

The Meaning of Development

Dudley Seers

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by

DUDLEY SEERS.

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The challenges of any period depend on the tasks that face those living in it. I believe we have misconceived the nature of the main challenge of the second half of the twentieth century. This has been seen as achieving an increase in the national incomes of the "developing" countries, formalised in the target of 9% growth rates set for the first development decade. Of course, we have all been aware that development consists of much else besides economic growth. Sir Arthur Lewis made this point in the opening pages of "The Theory of Economic Growth" in 1955, and the World Economic Survey for 1968 emphasises it once more. Yet little more than lipservice is paid to it; we are still setting targets mainly or only for the national income.

It is now time to make the point more sharply. Surely we could hardly say that the situation depicted by one set of projections was preferable to that shown by another set simply because the former implied higher per capita incomes. After all, in what sense is South Africa more developed than Ghana, or Kuwait than the U.A.R., or the United States than Sweden?

Why do we concentrate on the national income in this way? It is of course convenient. Politicians find a single comprehensive measure useful, especially one that is at least a year out-of-date. Economists are provided with a variable which can be quantified and movements in which can be analysed, into changes in sectoral output, factor shares or categories of expenditure, making model-building feasible. While it is very slipshod for us to confuse development with economic development and economic development with economic growth, it is nevertheless very understandable. We can after all fall back on the supposition that increases in national income, if they are faster than the population growth, sooner or later lead to the solution of social and political problems.

1. I am grateful for comments from Hans Singer on an earlier draft, which was also discussed at seminars at the Universities of Boston and Toronto.

But the experience of the past decade makes this belief look rather naive. Social problems and political upheavals have emerged in countries at all stages of development. Moreover, we can see that these afflict countries with rapidly rising per capita incomes, as well as those with stagnant economies. In fact it looks as if economic growth may not merely fail to solve social and political difficulties; certain types of growth can actually cause them.

Now that the complexity of development problems is becoming increasingly obvious, this continued addiction to the use of a single aggregative yardstick, in the face of the evidence, takes on a rather different appearance. It begins to look like a preference for avoiding the real problems of development.

The definition of development

The starting point in discussing the challenges we now face is to brush aside the web of fantasy we have woven around 'development' and decide more precisely what we mean by it. Only then will we be able to devise meaningful targets or measures of progress, to judge the relative importance of various problems which arise in the process of development, and thus to help improve policy, national or international.

The starting point is that we cannot avoid what the positivists often disparagingly refer to as "value judgments". 'Development' is inevitably treated as a normative concept, as almost a synonym for improvement. To pretend otherwise is just to hide one's value judgments.

But from where are these judgments to come? The conventional answer, which Tinbergen accepts for his system of economic planning, is to draw our values from governments. But governments have necessarily a rather short-term view, in some cases discounting the future at a very high rate. More seriously, some governments are themselves the main obstacles to development, on any plausible definition, and once one concedes this, where is one to obtain the yardsticks by which government objectives are to be judged?¹

Another approach is to copy the development paths of other countries, which implicitly takes their present state as a desirable

1. Even supposing that governments represented faithfully, in some sense, popular attitudes, these are endogenous to the development process and therefore cannot provide a means of assessing it.

objective. This is implicit in much model-building, for example when projections are based on international cross-section analysis. But few if any of the rich countries appear to the outside world as really desirable models. Some aspects, such as their housing standards, seem enviable, but with these ^{are associated} / , perhaps inseparably, evils such as urban sprawl, commercialism and chronic tension. Besides it is by no means obvious or even likely that the rest of the world could retrace the history of the industrial countries even if they wanted to.

If values are not to be found in politics or history, does this mean that we are each left to adopt our own personal set of values? This would be an alarming conclusion, if it were treated by civil servants as a license to introduce their own politics into their advice (which they do often enough without license!). But surely the values we need are staring us in the face, if we go back, appropriately in 1969, to the questions raised by Gandhi's thought and life. We must ask ourselves: what are the necessary conditions for a universally acceptable aim, the realisation of the potential of human personality?

If we ask what is an absolute necessity for this, one answer is obvious - enough food. Below certain levels of nutrition, a man lacks not merely bodily energy and good health but even interest in much besides food or the capacity to concentrate. He cannot rise significantly above an animal existence. If anyone has any doubt on the primacy of food, they should reflect on the implications of recent research showing that nutritional shortages among children can cause lasting impairment not merely of the body, but also of the mind.¹ Gandhi's repeated use of phrases like "the dumb, semi-starved millions" showed the attention he paid to nutrition.

Since to be able to buy food is a matter of income, the criterion can be expressed in terms of income levels. This enables it to take account also of certain other minimum requirements. People will never spend all their money and energy on food, however poor they are. To be

1. See "Malnutrition, Learning and Behaviour", ed. Scrimshaw and Gordon (MIT Press, 1968).

enough to feed a man, his income has also to cover basic needs of clothing, footwear and shelter.

But I am not talking about consumption needs in general; I am talking about the capacity to buy physical necessities. The deprivation due to lack of food is not to be compared with that due to lack of a motor car. What I am asserting technically is that below the level of income at which a man can buy (in some sense) 'enough' food for his family, the marginal utility of income is much greater than it is above that level. We can argue about definition of income and specifications of poverty levels, but a utility function must be of this general shape.

Another basic necessity, in the sense of something without which personality cannot develop, is a job. This does not just mean employment: it can include studying, working on a family farm or keeping house. But to play none of these accepted roles, i.e. to be chronically unemployed, to be chronically dependent on another person's productive capacity, even for food, is incompatible with self-respect, especially for somebody who has been spending years at school, perhaps at university, preparing for an active role.

It is true of course that both poverty and unemployment are associated in various ways with per capita income. If per capita incomes are falling, absolute poverty can hardly be reduced much, nor can unemployment (except in the very short run and **exceptional** circumstances). But certainly increases in per capita income are far from enough, as the experience of petroleum economies show, to achieve either of these objectives. In fact, a rise in per capita income, as we very well know, can be accompanied by, can even cause, growing unemployment.¹

The direct link between per capita income and the numbers living in poverty is income distribution. It is a truism that poverty will be eliminated much more rapidly if any given rate of economic growth is

1. Thus in Trinidad the growth in per capita income averaged more than 5% a year during the whole period 1953 to 1968, while overt unemployment showed a steady increase to more than 10% of the labour force.

accompanied by a declining concentration of incomes. Equality should however be considered an objective in its own right, the third element in development. Inequalities to be found now in the world, especially (but not only) outside the industrial countries, are objectionable by any religious or ethical standards. The social barriers and inhibitions of an unequal society distort the personalities of those with high incomes no less than of those who are poor. Trivial differences of accent, language, dress, customs, etc. acquire an absurd importance and contempt is engendered for those who lack social graces, especially country dwellers. Perhaps even more important, since race is usually highly correlated with income as well, economic inequality lies at the heart of racial tensions.

The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result 'development', even if per capita income doubled. This applies of course to the future too. A 'plan' which conveys no targets for reducing poverty, unemployment and inequality can hardly be considered a 'development plan'.¹

Of course, the fulfilment of human potential requires much that cannot be specified in purely economic terms. I cannot spell out all the other requirements, but it would be very unbalanced if I did not mention them at all. They include adequate educational levels, freedom of speech, citizenship of a nation that is truly independent, both economically and politically, in the sense that the views of other governments do not largely predetermine his own government's decisions.

1. Suppose, for example, that a perspective plan specified that the per capita income of Brazil doubled in the next 30 years, but assumed no change in distribution or in the proportion unemployed. Then at the turn of the century, a big landowner in the Mato Grosso would run two cars, instead of 1, and a peasant in the North-East would have two pieces of meat a month instead of 1. His son still might well be out of work. Could we really call that 'development'?

As undernourishment, unemployment and inequality dwindle, these educational and political aims become increasingly important objectives of development. Later still, freedom from repressive sexual codes, from noise and pollution, become major aims.¹ But these would not override the basic economic priorities, at least for really poor countries, with large numbers of undernourished children. A government could hardly claim to be 'developing' a country just because its educational system was being expended or a political order was being established, or limits set on engine noise, if hunger, unemployment and inequality were significant and growing, or even if they were not diminishing. Indeed, as we shall see, one would doubt the viability of the political order in these circumstances, if one didn't consider the claim prima facie somewhat suspect.

Before leaving this issue I must make it clear that the national income is not totally meaningless, just because it is not an indicator of development. It has some significance as a measure of development potential. Suppose that two countries start a decade with the same per capita income and one grows faster than the other over ten years, but that the increase in income there goes entirely to the rich, and that unemployment rates remain unchanged in both countries. Then although the country with faster growth but greater inequality has, in my view, fallen back in development compared with the other, one could argue that it had achieved greater development potential for the future.

In the first place, the fiscal system could bring about development more rapidly, because of the income available for transfer to the poor. Moreover, the country has a greater savings potential, which could lead to a faster growth rate in the future, increasing the possibilities of redistribution then. Indeed this country may well already have had a higher level of investment per capita. If this investment has been in capital that is needed for employment to be increased or for schools, this could mean that genuine development is already foreshadowed for the future.

1. Even for countries at a high level of development in any sense, the use of national income as an indicator is being widely challenged, e.g. by Mishan, on the grounds that the environmental costs are ignored.

But of course this may not materialise. If the investment has been in modern capital-intensive techniques, unemployment and the distribution of income may well grow worse in the years ahead. To release the development potential of a high rate of economic growth depends therefore on the policy being followed. A country may have little or no economic growth but be busy reshaping its political institutions so that, when growth comes, it can be turned into development; ^{a country} such/probably has a greater development potential than one with fast growth where political power remains very firmly in the hands of a rich minority.¹

Priorities in the social sciences

In order to withstand the strong intellectual attraction of the aggregative approach we need to go more deeply into its origins. The explanation lies largely in the fact that by about 1950 the great economic problems had been brought largely under control in the industrial countries. Unemployment had been reduced to historically very low levels; absolute poverty in the sense I use the word had been largely eliminated; taxation and educational advances had reduced economic inequalities, and, though a good deal of racial and social inequality remained, this was not a source of great political concern at that time, and it was largely overlooked by the social scientists, especially the economists.

We could say that these countries had managed in various ways to meet, in some degree at least, the challenges they had faced in the 19th century. One reason of course was that they benefitted from world economic leadership and political power - to this I'll return later. But another was that social scientists such as Booth, Rowntree, Boyd-Orr, the Webbs, Keynes, Beveridge and Tawney focussed attention sharply on

1. In an interesting paper published recently by the Banca Nazionale del Lavoro, V. V. Divatia and V. V. Bhatt put forward a different index of development potential, based on fundamental factor inputs such as capital and skills (though this is misleadingly described in places as a measure of the "pace of development"). It foreshadows what the future pace of economic growth could be. The index for India is encouraging because it shows a rate of increase twice as fast as the real national income. But, of course, it does not follow that development potential will be released even in the sense of faster economic growth, let alone faster development.

poverty, unemployment and inequality in the first half of this century. (I hope I am not being excessively nationalistic in choosing British examples: the names are rather significant.) Most economists, even Pigou, took greater equality as an obviously desirable objective.

the big
With the easing of/problems, however, economists turned their attention primarily to innovations in professional techniques. In as far as they retained interest in current affairs, it was mainly in the progress of the nation conceived as a whole. The national income seemed ideal for comparing growth rates of a country during different periods, or of different countries - i.e. for constructing a league table of competitive performance. Moreover, it had a role as an indicator of the level of employment - if the economy is diversified and the labour force is mobile, big changes in the national income in the short term are closely associated with changes in employment.

We now see that even in the industrial countries basic economic problems had not really been cured. Their social scientists, notably in the United States, have recently been rediscovering their own problems of poverty. But the fundamental problems have never even started to disappear from sight in the Third World. In Africa, ^{Latin America} Asia or/development had been very limited on any of the three economic criteria until 1950.

Since then, there has certainly been some reduction in proportion, even if not in the absolute numbers, living in poverty.¹ But unemployment has grown almost everywhere. H. A. Turner has recently calculated that, in 14 Third World countries for which usable figures are available, the volume of overt unemployment has been growing at an average of about $8\frac{1}{2}\%$ a year, or more than three times the rate of population growth.² It is probable, though data are extremely poor, that in most countries inequality has not been reduced: in many, it may well have increased. A paper by A. J. Jaffe on five Latin American countries for which comparable studies over time are available concludes that all showed

1. For India, see B. S. Minhas, Discussion Paper No. 42 of the India Statistical Institute.

2. A paper read at a conference at the Institute of Development Studies. This moreover is despite the absorption of many young people in higher education.

increasing inequalities, with the possible exception of Mexico (and an unpublished study by Senora de Navarette eliminates even this exception).¹ It is even possible that if the data were available we would see economic growth directly associated with growing unemployment and increasing inequality; if that has indeed been the case, there has been a negative correlation between growth and development.

It could be argued that, in various ways, especially through investment and education, ^{but also} through technical advances in agriculture and increased understanding of problems, the basis was being created for development some time in the future. But if anything, the real strategic objectives are even more remote now for many, perhaps most, countries, than they were 10 years ago. It has recently been estimated by Francis Keppel that 7 out of every 10 children in the entire world are "affected by the apathy typical of chronic protein deficiency, an apathy which translates into diminished learning potential";² the fraction among many countries of the Third World, such as India, must of course be higher. The noses of the social scientist and the statistician should be rubbed into such social realities during the decades that lie ahead. Our research efforts must be devoted above all to understanding the causes of poverty, and the mechanisms by which unemployment emerges and inequalities grow, as a basis for genuine development plans.

Problems of measurement

The challenges for the remainder of this century arise out of the analysis above. The first is how to find measures of development to

1. Different conclusions are reached by different writers for different periods in India, but there has certainly been no massive shift towards equality, if one allows for price changes. Two recent papers, one by A. K. Chatterjee and by M. Mukherjee, and the other by N. Bhattacharya and G. S. Chatterjee, based on National Sample Survey data, suggest some reduction in the Gini coefficient of inequality for India in the late 1950's; on the other hand, both papers also point to relative price increases for the lower income groups.

2. "Malnutrition, Learning and Behaviour" (op. cit.).

replace the national income, or more precisely to enable the national income to be given its true, somewhat limited, significance.

It has always been argued on behalf of national income as a development indicator that it could at least be quantified. But what are all the voluminous tables of national income accounts really worth? So far as the Third World is concerned, large sections of what they ought to cover are virtually outside the scope of official statistics. This applies above all to agricultural output for domestic consumption, even the staples, let alone subsidiary crops which come under the general heading of "market gardening" (Amer. "truck farming"), not to speak of fishes, forest products, etc. Extremely rough methods of estimation are often used, much of the output being assumed to rise in proportion to the rate of increase in rural population, which is also assumed, in the absence of registration of births and deaths, or data on migration. Secondly, we know very little about the capital investment in the rural sector which is undertaken by the farming community itself; this amounts to a good deal if one takes account not only of building houses, but also clearing land, digging ^{wells and} ditches, constructing ^{fences and} hedges, etc. Thirdly, we know very little indeed about domestic service and other personal service industries which are economically significant in such countries, though much of it is unpaid. Which of the non-marketed activities are covered varies from country to country.

If anyone estimates a national income increase of $x\%$ a year, we should ask him: How many fishes were caught in Province A in the years concerned? How many huts were constructed in Province B? How many barbers worked in Province C? And how do you know? How did you decide whether activities a farm family does for itself without payment, such as haircutting for example, should be included in the national income?

We must also ask those who quote the national income, for example in a planning office or a university, how much time they have spent with the estimators? It is unsafe and therefore unprofessional to use national income data until one has personally satisfied oneself on how such questions were handled.

I have examined the worksheets in about 20 countries; the blunt truth of the matter is that when one takes into account also the difficulties of allowing for inventory changes and depreciation, and of deflating current-price data¹, the published national income series for a large number of countries have almost no relevance at all to economic reality. In many countries, any reasonably competent statistician could produce series showing the real per capita income either rising or falling. Decimal places are pure fantasy. It would of course be very convenient if the national data published in such quantities had objective meaning. Unfortunately this does not make them meaningful. Some national income series are in fact in a way more misleading than sets of random numbers would be, because they appear to have some significance.²

There is one other major conceptual issue about income series; how appropriate are the prices which are used for weighting physical outputs? Although the national income is often treated as an objective, value-free indicator, it is in fact by far the most value-loaded: every type of product and service is assigned its own particular weight (many being zero). This weight is determined by market forces, which reflect the country's income distribution. A familiar question in economics is how adequately disposable income measures demand, when its distribution is unequal. The question gets additional point when the distribution is as highly concentrated as it is in the countries of the Third World, and when tastes are to some extent imported. But, in addition, official policies, e.g. fostering import substitution by controls, often increase the prices of luxuries much more than of necessities. There are good reasons for such policies, but, **although one of their** main motives may be egalitarian, the outcome is paradoxically that

1. Interesting work on the quality of price deflation which confirms one's doubts is being done by Mr. Makherjee at the Indian Statistical Institute.

2. There is an upward bias as well. The share of output covered by official statistics, and included in the national income, tends to rise, partly because a growing proportion of output passes through the hands of organised business, which is more adequately covered by official statistics, but also partly because of the general improvement in data collection.

increases in production of luxuries count very much more highly in the estimation of rates of economic growth than they do in industrial countries. While prices of staple foods and clothing may be comparable between poor countries and rich, perhaps lower in the former, prices of cars, refrigerators, etc. are several times as high. It is absurd if, in a country where there is serious poverty, a car counts for more than ten tons of rice. In addition, indirect taxes on luxuries are relatively heavy and consumer goods are often imported at exchange rates which make them expensive; so such biases are particularly severe when market prices are used as weights.

Still, it might be argued that national income series are at least available, whereas those on poverty, unemployment and inequality are very scrappy. This^{is} however the result not so much of basic difficulties in estimation as of attitudes to development. The type of data collected reflects priorities; if governments become more interested in social problems than in the national income, statistical offices will prepare the appropriate statistics.¹

I do not deny that there are practical problems here too. These were faced by Rowntree (whom I have already mentioned) at the turn of the century; he attempted to establish what he called a 'human needs standard' for the population of York, worked out the costs for different family size, and then estimated what proportion of the town's population could not afford it. It is difficult to exclude conventional expenditure entirely from a poverty line. Even a minimum diet must reflect traditional eating habits. Moreover, there are always other conventional claims on expenditure. Rowntree made another calculation showing how many people in fact failed to reach the nutritional standard set by the poverty line, because, for conventional or other reasons, they "mis-spent" their income. The official minimum standard in the United States, established by the Council of Economic Advisers allows about \$250 a year per head for food alone, and another \$500

1. The Statistical Office of the United Nations has prepared "A complementary system of statistics of the distribution of income, expenditure and wealth" which is a useful starting point.

for other items, which certainly gives a margin above strict physical needs. But we should not let ourselves be diverted by such problems from the attempt to establish official poverty lines, as was done in India by a working group in 1962 (which established 240 rupees per head a year as a basic minimum).¹ The resultant estimates of the proportion living in poverty, however rough, have some significance and this is a usable yardstick for measuring development. Indeed comparisons of the proportions of families, or even income receivers, with less than any level of real income are not without meaning, certainly they convey more than the per capita national income.

A general measure which has its uses is the infant mortality rate, and series showing the incidence of diseases of undernourishment, such as rickets, are further clues on development, as are data on the height and weight of schoolchildren. All these can be combined to give us an indicative profile of the prevalence of poverty in a nation, such as the U.N. Research Institute for Social Development in Geneva has been experimenting with. In fact they have produced a tentative "development indicator", a weighted average of various series.² The Institute's investigations of multiple associations are very interesting and worthwhile, but we should not fall into the trap - as we could, although the Institute's Director warns us against it - of treating this indicator as "normative". It simply measures the extent to which a country has advanced along a path indicated by data from countries at different stages of progress.

Unemployment is of course notoriously difficult to measure in non-industrial societies. An urban unemployed person can be roughly identified by the usual test questions designed to reveal the last occasion when work was sought (though this means excluding from the unemployed those who would only look for a job if they thought there was any chance of finding it, and on the other hand including those

1. Dr. Minhas estimates that nearly half the Indian population were recently living at levels below this line (op. cit.). Ronald F. Henderson describes poverty line research in Melbourne in an article in "Poverty in the Affluent Society" (W.E.A. 1968).

2. See Research Note No. 2, July 1969.

who would in fact only accept particular types of work). The measurement of disguised unemployment which exists in the town as well as the country, is well-known to be a very difficult business, especially because of its sharp seasonal variation; but attempts are being made and further research should enable them to be improved. What is needed is much more detail by sector, by region, by sex, by age, by educational qualification, to throw light on the nature of unemployment in any country.¹

Inequality can be measured in many dimensions - by factor shares, by size, or by region. Regional contrasts are significant, and can usefully be supplemented by data on social services, educational levels, etc., which are already sometimes available on a regional basis. But size is the most meaningful classification for income, especially since the results can be linked to measures of poverty. Of comprehensive coefficients, the one devised by Gini, derived from the Lorenz curve, is probably still the most useful, for either income (post-tax) or wealth. But, if we are really concerned with poverty, a more meaningful measure may be to express (say) the lowest decile as a fraction of the median (following the general approach in a recent study by Lydall²). We are after all not greatly interested in changes within the top half of the income ladder.³

The conceptual problems of these measures do not seem to be more formidable than those of the national income. We have just grown accustomed to ignoring the latter. But there are also practical problems.

1. See B. Hansen "Employment and Wages in Rural Egypt" in The American Economic Review, Vol. LIX, No. 3, June 1969.

2. See H. Lydall "The Structure of Earnings" (Clarendon Press).

3. Of course all these measures raise the same problem as national income measurement, namely what allowances should be made for activities which are not marketed.

All these measures require information about supplementary incomes, age-and-sex composition of receiving units, etc., additional to what is obtained from statistics which are prepared as a by-product of administration, at least in countries where only a small proportion of income receivers pay direct taxes.¹ It is also hard to measure even overt unemployment where unemployment registration does not exist or covers only part of the labour force. But again we must not be diverted by such technical problems from attempting the reassessment which really matters.

There is one possible source for all of these measures, as indeed for the national income itself - regular sample surveys of households. The development of the sample information required to study trends in poverty, unemployment and income distribution requires a permanent sampling organisation, such as India has in its National Sample Survey.

I cannot explore here the measurement of the educational and political elements in development. In as far as the former is covered by the formal educational system, a technique for showing the changing profile over time has been developed by Richard Jolly.² Measurement of the extent to which the political aims have been achieved is of course much more difficult; possible clues include the number of prisoners held for political or quasi-political reasons; the social and racial composition of parliaments, business boards, senior public administrative grades, etc. and also of those enjoying secondary and university education; the incidence of petty theft; rates of suicide and alcoholism.

Clues on the degree of national independence include the extent to which the country votes in the same way as a great power at the United Nations, the existence of foreign military bases and overflying rights, the ratio of aid from the largest donor to total foreign

1. Technical problems of measuring distribution are discussed in an unpublished paper "On the possibility of measuring personal distribution of income" by Professor Dich of Aarhus.

2. See A. R. Jolly "Planning Education for African Development", (East African Publishing House, Nairobi, 1969).

exchange receipts, etc. Indirect indicators are the proportion of assets, especially subsoil assets, owned by foreigners, the extent to which one trading partner dominates the pattern of trade, and the proportion of the supply of capital (or intermediate) goods which is imported.

The internal consistency of the development process

The second set of challenges to the social scientists, politicians and administrators in the decades ahead is to find paths of development which enable progress to be made on all these criteria. Since development is far from being achieved at present, the need is not as is generally imagined, to accelerate economic growth - which could even be dangerous - but to change the nature of development processes.

A major question is whether the criteria are mutually consistent. The answer is that in many respects development on one of the criteria implies, or helps bring about, or is even a necessary condition for, development on one or more of the others.

To reduce unemployment is to remove one of the main causes of poverty and inequality. Moreover, a reduction in inequality will of course reduce poverty, ceteris paribus.

These propositions beg many questions, however. The reduction of unemployment means in part finding techniques which are labour-intensive, with the least damage to the expansion of production. This is of course a discussion to which many have contributed, notably A. K. Sen.

There is a well-known, indeed classical, argument, that inequality is necessary to generate savings and incentives and thus to promote economic growth - which, as we have seen, can be taken as an indicator of some types of development potential. I find the argument that the need for savings justifies inequality unconvincing in the Third World today. Savings propensities are after all very low precisely in ^{with highly unequal distributions;} the industrial countries ~~countries/~~with less concentration of income have, by contrast, much higher savings propensities. Savings are of course also affected by

the absolute level of incomes, but the explanation must also lie in the high consumption levels of the rich, designed to maintain the standards so important in an unequal society.¹ Moreover, the rich in most countries tend to have extremely high propensities, not merely to spend, but to spend on goods and services with a high foreign exchange content, and, for countries suffering from an acute foreign exchange bottleneck, this is a major obstacle to development.² It is true that import demand can be held in check (as in India) by administrative controls, but this leads to the elaboration of a bureaucratic apparatus which is expensive, especially in terms of valuable organising ability, and which in some countries becomes riddled with corruption. In any case, in a highly unequal society, personal savings often flow abroad or go into luxury housing and other investment projects of low or zero priority for development, even when this is defined as just a rising national income.

The argument that only inequality can provide the incentives that are necessary is also obviously of limited validity in a country where there are barriers of race or class to advancement. Still, we cannot dismiss it out of hand. The needs for private entrepreneurial talent vary according to the circumstances of different economies, but there are very few where this need is small. Countries relying on growing exports of manufacturers, as many are, depend heavily on the emergence of businessmen with the drive to penetrate foreign markets. All countries depend in some degree on the appearance of progressive farmers. Will these emerge without financial rewards on a scale that will make nonsense of an egalitarian policy? Are rising profits of companies, especially foreign companies, an inevitable feature of growth in many

1. In a paper given to this year's Kandy conference, A. K. Bagchi, reviewing the experiences of the 1950's and 1960's, drew attention to the failure of private savings to grow, despite regressive tax policies.

2. An implicit assumption here is that Engel lines are non-linear, but this seems not to need specifying. Consumption of imported luxuries is zero over a considerable income range.

countries? Or are we exaggerating the importance of financial incentives? Can other non-financial rewards partially take their place? Can social incentives be developed to a point where people will take on such tasks with little or no individual reward (as the governments of China and Cuba are trying to procure)? This one of the great issues to be decided, and the 1970's will throw a good deal of light on the answer.

The compatibility of equality and rising output and employment has recently become doubtful for an additional set of reasons. Can the people who are professionally necessary be kept in the country if they earn only a small fraction of which they could earn elsewhere? Yet what are the costs in terms of human welfare and even efficiency if they are prevented from leaving?

On the other hand, there are equally serious reasons for questioning the compatibility of inequality and economic growth. Can a structure of local industry be created to correspond to the structure of demand that arises in a highly inequitable society (leaving aside the question of whether it should be created)? Will production rise rapidly if the proportion of the labour force too badly nourished for full manual and mental work is only sinking slowly? Can the government obtain the co-operation of the population in wage restraint, and in many other ways that are necessary for development, if there is visible evidence of great wealth which is being transmitted from generation to generation, so that the wage earner sees his children and his children's children doomed indefinitely to subordinate positions? Can it mobilise the energies of the total population and break down social customs which obstruct development especially in rural areas?

I do not pretend to know the answers to this complex of questions, which point to a set of "internal contradictions" in the development processes far more severe than those to which Marx drew attention. The economic and political objectives are linked closely together. An economic system with large numbers of undernourished and unemployed at the bottom end of a long social ladder, especially if they are racially distinguishable, can never provide a firm basis for political rights, or for civic order. Those with high incomes from profits or salaries are not merely slow to tackle the great social problems of

poverty and unemployment; they will inevitably try to find ways of maintaining privilege, resorting (as dozens of historical examples show) to political violence rather than give it up. Conversely, those without jobs or adequate incomes will sooner or later try to obtain them through a regime which would not allow organised opposition. Judging from present trends in the climate of opinion, especially among the young, it is very doubtful whether inequalities on anything like the present scale could co-exist with political liberties in the 1970's or 1980's.

Yet it is hard to envisage how inequality can be reduced without setting in motion, from one direction or another, forces that reduce political liberty. There are administrative limits to the main weapon, direct taxation, apart altogether from any conflict with incentives, which I shall consider later. Inequality cannot really be reduced so long as property ownership is heavily concentrated. So conversion of incomes from large holdings of property into life pensions (as in Cuba) or bond interest (as in Chile) or their reduction through death duties (as in Britain) are likely to be more effective than taxation, though they may be beyond the bounds of the politically feasible in many countries.

But a great deal can be done even without attacking property ownership. Practically every decision taken by government officials has implications for the degree of equality - to lend to big farmers or small, to set prices of public corporations at levels that tax or subsidise rich consumers, to build roads for private motor cars or for goods vehicles, to put the best equipment in rural or urban schools. It would not be a bad thing to put up in every civil service office a sign: "Will it reduce inequality?" Secondly, if the administrative and political organisation is motivated and trained to report tax evasion, corruption, etc. all sorts of egalitarian policies, including capital taxation, become more feasible. (Where such a spirit is weak, one can hardly expect rapid development in the sense I have used the word here.)

Lastly, a reduction in inequality is very hard, if not impossible, so long as a country is dependent on a major power. So is a reduction

in unemployment, because one of the marks of dependence is reliance on the technology of the countries which play a dominant role in the national life, and this may well be inappropriate for local factor costs. . On the other hand, a country that leaves its social problems unsolved is unlikely to be strong enough to achieve or maintain genuine independence - it may not even survive as a political unit.

Political liberty must be considered as an end, the importance of which though high is secondary, so long as a substantial fraction of the people are undernourished and unemployed. But it appears in quite a different light as a means. Societies lacking open opposition have shown themselves extremely inflexible in meeting the challenge of changing circumstances, whether one considers the continuation by Germany of a war for months after it was already lost, or the stubbornness of Communist regimes in clinging to unsuccessful agricultural policies. Moreover, as Soviet experience shows, there is no guarantee that political liberties will reappear as economic problems are eased. In some respects, too, the objectives are, from certain points of view, means to achieving the other objectives.

I have already treated higher educational levels as ends in themselves. But education is also a means. Economists have, somewhat belatedly, come to see it as a source of development; but they treat it narrowly as a factor in the growth of national income, relating stocks of manpower with certain qualifications (e.g. university degrees) to national income levels. Even in this respect a lot of work remains to be done - what skills precisely are needed for various types of work?

But if development is not just or even mainly an increase in the national income, education takes on an entirely different aspect. We need to go a long way beyond the Harbison approach, valuable though this has been. What are important are not the "man years" at school but the methods of selection and the content of education. Inequality can be reduced (and also economic efficiency increased) if secondary and higher education are made genuinely available to those with the lowest incomes (and belonging to minority races), which means of course that special methods of selection must be found. Secondly, by

easing shortages of high-level manpower, education can reduce the need for high salaries for those with scarce professional skills. In that case, however, the whole structure of education needs reconsideration; education will hardly fulfil this function, if it produces a few distinguished academic scholars, who, as in Britain, think of themselves as superior to the rest of the population, and a mass of people with the wrong qualifications. The third function of education, and this applies also to adult education and the content of radio and TV programmes, is to prepare professional classes conscious of the realities of development, both the internal realities and the realities of the world scene, with an understanding of their historical origins, so that they see what needs to be done and voluntarily accept the sacrifices implied. Many of the obstacles to policies which would reduce poverty and unemployment have their origin in attitudes to manual work, especially in the countryside, to imported consumer goods, to foreign technologies, etc. Since each generation is in some degree a copy of the preceding one, through parental influences, such attitudes can hardly be changed except by conscious educational policy broadly defined.

Finally, one policy area which looks different if one discards the aggregative approach is population. Conventionally, population growth is seen simply as a subtraction from the increase in the national income; the closer the growth rates of population and income, the slower the rise in per capita income. This line of argument is fundamentally somewhat suspect because it assumes that population and income are independent of each other. But the real case for an active population policy is simply that, so long as the labour force is growing fast, it is almost impossible to relieve unemployment and poverty - the plentiful supply of labour keeps the wages of the unskilled, apart perhaps from a privileged modern sector, near levels of barest subsistence. Moreover, the growing pressure of population on the budget makes it very difficult to expand educational and other social services. An additional argument, on the above criteria, is that this growing pressure increases the need for foreign aid, and thus postpones the attainment of genuine independence.

Implications for planning

In many countries, it will be decades before development strategies can finally be successful in eliminating poverty and unemployment. Both educational and population policy require a great deal of time to work.

It was the manpower problem that first turned our attention to 'perspective planning'. It takes nearly twenty years to turn a child of five into a doctor; it will take much longer before the main shortages of professional manpower in Africa or Asia, however measured, are made good. But first one has to create the educational facilities. This is partly a matter of buildings, partly a matter of producing teachers of the right types, but also a matter of finance (i.e. of achieving a structure of income flows such that producers will feed large numbers of teachers and students who are not immediately productive). Even when these problems are solved, there is the very great one of getting schools and universities to change their own structures - granted that they, especially universities, have considerable autonomy, and that the systems of recruitment and promotion tend to perpetuate existing balances between subjects, and even existing syllabuses within subjects.

Time in fact is not just a lag before input becomes output, but the dimension in which psychological inertia is overcome. It takes, say, eight years, before the conceptions of this year become school entrants, and another eight before they become entrants into the labour force, i.e. before population policy can effect the needs for educational expenditure and the levels of unemployment respectively. Moreover, the population profile may be such that there is a rapidly growing number in the reproductive age-groups, so that even changes in fertility are slow in affecting the volume of births. But in addition it takes time before views on family size and attitudes to contraceptive devices change, especially among the peasants and manual workers - this period depends, in part at least, on the provision of education for women, which has its own time lags, as has been indicated above.

The consequences of inequality can persist a very long time indeed, even after the income distribution has changed. This applies to preferences for clerical jobs, for living in cities, for existing social and racial privileges, as well as to uncritical admiration of

foreign techniques and styles of living. A key interval here is the time between adolescence and death, say half-a-century. One could almost say that it takes some fifty years before a population with completely new attitudes can be formed. It is true that people's attitudes do change even after they have passed through adolescence - if attitudes seem constant, it is because the pace of technical change is so much faster. Moreover, while a rapidly growing population postpones the solution of problems it does have one compensation - in a tapering population profile, changes in attitude can take place more rapidly.

Recognition of negative progress in the past decade and of the time-lags, i.e. of the medium-term insolubility of many problems, changes one's attitude to development strategy. Formerly the basic technique consisted in extrapolating past trends and choosing investment patterns that would produce an acceptable increase in national income in a five-year period, tacitly assuming many constraints as given - thus consumption patterns were projected in a way that assured little or no change in income distribution or tastes or attitudes. Now we must try to envisage what might be a plausible pattern one day, in terms not only of production and employment structures, but of the patterns of consumer demand and job preferences, and then work backwards, to see if there is any plausible path for getting there.

This means a fundamental rethinking of planning. The medium-term (e.g. five-year) plans now published need to be reconstructed to form steps towards long-term targets for the reduction of poverty, unemployment and inequality instead of by means of achieving national income targets.

One final point. Development strategy-making in this sense does not involve ignoring the pattern of development in richer countries. The major tasks on which the richer countries are engaged, of constructing educational and political systems that satisfy individual needs and create a safe framework for life, and of halting the rapid deterioration in the environment seem somewhat remote from the realities of the Third World - something rather for the **21st** century. But **they are** nonetheless relevant today. One of the challenges of development is not to copy their experiences but to draw the right lessons from this and avoid repeating their errors.

International policy

Finally, we must look at the challenges to international policy. The world is a unit to which the same criteria can be applied, and a conference like this is precisely the occasion for doing so.

Looking at the world as a whole, we can bring together the earlier remarks on development inside industrial and non-industrial countries. There has been progress on the poverty criterion; the proportion of the whole human population living below any subsistence line must have fallen.

But since the middle of the last century enormous gaps have opened between rich countries and poor: inequality on the present scale is an entirely new phenomenon, as papers by Simon Kuznets and Surendra Patel have brought out. Inequality between nations, like inequality within them, means differences in status and power, affecting the attitudes of men towards each other. This, again as on the national level, means growing tensions between races, broadly again between the whites and the remainder. Here, moreover, lies the root of the snobbism of foreign techniques and consumption standards.

Lastly, total overt world unemployment must have grown over the past century, since the emergence of unemployment in the Third World must numerically outweigh the decline of unemployment in the industrial countries.

When we consider the world scene, it is wrong to talk about 'development', on the criteria suggested above. One cannot really say that there has been development for the world as a whole, when the benefits of technical progress have accrued to minorities which were already relatively rich. To me, this word is particularly misleading for the period since the war, especially the 'development decade' when the growth of economic inequality and unemployment must have actually accelerated. (I am alarmed at the phrase a "second development decade": another "development decade" like the 1960's with unemployment rates and inequality rising by further large steps, would be politically and economically disastrous, whatever the pace of economic growth!)

It is true that in some respects, as I have said, a basis has been laid in many countries for possible development in the future. But there has not been any basic improvement in international institutions. It is true that there are now opportunities for poor countries at least to talk to the rich, but one could not speak of international order; the international institutions lack the power to impose solutions. There is not much to show for the tremendous efforts which went into the New Delhi UNCTAD. Virtually no safeguards have been set up against a world recession - certainly the creation of SDR's is by no means adequate in itself. Nor has much been done to open the markets of industrial countries to imports of manufactures, the only real possibility of export expansion for the Third World as a whole.

There is no fiscal system for the world. This may perhaps be foreshadowed by 1% aid targets, but these targets are in fact ignored and aid programmes remain at very low levels. As Gunnar Myrdal warned us many years ago, the establishment of the national welfare state has turned the attention of the public in the rich countries inwards, making them less interested in the welfare of the world as a whole. The aid that does exist often plays an important economic role, but, like immigration and trade policies, it is very largely motivated by the self-interest of donors, sometimes by very short-term commercial and political interests. This often in effect leads them to support, or even help install, governments which oppose the redistribution of income and in other ways block development.

Many countries have in fact slipped further under the influence of one or another of the big powers. This itself hinders development. Independence is not merely one of the aims of development; it is also one of the means. It is a force for mobilising popular support and the force is blunted if a government is obviously far from independent.

These are the challenges we now face. The role of the practitioner, the politician or the civil servant, is the extremely difficult one of finding politically and administratively feasible ways of developing in a grossly unequal world. They can be helped by the theorist if he refrains from trying to adapt uncritically models and measures designed in and for industrial countries, where priorities are very different, but help develop policies, national and international, to mitigate the great social problems of the Third World.

By so doing, indeed, he may incidentally provide the social scientists in the rich countries with food for thought. After all, though poverty and unemployment are not so starkly obvious in the North Atlantic area, economic and racial inequality are evident for all to see. But above all, the aim must be to change international attitudes so that it becomes impossible for the political leaders and social scientists of Europe and North America to continue overlooking and aggravating, often inadvertently, the obscene inequalities that disfigure the world.