the 'workshop' he had a big role in running, as part of the Manchester Diploma course.

Scepticism aired at this conference has proved fully justified. It was directed rather at the naïve transfer of neo-classical economics in general than simply at one of its concepts, economic growth. Still, the question Paul Streeten raised then, under the heading 'false aggregation' (pp. 60-62 and 67), foreshadowed later misgivings about growth: 'The income of an industrial enclave may grow, while the real income per head of the indigenous population stagnates or declines. In what sense is "average income" rising?'

At the risk of labouring the obvious, let me briefly summarize the reason why economic growth has been discredited as a concept. After all, some people do actually still say that growth is necessary *before* redistribution ('one must first bake the cake', etc.). But as we now well know, economic growth, however fast, has not been a sufficient condition for relieving social distress, still less for achieving political democracy. Its effects have depended on its *pattern* — not only the sectoral but also geographical and (in some cases) ethnic balance; and the accompanying institutional changes — precisely the issues excluded from growth models. Moreover, the pattern has deterred the very possibility of redistribution: once an elite has been created it has held onto the levers of economic power.

Some types of fast growth have implied periodic political repression to keep exports competitive and to restrict the social distribution of benefits (e.g. Brazil, 1965 to the present); or they have been associated with rising unemployment and emigration (Jamaica and Puerto Rico throughout the post-war period being clear examples); or they have stimulated separatism (e.g. Pakistan, in the 1960s); or they have proved incompatible with national cultural traditions (as in Iran, 1952-78). Most patterns of fast growth have also brought other consequences: increased political, economic and cultural dependence. These aspects of growth are all linked, in fact, where this consists essentially of foreign technology and capital being pumped into a limited 'modern sector'.

It is no longer clear that economic growth is even positively correlated with development. Those who claim such a causal connection need to say what they include in development, then establish some association, and finally speculate on which is the causal fac-

tor. Certainly, increases in some types of output (especially food) would cure poverty — one of the common aims of development. But, as Paul Streeton implied 15 years ago, these do not necessarily require high rates of growth in the heterogeneous conventional aggregate known as the 'national income' — especially since output series for basic foods carry relatively low price weights in economic growth calculations. Indeed, in countries where the proximate cause of poverty is (for example) the concentration of health services in the cities, the necessary steps to eliminate it would hardly be reflected in output statistics at all. To reduce dependence on imported oil, another common aim of development, might actually mean negative growth.⁸

There are other reasons why 'development planning' has turned out to be something of a charade. Plans have very rarely contained any contingency provision to allow for changes in external circumstances (especially fluctuations in exports or import prices). Nor did the planners possess instruments to influence foreign investors, even in (the numerous) countries where they were responsible for key decisions on types of technology, direction of trade, etc. But the main weakness is rarely even mentioned in courses in planning; politicians have never paid much more than lip service to it — few have been sufficiently dedicated even to economic growth objectives to keep in day-to-day contact with planning offices and pay heed to their advice. Planning requires as a first condition not a staff of economists trained in development economics, nor an input/output table, but the will (as exists in wartime) to make all policy decisions consistent with ultimate goals.⁹

Development economics in the conventional sense has therefore proved much less useful than was expected in the vigorous optimism of its youth. In some circumstances, it may well have aggravated social problems if only by diverting attention from their real causes — indeed from the problems themselves.

There are reasons to doubt whether it will survive much longer, indeed whether it can be considered a subject at all. In the first place, we all really know now that the economic aspects of the central issues of development cannot be studied or taught in isolation from other factors — social, political and cultural — a point made by many speakers at the Manchester conference, especially A. H. Hanson and Max Gluckman, but also Nicholas Kaldor.

It is now clear that macro-economic analysis of changes in the pattern of consumption, for example, will not go far unless it in-

cludes a study of foreign cultural influences¹⁰ and of the mechanisms by which they are transmitted. A proper explanation of trends in the employment market involves, *inter alia*, looking at the sources of foreign technology, including educational institutions.

Many course directors have tried to solve these problems by adopting an approach that one might call 'development economics plus', i.e. to teach a fundamentally economics course with occasional reference to those non-economic factors that appear too important to omit. This in essence is what Kurt Martin advocated at the Manchester meeting and it has no doubt become increasingly common since then. But in the meantime we have also grown more aware of the complexity of development. It is true that we still lack a credible framework of theory covering political, social and economic change (unless one were to believe in Marxism). Some of those at the Manchester conference doubted whether we should even look for such a framework — though its absence certainly helps explain the survival of uni-disciplinary courses.

One way of crossing disciplinary boundaries is to teach problem-oriented case studies (such as Kurt Martin was already using at Manchester in the early 1960s). These have also been used in the explicitly inter-disciplinary graduate courses which have relatively recently been created in Britain (and no doubt elsewhere): so have historical analyses which of necessity cover various disciplines.¹¹ It is early as yet to evaluate these courses, but hopefully they will throw light on how to tackle this problem.

There is a second major reason why development economics as usually taught now lacks rationale. Its syllabus — indeed its very title — suggests that certain countries, i.e. those 'underdeveloped', have problems that require a special type of analysis. To insist on the 'difference in circumstances', i.e. that the industrial countries were a 'special case', seemed revolutionary to some in the 1960s. Indeed, it was then a step forward. It discouraged the naïve transfer of neo-classical economics (including the Keynesian and Marxist versions) to continents for which they had not been designed.

However, at that same conference, some of the speakers, e.g. Joan Robinson and Thomas Balogh, developed arguments which were really inconsistent (at least on the surface) with emphasizing these differences. They 'denied that conventional textbook analysis was relevant in Western countries', to quote from the editors' summary (p. xi). This denial seemed rather a diversion at the time but it

looks much more cogent today. Others had questioned at Manchester whether one could make in Africa or Asia the necessary assumptions about homogeneous competitive markets for factors and products implicit in the use of neo-classical economics. But can we make these assumptions about any part of the world, especially today?

Virtually all countries are suffering now from structural rather than global problems. For very few would an acceleration of growth *per se* be a solution to social problems such as unemployment. All countries face powerful external forces, especially the policies of the transnational corporations, and experience the strains of absorbing modern technology. So insights from the development field could usefully be imported into the social sciences in the so-called developed countries too, which include several where neo-classical analysis and prescription did not once seem obviously implausible. I refer to appropriate technology and concepts familiar in Latin American writings, such as self-reliance, marginalization and cultural dependence.

There is no longer a clear frontier between North and South (referred to as East and West in the 1960s). This makes professionally less tenable what is ceasing diplomatically to be acceptable anyway, the paternalistic idea, common to both colonial and development economics, that officials should come to Europe from underdeveloped countries to hear how we think they should plan their future.

The political basis for the old type of course has now largely eroded anyway. Capitalist governments, especially since the oil crisis of 1973-74, no longer feel they have resources to spare for big aid programmes. Nor are they now so concerned about international communism. This is partly because of the wars and tensions between communist countries, and partly because it has become obvious that, whatever the ideology of a political leadership, it needs technology (and in most cases food) that can only be obtained from the capitalist countries. These importations can only be financed by sales in these same countries or loans from them (or from members of OPEC). Aid has ceased to be so important in quantitative terms or in qualitative relation to other international links, and the focus of the international debate is now rather on 'mutuality' of interest.

It is true that the governments of many 'developing' countries still find it tactically convenient to retain the fiction that there is an

identifiable South. We are not, however, necessarily bound to shape professional categories so as to suit short-term political convenience. From a professional point of view, the time has come to emphasize similarities rather than differences in circumstances and to dispose of development economics. What will take its place? There is already a detectable trend towards courses which are not only interdisciplinary but study development as a universal problem and draw much of their material from the host country (which provides of course almost the only feasible possibility of field work on case studies).

They increasingly contain a mixture of students from both 'North' and 'South' (and in some cases also a similar mixture of staff). The needs of European students can only be catered for in a 'development' context. It is becoming apparent, for example, that a national government, in Europe as elsewhere, or a corporation, or an agency like EEC, needs social scientists with an understanding of the world as a whole; of the changing role of their continent in it; of population, energy and food problems; and of the significance of a country's size, location and resource base for its development options. A graduate student in Britain, for example, is not really prepared for many subsequent careers if he does not acquire an appreciation of the country's historical decline in technological leadership and competitiveness: a Scottish student needs in addition some insight into the reasons for the depopulation of the Highlands and also (for somewhat different reasons) Clydeside — and of parallels and contrasts with the depopulation of other peripheral regions.

The big European centres like ISS, IEDES and IDS, that have played a major part in teaching 'development economics' to foreign students, are the logical centres for initiating the shift to a new approach (as is in fact already taking place). They are the bridges across which development concepts could be imported into European universities, stimulating research on European problems within a developmental frame of analysis. Such an approach puts greater pressure on those planning graduate courses, especially those with students from more than one country. Already in 1964, Kurt Martin was arguing (p. 205) that courses like the Manchester Diploma could not be taught in less than two years. Still more ground needs to be covered now, not only because the horizons of 'development' have been greatly extended, but also because most students start by knowing very little about (say) the world food

market or the social costs and benefits of different types of energy or the trajectory of policy in China. A bigger gap needs filling.

This is largely due to the nature of undergraduate syllabi, which still consist in large part of *a priori* unidisciplinary techniques. It is true that many now include part-time, optional courses, lasting three terms at most, in some subject such as 'The Economic Problems of Developing Countries'. This academic isolation of part of the world itself warps the student's frame of perception. But in addition, to deal with development problems adequately in such a short time is almost impossible, especially in the absence of complementary material in the rest of the undergraduate syllabus.

Such deficiencies would be less serious in their implications (which of course extend far beyond effects on graduate schools) if schools supplied their pupils with even a basic understanding of the modern world and of their country's role in it. In Britain, at least, this is ruled out for the great majority of students by specialization, which ends the study of geography and history in the early teens.

We have to seek the explanation for these archaic syllabi, at all levels, in the bygone era when European industrial countries were sufficiently strong for the international context of policy to be largely irrelevant. It also lies in educational inertia, the unwillingness to write off obsolete texts and lecture notes.

One way of rationalizing inertia in university economics courses is to argue that emphasis on empirical knowledge is too 'descriptive': it would not teach a student 'how to think', a preoccupation of some at Manchester. In fact, this approach need not rule out imparting mathematical technique, e.g. in demographic analyses. But when put forward as a general way of tackling problems, especially those that are macro-economic, this is dangerous — as Kurt Martin mentioned. Today's graduate students in mainstream economics are trained to 'reduce' reality to the limited set of quantifiable variables required not by the problem but by an elegant technique, a brutally technocratic approach.

The air of much of today's economics is almost as rarified as in the theological schools of the Middle Ages. It could suffer from an increasingly obvious failure to provide answers to social problems, notably unemployment. The chief requirement in 'thinking' today is surely not to indulge in set gymnastic exercises, but to analyse actual problems in their historical and geographical complexity, taking account of data limitations, adapting the techniques and concepts as need be. This can be taught — though to do so demands

greater skill and more time than demonstrating how to manipulate algebra.

Naturally, those who have mastered arcane mysteries try to insist on their importance, especially in the job market. But some signs of frustration among faculty and students are evidenced by interest in the ecological costs of economic growth and in dependence theory. There is a sort of dualism in economics, analogous to what can be found in nations, which involves two technologies, one inappropriately sophisticated.¹²

The history of economic thought shows that, in the end, irrelevant theoretical frameworks are discarded. The logical future today is the study and teaching of development in a social and political as well as economic sense, with a wider geographical coverage and special emphasis on European development needs. In the retrospective perception of the twenty-first century, development economics may perhaps be seen as a transitional stage in the metamorphosis — and the Manchester conference of 1964 will appear as signalling the start of its death throes and the conception of its successor.

● NOTES

1. Oxford Institute of Statistics Monograph No. 2 (Blackwell 1945).

2. Many of those at the Manchester conference had taught both 'colonial' and 'development' economics, notably Peter Ady, who provided a thoughtful paper on what parts of mainstream economics were relevant.

3. Indeed, a purist group, critical of all forms of state intervention, persisted in development studies. A conspicuous example was the Chicago connection at the Catholic University in Santiago, under the influences of Simon Rottenburg, Al Harberger and others: its graduates are now responsible for the *laissez-faire* economic policy of the Pinochet regime.

4. We sometimes forget that Roy Harrod was primarily concerned with something else, examining the instability and inefficiency inherent in capitalism, and consequent deviations from the 'natural' rate of growth. If this strand of his work had been followed up by development economists, it would have been fruitful. (This point was suggested in the comments of Pramit Chaudhuri.)

5. See 'The Political Economy of National Accounting', by Dudley Seers in Cairncross and Puri (eds.), *Employment, Income Distribution and Development Strategy: Essays in honour of Hans Singer* (Macmillan 1976). Indeed, in any economy which is predominantly rural (i.e. typical) a competent statistician can produce almost any growth rate, even keeping strictly to the conventions of the UN

System of National Accounts. Since the monetization of existing activity appears as additional output (e.g. the conversion of traditional village administration, healing, education, entertainment, etc. into salaried activities, not to speak of the increasing commercialization of the peasant household's primary and secondary production), high rates are particularly easy to obtain. (For the same reason, most published estimates have an upward bias.)

6. This was widely interpreted as establishing the case for making specific provision for 'human capital', a factor in any case coming increasingly to the fore as African countries became independent. However, in the Manchester symposium, Thomas Balogh argued that it was fundamentally wrong to estimate a general 'rate of return' on education from such models.

7. Very similar doubts were also being expressed elsewhere, notably by Gunnar Myrdal then working on his *Asian Drama*, though it was not published (by Allen Lane) until 1968. What Paul Streeten called 'mumbles of discontent with established categories of thought' had also been audible, in particular from Raúl Prebisch and Latin American economists associated with him, but these were not taken very seriously by the profession, especially in that period.

8. Actually planning is not about growth in any real sense, but about changes in the estimated national income, mostly based, not on fact, but on hypotheses — for example that subsistence food output is a function of the assumed growth of the rural population, or that output in the government sector increases in proportion to the number employed, irrespective of what they do.

9. This is not to imply that an input/output table would be useless. Properly constructed, it could bring out *some* of the *economic* consistency requirements.

10. Although this was denied by Professor Hagen at Manchester (p. 54) on the curious grounds that dependence of this type required much face-to-face contact. Hagen spoke, however, strongly in favour of taking into account other social influences including one often mentioned in his work, a context favourable to 'creativity'.

11. Of course historians (who are also really development specialists) mostly lack an overarching framework of theory too.

12. This analogy was suggested by Gerry Helleiner.

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(Harvester Press, 1979) and of two forthcoming symposia on Unequal Development and Regional Integration (one on the experience of Western Europe, the other on the implications of the enlargement of the EEC).