

As we shall see in Parts Two, Three, and Four, many of the failures of development policies have occurred precisely because these **noneconomic variables** (e.g., the role of traditional property rights in allocating resources and distributing income or the influence of religion on attitudes toward modernization and family planning) were excluded from the analysis. Although the main focus of this book is on development economics and its usefulness in understanding problems of economic and social progress in poor nations, we will try always to be mindful of the crucial roles that **values**, **attitudes**, and **institutions**, both domestic and international, play in the overall development process.

What Do We Mean by Development?

Because the term *development* may mean different things to different people, it is important at the outset that we have some working definition or core perspective on its meaning. Without such a perspective and some agreed-on measurement criteria, we would be unable to determine which country was actually developing and which was not. This will be our task for the remainder of the chapter and for our first country case study, Brazil, at the end of the chapter.

Traditional Economic Measures

In strictly economic terms, **development** has traditionally meant the capacity of a national economy, whose initial economic condition has been more or less static for a long time, to generate and sustain an annual increase in its **gross national product (GNP)** at rates of perhaps 5% to 7% or more. (A measure similar to GNP, known as the *gross domestic product*, or **GDP**, is also used. The difference between GNP and GDP will be explained in Chapter 2.) A common alternative economic index of development has been the use of rates of growth of **income per capita** or **per capita GNP** to take into account the ability of a nation to expand its output at a rate faster than the growth rate of its population. Levels and rates of growth of “real” per capita GNP (monetary growth of GNP per capita minus the rate of inflation) are normally used to measure the overall economic well-being of a population—how much of real goods and services is available to the average citizen for consumption and investment.

Economic development in the past has also been typically seen in terms of the planned alteration of the structure of production and employment so that agriculture's share of both declines and that of the manufacturing and service industries increases. Development strategies have therefore usually focused on rapid industrialization, often at the expense of agriculture and rural development. Finally, these principal economic measures of development have often been supplemented by casual reference to noneconomic **social indicators**: gains in literacy, schooling, health conditions and services, and provision of housing, for instance. A description of the United Nations' important Human Development Index is given in Chapter 2.

On the whole, therefore, prior to the 1970s at least, development was nearly always seen as an economic phenomenon in which rapid gains in overall and per capita GNP growth would either "trickle down" to the masses in the form of jobs and other economic opportunities or create the necessary conditions for the wider distribution of the economic and social benefits of growth. Problems of poverty, discrimination, unemployment, and income distribution were of secondary importance to "getting the growth job done."

The New Economic View of Development

The experience of the 1950s and 1960s, when many developing nations did realize their economic growth-targets but the levels of living of the masses of people remained for the most part unchanged, signaled that something was very wrong with this narrow definition of development. An increasing number of economists and policymakers clamored for the "dethronement of GNP" and the elevation of direct attacks on widespread absolute poverty, increasingly inequitable income distributions, and rising unemployment. In short, during the 1970s, economic development came to be redefined in terms of the reduction or elimination of poverty, inequality, and unemployment within the context of a growing economy. "Redistribution from growth" became a common slogan. Dudley Seers posed the basic question about the meaning of development succinctly when he asserted:

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.⁶

This assertion was neither idle speculation nor the description of a hypothetical situation. A number of developing countries experienced relatively high rates of growth of per capita income during the 1960s and 1970s but showed little or no improvement or even an actual decline in employment, equality, and the real incomes of the bottom 40% of their populations. By the earlier growth definition, these countries were developing; by the newer poverty, equality, and employment criteria, they were not. The situation in the 1980s and 1990s worsened further as GNP growth rates turned negative for many LDCs, and governments, facing mounting foreign-debt problems, were forced to cut back on their already limited social and economic programs. Nor can we count on high rates of growth in the developed world to trickle down to the poor in developing countries. In the 1990s while the United States, the United Kingdom, and other high-income countries enjoyed a strong economic boom, average incomes declined in sub-Saharan Africa, and the number living in the region in extreme poverty (at less than \$1 per day) rose by some 50 million people.

But the phenomenon of development or the existence of a chronic state of underdevelopment is not merely a question of economics or even one of quantitative measurement of incomes, employment, and inequality. Underdevelopment is a

real fact of life for more than 3 billion people in the world—a state of mind as much as a state of national poverty. As Denis Goulet has so forcefully portrayed it:

Underdevelopment is shocking: the squalor, disease, unnecessary deaths, and hopelessness of it all! No man understands if underdevelopment remains for him a mere statistic reflecting low income, poor housing, premature mortality or underemployment. The most empathetic observer can speak objectively about underdevelopment only after undergoing, personally or vicariously, the “shock of underdevelopment.” This unique culture shock comes to one as he is initiated to the emotions which prevail in the “culture of poverty.” The reverse shock is felt by those living in destitution when a new self-understanding reveals to them that their life is neither human nor inevitable. . . . The prevalent emotion of underdevelopment is a sense of personal and societal impotence in the face of disease and death, of confusion and ignorance as one gropes to understand change, of servility toward men whose decisions govern the course of events, of hopelessness before hunger and natural catastrophe. Chronic poverty is a cruel kind of hell, and one cannot understand how cruel that hell is merely by gazing upon poverty as an object.⁷

The World Bank, which during the 1980s championed economic growth as the goal of development, joined the chorus of observers taking a broader perspective when, in its 1991 *World Development Report*, it asserted:

The challenge of development . . . is to improve the quality of life. Especially in the world's poor countries, a better quality of life generally calls for higher incomes—but it involves much more. It encompasses as ends in themselves better education, higher standards of health and nutrition, less poverty, a cleaner environment, more equality of opportunity, greater individual freedom, and a richer cultural life.⁸

Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development, in its essence, must represent the whole gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory toward a situation or condition of life regarded as materially and spiritually better. No one has identified the human goals of economic development as well as Amartya Sen, perhaps the leading thinker on the meaning of development.

Sen's “Capabilities” Approach

The view that income and wealth are not ends in themselves but instruments for other purposes goes back at least as far as Aristotle. Amartya Sen, the 1998 Nobel laureate in economics, argues that the “capability to function” is what really matters for status as a poor or nonpoor person.⁹ As Sen put it, “Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy.”

In effect Sen argues that poverty cannot be properly measured by income or even by utility as conventionally understood; what matters is not the things a person has—or the feelings these provide—but what a person is, or can be, and does.

or *can do*). What matters for well-being is not just the characteristics of commodities consumed, as in the utility approach, but what use the consumer can and does make of commodities. For example, a book is of little value to an illiterate person (except perhaps as cooking fuel or as a status symbol). Or as Sen noted, a person with parasitic diseases will be less able to extract nourishment from a given quantity of food than will someone without parasites. Sen's approach is valid for more developed countries as well. For example, most of the things one could do with the personal computer one buys are never understood or even known, let alone ever used, by anyone other than specialists. Of course, sometimes people want more "features" just in case they might want to use them. But if we exclude items of this kind, a computer with unused characteristics is no better than one without these characteristics.

The point is that to make any sense of the concept of human well-being in general, and poverty in particular, we need to think beyond the availability of commodities and consider their use: to address what Sen calls **functionings**, that is, what a person does with the commodities of given characteristics that they come to possess or control (or can do with them). Freedom of choice, or control of one's own life, is itself a central aspect of most understandings of well-being. As Sen explains,

The concept of "functionings" . . . reflects the various things a person may value doing or being. The valued functionings may vary from elementary ones, such as being adequately nourished and being free from avoidable disease, to very complex activities or personal states, such as being able to take part in the life of the community and having self-respect.¹⁰

Sen identifies five sources of disparity between (measured) real incomes and actual advantages¹¹: first, personal heterogeneities, such as those connected with disability, illness, age, or gender; second, environmental diversities, such as heating and clothing requirements in the cold, infectious diseases in the tropics, or the impact of pollution; third, variations in social climate, such as the prevalence of crime and violence, and "social capital"; fourth, differences in relational perspectives, meaning that

the commodity requirements of established patterns of behavior may vary between communities, depending on conventions and customs. For example, being relatively poor in a rich community can prevent a person from achieving some elementary "functionings" (such as taking part in the life of the community) even though her income, in absolute terms, may be much higher than the level of income at which members of poorer communities can function with great ease and success. For example, to be able to "appear in public without shame" may require higher standards of clothing and other visible consumption in a richer society than in a poorer one . . .

In a richer society, the ability to partake in community life would be extremely difficult without certain commodities, such as a telephone, a television, or an automobile; it is increasingly difficult to function socially in Singapore or South Korea without an e-mail address. Fifth, distribution within the family: Economic statistics measure incomes received in a family, because it is the basic unit of shared consumption, but family resources may be distributed unevenly, for example, when girls get less medical attention or education than do boys.

Thus, looking at even real (purchasing power parity adjusted) income levels, or even the levels of consumption of specific commodities, cannot suffice as a measure of well-being. One may have a lot of commodities, but these are of little value if they are not what consumers desire (as in the former Soviet Union). One may have income, but certain commodities essential for well-being, such as nutritious foods, may be unavailable. Even when providing an equal number of calories, the available staple foods in one country (casava, bread, rice, cornmeal, potatoes, etc.) will differ in nutritional content from staple foods in other countries. Moreover, even some subvarieties of, for example, rice, are much more nutritious than others. Finally, even when comparing absolutely identical commodities, one has to frame their consumption in a personal and social context. Sen provides an excellent example:

Consider a commodity such as bread. It has many characteristics, of which yielding nutrition is one. This can—often with advantage—be split into different *types* of nutrition, related to calories, protein, etc. In addition to nutrition-giving characteristics, bread possesses other characteristics as well, e.g., helping get-togethers over food and drinks, meeting the demands of social conventions or festivities. For a given person at a particular point in time, having more bread increases, up to a point, the person's ability to function in these ways. . . . But in comparing the functionings of two different persons, we do not get enough information by looking merely at the amounts of bread (and similar goods) enjoyed by the two persons respectively. The conversion of commodity-characteristics into personal achievements of functionings depends on a variety of factors—personal and social. In the case of nutritional achievements it depends on such factors as (1) metabolic rates, (2) body size, (3) age, (4) sex (and, if a woman, whether pregnant or lactating), (5) activity levels, (6) medical conditions (including the absence or presence of parasites), (7) access to medical services and the ability to use them, (8) nutritional knowledge and education, and (9) climactic conditions. . . .¹²

In part because such factors, even on so basic a matter as nutrition, can vary so widely across individuals, measuring individual well-being across people by levels of consumption of goods and services obtained confuses the role of commodities by regarding them as ends in themselves rather than as means to an end. In the case of nutrition, the end is health, and what one can do with good health, as well as personal enjoyment and social functioning. But measuring well-being using the concept of utility, in any of its standard definitions, does not offer enough of an improvement over measuring consumption in seeking to really capture the meaning of development.¹³

As Sen stresses, a person's own valuation of what kind of life would be worthwhile is not necessarily the same as what gives pleasure to that person. If we identify utility with happiness, then very poor people can have very high utility. Sometimes even malnourished people either have a disposition that keeps them feeling very happy and satisfied or have learned to appreciate greatly any small comforts they can find in life, such as a single breeze on a very hot day, and to avoid disappointment by striving only for what seems attainable. (Indeed it is only too human to tell yourself that you do not want the things you cannot have.) If there is really nothing to be done about a person's deprivation, this attitude of subjective bliss would have undoubted advantages in a spiritual sense, but it

does not change the objective reality of deprivation. In particular, such an attitude would not prevent the happy but homeless poor person from greatly valuing an opportunity to become freed of parasites or provided with basic shelter. Rather than a *feeling*, as Sen defines it, the functioning of a person is an *achievement*; it is:

what the person succeeds in doing with the commodities and characteristics at his or her command. . . . For example, bicycling has to be distinguished from possessing a bike. It has to be distinguished also from the happiness generated by [bicycling]. . . . A functioning is thus different both from (1) having goods (and the corresponding characteristics), to which it is posterior, and (2) having utility (in the form of happiness resulting from that functioning), to which it is, in an important way, prior.¹⁴

Sen then defines **capabilities** as "the freedom that a person has in terms of the choice of functionings, given his personal features (conversion of characteristics into functionings) and his command over commodities. . . ." Just as in basic microeconomics, where income matters to the extent that it impacts utility, utility too is important here to the extent that it exhibits a person's capabilities. And clearly, capabilities are determined in part by income. Even so, many important problems of developing countries, such as social deprivation of girls (see Chapter 9), simply cannot be adequately addressed by a focus on income. Sen's perspective helps explain why development economists have placed so much emphasis on health and education and have referred to countries with high levels of income but poor health and education standards as cases of "growth without development." Real income is essential, but to convert the characteristics of commodities into functionings, in most important cases, surely requires health and education as well as income. The role of health and education ranges from something so basic as the nutritional advantages and greater personal energy that are possible when one lives free of certain parasites to the expanded ability to appreciate the richness of human life that comes with a broad and deep education.

Over the past two decades, Sen's view has become extremely popular among development economists and social science methodologists. Sometimes students seem less impressed, arguing that fulfillment is more about the quality of social relationships or about following religious values than capabilities. But however the matter is framed, it is clear that income or consumption, or purely subjective pleasure or desire fulfillment, cannot define *well-being* in any adequate sense. Almost any deeper appraisal of well-being leads to a consideration of health and education as well as income. Sen's analysis is part of what has given the United Nation's *Human Development Index*, which accounts for health and education as well as income, its wide respect and following (see Chapter 2).

Three Core Values of Development

Is it possible then to define or broadly conceptualize what we mean when we talk about development as the sustained elevation of an entire society and social system toward a "better" or "more humane" life? What constitutes the good life is a