

Chapter 1: A Normative Framework for Development

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Aims of the chapter

- To show the importance of value judgements in development.
- To illustrate how value judgements -- or normative frameworks -- have a practical impact and shape policy-making.
- To introduce the basic value of the human development and capability approach: that promoting human flourishing is the normative goal that policies should attempt to pursue.

Key points

- Normative concerns lie at the heart of development analysis and policy.
- Development policy involves uncertainty, trade-off and complexity.
- Any public policy is based on ideas about what matters. Different kinds of ideas lead to different kinds of actions (e.g. poverty reduction policies depend on how poverty is conceptualised).
- The output or impact on wellbeing of any given policy varies depending on the context of countries or societies.
- The human development approach is based on the idea that concern for people should come first in social and economic progress. This approach contrasts with other development approaches that are based on the idea that increasing material wealth should come first, and that considerations for human flourishing are only secondary.

Structure

Development: Normative and positive

Case studies which illustrate why normative frameworks matter for policy

Access to water in China

Extractive industry in Peru

Forest protection in Uganda

Expansion of Heathrow airport in the United Kingdom

Normative frameworks matter

Putting concern for people first

Development is one of those words which have as many different meanings as there are listeners. For some, development is a matter of material possession and prosperity, such as having ownership of land, housing, money and the like. For others, development concerns liberation from oppression. It is seen by some as a new word for neo-colonialism. For still others, it is a holistic project of personal and spiritual progress. Indeed the word could refer to the development of a child into an adult or the development of new software. It is in an attempt to present another yet meaning of development, more in tune with this complex project, that this textbook has been written.

This book concerns ‘development’ as a multi-dimensional and multi-sectoral process, involving social, economic and political change aimed at improving people’s lives.¹ Alternatively, it is the advancement of the management and use of natural resources to satisfy human needs and improve quality of life. Here, the definitions of development may still range from Marxist to neoclassical, from sector-specific to integral. A region might be considered more ‘developed’ because its inhabitants command higher incomes per capita and because investment and employment rates are higher than other regions. In this context, economic growth and productive investment are the major concern of many development agencies. Other similar understandings of development add concerns for people’s health and education as key ingredients to producing a more dynamic economy and higher material prosperity. Still others view development as enabling people to live lives they value. From this perspective, investment, employment and prosperity are some means, among others, of giving people such opportunities, although they are not the final goal. Despite the many differences, all the above have one common characteristic: they are normative. This chapter seeks to establish the normative foundations of development. It demonstrates that normative assumptions about

what development is have important policy implications and practical consequences for people's lives. It concludes by introducing the human development approach.

Normative and positive

Development or public policies are *normative* or based on value judgement in that they are trying to clarify how policy ought to be set. Should public policy aim at increasing economic growth only? Or should it give equal consideration to providing people free health care access, promoting gender equity and protecting ecosystems? These are questions that involve value judgements about what should be done. Some have argued that, instead, development is not to be understood in a normative way. To them, development is a matter of analysing empirically existing situations in an objectively neutral way. This is referred to as a *positive* approach to development. Others endeavour to *predict* how a situation could change in certain ways. For example, a development analyst might describe how many poor households exist in a country, and then try to predict how much a 5 per cent annual economic growth over five years will reduce the number of households that exist below a poverty line. Although distinct, normative, positive, and predictive approaches are all interconnected. One needs to have positive and predictive analyses in order to make any normative assessments and vice versa, but normative analysis is still the foundation of predictive and positive analysis. Before describing the severity of poverty in a country, one needs a normative framework about what poverty is and what it constitutes. That is, before analysing poverty positively, one needs to first make a value judgement about how poverty should be conceptualised. Seeing poverty as a lack of income or a lack of, say, voice or material want, will have different implications for what governments and agencies should do to reduce poverty. We focus here on normative approaches as they are central to the shaping of development policy.

There are many ways in which normative frameworks affect policy decisions and outcomes. To name a few: different normative frameworks have highly distinct interconnections and priorities; they shape the data that we collect; they give certain topics greater or less political salience; they may feed or stymie social movements; they may motivate professionals who are drawn to them for moral or ethical reasons and they can be more or less philosophically credible.

All normative recommendations for development wrestle with common core issues: of uncertainty, of difficulties in prediction, of evaluating trade-offs, and of identifying interconnections among variables and causal links. How can one take action on climate change? Should a country invest in wind turbines, solar panels or nuclear energy? We may not know which energy policy is the best option, given uncertainty about the future. In addition to uncertainty, trade-offs are more the norm than the exception in development policy-making. Should farmers in Kenya be encouraged to produce beans and flowers for European supermarkets? This creates employment for Kenyan farmers but also contributes to carbon emissions. Should the Education Ministry of Tanzania allocate its budget to achieving universal primary education and invest less in the university sector, given resource constraints? Policy-making often involves trade-offs between the pursuit of two valuable objectives.

Another difficulty which policy-making faces is the deep interconnection between different types of policies. The agricultural policy of encouraging flower cultivation for exports spills into employment policies in terms of job creation, which might then spill into gender policies – women may be empowered by moving from subsistence agriculture into business. Moreover, policies must navigate between different contexts and institutions, whether they are

political, social or cultural. All must give some account of individuals' preferences, incentives and rewards, on the one hand, while guiding policies for firms, consumers, governments and international actors, on the other. Will an export-oriented agricultural policy give incentives for strengthening local farmer cooperatives? Or will it give more power to multi-national agro-business companies? Is encouraging another form of agriculture what local farmers actually value, and what benefits could it offer consumers who are ultimately the users of such products? Will women be empowered or will they be constrained to take on menial jobs? One cannot predict the impact that policies may have without examining the local cultural, political, economic and institutional context that gives rise to them. The same agricultural policy of flower export will have a different impact in Kenya than in, say, Costa Rica.

Keynes called policy 'the art of economics'. Development policy-making is an art which resists scientific and technical modelling. It is also an art which profoundly depends on the normative assumptions made about the objectives of development. Whether one believes that the end of development is material prosperity, happiness or the fulfilment of basic human needs, these beliefs will shape the kinds of policies that are being made and the reality in which we live.

Ideas about what development is or should be, matter. Different ways of understanding development or positive social change lead to different policies and consequences. The next sections present several examples of policy initiatives which follow a normative framework that holds that the most important aim of public policy is to increase economic prosperity, and that everything else – such as better living conditions – will automatically follow. These stories will enable us to identify some normative questions that actually make a difference in development policy and practice.

Access to water in China²

The Prefecture of Wuxi is one of China's most prosperous industrial towns. It is also home to China's third largest freshwater lake, Tai Lake. 90 miles west of Shanghai, it has long been a source of life for millions of people. A famous scenic spot, the lake was immortalized in a popular song ('Beauty of Tai Lake') in the 1980s, which described its spectacular scenery at the time: 'Green reeds at the water's edge, rich in fish and shellfish at low tide, the lake water weaves through irrigation nets, the fragrance of fruit and rice floats around the lake.'

Unfortunately, the lake is nowadays the cesspit of pollution. In 2007, it was estimated that there were more than 20,000 chemical factories around the Tai Lake river basin. The lake is also located within a region that has experienced the highest urbanization level in China. The population density of the Tai Lake area now exceeds 1,000 inhabitants per square kilometre. Large amounts of industrial waste, urban sewage and chemical fertilizers end up in the lake water. The great volume of pollutants discharged into the lake causes water eutrophication. This leads to the formation of blue-green algae and renders the water undrinkable. The pollution reached its highest peak in May 2007, when a large bloom of blue-green algae so severely deteriorated the water quality that more than 2 million people were deprived of drinking water for nearly a week, cutting the town off from its natural water supply. According to senior officials of the Chinese environment regulating body, as temperatures rise, large-scale outbreaks of blue-green algae are very likely to occur in the future.

Since 1998, the Chinese government, from the central to the local level, has pooled many efforts to treat the water pollution in Tai Lake. By 2005, the Chinese government had pumped 10 billion Yuan³ in the first phase of the plan to tackle pollution in the Tai Lake region. It is

reported that the budget of the second phase amounted to 100 billion Yuan. However, despite all these efforts, water quality in Tai Lake has not improved. The annual economic losses caused by pollution were conservatively estimated to reach 5 billion Yuan.

The state of Tai Lake today epitomizes China's development process in the past three decades. The bloom of blue-green algae only reflects one of the many environmental challenges that China faces today. For a long time, growth in Gross Domestic Product (GDP) has been seen as the only relevant indicator of development achievements. According to a report by the Ministry of Environment Protection published in 2006, the cost of environmental degradation caused by water pollution amounted to 286.28 billion Yuan in 2004, while environmental degradation caused by air pollution to 219.8 billion Yuan. Total pollution-related losses accounted for more than 3 percent of aggregate local GDP.⁴ The opportunity cost of inaction is therefore very high. Not investing in tackling pollution now will result in greater economic losses in the future, a conclusion that the Stern Report on climate change amply demonstrated,⁵ while the non-economic costs of pollution, such as loss of biodiversity and natural beauty, remain incalculable.

The Tai Lake ecological disaster triggered a nation-wide reflection on China's economic policies. After nearly 30 years of rapid economic growth, the Chinese have started to probe more fully into the meaning of economic growth and its relationship to quality of life. How to reassess the achievements of economic growth in the last three decades? Should public policy aim at another ultimate goal than increasing economic prosperity? Is another normative framework for development needed?

While China has achieved extraordinary progresses in recent years – the Chinese are now wealthier, better educated and healthier than they have ever been – the environmental challenges mentioned above, along with other challenges like social and economic inequalities, call for major shifts in China’s development policies and in its normative assumptions about what constitute development. China’s leadership is progressively acknowledging the situation and has formulated a bold new vision of development, described as the ‘Scientific Development Approach’, which roughly translates, in English, to the ‘human development approach’. This approach highlights the fact that people should be the ultimate end of development. It calls for a balance between economic and social development and aims to build a harmonious society between and among human beings and in relation to their natural and social environment.⁶

Extractive industries in Peru⁷

As it has been for centuries, the Peruvian economy in the twenty-first century is still based on mining, fishing and agriculture. It is estimated that mining provides more than half of the Peruvian economy’s annual export income. Peru is the world’s second largest silver producer and Latin America’s leader in gold output. The copper and zinc mine at Antamina in Ancash is the world’s largest single investment project. Several billion dollars are also being invested in natural gas fields and old mines. All of these projects are run by foreign companies.

In the early nineties, Peru began a structural adjustment process aimed at liberalizing its economy, leading to a boom in the mining sector. Rules governing the privatisation of state-owned companies were established and labour laws were weakened significantly. Several provisions of the state environmental laws were also weakened early in Fujimori’s first term.

Moreover, the Land Law, which governs land ownership and use and establishes indigenous land rights, was modified in favour of mining investment.

These liberalization reforms greatly strengthened the position of the mining sector in the economy. During the greater part of the nineties, this sector expanded significantly. Between 1991 and 1997, the area of land covered by mining concessions increased by over 700 percent. By the end of 1999, mining rights had been assigned to approximately 12 percent of the nation's territory. This expansion took place both in traditional mining zones and in areas that had never before experienced mining activity.

Despite these economic gains, mining has been very disruptive for the social and natural environment. Toxic chemicals such as cyanide and sulphuric acid are employed by the mining industry to extract minerals. The extraction process can also produce toxic by-products. These chemicals are not always transported or handled properly and spills are not uncommon. In 1999, residents of a village were exposed to mercury, a potent toxin, when a truck spilled its load. The residents, who present with symptoms that are consistent with long-term mercury poisoning, have never been compensated, nor have they received adequate medical treatment.

Environmental contamination is also frequently caused by inadequate tailings containment. Tailings are the rock wastes left behind following ore extraction. They often contain heavy metals, acid-forming minerals and residue from toxic chemicals used in the extraction process. Widespread water contamination caused by inadequate mine waste management has thus deeply affected Peru.

The arrival of a mining company can also have serious social consequences for local communities, including outright displacement. In some cases, communities are forcibly relocated to make way for mine development. In the case of the controversial Tambogrande gold mine in the department of Piura, such relocation was avoided. Construction of the mine required the relocation of approximately half the town. People refused to abandon their homes and, by uniting in opposition to the mine, successfully stymied the company's proposal.

Mining activity often involves the arrival of outsiders, which frequently generates tension within communities and threatens traditional practices. It is not uncommon for prostitution, alcoholism, domestic violence, family breakdown and health problems to increase in communities that coexist with mining.

Perhaps most devastating is the impact of mineral activity on the sources of livelihood of affected communities, who are mainly farmers and livestock rearers. The impact of mineral activity, specifically the loss of land and the contamination of water and soil resources, dramatically limit the ability of peasant communities to pursue traditional subsistence activities, thereby restricting their livelihood opportunities.

As with the previous story of Tai Lake in China, the pursuit of development in this context is based on certain normative assumptions about what development is. Mining has been chosen as a development strategy because of its positive effect on Peruvian GDP growth. But what about the ability of peasant communities to cultivate the land of their ancestors? And what of the local communities' ability to live healthily? While the Peruvian government bases its development policies on a normative framework – that increasing quality of life comes through economic growth and that encouraging mining investment is one of the best

strategies to achieve this aim – local people may have a different normative framework to assess development achievements. For them, living healthy lives free of metal pollution, being able to farm the land in a sustainable way and being able to take part in indigenous festivals and religious ceremonies, are all development outcomes they value and which the policy of pursuing economic growth through mining does not guarantee.

Forest protection in Uganda⁸

On 12 April 2007, many Ugandans turned to the streets of Kampala to protest against a government plan to sell 7,000 hectares of forest land to a sugar company called Mehta, which was owned by an Indian family and which hoped to expand its sugarcane plantations considerably. The land that was due to be sold was part of the Mabira Forest, home to several rare flora and fauna species and a nature reserve since 1932. The protest between demonstrators, who wanted to preserve the natural integrity of the forest, and the government, who hoped to encourage productive investment in the country, had turned violent. Three people died, including an Indian national.

The protest was organized by a group of environmentalists that included members of parliament, professional environmentalists, political activists and students. But the general public was quickly drawn into the protest. The mass media had covered the issue widely and the public was convinced that protecting the Mabira Forest was more valuable than sacrificing it for the sake of productive investment. Many demonstrators carried green leaves and placards to express their concerns about the forest and the environment in general. Some of the placards had telling messages. One placard read: 'Environment is life'. Another read: 'Government, listen to the voice of the people, Mabira is ours'.

Several arguments were made on the importance of protecting the forest. One of the daily newspapers in Uganda summed up the key argument as follows: ‘Protagonists say (the) Mabira forest acts as environmental filter zone for noxious gases, it buffers against soil erosion, it (hosts) endangered animal and flora species, and holds a variety of trees with high medicinal worth and hardwood timber worth hundreds of millions of dollars besides its aesthetic value...’ (*Daily Monitor*, 5 May 2008).

Cultural, religious and traditional healers also joined the campaign to stop the destruction of the Mabira Forest for the expansion of the large-scale sugarcane plantation. The cultural leaders of Buganda, a tribe that lives on land where Mabira Forest is situated, petitioned the president in a letter to halt the process to give away the forest. Whereas the religious leaders prayed to God for the protection of the Mabira forest, traditional healers vowed to invoke the spirits of the forest to attack any action that is intended to cut down the trees of the forest. The leader of the Uganda Traditional Healers and Herbalists Association, Sylvia Namutebi, went to the forest to perform rituals to invoke the spirits.

As a result of these protests and outcries, Uganda’s Cabinet suspended the proposal. However, a newspaper (*The New Vision*, 13 April 2007) noted that President Museveni scoffed at critics who opposed the forest give-away saying he would not be deterred by people who do not see where the future lies. Even more recently, a Ugandan news agency quoted the president as saying that he still maintained his stand on the issue of Mabira during his ‘State of the Nation Address’ and that he believed that, with patience, the issue would be solved – i.e., that Ugandans would come to realise where the future of their country lies.⁹

‘The Save Mabira Forest Crusade’, as this movement came to be called, represents a historical moment in the development of modern Africa. Ugandans used cell phones and internet technologies to mobilize and organize street protests. One SMS message read: ‘Save Mabira Forest, do not buy Lugazi sugar’ and was circulated all over Uganda and beyond to mobilize civil action against the proposed project.

What is clear about this case is that citizens of a developing country can mobilize and rally together on an issue that they feel has a direct and considerable impact on their quality of life. Here, the environment was inextricably linked to notions of development and wellbeing, which included considerations about health, food, history, religion and their overall relationship with nature.

The Heathrow expansion in London¹⁰

The variety of normative frameworks for development is not only a reality in so-called developing countries. It is a reality in industrialised countries as well and one that can have considerable consequences for people outside the national boundaries in which policy decisions are taken.

In London, the government has given its approval for building a third runway at Heathrow airport. Its major argument for the expansion is the impact the expansion would have on the British economy. London is an international financial centre and it is argued that the current airport capacity is unable to meet the air travel demand that such an international financial centre requires. It is believed that, without satisfactory airport facilities, businesses are likely to move out of London and the United Kingdom altogether. Moreover, another economic rationale for the expansion is the number of jobs that it would create.

This economic project is however not without consequences. Air and noise pollution will increase. Areas in Southwest London already cope with one plane taking off or landing every minute during the day time. The government answers these complaints by arguing that technology will solve the pollution problem and that planes are likely to become much less noisy in the future. A village will have to be destroyed to make way for the expansion. Seven hundred residents are likely to be resettled. The increase in air traffic is also contributing to CO2 emissions, thereby accelerating climate change. While Western industrialised countries are mainly responsible for climate change, it is people in developing countries who have not contributed to the problem who suffer from it the most.¹¹

Like in Uganda, civil society organisations have rallied en masse to protest against the government plan. In August 2007, a massive campaign was staged at Heathrow airport with activists camping on the site and creating travel disruption. They also produced detailed information which has weakened the government's argument. The government's economic rationale has been refuted on two fronts: first, the justification that the expansion is essential to London's economy does not match the empirical evidence of a link between airport capacity and business activities. Other European capitals have expanded their major airports but international businesses did not necessarily relocate as a consequence. In contrast, despite Heathrow's poor customer performance — the disastrous opening of the new Terminal in April 2008 made international headlines, for example — new international businesses have settled in London. Second, the government overrates the contribution of the aviation sector to the economy. The industry is only the 26th biggest industry in Britain, half the size of the computer industry, and a tenth the size of banking and finance. Moreover, the industry is heavily subsidized: unlike petrol, there is no tax on aviation fuel and the industry

is exempt from value-added tax. Instead of creating new employment opportunities, the airport expansion is therefore likely to be a further burden on taxpayers.

In addition, civil society organisations have challenged the government's policy on environmental grounds. They have estimated that the annual climate change emissions from the third runway alone would be the same as Kenya's overall emissions. Considering further that 45% of air trips within Europe are less than 500 kilometres in length, improving the high-speed railway network in Britain and within the continent would appear to be more economically and environmentally efficient as a whole.

Normative frameworks matter

The stories above lead us to ask basic questions about the relationship between economic progress and quality of life. Are Chinese people better off because of economic growth? On what grounds should their quality of life be assessed? Does economic expansion go hand-in-hand with a more limited access to safe water? Is mining in Peru a desirable way to generate higher income and employment? Is this the only criteria which should guide policy decisions? Is expansion of air travel to be encouraged on the premise that its contribution to the country's economic output is necessary? How are economic benefits to offset environmental and social costs? Is displacement justified?

The stories highlight that each state of affairs is viewed differently depending on one's point of reference. The Chinese government assesses China's economic development from a certain perspective. However, those who are negatively affected by economic growth assess it on the basis of other normative foundations. In Peru, the government undertakes mining activities on the basis of certain beliefs about economic development and the improvement of people's

lives. In contrast, the people affected by mining activities have a different opinion about the contribution of mining to their lives, particularly when non-economic factors are taken into account. Equally, the Ugandan government assesses the value of forests from the perspective of job creation and certain types of economic incentives. However, other groups valued the forests in a different light. Similar conclusions hold for the example of the Heathrow expansion plan: the government's prioritization of economic growth and productive investments did not match the general public's value of environmental protection and equal opportunities for future generations.

We can see here two sets of questions being asked by different groups, each relying on certain normative assumptions about what matters and what policies should be pursued. One set relates to how much the policy decision will affect economic output. How much are the chemical companies in Tai Lake region to contribute to China's economic growth? How much is mining going to increase Peruvian exports and the country's GDP as a whole? How much is the destruction of parts of the Mabira forest going to contribute to the dynamism of the Ugandan economy? How much is the airport expansion going to contribute to job creation and Britain's economic growth? The other set relates to the consequences of the policy decision on the quality of life of those affected. Will economic growth enable the Chinese to live a life they value, such as living a healthy life free of contamination concerns? Will mining enable Peruvians to have dignified employment, send their children to school and enjoy better health? Will the giving away of protected areas to productive investment opportunities make Ugandans better off? Is the airport expansion going to improve the quality of life in Britain?

The stories clearly illustrate that what is considered to be ‘development’, and what is seen as a policy to improve people’s lives, is inextricably linked with values about what matters. What the Peruvian government understands as development might not be in tune with how the people affected by mining understand it. Whether development is apprehended through the concept of economic growth or through the concept of human rights, human agency or human flourishing, the implications are both practical and far-reaching.

People first

To some, the idea that concern for people should come first in social and economic processes appears as a redundant truism. This may seem obvious but development has long been sought and assessed in economic terms, with a particular focus on the annual growth of income per capita, instead of the consequences of this growth on the quality of people’s lives, often with considerable human cost, as Box 1.1 illustrates.

Box 1.1. Development and economic growth in Liberia (by Wilmot A. Reeves)

In 1944 the generous Open Door Policy was introduced by Liberia’s 18th President, Dr. W. V. S. Tubman. The policy was intended to attract foreign capital from many sources for a wide range of projects, including rubber trees plantations, lumbering and mining of iron ore. It was also intended to diversify the economy. As a guarantee to foreign firms, they were allowed to remit their earnings without any restrictions. The policy was very successful as the Liberian economy experienced extensive economic growth. For instance, the important iron ore sector attracted substantial foreign investment in the 1960s in the first half of the 1970s. By 1975, Liberia had become the world’s fifth largest exporter of iron ore. In monetary terms, from 1946 to 1960, the Tubman Administration attracted over \$500 million in foreign investment; exports rose from \$15.8 million in 1948 to \$82.6 million in 1960, an increase of 422.8

percent; and Government revenue rose from \$32.4 million in 1960 to \$69.9 million in 1971, an increase of 115.7 percent. The substantial economic growth recorded was an economic miracle.

However, Liberia's tremendous economic growth became characterized as 'growth without development,' a phrase borrowed from Clower et al's *Growth without Development: an Economic Survey of Liberia* published in 1966 by Northwestern University Press. According to Clower and his colleagues, 'the Liberian economy grew at a rate almost unparalleled anywhere else in the world (outstripped, in fact, only by Japan). Unfortunately, this growth did not lead to development, that is, to structural economic change absorbing larger numbers of Liberians in new productive activities and with more advanced training and skills. On the contrary, the returns from Liberia's economic growth, insofar as they accrued to Liberians, went almost exclusively to the small ruling minority of Americo-Liberians, thus reinforcing their political power and the economic and social divisions between the country's tribal majority'(p. xv).

With time, Liberia experienced its first ever serious political street protest organised by the opposition on 14 April 1979. The opposition was mainly made up of sons and daughters of the tribal majority with few sympathizers from the elite with reasons of marginalization themselves. This event was followed by the 12 April 1980 military coup and eventually the 24 December 1989 civil war which lasted up to 18 August 2003, when the Accra Comprehensive Peace Agreement (CPA) was signed by all warring parties, including the Government of Charles Taylor and warring factions. Charles Taylor later went into exile due to pressure from warring factions fighting to oust his government and that of the international community

(specifically President George Bush of the U.S.A. who made a public pronouncement that Charles Taylor must go), and he was replaced by his Vice President, Moses Z. Blah.

As provided for in the CPA, a National Transitional Government of Liberia was inaugurated in October 2003, and it was charged with responsibility to oversee democratic elections in October 2005. Eventually, a democratically elected government was ushered into office on 16 January 2006 following the presidential and general elections in October 2005 and a subsequent run off in November 2005. Mrs. Ellen Johnson Sirleaf was elected as President, being the first ever democratically elected female president of Africa. (see also chapter 13)

[!Box ends!]

The overwhelming focus on growth persists today. Economic growth is clearly a necessary component of development in most circumstances, although the rate of growth required might still be a source of debate. But economic growth is still put forward as the dominant normative framework for development, and other activities (positive or negative) are justified insofar as they foster growth. In the following section, we critically examine several assumptions about economic growth and its contribution to human flourishing. These assumptions are briefly introduced here and will be discussed in further detail in subsequent chapters, particularly chapter 4.

Assumption 1: A high GDP per capita is necessary for human flourishing.

It is assumed that economic growth is always desirable, in part, because it raises people's quality of life. However, empirical evidence shows that there is no automatic connection between a high GDP per capita and the ability of people to live flourishing human lives. Table 1.1 illustrates the link between GDP and some dimensions of human flourishing such as

health, education and political freedom, in the case of Saudi Arabia and Uruguay, the Russian Federation and Costa Rica, and Vietnam and Morocco. Uruguay has a much lower GDP per capita than Saudi Arabia. Yet people live longer. Women are more literate. Fewer children die prematurely, and basic political rights and civil liberties (such as the right to vote and the freedom of expression and association) are fully respected. The contrast between the Russian Federation and Costa Rica yields similar conclusions: Russia is wealthier, but its inhabitants live much shorter lives in a much more constrained political environment. While Morocco has a higher GDP per capita than Vietnam, its illiteracy and infant mortality rates are much higher. The discrimination against women, as measured by the difference between the adult literacy and adult female literacy rate, is also much higher. When countries are arranged according to the Human Development Index – a composite index which measures progress in economic conditions, life expectancy and literacy — the wealthier countries in terms of GDP per capita are not necessarily wealthier when human dimensions such as health and education are taken into account. Saudi Arabia and Russia, the two richest countries of Table 1.1 in terms of economic development, are ultimately poorer than Uruguay and Costa Rica in human development terms.

Table 1.1: Selected indicators

	Saudi Arabia	Uruguay	Russia	Costa Rica	Vietnam	Morocco
GDP per capita (PPPUS\$)	15,711	9,962	10,845	9,481	3,071	4,555
Adult literacy rate (%)	82.9	96.8	99.4	94.9	90.3	52.3
Female literacy rate (%)	76.3	97.3	99.2	95.1	86.9	39.6
Life expectancy (years)	72.2	75.9	65	78.5	73.7	70.4
Under 5 mortality (0/00)	26	15	18	12	19	40
Political Rights/Civil Liberties ^a	7/6	1/1	6/5	1/1	7/5	5/4
Human Development Index	0.812	0.852	0.802	0.846	0.733	0.646

Source: Human Development Report 2007/2008, see www.undp.org

^a Freedom House 2008 (with 1 being most free and 7 less free), see www.freedomhouse.org

Assumption 2: Families with a good income will not be deprived in other dimensions.

Another widespread assumption is that not being poor in terms of income means not suffering from lack in other matters too, such as health and education. However, empirical data often

tells another story. In a pioneering study comparing different conceptualisations of poverty in Peru and India, Ruggieri, Stewart et al. (2003) concluded that those who were poor in terms of income were not necessarily the same people who were poor in terms of lack of education or nutrition. They obtained the following results: in India, 65 percent of children who belonged to households below the monetary poverty line were not educationally poor (that is, were enrolled at primary school). In Peru, 93 per cent of children belonging to monetary poor households were not educationally poor, and 66 per cent were not nutritionally poor. However, 43 per cent of children in India who did not belong to monetary poor households were not enrolled at school. And 53 per cent of children from non-monetary poor families suffered malnutrition. Having an income, or belonging to a ‘non-poor’ household, is thus not a guarantee for avoiding malnutrition or receiving education, particularly where public services are weak or absent (we will come back to this in chapter 6).

Assumption 3: Economic growth will automatically reduce other kinds of poverty, such as malnutrition.

In recent years, India and China have been celebrated as economic successes. The Chinese growth rate is nearly solely responsible for the fact that the Millennium Development Goal (MDG) of halving the proportion of people living under \$1 a day will be met. It has therefore been assumed that sustained, high economic growth rates have had a tremendous impact on other kinds of poverty.

The rather counter-intuitive and disconcerting truth is that, at present, the expected spill-overs have been fairly scarce with respect to several key variables. Consider child malnutrition, which is one of the most critical indications of how well a country is doing. India has experienced 15 years of boundless economic growth. Yet, in 1998-9, 47 per cent of children

under the age of 3 were undernourished (weight for height was used as an indicator of malnutrition). In 2005-6, that number remained resiliently and unacceptably high, at 46 per cent of all children under 3 remaining malnourished. Similarly, in 1998-9, 58 per cent of children under 3 years of age had not received complete vaccinations; by 2005-6, that number had barely decreased at all – 56 per cent of children were still not fully vaccinated. And anaemia had risen from 75 to 79 per cent in those same years.¹² A similar story could be told in China, where steady and impressive economic growth has been accompanied by startling health inequities and deprivations, particularly in rural areas.

Assumption 4: Data for income and expenditure are better than other poverty data.

Critics of non-monetary indicators of development argue that income and expenditure data are the most reliable indicators of development. But, in fact, income and consumption or expenditure data are subject to a number of serious and widely-recognised difficulties. Income data in developing countries are widely regarded as being less accurate than consumption data, and also more volatile (hence, less reflective) of sustained living standards (Deaton 1997). Also, both consumption and income data have to be gathered item by item with varying recall periods, leading to potential errors. In addition, much consumption may be from non-market sources (home-grown food, home-made clothes, fire wood collected, etc.) and the imputation of prices to these is difficult.

Another assumption is that non-monetary indicators are of weak quality. However, the coverage and quality of non-monetary data has in fact improved tremendously in the last two decades. Regularised household surveys in developing countries have increased steadily since the 1980s, and the international pressure of meeting the MDGs has further accelerated this trend. Furthermore, a number of efforts to strengthen the capacities of national statistical

offices have led to an increase in sample and data quality. Granted, the data is far from being perfectly accurate, but it is in many cases more reliable than data on income or consumption (see chapter 6).

Assumption 5: It is easier to promote economic growth than human flourishing.

Economic growth has been the focus of considerable study, policy prescriptions, strategies and political attention. But it has proven to be far more difficult to realize than most have anticipated. In 2001, Bill Easterly drew attention to a ‘puzzle’ which he described as follows: ‘In 1980-98, median per capita income growth in developing countries was 0.0 per cent, as compared to 2.5 per cent in 1960-79. Yet ... policies like financial depth and real overvaluation, and initial conditions like health, education, fertility, and infrastructure generally improved from 1960-79 to 1980-98. Developing country growth should have increased instead of decreased, according to the standard growth regression determinants of growth. The stagnation seems to represent a disappointing outcome to the movement towards the “Washington Consensus”¹³ by developing countries’ (Easterly, 2001: 135). In other words, although some economic growth policies had been implemented, they did not in fact result in growth or economic development.

In 2005, the World Bank published a landmark report, *Economic Growth in the 1990s: Learning from a Decade of Reform*.¹⁴ The report observed that growth performance was uneven across developing countries, but lower than anticipated overall. It acknowledged that, ‘Bank growth projections, as well as growth projections by other forecasters, tend to be systematically over-optimistic’. Further, it acknowledged that the unevenness of growth could not be explained entirely by countries’ adherence to advised policy reforms. Indeed, some South and East Asian countries had achieved growth through very different mechanisms.

Although many country experiences and insights were involved in the study, several central themes emerged. One was that the 1980s and 1990s had overlooked one determinant of growth of central importance: institutions (see chapter 7). The Commission on Growth and Development examined the countries that achieved high and sustained growth to establish what had caused it.¹⁵ The point is that, although policy makers in the 1980s and 1990s had thought that the determinants of growth were clear – macroeconomic stability, trade liberalization, privatization, deregulation, financial liberalization and better public sector governance – growth proved to be, to use Easterly’s phrase, ‘elusive’.

Assumption 6: Economic growth can be sustained without considerations for human flourishing.

This assumption has been challenged by a study by Ranis, Stewart and Ramirez (2000), which demonstrated that countries that have experienced economic growth but whose population continue to suffer from low levels of education and health were not able to sustain that growth in the long term. Conversely, some countries with low levels of income per capita have been able to provide an environment in which their inhabitants could attain good educational and health standards. Ultimately, the only countries that were able to sustain growth were those that had previously invested in the health and education of their people. That education and health are instrumental in promoting economic growth is not however the sole reason for investing in these sectors, as chapter 9 will discuss in detail.

Human flourishing and the impact of policies on people’s lives are the fundamental concern of this textbook and the core of what is known as the ‘human development and capability’ approach. The next chapter presents the basic concepts of this people-centred approach to development.

Questions

- 1.1 What do you understand by the word ‘development’? Pretend you are in kindergarten, and draw a picture of your own conception of development without saying anything to the class. (When all students have drawn their picture, each then explains why they have chosen to represent development the way they have.)
- 1.2 Identify at least three concrete examples where economic development activities raised ethical questions. What possible positions might people take on each of these issues? How might they defend their respective positions? What information or assumptions do they rely upon? What value judgements would they (implicitly) be making? (This could be done as a role-playing exercise, where different parties defend their position taking into account their own respective value judgements).
- 1.3 How do normative frameworks affect policy decisions and outcomes? Can you give examples from your country where a different normative framework would have led to other policy priorities and outcomes?
- 1.4 Why do you think the basic intuition that human concerns should be the ultimate goal of economic activity continues to be ignored all over the world?
- 1.5 What are the main ideas and concepts which guide public policies in your country?

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Endnotes

¹ For an introduction to theories of development, see, among others, Cowen and Shenton (1996), Preston (1996) and Rist (1997).

² Story written by Jiantuo Yu.

³ At the end of 2005, US \$1= 8.07 Yuan.

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⁴ The ‘Stern Review on the Economics of Climate Change’ can be downloaded from www.hm-treasury.gov.uk/independent_reviews_index.htm.

⁵ State Environment Protection Administration, *China Green National Accounting Study Report 2004*, Beijing.

⁶ UNDP China Country Office, *China National Human Development Report 2007/8*, Beijing.

⁷ This section is taken from www.perusupportgroup.org.uk/key_extractive.html. With kind permission of Gabriela Drinkwater, from the Peru Support Group, for reproduction of the material.

⁸ Story written by Michael Mawa, Pamela Mbabazi, Esuruku Robert and Saidah Najjuma.

⁹ www.eturbonew.com

¹⁰ Information in this section is taken from www.hacan.org.uk.

¹¹ See the Human Development Report 2007/2008 on climate change published by the United Nations Development Programme at <http://hdr.undp.org>.

¹² Focus Report (2006), *Focus on Children under Six*, reporting NFHS data from 1998-9 and 2005-6. The document is available at www.crin.org/docs/sen_nutrition.pdf.

¹³ The ‘Washington Consensus’ refers to the policy package promoted by the Washington-based international institutions of the World Bank and International Monetary Fund. Gore (2000: 789) defines the ‘Washington Consensus’ as an approach which ‘recommends that governments reform their policies and, in particular: (a) pursue macroeconomic stability by controlling inflation and reducing fiscal deficits; (b) open their economies to the rest of the world through trade and capital account liberalization; and (c) liberalize domestic product and factor markets through privatization and deregulation.’

¹⁴ Its contents can be accessed at www1.worldbank.org/prem/lessons1990s.

¹⁵ See www.growthcommission.org.

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