



# **Prospects for Development Thinking and Practice**

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by

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(with the assistance of Fernando Prada and Mario Bazán)

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### **Preface**

The idea of this paper originated in a conversation with Janet Maughan, Director of the Global Inclusion Program of the Rockefeller Foundation. The conversation began with her question on whether a new unifying idea or new meta-narrative was emerging as a sequel to the Washington Consensus, but this soon expanded into a questioning of the basic idea of international development itself. Why does the defining idea of development continue to posit that all of the world's people and societies can (and should) achieve more or less the same material standards of living as advanced Western countries when there is so much evidence that this is an impossibility? Are there new and alternative ideas and conceptualizations of what it may mean to be 'developed'? How does development deal with the claims of the globalization enthusiasts (of whom there are many) that the world is converging towards a Ricardo comparative advantage paradise? And how does it deal with those who take the opposite position (of whom there are also many) that globalization is creating a Marx army of surplus labor hell with all manner of human tragedies such as structural unemployment, homelessness, marginalization and a clash of civilizations? What are the prospects for development thinking and practice in these turbulent times? And do we have the right kinds of spaces to explore and debate these questions where participants can spend time and creative energy talking to one other rather than, as is more generally the norm, past one another?

The upshot of the conversation was a request from Janet on behalf of the Rockefeller Foundation that we explore these questions and prepare a synthesis paper that the Foundation might consider in looking to the possible roles that it might play over the next few years. This was a daunting challenge but a welcome one. It has allowed us the luxury of examining a vast, rich and growing literature, to consult with and benefit from many very thoughtful people, and to grapple ourselves with at least some of the most central and intriguing questions about the human condition and its future prospects. Although our hope is that we have managed to cast at least some light, the richness of today's ideas and debates on development serve to confirm in our view the elusive and illusory nature of the search for development itself. We cannot claim, therefore, to have answered the questions that are summarized above and that led to this project; our efforts have been compacted into a few short weeks and the results are very much a work in progress.

This paper is divided into five sections. Section one provides a very brief review of some of the main highlights in the evolution of modern development thinking and practice from the end of the Second World War. Section two offers a critical assessment of how mainstream development theory and practice have consistently converted highly complex, nuanced and contextualized ideas into simplistic and formulaic narratives. An attempt is also made to distill some of the main lessons from this.

The third section comprises the main section of the paper. It looks into some of the key emerging and reemerging ideas and debates in development thinking and practice and examines their potential contribution to a framework of strategic choices to guide future

development efforts. We present these in three categories according to the degree of influence (control?) that societies have over the matters under consideration, and to the way in which they are approached (although we acknowledge that the categories are not mutually exclusive, we hope nevertheless that presentation in this form contributes to clarity). The three categories are: (i) initial conditions, which define the starting point for development efforts and usually cannot be changed, but that can be appreciated and interpreted from different perspectives (history and geography); (ii) broad policy choices, which encompass those aspects of development strategy and policy over which societies have greater control and can take decisions (globalization, institutions, knowledge, environment, participation); and (iii) matters that require adopting a position or taking a stand, for they affect most aspects of the development process, call for social responses, and bear on the interpretations of initial conditions and on policy choices (human rights, culture).

Section four turns to the nature and evolution of development cooperation, which, if part of the 'solution' to development challenges, we also assess as a big part of the 'problem'. We attempt to describe the principal deficiencies in the current 'system' of development cooperation, but we also share our assessment that these very deficiencies have opened up an unprecedented window of opportunity for fundamental change and reform.

The final section (five) titled 'Renewing Development Thinking and Practice' concludes that there is an urgent need for a fundamental and intellectual unencumbered reexamination of the premises and assumptions (both those that are explicit and those that are implicit) that underpin development efforts. It concludes further, however, that there can be no new meta-narrative and that what is needed are new spaces to explore conceptualizations that can accept and even embrace complexities, uncertainties, paradoxes, contingencies of vast variation from situation to situation and widely divergent worldviews. This conclusion will not find popularity with either mainstream development organizations or with most social science thinking (i.e. macroeconomics) that is dominant in development, but in our view the conclusion is inescapable. Finally, section five suggests that the rich tapestry of ideas and debates analyzed in the third section furnishes a promising base for reexamining development.

This paper builds on a long series of joint efforts by the two authors spanning more than two decades, and incorporates the contributions of many research assistants, including Fernando Prada, Mario Bazán, Ursula Casabonne, Rafael Castillo, Gonzalo Alcalde, Carla Saenz and Eliane Chrem. We also benefited from the comments and suggestions of Jean Daudelin, Rohinton Medhora, Geoffrey Oldham, Andrew Rogerson, Rodrick Strirrat and Alexander Shakow.

We wish to express our deep gratitude to the Rockefeller Foundation and especially to Janet Maughan for having entrusted us with this study and for the patience and unflinching support provided throughout. The usual disclaimer about errors and omissions applies.

Keith A. Bezanson and Francisco Sagasti,  
Seaford and Lima, August 2005

## **1. Introduction and background to development thinking and practice**

### *1.1. The idea of progress: prelude to development.*

The prospects for improving the human condition have been viewed from different perspectives through history. Recurrent cycles, destiny, chance, fate, divine will, individual initiative and collective effort have been seen at different times as the main factors that determine the ultimate outcome of human activities and of societies. During the 18<sup>th</sup> century, the Enlightenment enthroned the idea of continuous, cumulative and unlimited progress as a unique attribute of the human species —thus transferring to the realm of social interactions what were perceived as the essential tenets of the modern scientific enterprise, particularly in the realms of physical and biological inquiry. The cumulative and constant advances of the ‘hard’ sciences were seen as providing a template for similar advances in society.

This powerful idea permeated all aspects of social and human affairs in the West throughout the 19<sup>th</sup> century, especially after the emergence of the theory of evolution, but was eclipsed during the turbulent first half of the 20<sup>th</sup> century. The Japanese-Russian and Japanese-Chinese wars, World War I, the Russian revolution, the rise of Nazism and Fascism, the Great Depression, the Holocaust, World War II, among other tragic events, forcefully challenged the idea of steady and unending human progress.

A rebirth of optimism and a renewed faith in the possibility of progress emerged at the end of World War II. The Allied triumph, based in large measure on an unprecedented mobilization of scientific knowledge, operational competence and managerial skills, brought back the idea that deliberate interventions could help to improve the human condition. The idea of *development* emerged in the mid-1940s to replace and renew that of progress, and the subsequent period of uninterrupted economic growth appeared to prove conclusively that development was indeed possible —if only the ‘right’ things were done by poor countries with the assistance of rich (Western) societies.

### *1.2. The architecture of modern development thinking and practice*

The concept of development emerged from a metamorphosis of the idea of progress, but was also nurtured by advances in the field of economics as it gradually became more formal, acquiring all the trappings of a ‘modern’ science. At the same time, it was transformed from a predominantly Western idea into a universal concept applying to all human societies. Up to the mid-19<sup>th</sup> century, classical economists emphasized the political and ethical aspects of social behavior, but economics progressively shed both of these aspects to become more of a ‘rigorous’ and mathematical discipline, particularly after the emergence of neoclassical economics. In academic circles economic research has now reached a rarified level of abstraction and mathematical intricacy that places it at a remote distance from practical development concerns.

After World War II, development thinking and practice sought to answer the fundamental question of how to improve economic performance (read growth), how to better allocate scarce investment resources, and how to optimize policies and decisions to obtain the highest possible economic and (to a lesser degree) social returns. Mainstream development thinking and practice assumed that development was a ‘problem’ that required (and had) a ‘solution’ that could be primarily articulated in technical terms. Within the two broad and competing economic and political frameworks for development strategy and policy —market

economies and political pluralism (capitalism) versus centrally planned economy and single-party political systems (socialism)— there emerged a succession of technical proposals (maybe fads?) that were advanced as *the* ‘solution’ to the development ‘problem’.<sup>1</sup>

The underlying assumptions were, not only that development was possible and imperative for everyone, but also that economic growth and modernization were the only paths towards it. These two competing (Western) approaches shared an implicit definition of development: to achieve in the span of a single generation the material standards of living that the industrialized countries achieved in three or four generations, and without incurring in the high social costs they had to pay (e.g. child labor) or that they inflicted on others (e.g. colonialism).

The first three decades of the post World War II were also the ‘Golden Age’ of economic growth: during 1945-1975 the world economy grew continuously and everywhere at an unprecedented rate, which seemed to prove that ‘development’ was not only possible, but indeed achievable for the world as a whole, especially as the Welfare State in European countries indicated that state intervention could lead to vast social improvements. This period also saw the emergence of the ‘development cooperation experiment’, which was accompanied by a surge in development assistance from rich to poor countries and by the emergence of what later became a vast and impenetrable forest of development assistance organizations.<sup>2</sup>

Ideas about how to bring about development and how to organize development cooperation have continuously changed and evolved. For example, at different times between the late 1940s and the early 1970s, development thinking and practice were based on concepts such as the need for a ‘big push’ of investment and capital to initiate self-sustaining economic growth, as advocated by Paul Rosenstein-Rodin and Ragnar Nurkse; the priority of investments in human capital, whose main proponents were Theodore Schultz and Hans Singer; the importance of fostering import-substitution industrialization and exploiting backward and forward linkages, which were argued by Raul Prebisch and Albert Hirschman, respectively; and on Walter W. Rostow’s imperative of advancing through a well-established sequence of stages that would lead to a take-off into self-sustained growth.

Over time, notions such as ‘unlimited supply of labor’ (Arthur Lewis), ‘deterioration of the terms of trade’ (Hans Singer, Raul Prebisch), ‘poles of development’ (Francois Perroux), ‘development planning’ (P. Mahalanobis, Jan Tinbergen), ‘circular cumulative causation’ (Gunnar Myrdal), ‘unbalanced growth’ (Albert Hirschman), ‘dependency theory’ (Fernando Henrique Cardoso, Osvaldo Sunkel), ‘structural underdevelopment’ (Celso Furtado), ‘unequal exchange’ (Aghiri Emmanuel), ‘redistribution with growth’ (Hollis Chenery), ‘basic needs’ (Hans Singer, Paul Streeten, Richard Jolly, Manfred Max Neef), ‘export-oriented industrialization’ (Ann Kruger, T.N. Srinivasan), ‘small is beautiful’ (E.F. Schumacher), ‘ecodevelopment’ (Ignacy Sachs, Maurice Strong), among many others, were used to interpret the reality of developing countries and to offer policy recommendations.

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<sup>1</sup> For reviews of the evolution of development ideas see, among others, Rist (2002), Braga de Macedo *et al* (2002), de Paula (2005), Chang (ed) (2003), Chang (2002), Thiel (2001), Hoogvelt (2001), Cowen and Sentón (1996), Hettne (1995), Oman and Wignaraja (1991), American Academy of Arts and Sciences (1989), Arndt (1987), Erb and Kallab (1975) and Sunkel and Paz (1970). For a critical perspective on the evolution of development thinking and practice see, among others, Easterly (2002), de Rivero (2001), Rahnema and Bawtree (1998) and Mason (1997), and for an account from a socialist perspective see Szentes (1976).

<sup>2</sup> For an account of the evolution of development cooperation see Sagasti and Alcalde (1999).

In addition, and notwithstanding the overwhelmingly secular character of the development enterprise, some religious groups (most notably the Roman Catholic Church) had a significant influence in development thinking. For example, during the 1950s and 1960s, Father Louis-Joseph Lebet, a French priest who worked extensively with developing countries, put forward the idea of developing a ‘humane economy’ based on the concept of solidarity, and this idea greatly influenced the development of Christian socio-political thought (Lebet, 1959). Similarly, during the 1960s and 1970s, the views put forward by Peruvian priest Gustavo Gutiérrez (1973) on ‘liberation theology’ focused on the need to eradicate poverty and provided an ethical and moral underpinning to many grass-roots development efforts in Latin America and elsewhere in the developing world.

The large number of development approaches, strategies and proposals that emerged in the four decades after World War II can be grouped into four broad categories or schools of thought: Structuralist, Liberal, Dependency and Neoliberal (Annex A). Far from being internally homogeneous or static, the approaches within these categories evolved and changed through active interaction with each other.<sup>3</sup> The ability to learn from experience and adjust to the changing conditions and shocks of the period from 1950 to 1980 were reflected in a broad evolution from general prescriptions to more precise assessments of specific conditions and the tailoring of strategy and policy recommendations to particular situations (case-by-case approaches).

With the end of the Golden Age of global economic expansion in the mid-1970s, a range of economic, social, political and technological tensions surfaced (oil shocks, debt crises, financial and trade imbalances, increasing inequalities, demographic transitions, geopolitical shifts, new technologies). These tensions characterized the ‘lost decade’ of the 1980s and presaged the turbulent post-Cold War decade of the 1990s. Against the backdrop of a relentless process of economic globalization, a new orthodoxy —firmly skewed towards economic liberalization, deregulation, privatization and the free play of market forces (and against state interventions)— emerged in the mid-1980s as the dominant mode of development thinking and practice. This new orthodoxy, which dominated the scene during the late 1980s and the 1990s, became known as the ‘Washington Consensus’ on economic development policies (Williamson, 1990). Yet, this decade was also a period of intellectual ferment during which past experience was evaluated, basic assumptions questioned, complexity acknowledged and new approaches to development thinking and practice explored.

## **2. Policy prescriptions and lessons in development thinking and practice**

### *2.1. From ‘silver bullets’ to acknowledging complexity*

A recurrent theme and deep flaw in the intellectual architecture of development has been the packaging of rather complex ideas and arguments into simple and single-minded

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<sup>3</sup> Nevertheless, a fundamental difference between the Structuralist and Dependency approaches on the one hand, and liberal and neoliberal approaches on the other, was that the latter viewed development as proceeding along a continuum for all countries that moved at different speeds towards prosperity and well-being, while the former argued that there was a close interrelation between countries that were more and less developed: the structure of the world capitalist system made it inevitable that developed countries advanced at the expense of the underdeveloped ones.

prescriptions. The result of this has been as damaging to the interests of development as it has been intellectually unsatisfying. Like Archimedes in his bath, the institutional architecture for international development has regularly declared ‘eureka —I have found it’. ‘It’, of course, has been *the answer* to the ‘problem’ of development. The effect of this has been to ground the development effort in a series of ‘technical fixes’ and promised silver bullets.<sup>4</sup> It is definitely not the case, therefore, that the intellectual and policy architecture of development has suffered from a shortage of ideas. It is rather that the complexity and specificity of good ideas have been subverted into formulaic and standardized forms that have deprived them of their complexity and specificity.

The intellectual underpinnings of development have grown and evolved over six decades into a daunting and formidable array of ideas, concepts, theories, empirical studies and distinct schools of thought. Yet even though these schools competed with each other, at any one time a dominant view of how to bring about development has prevailed — particularly in most development cooperation agencies and international financial institutions. The promotion of investment and project planning held sway in the 1950s; growth-oriented ‘trickle-down’ and import-substitution strategies were prevalent in the 1960s; basic needs and redistribution with growth became the key ideas of the 1970s; and structural adjustment and the ‘Washington Consensus’ dominated in the 1980s and 1990s. As one simplistic, ‘one-size-fits-all’ formulation or meta-narrative was confronted with major failures, it was replaced with the new answer —the new Holy Grail— in the form of another ‘one-size-fits-all’ meta-narrative and with the promise of instant or near-instant results.

The current formulation that has supplanted the Washington Consensus as the overarching framework for development thinking and practice is undeniably the ‘Millennium Development Goals’ (MDGs). These combine with notions of nationally owned poverty reduction strategies, sensible macroeconomic policies, effective public expenditure management, and new forms of conditionality related to (often vague and always changeable) notions of ‘good governance’. The combination adds up to what is probably the most diverse and multifaceted in the sequence of development architecture meta-narratives. The MDGs adopt a fifteen-year time frame, whereas its predecessors promised or implied more short-term, results. It also stipulates a range of more specific outcome indicators than its predecessors. As such, the MDGs provide a powerful and politically attractive frame within which to approach international development initiatives. Yet this latest meta-narrative is seriously incomplete and also suffers from the same defects as earlier ones<sup>5</sup>.

- First, the MDGs represent only partially the vision of the document from which they were extracted (the Millennium Declaration adopted by the UN in 2000). In addition to the MDGs themselves, the Declaration includes a statement of values and a commitment to peace, security and the rule of law. This additional material widens and internationalizes the frame. For example, it provides the basis for saying that there is much more to poverty than lack of income: rights, equity and social justice also matter, for intrinsic as well as instrumental reasons.

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<sup>4</sup> On May 25, 2004, James Wolfensohn, President of the World Bank, declared ‘the Washington Consensus has been dead for years. It has been replaced by all sorts of other consensuses’. His statement underscored that even when a dominant, highly focused, narrative of development met its demise, there emerged a frantic search for new simple solutions and technical fixes.

<sup>5</sup> Adapted with permission from a working paper by Simon Maxwell, Director, Overseas Development Institute.



- Second, the evidence of the past half-century indicates overwhelmingly that the story about how to achieve poverty reduction, equity and social justice is far more nuanced than the MDGs implicitly suggest.
- Third, there are issues about how well this approach guides international support for development. Policy prescriptions deriving from the MDGs involve rewarding ‘well-governed’ countries that have ‘good policies’. Yet, there are serious questions regarding the value and impact of aid in countries that fail to meet the test of ‘good policies’, but that could help improve the standards of living of their poor people. Similarly, there are concerns regarding the use of ‘results-based’ approaches based on quantitative indicators of performance that, considering both methodology and data deficiencies, might be deeply flawed —but whose values may give an illusory precision to decisions regarding aid allocation. Furthermore, there is also the issue of how to deal with ‘failed states’.
- Finally, the current MDG meta-narrative does nothing to address the fact that practices and recommendations regarding development policies, strategies and aid are ultimately related to the structure of power relations in the international arena. Since the source of most of these prescriptions are the international financial institutions, power relations among their stakeholders are key to understand how one or another approach becomes dominant in these institutions, and is then offered to (pushed onto) developing countries.

Given the trajectory of the meta-narratives that have underpinned development efforts, it is unsurprising that both scholars and practitioners have called for a fundamental rethinking of development itself.<sup>6</sup> The questions raised are: first, how to evolve more appropriate, complex, nuanced, balanced and effective development perspectives that respond to the challenges faced by the international community in an increasingly diverse set of developing countries? Second, how to bridge the gap between such broader perspectives and the technical and focused ‘mainstream’ views that continue to dominate development practice?

## *2.2. Lessons of experience and the search for new meanings and interpretations of development*

A multitude of haphazard attempts have been under way for some time to answer the questions posed at the end of the preceding section. We are witnessing today the emergence of a plethora of new ideas and proposals for the practice of development. These span not merely the instruments more traditionally associated with the international development experiment, such as modalities of development finance, collaboration between North and South, and so on, but also the need for sweeping reforms that encompass a broader range of institutions that have not been explicitly included in traditional approaches to development — for example, peacekeeping, peacemaking, human rights, democratic governance, geopolitical concerns (e.g. the report of the High Level Task Force on UN reform).<sup>7</sup> A number of propositions and lessons can be extracted from the evolution of ideas and of policies to promote development during the last six decades. These constitute a reasonably good starting point to search for more effective development approaches, strategies and policies.

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<sup>6</sup> See Hirschmann (1968, 1971), Sen (1992), Stiglitz (1998), and Rodwin and Schon (1994), among others.

<sup>7</sup> United Nations (2004).

The first of these propositions is the most sweeping and holds that the very essence of *the dominant view that has guided development for six decades is deeply and perhaps fatally flawed*. At its core, the dominant view has held and continues to regard development as linear, predictable and in accord with a universal normative framework. It places all of humanity on a single continuum from least to most developed. Although the language used to describe and define development has grown vastly in complexity and even in nuance relative to earlier formulations (such as, for example, Rostow's five stages of development), the epistemology of development has remained firmly embedded in the concepts of linearity, predictability and a universal normative framework.<sup>8</sup> When evidence accrues that any one particular development prescription or meta-narrative is failing, intellectuals and policy-makers alike have tended more to add in additional 'explanatory factors' and readjust the margins of the basic theory rather than rethink its fundamental relevance and correctness. Inertias of general theory are, of course, by no means limited to development.<sup>9</sup>

The second of these propositions is that *development thinking and practice have become excessively dependent on economic theory*, and particularly on those theories that emphasize the role of competition and impersonal market forces in the process of economic growth. This is not to dismiss these theories as irrelevant; on the contrary, evidence indicates that market mechanisms are very efficient for the allocation of scarce resources. However, evidence also indicates that, on their own, market forces do not lead to equity, fairness and opportunities for all, and that they need to be complemented and harnessed by public sector and civil society interventions. The point is that, notwithstanding the arguments of market fundamentalists, economic growth and market forces fall far short of providing a sufficient set of conditions to improving the human condition.

The third proposition is that *most of the serious problems and challenges that development now faces no longer have purely local or national solutions*. Growing trade, finance, knowledge, technology and communications interconnections —closely associated with the process of globalization— have made the structural linkages with the international context a critical factor in the design of development strategies and policies. Managing interdependence and devising appropriate international insertion strategies are now an imperative for development, both in rich and poor countries.

The fourth proposition refers to *the crucial importance of institutional factors* in creating the social setting for the definition and pursuit of development objectives. Institutions comprise patterns of behavior, long-standing social relations, and formal rules and regulations, all of which give structure to the fabric of society, allow for the evolution of shared purposes and commitment, provide a basis for cooperative behavior, and create the stability and predictability necessary to underpin human efforts. Many of the failures of

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<sup>8</sup> As indicated above, Structuralist and Dependency approaches are an exception, but they never reached the mainstream of development thinking and practice and had their own flaws, including 'export pessimism' and a scarcity of viable policy recommendations.

<sup>9</sup> For example, according to the prevailing economic theories of the mid-20th Century, what was called 'stagflation' (inflation with growing unemployment) simply could not occur. It did not fit any respectable economic theory. Yet, at the end of the 1960s, it had become clear in the United States that inflation was no longer trading off with reductions in unemployment. The initial reaction of most economists was that what was happening was simply not possible, and much intellectual effort was expended in demonstrating that the economy would return to its "normal" state as soon as a few marginal policy adjustments were made. Reality, however, proved to be stubborn, and the growing evidence had, finally, to be accepted as a turning point in economics – actually the death of Keynesianism (state intervention to promote demand-led growth) as a dominant meta-narrative. Development theory finds itself today in a similar situation.

development efforts can be traced to the absence or weakness of appropriate institutional arrangements.

The fifth proposition is that the *capacity to acquire and generate knowledge* in all its forms—including the recovery and upgrading of traditional knowledge—is a crucially important factor in the improvement of the human condition. Although the extent of causality continues to be debated, there is near-universal agreement that practically all countries that have been able to significantly and lastingly improve their living standards learned how to acquire, utilize and generate scientific and technological knowledge in their production and service activities.

The sixth proposition is that *participation and decentralization*, while essential ingredients of development, are often applied in inappropriate ways. There is considerable danger that today's heightened drive towards participation and decentralization is crowding out many equally important functions of central government and agencies. In general, development is something that people do to and for themselves, and is sustained only when the beneficiaries of development are also its owners. Experience has shown that delegating policy and decision making to grass-roots organizations, professional associations, local and regional governments, private enterprises, and more generally to those who benefit from development initiatives, creates the sense of ownership of policies and strategies necessary to their proper functioning and sustainability. At the same time, experience has also shown that delegation and decentralization need to be complemented by overarching policy frameworks that can only be designed and implemented at the central level.

The seventh proposition—many raging debates to the contrary notwithstanding—is that *environmental considerations must be fully incorporated into the design of development strategies and policies*. In addressing the environmental impacts of economic growth strategies aimed at development and poverty reduction, it is no longer possible to avoid complex political and value judgments regarding what should be sufficient and adequate standards of material wellbeing. Not all situations render themselves to the current search for 'win-win solutions' and it is importance to acknowledge tradeoffs between environment and growth, and to identify losers as well as winners.

The final proposition is that *values, identity and the non-material aspects of human activities* now play a most important role in development efforts. For most of the past six decades, while 'modernization' theories held sway, factors such as culture, religion and ethnic allegiances were all but disregarded in development theory and practice. It is no longer possible to ignore them. This does not imply adopting a 'clash of civilizations' or 'underdevelopment is a state of mind' approach, but rather that a single-minded focus on material issues, economic choices, utility and 'rational' ways of looking at the complex issues of development is clearly insufficient and must be complemented by ethical, emotional and even aesthetic concerns. Non-Western approaches to development may contribute in the process of incorporating these more diffuse, emotional and transcendental considerations into broader conceptions of development.

As the above propositions imply, the language of development has expanded over time and an array of new terms has been added to its vocabulary. This, however, has come at the price of adding an increasing imprecision. Notions such as 'social capital', 'pro-poor growth', 'environmental sustainability', 'people-centered, sustainable livelihoods', 'participatory decentralization', 'good governance' or 'global public goods' have become

deified through constant use, but seldom are they given clear definitions or boundaries of meaning. 'Old language' continues to be used as 'new language' is added. Thus, most official development discourse continues to speak in terms of unlimited economic growth and expansion, of a North-South fault line separating wealth from poverty, of a 'here' versus 'there' that is at variance with a highly complex and variegated reality that emerges from the consideration of the propositions listed above.

Moreover, the complexities of the reality reflected in these propositions are almost certain to prove incompatible with any single meta-narrative of development, or even with the metaphor of a 'fully developed world' (in the sense of all persons enjoying peace, security, roughly similar high material standards of living and harmony with the biophysical environment). Yet, the mobilizing power of this metaphor should not be underestimated for, regardless of how it is interpreted, its apparent nobility and universal appeal bestow on it a legitimacy and durability that few other ideas have acquired.<sup>10</sup>

### **3. Emerging and reemerging debates: a repertoire of ideas to renew development thinking and practice**

A rich repertoire of new and reemerging ideas may be drawn upon to assess the current state of development thinking and practice, and also to explore its future prospects. These sets of ideas, and the debates associated with them, are related to the propositions summarized in the preceding section and may be viewed as potential components of a framework for strategic choices to guide the design and implementation of development strategies. They can be grouped into three categories according to the degree of influence (control?) that societies have over the matters under consideration, and to the way in which they are approached. The three categories are: (i) *initial conditions*, which define the starting point for development efforts and usually cannot be changed, but that can be appreciated and interpreted from different perspectives (history and geography); (ii) *broad policy choices*, which encompass those aspects of development strategy and policy over which societies have greater control and can take decisions (globalization, institutions, knowledge, environment, participation); and (iii) *matters that require adopting a position or taking a stand*, for they affect most aspects of the development process, call for social responses, and bear on the interpretations of initial conditions and on policy choices (human rights, culture). These categories are not mutually exclusive and overlap to a certain extent, which makes it difficult to unambiguously place specific contributions (and authors) in one or another of these. Nevertheless, they will be addressed separately for the sake of clarity.

#### *3.1. Initial conditions*

Ideas and debates in this category focus on the search for adequate (correct?) appreciations and interpretations of the initial (fixed?) conditions for development efforts,

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<sup>10</sup> Marxism has been perhaps of the most ambitious of the meta-narratives, or 'grand narratives' using Lyotard's term (Lyotard, 1979), to offer an account of how to improve the human condition. The downfall of socialism eclipsed Marxism and left the stage fully open to what Kay (2004, pp. 312-313) calls the 'American business model' (ABM) – the grand narrative that combines self-interest, market fundamentalism, a minimal state and low taxes. As the following section suggests, it is highly doubtful that the ABM meta-narrative will be able to explain and offer prescriptions so as to become *the way* to development. Kay (2004, p. 355) concludes his book arguing that: 'There is no grand narrative, only little stories. But the need for grand narrative is so firmly ingrained in human thinking that the fruitless search for it will never end. This book is dedicated to those from whom a partial understanding of complex reality is better than the reassurance of false universal explanations'.

which shape perceptions about the possibilities for improving the human condition. For some authors, past history (e.g. colonialism), geography (e.g. ‘tropical underdevelopment’) and, resource endowments (e.g. ‘natural resource curse’) largely determine the choices (or lack thereof) available to societies; for others, history and geography do not ‘determine’ but rather ‘influence’ or ‘condition’ these options and social choices, and there remains plenty of room to explore alternative routes to ‘development’.

### *Historical inertias*

This set of ideas argues that history not only shapes the present, but also strongly conditions future development options. The legacy of past events, incidents and circumstances, together with the accumulation of explicit or implicit social choices —what economists call ‘path dependence’— affect the ways in which human interactions are likely to unfold, impinge on the evolution of institutional arrangements and mould the contours of what is possible to achieve. Experiences such as colonization, independence struggles, religious disputes and major collective undertakings, among many other, help to configure the historical personality of societies that influence attitudes towards development.

Contemporary conceptions regarding path dependency can be traced to the 1980s literature on industrial economics. The initial applications of path dependence were specifically related to technology choices and trajectories, and aimed to explain why sub-optimal or inefficient technologies become locked-in as industry standards and also to explain why these inefficiencies may persist for extended periods of time.<sup>11</sup> Beginning in the 1990s and expanding quickly thereafter, the notion of path dependence has assumed a central place in the academic literature on development, to the extent that the concept now finds widespread application in history, policy studies, geography, economic geography, politics and management studies.<sup>12</sup> For example, North applied path dependence concepts to societal behavior and the evolution of institutions,<sup>13</sup> and it has also been used to understand and explain where and why development has occurred and where and why it has not.<sup>14</sup>

Yet, the notion of path dependence is not at all new. It has been as a fundamental tenet of biology at least from the time of Charles Darwin, when adaptation began to be seen as a cumulative process that built gradually on the results of previous adaptations. However, transplanting the intellectual construct of path dependence from biology to the social sciences has required continuous qualification to avoid ‘historical determinism’ or even ‘historical fatalism,’ especially in view of the Enlightenment principle that humanity can shape its own destiny. Thus, for example, even when using this concept Nobel Laureate Douglas North has

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<sup>11</sup> David (1985) explains how QWERTY became an industry standard, and Arthur (1989, 1990) explains the supremacy of VHS over BETAMAX. Mueller (1997) subsequently applied the concept more broadly, arguing that initial conditions explain industrial development in the UK compared with Germany at the beginning of the 20th Century.

<sup>12</sup> This is evident in history (King and Nash 2001, O’Brien 1996, Scott 2001, Wilsford 1994), policy studies (Greener 2002b, Klein 1997), economic geography (Krugman, 1998, Dixit and Stiglitz, 1977, Feser, 2001, Rodrik and Subramanian, 2003), politics (Berman 1998, Hansen 2002, Pierson 2000), management (Barney 2001, Hunt and Morgan 1996, March and Olsen 1989, Scarbrough 1998), and also in development studies (Engerman and Sokoloff, 1997, Bloom and Sachs, 1998, Masters and Sachs, 2001).

<sup>13</sup> North views path dependency as a process that constrains future choice sets: ‘At every step along the way there are choices —political and economic— that provide...real alternatives. Path dependence is a way to narrow conceptually the choice set and link decision-making through time’ (North 1990, pp. 98-99).

<sup>14</sup> Lange (2004) applies path dependence ideas to explain that the present levels of political development among former British colonies have historical roots that have been shaped by the extent to which they were ruled either directly or indirectly during the colonial period.

emphasized that path dependence... 'is not a story of inevitability in which the past neatly predicts the future'<sup>15</sup>. As a consequence, almost all social science applications of path dependence also acknowledge that there is an active role for individuals, organizations and societies in the creation of their own futures and in shaping their environments. To be meaningful, therefore, the concept of path dependence must be complemented and enhanced with ideas such as 'path creation' and 'mindful deviations to avoid path dependence.'<sup>16</sup>

### *Geography*

This set of ideas and approaches to economic development argues that location, natural ecosystems, resource endowments and, in general, geography, influence the spatial organization of socioeconomic activities and significantly constrain the nature of economic and social pursuits. Geographic aspects of economic activities were at one time a focus of major interest to economists, geographers, planners, and regional scientists. For instance, early location theorists probed the location of industries, land use patterns, regional development and their economic implications.<sup>17</sup> However, theories of how climate and the natural environment affect institutions and economic development have been generally regarded with suspicion, especially as many of the older works had a strong racist tone. Combined with analytical difficulties, this marginalized geography from mainstream economic analysis for most of the second half of the 20<sup>th</sup> century.<sup>18</sup>

Differences in economic performance have been explained in terms of location (e.g. countries with tropical climates tend to have lower per capita income, great cities emerge close to good harbors) and resource endowments (e.g. countries with abundant natural resources tend to grow less and be more prone to corruption). There have also been efforts to elucidate what determines the ways in which economic activities are spread out in space (location of cities, emergence regional clusters, centralization and decentralization).

One approach sees inherent geographic features leading to variations in economic performance.<sup>19</sup> For example, disparities in natural resources and agricultural endowments have been claimed to explain different patterns of 18<sup>th</sup> and 19<sup>th</sup> century political inequality, policy choices and economic development,<sup>20</sup> while historical migration patterns and subsequent economic growth trajectories have been linked to disease ecology.<sup>21</sup> In addition, geography (e.g. distance to the coast), resource endowments (e.g. photosynthetic potential, arable land), climate (e.g. mean temperature, precipitation) and prevalence of diseases (e.g. malaria) have been claimed to determine agricultural productivity and the various social consequences and policy choices linked to it.<sup>22</sup>

Furthermore, geography has been linked to trade patterns<sup>23</sup> and to the evolution of institutional arrangements, including private property rights, free trade and the rule-of-law that, in turn, are seen as the primary determinants of levels of economic development.<sup>24</sup>

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<sup>15</sup> North (1990, p. 99).

<sup>16</sup> Stack and Gartland (2003).

<sup>17</sup> See, among others, von Thünen (1826), Weber (1929), Christaller (1933), Losch (1956) and Isard (1956).

<sup>18</sup> On this matter see Krugman (1991) and especially Krugman (1997), pp. 31-65.

<sup>19</sup> Gallup, Sachs and Mellinger (1999), Gallup and Sachs (2000), Masters and Sachs (2001).

<sup>20</sup> Engerman and Sokoloff (1997).

<sup>21</sup> Acemoglu, Johnson and Robinson (2000).

<sup>22</sup> Bloom and Sachs (1998).

<sup>23</sup> Frankel and Romer (1999), and Acemoglu, Johnson and Robinson (2001, 2002).

<sup>24</sup> Easterly and Levine (2003), Olsson and Hibbs (2005) and Rodrik *et. al.* (2002).

While a common denominator of recent empirical studies in this area is that they all suggest that geographical characteristics are important in shaping the quality of institutions, a theory to explain the nature of this relationship is still lacking.<sup>25</sup> This absence is rather problematic considering that high-income regions are concentrated in a few temperate zones, with 50 percent of world GDP being produced by 15 percent of the world's population, and 54 percent by countries occupying just 10 percent of the world's land area. The poorest half of the world population produces 14 percent of world GDP, and 17 of the poorest 20 nations are in tropical Africa. This unevenness is also manifest within countries and regions, for metropolitan and urban areas in relatively more benign locations concentrate a large share of economic activity.

There have been also attempts to look at such associations the other way around, asking why economic performance diverges in countries with similar characteristics where inherent geographical advantages or disadvantages are absent. This approach may be seen as emphasizing other factors such as institutions and knowledge—and even 'the capricious role of chance' in economics—<sup>26</sup> seeking to banish the idea that 'geography is destiny' and underscoring that societies can choose their own development paths even when facing geographical adversity.<sup>27</sup> Finally, and at another level, the increased interest in the linkages between geography and long-term development has led to attempts at redefining the concept of civilization itself in terms of the interactions between human societies and natural ecosystems.<sup>28</sup>

### 3.2. *Policy choices*

Ideas and debates in this category are based on the premise that societies make decisions regarding their own development strategies and policies. These decisions may be explicit or implicit and constrained to different degrees by external influences, but in contrast to initial conditions that may be seen as 'fixed', there is considerable scope for designing and putting in practice deliberate interventions to promote development. Current debates in this group center around five sets of issues: *globalization, institutions, environment, knowledge and participation*.

#### *Globalization*

This word has become an evocative term that has acquired a variety of meanings. The intense disagreements that have come to define globalization and development debates derive, in large measure, from this multiplicity of meanings and the value-loaded way in which they are used. For example, globalization can mean trade openness and the removal of trade barriers, integration of financial markets and unrestricted movements of capital, openness to foreign investment, harmonization of laws and standards (environmental, labor, industrial), free flow of knowledge and information, and mobility of people and technology,

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<sup>25</sup> For a review see Olsson (2003).

<sup>26</sup> Krugman (1998, p. 2).

<sup>27</sup> Proponents of the idea that geography matters usually try to respond in advance to the criticism that they are 'geographic determinists' by frequently stating sentences like 'it is a common mistake to believe—and a weak argument to make—that geography equals determinism' (Sachs, 2003, p. 40). Another example indicates that 'Location, climate, and terrain do make a difference. Are they the only factors that matter for development? Of course not. Is geography destiny? Perhaps, if its importance is ignored' ... [we] accept the degree and type of scientific determinism that it characteristic of any scientific research, but reject any suggestion of fatalism. It is a mistake to identify determinism with fatalism' (Gallup, Gavrira and Lora, 2003, pp 1-3).

<sup>28</sup> See, for example, Fernandez-Armesto (2000) and Jared Diamond (1997).

all of which are considered positive by most economists. It can also refer to the erosion of the decision making power of states, the rise and increasing power of transnational corporations, the disappearance of local and regional cultures, the emergence of a global consumer society, cross-border pollution spillovers and environmental destruction, a race to the bottom in wages of non-skilled labor, and the international spread of organized crime and terrorism, all of which are usually considered negative.<sup>29</sup>

Whatever the disagreements on the nature of globalization and its impact on development, and notwithstanding a few dissenting views (see below), most observers agree that a much more interconnected and integrated world has emerged in the last three decades. But rather than configuring a single 'global system', the vastly increased multiplicity, density and intensity of interactions is leading to a variety of 'globalizations' that involve myriad events, happenings and phenomena simultaneously taking place in countless separate locations. Thus globalization is perceived from multiple perspectives and experienced in many different ways. No wonder that definitions of globalization in the academic literature remain largely elusive, vague and, in some views, even 'chaotic.'<sup>30</sup> These definitions express different assessments of global change that are often imbedded ideological preferences. They try to capture the paradoxical nature of a phenomenon that involves, at the same, time top down and bottom up processes, and that lead both to fragmentation and integration (Box 1).<sup>31</sup>

#### **BOX 1. Some Definitions of Globalization in Academic Literature**

- '...integration of markets, nation-states, and technologies to a degree never witnessed before... the spread of free-market capitalism to virtually every country in the world' (Friedman, 1999, pp. 7-8).
- 'The compression of the world and the intensification of consciousness of the world as a whole... concrete global interdependence and consciousness of the global whole...' (Robertson, 1992, p. 8).
- 'A social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding' (Waters, 1995, p. 3).
- 'The historical transformation of... making or being made global (i) by the active dissemination of practices, values, technology and other human products throughout the globe; (ii) when global practices and so on exercise an increasing influence over people's lives; and (iii) when the globe serves as a focus for, or a premise in shaping, human activities' (Albrow, 1996, p. 88).
- 'Integration on the basis of a project pursuing market rule on a global scale' (McMichael 2000, pp. xxiii, 149).
- '...a loss in the degree of control exercised locally... and in culture, a devaluation of a collectivity's achievements...' (Mittelman, 2000, p. 6).
- 'an economy with the capacity to work as a unit in real time on a planetary scale.' (Castells, 1996, p. 92)
- Globalization defined as 'deterritorialization' (Scholte, 1996, p. 45) and 'Transborder exchanges *without* distance' (Scholte, 2000, p. 49).
- The spread of new forms of non-territorial social activity (Ruggie, 1993).
- Social interconnectedness across geographical and political boundaries (Thomlinson, 1999, p. 9).

*Source:* compiled by the authors.

<sup>29</sup> For an extensive yet compact reader on globalization debates see Held and McGrew (eds.) (2003), and for a thorough review of the social implications of globalization see Gunter and van der Hoeven (2004).

<sup>30</sup> Jessop (1999).

<sup>31</sup> This duality has been referred to by Falk (1995, p. 62) as 'globalization from above and, simultaneously, globalization from below'; by Rosenau (1997, chapter 6) as 'framegration'; and by Sagasti and Alcalde (1999, p. 38) as a 'fractured global order that is global but not integrated, that puts all of us in contact with one another while simultaneously maintaining deep fissures between diverse groups of countries and between peoples within countries, and that is benefiting a small percentage of humanity while segregating a large portion of the world's population.' In addition, the core thesis of Huntington (1996) is that, rather than coming together, the world is actually fragmenting into several antagonistic civilization blocs.



Most of the books and articles on globalization simply assume that the world is inexorably becoming more global. Policymakers, publicists and academics take it as axiomatic that globalization is in fact happening without supporting their claim empirically.<sup>32</sup> But there are also skeptics arguing that current globalization trends are overstated and not unprecedented in world history,<sup>33</sup> that ‘there is nothing new about globalization; it's been around since long before Britain ruled the waves—and waived the rules,’<sup>34</sup> and that today’s international labor market is far less integrated than in the late 19th century.<sup>35</sup> Others argue that ‘contrary to conventional wisdom, international economic integration remains remarkably limited,’<sup>36</sup> that the global economy comprises only certain segments of activity in both developed and developing countries,<sup>37</sup> and that the current processes of globalization are simply age-old capitalism writ large.<sup>38</sup> Moreover, the inevitability of two key globalizing trends, market liberalization and the adoption of western values around the world—what were referred to as ‘There Is No Alternative’ (TINA) in the 1980s and as the ‘end of history’ thesis in the 1990s—, has been severely contested.<sup>39</sup> It has been emphasized that an earlier wave of globalization in the early 20<sup>th</sup> century was disrupted by popular resentment against the high mobility of capital flows, trade and international migration, which reached its height during the Great Depression.<sup>40</sup>

Regarding political implications, globalization has also been seen by some analysts as signaling the end of the nation state, the demise of national political autonomy or even the end of the social democratic era that was based on a pact between capital and labor at the national level. From this perspective the global expansion of markets has eroded policy-making autonomy, and will eventually lead to the convergence of public policies everywhere.<sup>41</sup> For example, proponents of this view have argued that governments, irrespective of their political foundations, will increasingly be forced to deregulate to allow market forces to work more freely,<sup>42</sup> and others go further and state that globalization seeks to ‘transcend the nation-state as the focus of history.’<sup>43</sup> There have been also attempts to differentiate between the impact of ‘neoliberal ideology’ and that of globalization suggesting that role of the state is undermined by the neoliberal policies associated with globalization, but that globalization itself is not inherently anti-state.<sup>44</sup>

On the other side are those who conclude that globalization induces a transformation of the state but not a reduction of its role and functions, and that even though states need to restructure their agencies and policies to remain effective, they are still as powerful as

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<sup>32</sup> Ohmae (1990); Naisbitt and Aburdene (1990).

<sup>33</sup> Hirst and Thompson (1996).

<sup>34</sup> Moore (2002).

<sup>35</sup> Chiswick and Hatton (2003).

<sup>36</sup> Rodrik (2003, p. 139).

<sup>37</sup> Castells (1996).

<sup>38</sup> This has been cogently argued by the proponents of ‘world-systems analysis’ and particularly Wallerstein (2000), who indicates that ‘the proponents of world-systems analysis ... have been talking about globalization since long before the word was invented—not, however, as something new but as something that has been basic to the modern world-system since it began in the sixteenth century’ (Wallerstein, 2005, p. x). For an application of this approach to emerging economies see Gwynne, Klak and Shaw (2003).

<sup>39</sup> Leyshon (1997).

<sup>40</sup> James (2001).

<sup>41</sup> Waters (1995); Ohmae (1995).

<sup>42</sup> Weiss (1998).

<sup>43</sup> Mazlish (1993, p. 4)

<sup>44</sup> Evans (1997).

before.<sup>45</sup> But it is questionable whether developing countries can integrate into the global economy and at the same time protect the poor. The demands of global integration (e.g. the need to attract foreign direct investment with tax incentives) may limit the possibility of raising enough revenue for governments to play a major redistribution and social support role.<sup>46</sup>

Moreover, while there is an abundance of studies about the emergence of a global trading system, of the rise of interdependence in the global economy and of the inevitability of liberal democracy as the only viable political system in the long term<sup>47</sup> there are, in fact, few scholarly claims that a unified global culture is in the making. Scholarship notwithstanding, the idea of a homogeneous global culture in the making remains one of the most controversial of the debates about globalization. This finds its roots in Marshall McLuhan's concept of the 'global village,'<sup>48</sup> subsequently amplified by market researchers and journalists who have argued that the world was becoming increasingly populated by cosmopolitan consumers.<sup>49</sup> This creates tensions between the external pressures towards homogenization associated with globalization and the desire to preserve cultural identity (see section on culture below). But this idea of globalization as moving us towards to a single global culture is also deeply contested. Anthropologist Clifford Geertz observes, for example, that the world is 'growing both more global and more divided, more thoroughly interconnected and more intricately partitioned at the same time [ ...] Whatever it is that defines identity in borderless capitalism and the global village it is not deep going agreements on deep going matters, but something more like the recurrence of familiar divisions, persisting arguments, standing threats, the notion that whatever else may happen, the order of difference must be somehow maintained.'<sup>50</sup> Others go further and argue that the very concept of 'global culture' is an oxymoron.<sup>51</sup>

It would appear most unlikely that globalization will lead inexorably to homogenization. Rather, it will continue to produce a multiplicity of cultural outcomes, generate a complex variety of coping strategies, shifting sets of winners and losers, and new configurations of the included and the excluded. Thus, a main conclusion reached by some analysts is that globalization is best viewed as a contested political phenomenon without a predetermined outcome; claims of 'inevitability' overlook the role of choice and chance.<sup>52</sup>

Given these factors, however, it is unsurprising that debates about globalization and development have been acrimonious and largely sterile. This is also due, at least in significant measure, to the segmented, paradoxical and continuously changing nature of globalization. Among those in favor of globalization, it is presented as the inevitable

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<sup>45</sup> Cox (1987); Sassen (1996); Zysman (1996); Weiss (1998).

<sup>46</sup> Tanzi (2001, p. 78) argues that this is unlikely and concludes that 'even as the forces of globalization boost the demand for strong social safety nets to protect the poor, these forces also erode the ability of governments to finance and implement large-scale social welfare policies.'

<sup>47</sup> Fukuyama (1992).

<sup>48</sup> McLuhan (1964); McLuhan and Fiore (1967).

<sup>49</sup> Levitt (1983); Barber (1992).

<sup>50</sup> Geertz (1998, pp. 107-110).

<sup>51</sup> For example, Smith (1990, p. 171), argues in the following terms: 'can we speak of 'culture' in the singular? If by culture is meant a collective mode of life, or a repertoire of beliefs, styles, values and symbols, then we can only speak of cultures, never just culture; for a collective mode of life [...] presupposes different modes and repertoires in a universe of modes and repertoires. Hence, the idea of a global culture is a practical impossibility, except in interplanetary terms.'

<sup>52</sup> Mittelman (2000).

pathway to economic prosperity and success, poverty reduction, employment and security. If a national economy is not performing well, it must be because the economy 'has not globalized enough.' By this reasoning, embracing globalization is a sure prescription that can be applied to resolve the problems of economic stagnation, technological backwardness, and underdevelopment. Those against globalization view it as the cause of all kinds of socioeconomic malaises, from job losses, workers exploitation and environmental deterioration, to increased inequality, greater insecurity and the loss of cultural identity. Debates are made even more heated and confusing because of methodological differences and data deficiencies, which have led to a flurry of studies and counter-studies purporting to show that poverty and inequality have increased or decreased in tandem with indicators of globalization.<sup>53</sup>

There have been some attempts to reduce and bridge the polarized nature of the debates by isolating specific areas of agreement from those of disagreements.<sup>54</sup> These attempts suggest that the questions being asked, the data sets used and the methodologies employed, in addition to inherent differences in initial conditions between countries, heavily influence the results obtained. For example, whether growth is good for the poor depends on the initial levels of income, the type and extent of inequality and the structure of growth. Through its impact on growth rates, globalization may increase inequality, but that may be good for high-income countries and bad for low-income ones.<sup>55</sup> In addition, globalization may be more strongly linked to poverty reduction where the initial level of inequality is low (e.g. in most of Asia) than where it is high (e.g. most of Latin America),<sup>56</sup> while agricultural growth may be more pro-poor than industrial growth.<sup>57</sup> There are also instances of countries opening up and increasing inequality, while in others where they have become much more equal.<sup>58</sup>

All of this suggests a variety of policy choices for developing countries and development cooperation entities. In the first place, there is the question of how to conceptualize and appreciate the multiplicity of processes, events and happenings that configure the globalization phenomenon. This is a matter of agreeing on definitions, on the extent and inevitability of those processes, and on the metaphors employed to apprehend in a manageable way the multifarious manifestations of globalization. These can be empowering

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<sup>53</sup> The evidence that most often cited in support of globalization is based on a relatively small number of macroeconomic studies that use mainly multiple regression cross-country analysis (Collier and Dollar, 2001; Sachs and Warner, 1995; Dollar and Kray, 2000; Sala i Martin, 2002). However, both the methodology and interpretation of the results of studies have been questioned, among other things, because the indicators or 'openness' used in these studies are problematic measures of trade barriers and are also highly correlated with other sources of poor economic performance, especially macroeconomic imbalances (Rodriguez and Rodrick, 1999). Others have argued that the econometric approaches used by pro-globalization economists produce flawed conclusions, and that globalization has not increased growth but rather increased global poverty (Weisbrot, Naiman and Kim, 2000). And yet others have applied the same regression methodology to different data sets and concluded 'the increasing globalization of factor and financial markets leads to growing inequality and poverty, both in developing and industrialized countries' (Kaplinsky, 2001, p. 46). In addition, an extensive United Nations University study concludes that there have been vast rises in in-country inequality over the period 1980-1998 (Cornia and Kiiski, 2001), World Bank studies have also concluded that within country inequality has increased sharply over the 1990s (Ravallion, 2000; Kanbur and Lustig, 1999), and studies of transition economies (Milanovic, 1998) and of Latin America since the onset of liberalization in the 1980s have also confirmed rising inequality (de Janvry and Sadoulet, 2000).

<sup>54</sup> Kanbur (2001), Eastwood and Lipton, (2001).

<sup>55</sup> Barro (2000).

<sup>56</sup> de Janvry and Sadoulet, (2000).

<sup>57</sup> Lipton (1998).

<sup>58</sup> Cornia, and Kiiski (2001).

or crippling, depending on how they frame the space of policy interventions aimed at reducing poverty and improving socioeconomic performance in general. In turn, this places a heavy onus on the shoulders of leading policy makers, for it is their responsibility to correctly assess the parameters that define policy spaces—which requires good and timely information—and also to evolve interpretations and metaphors of globalization that open up new avenues for development thinking, enrich policy options and empower citizens.<sup>59</sup>

Secondly, there is a broad range of policy choices related to the role of the state, the private sector and civil society in dealing with the process of globalization and designing an active international insertion strategy for the country; in choosing which sectors to open up, at which pace and in which sequence; and in designing and putting in place policies to protect vulnerable populations, to compensate those who bear the brunt of adverse effects, and to redistribute part of the gains of the beneficiaries from globalization.

### *Institutions*

Institutions are social constructs that provide the means to structure human interactions in widely diverse ways. They comprise formal constraints (rules, regulations, laws, constitutions), informal constraints (norms of behavior, conventions, habits, self-imposed codes of conduct) and the means to enforce them (incentives, penalties, accountability procedures).<sup>60</sup> Social theory generally holds that societies function well when their members trust the fairness and effectiveness of institutional arrangements to identify, process and respond to an increasing variety of individual and collective demands, particularly when these involve information and coordination problems, tradeoffs and conflicts.<sup>61</sup> Social theory also holds that institution building takes time and is a process

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<sup>59</sup> For example, it has been argued that the ‘juggernaut’ metaphor of globalization, which portrays an enormous runaway machine that cannot be properly steered or controlled ‘should give way to the metaphor of the surfer who rides huge waves and safely reaches the shore. He cannot control the complex and powerful movements of the waves, but nevertheless is able to guide his surfboard to take advantage of the slightest changes in the direction of the sea currents and the winds to reach the shoreline where he wants. The surfer may even be allowed to hold the illusion that he is steering the waves to make them reach the coast’ (Sagasti, 2005, pp. 11-12).

<sup>60</sup> The notion of institution comprises a variety of concepts that have emerged from sociology, political economy, economics, anthropology and other disciplines. For example, Hamilton (1932, p. 84, quoted by Hodgson 1999, p. 143) describes an institution as ‘a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people ... Institutions fix the confines of and impose form upon the activities of human beings; North (1990, pp. 3, 97) defines institutions as ‘the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction’, and as ‘the humanly devised constraints that structure political, economic and social interactions. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct) and formal rules (constitutions, laws, property rights); and Goodin (1996, p. 19) states that institutions are ‘organized patterns of socially constructed norms and roles, and socially prescribed behaviors expected of occupants of those roles, which are created and re-created over time.’ A very different point of view is that institutions are unplanned consequences of an evolutionary process and that they emerge spontaneously (Sugden, 1989).

<sup>61</sup> There are ambiguities in the way concepts such as ‘institutions’ and ‘organizations’ are used in the literature (Khalil, 1995, Menard 1995, 2000), which have spawned attempts at clarification. North (1990) defines ‘institutions’ as the rules of the game and ‘organizations’ (and the individuals that make it) as the players. Williamson (1998) distinguishes between ‘institutional environment’ (rules) and ‘institutions of governance’ (players). Lin and Nugent (1995) refer to ‘institutional arrangements’ as the rules within a specific social unit and to ‘institutional structure’ as the totality of these arrangements, including both organizations and rules. According to Selznick (1957, pp. 17-22) organizations are growing increasingly complex by incorporating informal norms and practices. However, to become a ‘real institution,’ he argues that a ‘grown-up’ and complex organization also ‘has to be infused with value’ and to acquire a ‘distinctive identity.’

measured in decades; therefore, social choices regarding which institutions to build, promote and consolidate are crucial for developing countries.

Fueled by a wave of institutional change in the developing and post-communist worlds, scholars from diverse research traditions have studied how formal and informal institutional arrangements affect political and economic outcomes. These studies have produced important theoretical advances and stressed the crucial importance of institutional factors in creating the social setting for the definition and pursuit of development objectives.<sup>62</sup> The economic literature on institutions has experienced remarkable growth in recent decades,<sup>63</sup> and has led to the development of subfields such as ‘new institutional economics’<sup>64</sup> and ‘new political economy.’<sup>65</sup> Confined to a few, discrete subjects until the 1980s, institutional analysis in the economic development literature has rapidly incorporated a broader range of disciplinary perspectives and approaches, such as those provided by sociology, anthropology, political science and even cognitive science.<sup>66</sup> As Amartya Sen has put it, ‘an economic analyst has to juggle with many balls, even if a little clumsily, rather than giving a superb display of virtuosity with one little ball.’<sup>67</sup>

By stressing the importance of rules of interaction, institutional approaches place as much emphasis on the ‘process’ of development as on its ‘results,’ and also suggest a reconsideration of the units of analysis for economic behavior. This is because conventions, habits of interaction, social relationships and informal interrelations seldom fit neatly the traditional ways of identifying socioeconomic actors —individuals, firms, cities, regions, nations, and so on— and often span across these various actors, configuring a diversity of networks, hierarchies and other organizational arrangements.

Institutions, whether evolving by accretion or designed, become established and are maintained by agents with different objectives, interests and bargaining strengths, rather than in accordance with an abstract ideal of efficiency and fairness. Consequently, some institutions may be seen as more or less ‘efficient’ than others, especially when viewed from different perspectives. For example, interest groups may capture an institution, put it at their own service and engage in corrupt practices. In addition, asymmetries of power and information may increase rather than reduce transaction costs and encourage harmful rent-seeking behavior.<sup>68</sup> Yet, it has been argued that any particular institution may appear ‘inefficient’ only because of an inadequate understanding of the problem it faces.<sup>69</sup> In contrast, it has also been pointed out that ‘dysfunctional’ institutions can persist over time, as

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<sup>62</sup> For reviews of institutional theory see Scott (1987, 1995), Tolbert and Zucker (1996) and Zucker (1987).

<sup>63</sup> Among several contributors to the enrichment of the theory of institutions, some names stand out: Ronald Coase (1937) who introduced the concept of transaction costs stemming from inadequate information and incomplete definition and enforcement of property rights, Olson (1965) who explored the problems associated with collective action, Oliver Williamson (1975) who put forward the contractual theory of the firm, Robert Axelrod (1986) who focused on evolution of norms in dynamic game theory settings, and Douglass North (1990) who analyzed economic history from an institutional perspective.

<sup>64</sup> Williamson (1985), Harris, Hunter and Lewis (1996).

<sup>65</sup> Drazen (2001).

<sup>66</sup> Nabli and Nugent (1989). As Bardhan (1989, p. 1390) puts it, ‘a fuller understanding [institutions] has to involve their social and cultural context and the underlying political and historical processes,’ and North (1998) suggests that cognitive science can also contribute to a better understanding of institutions.

<sup>67</sup> Sen, quoted in Klamer (1989, p. 135).

<sup>68</sup> Krueger (1974).

<sup>69</sup> Stiglitz (1989b, p. 20) suggests that institutional arrangements in place are usually ‘efficient’ in the following terms: ‘if one sees an institutional arrangement that looks inefficient, it looks so only because one has not fully understood the nature of the economic problem that is being faced.’

in the cases of those institutions associated with increasing returns to the adoption of innovations that concentrate benefits on a few agents, of path-dependent processes that make it difficult to change course and reform institutions, and of the prevalence of social sanctions for those who attempt to exit inefficient or unfair institutional arrangements.<sup>70</sup>

‘Social capital’ and ‘social infrastructure’ are two concepts that have become widely used, and which are closely related with institutional economics. Social capital is embodied in the relations among persons and is made up of the set of informal arrangements within a social unit.<sup>71</sup> These informal networks, which are usually based on trust, facilitate the interactions between the members of a social unit and improve coordination and efficiency.<sup>72</sup> Social infrastructure refers to both the formal and informal aspects that underpin the set of interactions between social agents, such as the rule of law, patterns of corruption, openness to trade and finance, among many others.<sup>73</sup>

There is a broad consensus that adequate institutions are necessary for growth and development. However, there is no consensus on which institutions are best or even suitable for specific societies. For example, it has been argued that implicit in mainstream institutional theory<sup>74</sup> there is a normative, teleological view of history, related to the Western ideal of liberal individualism, impersonal market dealings, the rule of law and laissez-faire economic policy.<sup>75</sup> However, the evolution of institutions in different countries is a product of specific historical processes that follow their own logic and do not necessarily conform to this ideal. Furthermore, as societies create and adopt norms, articulate networks of human interactions, learn from their mistakes and successes, and generate belief systems, they also evolve formal and informal institutions that are congruent with these. Therefore, there are no absolute and universal criteria to assess institutional progress and to compare unambiguously the level of institutional development across societies, especially considering the different pace at which institutions evolve. Yet, it is clear that considering the historical processes, current situation and development objectives of a particular country, it is possible to make judgments about the types of institutional arrangements that may be more or less effective for these objectives.

Informal institutions, which are defined as ‘socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels,’ play an important role in developing societies.<sup>76</sup> They emerge because formal institutions may be incomplete and not cover all contingencies, or because they may be a ‘second best’ strategy for actors who prefer, but cannot achieve, a formal institutional solution. This is in addition to cases where actors create informal institutions to pursue goals—ranging from the unpopular to the illegal—that are not considered socially acceptable, and for which relatively inconspicuous informal institutions provide a shield from public scrutiny.<sup>77</sup> For example, it has been argued that inflexible institutions and the proliferation of state regulation are a

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<sup>70</sup> Bardhan (1989).

<sup>71</sup> Coleman (1990).

<sup>72</sup> Putnam (1993).

<sup>73</sup> Hall and Jones (1999).

<sup>74</sup> Best exemplified by North (1990).

<sup>75</sup> These concepts find a practical expression in recent World Bank reports that emphasize institution building to increase market competition, enforce property rights and improve information flows (World Bank, 2002, 2005).

<sup>76</sup> Helmke and Levitsky (2004, p. 9-10).

<sup>77</sup> Schotter (1981), Knight (1992), Calvert (1995), and Helmke and Levitsky (2004).

barrier to entrepreneurship, especially in the case of the poor, and that they give rise to an ‘underground economy’ that undermines institutional and economic development.<sup>78</sup>

Of particular importance for developing countries are the implicit assumptions that underpin the analysis of institutional arrangements, particularly with regard to the logic governing the behavior of economic agents. For example, proponents of new institutional economics approaches argue that institutions should not be considered as ‘givens’ in economic analysis, but rather examined in terms of the economic roles they play in complementing the operation of markets and in furthering the economic objectives of individuals taking decisions within organizations. In turn, the functioning of markets and individual decision-making are based on the assumption that individuals pursue their self-interest and seek to maximize their gain in any economic transaction. Changes in resource endowments, relative prices and demographic factors alter economic incentives, modify the conditions for rent and profit generation, and transform the context for utility maximization. All of this leads to changes in institutional frameworks, organizational forms and contractual arrangements. However, these analyses usually do not consider altruism, reciprocity and other forms of community-oriented individual behavior that are prevalent in many developing societies, and therefore may limit their usefulness to account for the patterns of social interaction in these countries.

Furthermore, one of the differences between the new institutional economics developed in the last three decades, and the ‘old’ institutional economics of the turn of the century is that they rely on different assumptions of rationality and individual behavior.<sup>79</sup> The old institutional economics, one of whose prominent representatives was Thorstein Veblen, questioned the then prevailing view that individuals could be pictured abstractly, with predetermined and unchanging interests, wants, purposes and needs. However, his criticism was not backed with proposals on how to incorporate alternative assumptions of individual behavior into a rigorous economic formulation. The debate has re-emerged often since then, particularly within the field of development economics.

New institutional economists have argued that inefficiencies in choice and allocation are explained, not by idiosyncratic or irrational behavior, but by market imperfections or failures such as imperfect information, prevalence of undersupplied public goods, imperfect definition of property rights, and monopolistic and oligopolistic practices. Policy prescriptions to reduce economic inefficiencies that emerge from this approach include those of ‘transactions cost analysis’, which suggests that as an economy becomes larger and more complex and exchanges become more impersonal, the scope for incurring failures of coordination or engaging in opportunistic behavior increases and that this requires countervailing institutional measures.<sup>80</sup> In addition, the ‘imperfect information paradigm’, posits that because economic agents cannot obtain perfect information on the other parties in

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<sup>78</sup> de Soto’s (1986) diagnosis of the informal sector, based on a Peruvian case study, is generally accurate. However, his main policy prescription, to provide secure title to the land occupied by informal squatters so that they can use it as collateral to obtain bank loans, is rather debatable. It is supposed to automatically unleash the creative energies of the informal economy, while at the same time harnessing it to formal institutions. However, in the absence of additional institutional arrangements (e.g. effective courts, honest police force, markets for land in shantytowns) it is doubtful that banks will provide credit on the basis of a collateral that may be nearly impossible to collect should it be necessary. While there are some anecdotes that indicate this may happen, the experience has not been very supportive of that proposition (*Insights on Development Research*, 2003).<sup>7</sup>

<sup>79</sup> Hodgson (1989).

<sup>80</sup> Bardhan (1989).

the transaction or on the conditions of the transaction itself, they would favor the creation of institutions that can reduce uncertainty and minimize transaction costs.<sup>81</sup>

But there may be alternative ways of conceptualizing what drives human behavior, both individual and collective, and leads to institutional development and change. What is 'rational' behavior according to utility theory that underpins neoclassical economics — maximizing the satisfaction of self-interested individuals— may not be rational from the perspective of other conceptual frameworks that seek to account for altruism, reciprocity and behavior that gives priority to collective well-being.<sup>82</sup> Moreover, many of the motivations and aspirations that drive social and economic behavior may belong to the realm of the unconscious and may not be susceptible to 'rational' analysis. For example, economic anthropologist Maurice Godelier claims that 'the rationality of a system means primarily the question of the historical necessity for its existence ... The conditions for the rise, functioning and evolution of any system are twofold, some belonging to the sphere of men's intentional activity, while others, of more decisive importance, give expression to the unintentional properties inherent social relations, properties that do not belong to men's consciousness, having neither their origin nor their basis in that sphere, and that are latent with the possibility of transforming these social relations.'<sup>83</sup> Moreover, there are many 'normal' circumstances in which fear, greed, envy and passion drive decision-making, rather than rational individual self-interest or cool intellectual calculation.<sup>84</sup>

These considerations regarding rationality in economic behavior inform discussions about the role of the state, especially in developing countries. Traditional conceptions of the state as a 'benign' agent of society at large, as an exogenous source of market distortions, or as the instrument of a particular interest group offered, at best, partial and abstract explanations of the behavior of the state. In new institutional economics the state is seen as an autonomous entity in which decisions are made by members of the bureaucracy on the basis of rent-seeking, profit-making, power accumulation and, in general, utility-maximization. For example, concepts such as the 'predatory' state could help explain the persistence of 'bad' policies, even though they may be less useful to understand the occurrence of 'good' policies and the dynamics of policy change.<sup>85</sup> Moreover, the power and autonomy of the state in many developing countries has been explained in terms of its capacity to control the 'commanding heights' of the economy. In exercising this power, major strategies and policies are designed and shaped by top political leaders (the 'state elite') who may have in mind a conception of the 'national interest' and not necessarily their own selfish aims.<sup>86</sup>

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<sup>81</sup> Stiglitz (1986, 1989a).

<sup>82</sup> This is the case notwithstanding the efforts of economists that seek to reduce all forms of human interaction, from impersonal market exchanges to love, marriage and child rearing, to individual cost-benefit calculations. For a recent account of this matters see Rao and Walton (eds.) (2004), and especially the contributions by Sen, Appadurai and Douglas.

<sup>83</sup> Godelier (1972, p. viii).

<sup>84</sup> In this vein, Huang (2005, p. 75) notes the importance of understanding how rationality is studied and assumed, indicating that it is not a recent quest: 'for 20 years, behavioral economics have argued that psychology should have a greater influence on the development of economic models [and] what is new is the use of technology [...]. The problem, of course, is that people don't always behave rationally. They make decisions based on fear, greed, and envy. Economists, like other researchers, now have at their disposal powerful tools for observing the brain at work. The most popular tool, functional magnetic resonance imaging, has been around since the late 1980s; but only in the past few years has it been used to study decision-making, which is the crux of economic theory. The result has been the emerging field of 'neuroeconomics.'

<sup>85</sup> Grindle (1989).

<sup>86</sup> Bardhan, (1989, p. 65).



Following this line of reasoning, it is possible to advance an alternative conceptualization of the 'state'. Political historian Jeffrey Herbst, for example, argues that, in the African context, there are many difficulties in 'broadcasting power over a sparsely populated area and intense ethnic fragmentation.'<sup>87</sup> Therefore, it has been emphasized that throughout history, African rulers have had a perpetual disregard for consolidating power in the hinterlands. By means of rational cost-benefit analysis, African rulers historically concluded that the costs of extending formal political authority into the hinterlands pointedly outweighed the purported benefits. Instead, African rulers focused their attention on the capital city and its immediate environs. This leads directly to arguing that African institutions may not be at all 'inefficient' as is argued from a new institutionalism perspective. Although African institutions appear to create barriers, over-regulation, proliferation of procedures, among others, they resemble much of the social, political and even religious structure of former African tribes, clans and societies. A similar argument has been used in the case of China, where there are many different institutional arrangements associated with a highly uneven transition process from a centrally planned to a market economy.<sup>88</sup>

These ideas and debates suggest a range of policy choices that developing countries and development assistance agencies face regarding the types of institutions that should be built and made to function 'efficiently' for countries to develop. A first choice refers to the criteria for identifying 'adequate,' 'appropriate' or 'efficient' institutions. Should general criteria, linked to prevailing conceptions of economic efficiency and rationality be used? Is there a need to complement these with criteria that take into account the historical and cultural peculiarities of specific countries and regions? These considerations lead directly to questions about the roles that the state, the market and civil society—or the public sector, the private for-profit sector and the private not-for-profit sector (community and grass-roots organizations, con-governmental organizations, associations, and so on)—play in the process of development and what functions they should perform. Similarly, there is the issue of how to deal with formal and informal institutions, and the contributions they make—or obstacles they create—for improving standards of living.

Then there is a broad range of policy options regarding the process of institutional development. Questions such as: which institutions must function effectively if countries are to develop? Is there a sequence that must be followed in the institution building process? Is it better to adopt a 'big bang' approach attempting to create or change a whole range of institutions quickly and at the same time, or is it better to proceed in an incremental way over a longer period with partial reforms in specific institutions? These issues are important because the process of building effective institutions demands precisely the types of resources that are scarce in developing countries: political commitment, management capabilities, stable legal frameworks, relations of trust, financial resources and human capital in general.

Finally, as institution and capacity building have been one of the main fields of activity for development cooperation, there are many choices regarding the interventions of external agents (bilateral agencies, international financial institutions, consulting firms, non-governmental organizations) in creating and strengthening institutions in developing

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<sup>87</sup> Herbst (2000, pp. 28).

<sup>88</sup> According to Qian (2003, p. 304): 'it is not enough to study the forms of institutions found in the most developed economies as a desirable goal ['get the institutions right'] it is also important to study the variety of unfamiliar forms of institutions in transition [...] China's reform shows that when the growth potential is large, with intelligence and will reforms can devise efficiency-improving institutional reforms to benefit all, including and especially those in power.'

countries. In general, there has been a progression from interventions centered around specific projects and ‘enclave’ organizations that were shielded from the turbulence faced by most institutions in developing countries, to broader initiatives that span sectors (energy, agriculture, finance) and even the totality of the public sector (public employment and budget process reforms), and to interventions designed to change the overall institutional environment by improving governance, transparency and accountability. A similar progression has been taking place with interventions designed to support institutions building in the private and civil society sectors.

### *Knowledge*

Development, however it is or may be defined, requires that human societies continuously improve their understanding and mastery of the phenomena that affect them. For more than three centuries scientific methods have shown themselves to be the most efficient way of achieving this. As a consequence, development becomes a nearly impossible task without a minimum level of autonomous capabilities to generate scientific knowledge, to transform it into technologies, and to incorporate these science-related technologies into production and service activities.

From this perspective, it is possible to distinguish between two types of societies.<sup>89</sup> First, those where the evolution of speculative thought led to or embraced modern science, where scientific activities were directly linked with technological advances, and where such advancements led to improvements in production and service activities. Second, those in which the process of knowledge generation was not associated with modern science to any significant extent, where the technical base remained largely isolated from modern science, and where production and service activities did not depend on domestic scientific research or technological advance.

This configures a major distinction between economically richer and economically poorer countries. In richer countries scientific, technological and production activities in industrial countries have become increasingly integrated, especially during recent decades. Most developing countries have acquired at least some level of modern scientific, technological and production activities but these invariably remain highly segmented and disconnected, for the practice of science has few linkages to technology and even fewer to production.

At least until very recently, most development thinking tended to treat knowledge and technology as exogenous factors —as commodities that could be obtained from the international marketplace.<sup>90</sup> This has been strongly challenged and is changing as a result of the emergence of theories that treat technology as an endogenous variable, and as the knowledge explosion of the last three decades has made it necessary to include in development thinking and practice the role of science, technology and innovation in improving the human condition.<sup>91</sup> Also, there is a growing consensus based as a large body of empirical evidence that endogenous capabilities in knowledge and technology are key

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<sup>89</sup> Sagasti (2004b, 1980, 1979).

<sup>90</sup> Freeman (1992). This view was clearly articulated at the United Nations Conference on Science and Technology for the Benefit of Less Developed Areas in Geneva in 1963, when a leading British scientist referred to the world stock of scientific and technological knowledge as a ‘well-stocked supermarket’ where developing countries could shop at will (United Nations, 1963), p. 43.

<sup>91</sup> Sagasti (2004b).

factors that separate economically successful from economically unsuccessful countries.<sup>92</sup> In addition, the cumulative evidence of studies conducted over four decades showing that learning and organizing for learning are what matter most in order to benefit from generating, acquiring, using and adapting knowledge and the technologies that derive from it.<sup>93</sup> Access to knowledge, information or technologies is important to development prospects, but far more critical is the capacity for and the process of absorption and ongoing learning.<sup>94</sup> The research on technology transfer and the processes through which new knowledge is incorporated demonstrate that the central requirements for success are organizational and cultural change. Learning to learn and creating organizational structures that facilitate learning are the critical components for the transfer of technology and knowledge.<sup>95</sup>

Given these factors, the World Bank has concluded that: ‘...the balance between knowledge and resources has shifted so far in the direction of the former that knowledge has become perhaps the most important factor determining the standard of living...’<sup>96</sup>

This situation, however, points to what is arguably the largest disparity between the advanced and the poorer countries. Disparities between science, technology and innovation capabilities of developed and developing countries are much larger than economic disparities. At the end of the 20<sup>th</sup> century, the ratio between the Gross Domestic Product (GDP) *per capita* of the high-income countries of the Organization for Economic Cooperation and Development (OECD) to that of the low-income countries (as defined by the World Bank) was about 64 to 1. If we exclude India, which occupies a unique position among developing countries because of its rather large scientific community, and look at measures of scientific output (scientific publications per 100,000 population), technology output (patent applications per 100,000 population) and high technology exports per capita, the ratios rise to 331 to 1, 260 to 1 and 730 to 1, respectively.<sup>97</sup>

Yet in spite of the overwhelming weight of the evidence and the range of new facts and findings outlined above, much development thinking and practice on this subject remains misguided and ill informed. It continues to treat knowledge as a commodity that can simply be transferred from rich to poor countries in order to address problems and to solve poverty.<sup>98</sup>

This situation is made more serious by the extent to which fundamental changes are occurring globally to the relationship between knowledge producers and knowledge users. The metaphor of a ‘tidal wave’ is often now used to characterize the enormity of the shifts that are occurring at present. First, *the speed at which knowledge is being created is unprecedented*. Knowledge has been growing at an astonishing pace<sup>99</sup>. Scientific advances

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<sup>92</sup> For example, Dahlman (2001), reports that: ‘Forty years ago, Ghana and the Republic of Korea had about the same income per capita. By 1990, Korea’s income was six times higher than Ghana’s. While part of the difference is due to more investment and more workers, half of the difference is attributed to Korea’s greater success in organizing and using knowledge’ (included in a PowerPoint presentation).

<sup>93</sup> Salomon *et al.* (1994), Choucri (1998), Lall (2001) and UNDP (2001).

<sup>94</sup> This is summarized succinctly by one author who notes that: ‘The main thing to recognize is that getting access to technology is less than half the problem. What happens after that will be much more important... What you get depends on what you’ve got’ (Martin 1997, p. 23).

<sup>95</sup> See Bessand and French (1999).

<sup>96</sup> World Bank (1998, p. 16).

<sup>97</sup> Sagasti (2004).

<sup>98</sup> Juma and Yee-Cheong (2005); Dahlman (2001).

<sup>99</sup> Dahlman (1994, p. 9), summarizes this by citing David Linowes as follows: ‘It took from the time of Christ to the mid-eighteenth century for knowledge to double. It doubled again 150 years later, and then again in only 50

and technological innovations are at the root to the complex transformations that are occurring ever increasing speed and intensity. Most observers agree that this has profound implications not only for development prospects, but also for the organization of human activities and for all aspects of social policy.<sup>100</sup> Second, *networks have become the organizational basis for knowledge systems and for policy-making*. Knowledge based systems increasingly integrate inputs and actors into the processes of decision-making. The commercial linkages between transnational corporations now cover manufacturing, finance, trade, and services. Strategic alliances between corporations in pre-competitive research and development, coupled with fierce competition in final-product markets, demand new corporate and national strategies. A significant shift is taking place in the organization of productive and serviced activities in the globalized segments of the world economy. The economic unit is no longer the enterprise local, international, or transnational, but a specific network created for a particular purpose at a particular time, which operates in larger part independently of the various enterprises that established it.<sup>101</sup>

In the third place, *the nature of the innovation process has changed significantly*. The capacity to innovate in the production and delivery of both goods and services has become the principal determinant of competitiveness, comparative advantage and economic growth.<sup>102</sup> At the same time, innovation processes have become more expensive and they require greater sophistication in management techniques.<sup>103</sup> These shifts in the innovation process hold profound and, in some respects, disturbing implications for poorer countries. A net effect of the changes in the innovation process over the past couple of decades has reduced greatly the costs of labor and of natural resources as percentages of total production costs in manufacturing. Thus, the comparative advantage of poor countries in low labor costs and in natural resources is diminishing steadily. In addition, the physical and institutional infrastructure required to support increasingly complex innovation processes may well be beyond the reach of most developing countries.

These factors indicate that the prospects for the development of poor countries and their ability to compete in an increasingly competitive world are likely to depend more and more on achieving some appropriate level and arrangements for endogenous science, technology and innovation capabilities. If this is to be achieved, approaches will be required that go far beyond current development policy and practice. The approaches to assist in building appropriate endogenous science, technology and innovation capabilities in developing countries have been essentially piecemeal and short term in nature.<sup>104</sup> There are almost no examples of systemic approaches that have been tried.

During the 1960s and 1970s, some development cooperation programs were established that aimed at establishing 'world class' institutions for research, science and technology in some developing countries. But the models used in these efforts and the contents of the programs themselves were almost all transplants and or a short-term nature

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years. Today it doubles every 4 or 5 years. More new information has been produced in the last 30 years than in the previous 5,000.'

<sup>100</sup> See, for example, Drucker (1968).

<sup>101</sup> Manuel Castells states this as follows: '...organizational arrangements ... are all based on networks. *Networks are the fundamental stuff of which new organizations are and will be made.*' (Castells 1996, p.168, his emphasis).

<sup>102</sup> The House of Commons, United Kingdom (2004), Foray (2004).

<sup>103</sup> Juma and Yee-Chong (2005).

<sup>104</sup> House of Commons, United Kingdom (2004), Juma and Yee-Chong (2005).

that usually culminated with the inauguration of a new building or a new library facility or the end of a five year ‘twinning’ arrangement between an institution in the developing country and one in a developed country, leaving to the developing country the high cost of maintaining quality institutes of science and technology. The instruments, institutions and policies of science, technology and production remained highly segmented. These prior efforts also tended to concentrate heavily on ‘upstream’ components of knowledge systems and not on the systemic nature of innovation. Support to science, for example, was almost always on the basis of specific projects whose end product was a research report or a scientific publication.

Some of the key questions that emerge and that can help to overcome the ‘linear thinking’ that has often characterized this field, include: How can different types of developing countries, including those that are weakest and most fragile, create and sustain their own endogenous science and technology capabilities? The requirements for Brazil will be very different from those for Malawi; there can be no single model or singular range of policy choices. Should emphasis be placed on the acquisition and adaptation of imported knowledge and technologies or on the creation of internal capacities? The answer to this question will depend on the particular situations of individual countries. What role should traditional knowledge and technology play in development? What are the characteristics of ‘appropriate’ innovation systems in different types of developing countries? How should international intellectual property rights issues be dealt with, particularly in key sectors such as health provision and food production? To what extent should knowledge be treated as a ‘public good’ and be made available at little or no cost to developing countries?

These questions appear to have been at the core of the World Bank Institute’s recent formulation of its program on Knowledge for Development. This includes a knowledge assessment methodology consisting of a set of 61 structural and qualitative variables that benchmark how a country’s economy compares with that of its neighbors, competitors, or countries that it wishes to emulate.<sup>105</sup> If applied with sensitivity and rigor, this should to make policy choices explicit, together with their relative costs and benefits and their opportunity costs and it should facilitate the emergence of a differentiated repertoire of policies and policy instruments suited to the circumstances, cultures, endowments, needs and limitations of different countries.

### *Environment*

During the first two decades after the concept of development emerged in full view after the Second World War, environmental considerations received little attention, with the possible exception of the impact of natural resource endowments on economic growth. As was the case with most economic theory and policy, development thinking and practice tended to assume that the earth was an inexhaustible source of raw materials and primary commodities, an indefatigable provider of environmental services, a bottomless sink for the waste generated by economic activities and that, if limits were to be approached in any of these areas, boundless human ingenuity would overcome them. This began to change during the 1960s, as awareness grew that the scale and impact of human activities had grown to such an extent that the regenerative capacity of natural ecosystems could not be taken for granted. The first United Nations Conference on the Human Environment, held in Stockholm in 1972, constituted an early attempt at coming to grips with this new reality and at articulating

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<sup>105</sup> Adhar (2001).

international responses to what were beginning to be perceived as global environmental threats to the future of humanity.

However, this conference did not succeed in mobilizing political energy to address the growing environmental problems at the national and international levels. Acrimonious disputes prevented the emergence of operational consensus on this matter, and this conference was probably the last time some developing country delegates forcefully argued that development required environmental destruction. For example, at a meeting of experts held in Founex, Switzerland in 1971 prior to the conference, a Brazilian participant argued that developing countries should 'strive for maximum growth of productivity and economic accumulation' and that 'these countries would be entitled to a fair degree of pollution and deterioration of environment in everything that would be justified by the need to accelerate economic development'. He further indicated that 'the responsibility for the preservation of environment grows as a function of economic development itself, being at a maximum among the most developed nations and at an absolute minimum in conditions of initial stagnation.'<sup>106</sup> Yet this United Nations conference also served as a vehicle to introduce the innovative and far-reaching concept of 'ecodevelopment', articulated initially by Ignacy Sachs and forcefully espoused by Maurice Strong, the Secretary General of the Conference.<sup>107</sup>

By the mid-1970s the situation had begun to change significantly, particularly as the World Commission on Environment and Development, led by Gro Harlem Brundtland, produced its path breaking report. The central message of the 'Brundtland Report'<sup>108</sup> was that economic development and environment issues were closely interdependent and, therefore, inseparable. This was not a new message,<sup>109</sup> but the approach and recommendations of the Brundtland Report were quite different. Previously, ways of addressing these issues had been heavily weighted towards conservation measures and were in conflict with the idea of continuous economic growth and development. This report tried to reconcile preservation of the environment with increases in material living standards, primarily by putting forward the concept of 'sustainable development' that sought closely link and reconcile 'environment *and* development', and to transcend the dilemma 'environment *or* development' that had characterized debates in this field during the 1960s and 1970s.<sup>110</sup> Sustainable development was presented ... 'not as fixed state of harmony, but rather a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs.'<sup>111</sup> However, this formulation was forcibly rejected by many developing countries that regarded 'sustainable development' as 'growth but at a slower pace' and as consigning them to continuing poverty. Nevertheless, the term gained currency and is now embedded in the language of development.

A number of different approaches to characterize the interactions between development and the environment were identified and mapped out during the early 1990s and are still applicable today (Table 1). These ranged from 'frontier economics' (resources

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<sup>106</sup> Ozorio de Almeida (1971 pp. 114, 122).

<sup>107</sup> Sachs, (1971, 1974).

<sup>108</sup> World Commission on Environment and Development (1987).

<sup>109</sup> For example, see Carson (1962), and Meadows *et al* (1972).

<sup>110</sup> On this, the report was explicit, referring to: 'a new era of economic growth...and we believe such growth to be absolutely essential to relieve the great poverty that is deepening in much of the developing world (p.1).

<sup>111</sup> World Commission on Environment and Development (1987, pp. 8-9).

are to be used as we see fit, technology will overcome environmental limitations), to ‘environmental protection’ (focus on damage control), to ‘resource management’ (incorporate sustainability considerations in economic activities), to ‘ecodevelopment’ (human activities should enhance, not deteriorate or simply preserve, the environment), and even to ‘deep ecology’ (human activities should be drastically reduced to avoid damaging ecosystems).

**TABLE 1: Approaches to the relations between environment and development**

Approach Dimension	<i>Frontier economy</i>	<i>Environmental protection</i>	<i>Resource administration</i>	<i>Eco-development</i>	<i>Deep ecology</i>
<b><i>Dominant imperative</i></b>	Defends material prosperity and economic growth without limits or restrictions	Prioritizes economic growth, subject to minimal limitations of environmental protection	Seeks an equilibrium between economic growth and use of resources to achieve environmental sustainability	Proposes the joint development of humankind and nature; seeks synergies to get the best from both	Prioritizes nature and the environment, opposing economic growth; seeks to achieve ‘eco-utopia’
<b><i>Relationship humankind-nature</i></b>	Strongly anthropocentric	Strongly anthropocentric	Moderately anthropocentric	Balance between anthropocentrism and eco-centrism	Strongly eco-centric and biocentric
<b><i>Dominant threats</i></b>	Hunger, poverty, disease, natural disasters	Harmful effects of pollution on health; threat of extinction of species	Degradation of resources; poverty; demographic growth; climatic change	Poverty; excessive consumerism; ecological uncertainty; global changes	Collapse of ecosystems and the biosphere; disasters caused by human beings
<b><i>Principal issues</i></b>	Open access to resources; nature as a free resource; exploitation of a limited supply of natural resources	Corrective and defensive measures to counteract most flagrant abuses; laws and regulations to ‘legalize ecology’	Seek greater efficiency in use of all types of resources; take account of interdependence. ‘Economize ecology’	Economic restructuring with ecological regeneration; sophisticated symbiosis between ‘ecologizing the economy’ and human development	Return to nature; ‘equality of all living species;’ symbiosis between humankind and nature

*Source:* Adapted from Colby (1990)

Numerous attempts have been made to enhance the methodological tools of economics in order address the concept of sustainable development and environment-economic issues more adequately. Several studies have concluded that the relative prospects for long-term development are quite limited in countries that are richly endowed with natural resources.<sup>112</sup> Resource economists have advanced new and varying methods for accounting for natural capital depreciation.<sup>113</sup> Welfare measures have been developed to account for living and non-living resources in an extended national accounting framework.<sup>114</sup> The concept of a ‘genuine savings indicator’ has been introduced in an attempt to move away from simple GDP per capita calculations and introduce environmental considerations into mainstream national accounting.<sup>115</sup> In general, however, these new methodologies and concepts such as genuine savings entail heroic assumptions and remain works in progress.

<sup>112</sup> Sachs and Warner (1995); Gelb and Associates (1988); Auty (1993); Neumayer (2004).

<sup>113</sup> El Serafy (1981, 1989); Repetto et al. (1989); Serôa da Motta & Young (1995).

<sup>114</sup> Neumayer (2004); Pearce and Atkinson (1993); Hamilton, Atkinson and Pearce (1997).

<sup>115</sup> Hartwick (1977).

They have been severely questioned and, in many instances, dismissed by other economists.<sup>116</sup>

Methodological issues aside, advances in genuine savings calculations cannot tackle broader questions about the nature of development, such as doubts about environmental thresholds, distribution of property rights, intrinsic values of resources such as rivers or mountains to indigenous or religious groups, and the rights of future generations to have a range of assets, species, landscapes etc. to enjoy.<sup>117</sup> These larger issues necessarily raise questions about the basic conception of development itself. The idea of progress through technical mastery of nature and continuous technical progress has been central to Western culture for several centuries, but now appears increasingly problematic and doubtful.

This is illustrated by Daly's 'impossibility theorem,'<sup>118</sup> which holds that the entire world's population simply cannot enjoy the consumption levels of rich countries, in particular of the United States. The impossibility theorem calculates that human beings use or destroy about 25 per cent of the Earth's net primary productivity (NPP), defined as the total amount of solar energy converted into biochemical energy through the photosynthesis of plants minus the energy these plants use for their own life. At a 1.6 percent annual population growth, population and humankind's share of NPP would double in 43 years. A further doubling would place humanity's share of NPP at 100 per cent, which is a biophysical impossibility.

If this is accepted as correct (most studies by biologists and ecologists agree that it is at least broadly correct),<sup>119</sup> it follows necessarily that a fundamental change in development economics would be required. The current practice in development economics treats the severity of development trade-offs as 'negotiable costs' (i.e. contingent on the social acceptability of the costs involved and the relative bargaining power of the social groups sharing those costs). The impossibility theorem requires that this be replaced by methodologies based on 'irreversible costs'<sup>120</sup> to deal not only with the possible depletion of resources whose potential or existence is not yet known (the biodiversity problem), but also the welfare of social groups which cannot voice their opinions because they belong to future generations.

For this to occur, there would need to be a fundamental epistemological shift in development thinking and practice and in the application of economics to development (Box 2). Efforts would be required in three directions: (i) building and disseminating the conceptual framework and a convincing argument for the consideration of environmental linkages in development, including work on environment-economy linkages, and economic valuation and pricing of environmental goods and services; (ii) analyzing and revealing the distributional implications of a more comprehensive approach to the treatment of environmental issues, and creating a strong argument showing the need to share the burdens; and (iii) advancing in the operationalization of different aspects of the concept of

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<sup>116</sup> For example, Everett and Wilks (1999) conclude that: "The exclusion of key factors, the assumption of 'weak sustainability', and the oversimplifications involved in the data collection and manipulation make it likely to mislead politicians, officials, the media and the public about the key problems they face" (p. 7).

<sup>117</sup> Everett and Wilks (1999).

<sup>118</sup> Daly (1993, p. 267).

<sup>119</sup> It is, however, far from a universal conclusion. Lomborg (2001) challenges widely held beliefs that the global environment is progressively getting worse. Using statistical information from internationally recognized research institutes, Lomborg systematically examines a range of major environmental issues and concludes that the global environment has actually improved.

<sup>120</sup> Montoliu-Muñoz (1990).



sustainability, as well as devising more flexible organizations, capable of active interdisciplinary and cross-sectoral work.

**BOX 2: Approaches to economics and the natural system**

**The ‘incrementalist’ approach:** In some economic analyses, the new variable or aspect (in this case, some environmental factors) is introduced in an incremental fashion: The list of items valued when analyzing an economic problem or situation is enlarged by the addition of each new item, with the expectation of having a more comprehensive diagnosis of the development situation—a diagnosis that may be, on balance, more or less positive, depending on whether the new item adds to the successes or to the failures of the system in question.

In the incrementalist approach, the economic system is seen as relatively closed (i.e. circular flow) and superimposed upon the natural system. Unrestricted growth was seen as desirable even from the point of view of the natural environment: It was through further growth that society could count on the resources needed to pay for environmental costs (or ‘externalities’) resulting from the development model.

**The ‘integrative’ approach:** Proponents of this approach integrate the notion of sustainability by allowing for fundamental changes in the relationships among different components of the system as a result of the introduction of this new concept. In their view, the full integration of environmental considerations into development economics requires the definition of new goals, means and indicators that would correspond to the new perception of the nature of the system.

For instance, the full integration of the notion of ‘sustainability’ in the analysis of economic development requires, among other things, abandoning the circular-flow model of the economy. This goes beyond the identification of externalities and focuses on treating the economy as an open system, arguing that the surrounding natural environment does matter in economic terms (e.g., the economic system is continuously permanent drawing on environmental goods and services).

This analysis still has the notion of economic growth as its main objective. Indeed, the main aim of the national accounts exercise is to make a more realistic assessment of GNP and its growth rate by subtracting from conventional figures the value of depleted or degraded resources and the costs of clean up and remedial measures.

**The ‘epistemological’ approach:** Exploratory views offer a conception of development based on an alternative way of understanding knowledge and its accumulation—hence the label ‘epistemological.’ Western thinking since the Renaissance has been based on the belief on universal relationships and objectivity; by nature, this belief has stressed the separate understanding of parts of the social system and has postulated mechanistic relationships that could be susceptible to measurement, test and prediction. Theories that resulted from such an understanding of systems led to forms of technology and organization that modified the relationships among different parts of the social system.

The basic tenet of the ‘epistemological’ approach to sustainability consists of: broadening the scope of relevant variables in development and showing their mutually reinforcing relationships; stressing the contextual nature of knowledge, theory and technology; questioning the ‘Western’ model of knowledge and linking it to the fracture of the co-evolution of social and environmental systems; and presenting economic growth not as the point of reference for the design and assessment of the model, but as a possible outcome which could be positive or negative depending on whether it is attained at the expense of the balanced relationship among the five systems in the model. This last feature marks the main distinction between the ‘epistemological’ and ‘integral’ approaches.

*Source:* Adapted from Montoliu-Muñoz (1990)

The main conclusion of a recent and very comprehensive review of the state of the world’s environment (the Millennium Ecosystem Assessment) is that, rather than moving in the direction of an epistemological shift, the current practice of development is moving in the opposite direction.<sup>121</sup> The dilemmas confronted in the Brundtland Report between the interests of the environment and the interests of economic growth, development and material

<sup>121</sup> Reid et al, (2005) conclude that: ‘The challenge of reversing the degradation of ecosystems while meeting increasing (development) demands...involve significant changes in policies, institutions, and practices that are not currently under way’ (emphasis added).

wellbeing remain unresolved. The concept of sustainable development may evoke inspiration in many quarters but it is also derided when applied to the economy as a bad oxymoron.<sup>122</sup>

It is now imperative for development thinking and practice is to work carefully through these contradictions and dilemmas and not fall into the trap of thinking that, because we cannot be sure that sustainability is possible, there is no point in doing anything to try to reconcile the imperatives of preserving the environment and improving living standards. Some of the questions that should be addressed as part of this would include: what approaches to the relations between human activities and ecosystems should be adopted in specific locations and sectors? Is there a progression of approaches to be followed over time? How can natural capital be transformed into other types of capital? What are the most effective ways of incorporating environmental considerations into the design of economic policies? How can the real and apparent tradeoffs involved in poverty reduction and environmental conservation be made explicit and dealt with? How (or can) conceptions of development take realistic and adequate account of the implications of the impossibility theorem?

### *Participation*

Notions of participation and the application of participatory methods have recently taken on mantra-like characteristics in official development discourse, particularly with regard to development assistance and aid programs. The essence of the discourse goes something like this: 'Poverty reduction is the *raison d'être* of development cooperation and strategies for poverty reduction should be locally made, locally managed and locally owned. They must, therefore, be formulated through the full participation of poor people themselves and it is they who should determine and decide priorities.'<sup>123</sup>

While not entirely new, the extent of the current emphasis is a radical departure from the more technocratic and 'experts-driven' approaches to development cooperation that dominated during most of the past half century. Beginning in the 1970s, an 'alternative development' camp challenged the 'power asymmetries' and effectiveness of such approaches and by the end of the 1990s participation had become firmly imbedded as a preferred approach to development and as vehicle to 'democratize development' and development decision-making.<sup>124</sup>

Approaches to participation have evolved through three stages during the last decades.<sup>125</sup> First, a 'rural and basic needs' stage dominated the scene during the 1970s, especially as a component of 'integrated rural development' programs.<sup>126</sup> Second, in the 1980s participation became associated with 'self-reliance' and 'self-help' efforts, led mainly by NGOs, that attempted to compensate for the removal of state subsidies and certain social entitlements as a consequence of structural adjustment and policy reforms. Third, in the 1990s participation moved beyond the boundaries of project or grassroots interventions to other spheres of social, economic and political life. Participation came to be seen as a tool towards important policy objectives such as 'empowerment', 'transparency', 'accountability' and 'good governance'. In practice, this may have converted participation from a means to

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<sup>122</sup> Daly and Townsend (1993).

<sup>123</sup> Parpart (2002); Escobar (1995).

<sup>124</sup> Friedmann (1992), Chambers (1994a, 1994b, 1996, 1997) and Pieterse (1998).

<sup>125</sup> Ruggeri (2001).

<sup>126</sup> Chambers (1983, 2005).

an end to an end in itself, which was seen as possessing intrinsic development merit.<sup>127</sup> Finally, at the beginning of the 21<sup>st</sup> century, participation has been ‘mainstreamed’ in ‘strategy-programming-planning-operations’ cycle of most development agencies.<sup>128</sup>

As the emphasis on participation has expanded, three fundamental questions have arisen. The first is what does participation actually mean and entail. The second is whether methods to engage people through small groups can be ‘scaled up’ to the national and regional level. The third is who has legitimacy and should be included in participatory processes. These questions have produced efforts to provide participation with a clearer epistemology, a conceptual framework and a solid grounding in the social sciences. The concept of *citizenship* borrowed from political science has been central to many of these efforts. An early attempt at conceptualizing this involves a typology that delineates a hierarchy of citizen involvement in decision-making (Table 2). This conceptualization has been praised for its simplicity and continues to be one of the most widely cited references in public participation literature.<sup>129</sup> It has also, however, been criticized as exceedingly narrow in its exclusive focus on citizen control of the existing governance structure rather than actual citizen management,<sup>130</sup> and for creating unrealistic expectations that citizens could or should make all manner of public policy decisions.<sup>131</sup>

**TABLE 2: Degrees of Citizen Participation**

8.	Citizen Control	Degrees of citizen power
7.	Delegated Power	
6.	Partnership	
5.	Placation	Degrees of tokenism
4.	Consultation	
3.	Informing	
2.	Therapy	Nonparticipation
1.	Manipulation	

*Source:* Arnstein (1969)

A second set of concepts that have begun to make headway in the participation literature are those of ‘going to scale’ in the application of participatory methodologies<sup>132</sup> and of ‘scaling up’ participatory development practices at the local community level by applying them to larger areas and by replicating them in other locations.<sup>133</sup> This has led to several attempts to formalize and introduce rigor to a host of field practices, but without losing their specific character and distinctiveness that makes them appropriate to address development issues at the local level.

A third concept that runs through the literature on participation is that of ‘*primary stakeholders*’.<sup>134</sup> This begins by defining the stakeholder as just about everybody with

<sup>127</sup> Cooke and Kothari (2001).

<sup>128</sup> Robb (1999).

<sup>129</sup> Brenneis and M’Gonigle (1992); and McCoy et al. (1994).

<sup>130</sup> Tester (1992).

<sup>131</sup> McDaniels et al. (1998).

<sup>132</sup> Chambers (2005, pp. 119-155)

<sup>133</sup> Taylor and Taylor (2002).

<sup>134</sup> Burkey (1993); Chambers (1993); Chambers (1997); McGee and Norton (2000); Stiefel and Wolfe (1994).

interest in a given program or project. Primary stakeholders are then defined as those who will be positively or negatively affected by that program or project in a direct way. The problem with this concept is that its boundaries are not at all clear and its application is highly judgmental.<sup>135</sup> For example and typical of current development discourse, one international development agency<sup>136</sup> defines the primary stakeholder of a poverty reduction strategy is the poor and the secondary stakeholders as anyone affected indirectly by the program/project or intermediaries in the process. The obvious questions that this raises are who is then *not* a stakeholder, and whether anyone would be excluded by such a definition.

Notwithstanding many efforts to clarify the concept of participation by borrowing from different areas of the social sciences, the concept itself remains highly confused.<sup>137</sup> An array of definitions and conceptions of participation now coexist and these often imply contradictory development visions and policy recommendations. Participation has widely different meanings and interpretations. The 'political' school of participation sees 'participation' as way to facilitate political change in favor of the dispossessed.<sup>138</sup> As mentioned before, participation can also be categorized as a 'means' (to achieve some predetermined goals or objectives) or as an end.<sup>139</sup> Distinctions are often made between 'participatory development' and 'participation in development.'<sup>140</sup> For many, participatory development essentially means conventional project practice carried out in a more participatory manner, while for others participation means 'inclusion' of the vast majority of people within the ambit of local and national development initiatives. One typology distinguishes seven types of participation from low to high level ('passive participation', 'participation in information giving', 'participation by consultation', 'participation for material incentives', 'functional participation', 'interactive participation' and 'self-mobilization'.<sup>141</sup>

The confusion over the concept has produced a prevalence of wide-ranging but essentially unsubstantiated claims,<sup>142</sup> such as 'the more participation, the better' and 'the larger the group the better'. The definitions and concepts of participation also take, at best, only scant account of the balance of social benefits between participation on the one hand and effective codes, norms, standards and controls, on the other. There are high risks that accompany the fuzzy thinking on participation and the trend in official development circles to its uncritical acceptance.<sup>143</sup> Concern has also been raised that participation operates without a framework of norms and standards and that this leads to applications that are deliberately manipulative and that draw on the moral authority of claims to involve the poor to place the pursuit of other agendas beyond reproach.<sup>144</sup> According to this perspective, much of what is hailed as 'participation' is a mere technical fix that leaves inequitable global and local relations of power, and with it the root causes of poverty, unchallenged.<sup>145</sup>

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<sup>135</sup> Stirrat (1996).

<sup>136</sup> DFID (1995).

<sup>137</sup> Quarles van Ufford, P. and A. Kumar Giri, (eds.) (2003).

<sup>138</sup> Blackburn and Holland (1998).

<sup>139</sup> Nelson and Wright (1995).

<sup>140</sup> Oakley (1991).

<sup>141</sup> Pretty et al. (1995).

<sup>142</sup> Such claims were identified at a very early stage by Picciotto (1992).

<sup>143</sup> Stirrat (1996).

<sup>144</sup> Cooke and Kothari, (2001).

<sup>145</sup> Rahnema (1995), Rahman (1995) and Cornwall (2000).

Participation has also been described as ‘a general idea in search of an epistemology, a methodology and an adequate appreciation of its potentials and its limitations.’<sup>146</sup> In the end, the largely unquestioning embrace of participation by development practitioners and agencies, and the extent to which that embrace has accorded it mantra-like qualities may prove to be the undoing of a laudable and potentially highly valuable idea. The problem is that, for whatever the potential and the poetic nobility of the idea, the application of participation is fast becoming (or may have already become) yet another example of ‘one-size-fits-all’ approaches to international development and poverty reduction.

If unchanged, the idea itself will almost certainly be discredited as a consequence of inappropriate application and a failure to meet vastly inflated expectations. The perceptions, perspectives, felt needs, preferences and priorities of poor people do matter and these need to be gathered, understood, respected and acted upon. The work that has emerged through participatory methods has already contributed significantly to this. Despite the high degree of contextualization of the findings from participation studies, general patterns have emerged. These include different meanings of development, security, society and community to those embedded in the industrial development model that has dominated for over six decades.<sup>147</sup> These are essential components to the rethinking of development and its meanings that is urgently needed.

But participation itself urgently needs to develop a serious and well-grounded epistemology that addresses weaknesses as well as strengths, limitations as well as potential. It needs rigorous scholarship and exposure to the highest standards of conceptual and methodological excellence that the social sciences can offer and these have not yet been forthcoming in sufficient quantity or intensity. An encouraging factor is that at least some of the leading scholars in the participatory development tradition strongly share this assessment.<sup>148</sup> Among the issues that need to be addressed are: How to deal with the question of subsidiarity and devolution in the design of participatory policies and strategies? How to ensure free and effective citizen voice and participation in local governance structures? How to balance the need to respond to local initiatives and demands while maintaining a degree of coherence in policy and decision making at the regional and national levels? To what extent is scaling up really useful, possible and responsible? What would be an adequate balance between freedom to experiment and fail at the local level and the need to ensure an appropriate use of scarce resources?

### *3.3. Taking stands*

The ideas and debates in this category furnish a foundation for individual and social group perceptions of identity, aspirations, potentialities and of the differing aims and prospects people consider as ‘development.’ They are closely linked to values and inform judgments of what is right or wrong, permeate conceptions of what should or should not be done, and shape and color awareness of ‘the other.’ Either explicitly or implicitly, social groups and individuals take stand on these matters, and the positions adopted will influence how initial conditions for development are appreciated and interpreted (section 3.1). Such

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<sup>146</sup> Bezanson (2003).

<sup>147</sup> See, for example, ‘Voices of the Poor’ project in <http://www1.worldbank.org/prem/poverty/voices/>

<sup>148</sup> For example, Edwards (1989, p. 130): ‘there are many areas of work which by definition cannot be directly participatory... Very often, the factors that perpetuate underdevelopment lie beyond direct grassroots control, in the policies of governments and institutions that shape the political and economic frameworks within which people have to live and work. It is rarely possible for people in the village to influence these policies directly’

positions will also have an impact on the criteria that guide broad policy choices in development (section 3.2). Debates in this category focus on two main subjects: human rights, and culture and identity.

### *Human rights*

Human rights have been defined as the claims that all persons, communities, and peoples should have access to and enjoy in order to live and to achieve their full potential as human beings. The term ‘human rights’ usually refers to those rights and freedoms that have been recognized by the global community and protected by international legal instruments. These are usually taken to include respect for physical and psychological integrity, personal freedom, freedom of expression, religion and belief, and non-discrimination on the grounds of race, gender, economic status, or for any other reason. They also include proper nutrition, education, housing, general health care, employment, and a healthy environment.

States are bound by their international obligations to respect, protect, promote and ensure the realization of human rights, and cannot take them away.<sup>149</sup> It is sometimes argued that human rights are a uniquely Western notion and that to link human rights and development is to impose the ideologies of the West on other cultures. However, it has also been argued that to hold states accountable for their performance with relation to global human rights standards is not to impose the value system of any one part of the world on another, but to refer to universal values based on the distilled knowledge and wisdom of all cultures.<sup>150</sup> Beginning with the Universal Declaration of Human Rights of 1948, the world community has adopted a series of global and regional texts that constitute a normative framework for the observance of human rights (Box 3).

#### **BOX 3: Milestones in human rights and development**

1948 Universal Declaration of Human Rights  
1950 European Convention on Human Rights  
1965 Convention on the Elimination of all forms of Racial Discrimination  
1966 International Covenant on Civil and Political Rights  
1966 International Covenant on Economic, Social and Cultural Rights  
1969 American Convention on Human Rights  
1979 Convention on the Elimination of Discrimination Against Women  
1981 African Charter on Human and People’s Rights  
1984 Convention Against Torture  
1986 Declaration on the Right to Development  
1989 Convention on the Rights of the Child  
1993 World Conference on Human Rights, Vienna  
1994 Convention on the Status of Refugees  
1998 Treaty setting up the International Criminal Court

*Source:* United Nations High Commission on Human Rights website: <http://www.unhchr.ch>

Human rights approaches to development start from the basic premise that the achievement of human rights is the objective of any process aimed at improving the human condition. They use the various concepts associated with human rights, understood in their broadest sense, as the scaffolding of development policy and invoke the international

<sup>149</sup> Velasco (2004, p.4).

<sup>150</sup> Häusermann (1999, p.3).

apparatus of human rights in support of development action.<sup>151</sup> These approaches are concerned not just with civil and political rights (e.g. free speech, freedom of assembly, the right to a trial, the right not to be tortured), but also with economic, social and cultural rights (access to food, health, education, housing, jobs). Even though human rights refer primarily to individual rights, they also extend to collective rights, particularly in the case of ethnic, linguistic and religious minorities.<sup>152</sup>

Human rights approaches to development modify fundamentally the traditional conception of ‘governance’ in economic analysis, which focuses on appropriate management of resources according to rules and through institutions and which aims at ensuring accountability, predictability and due legal process.<sup>153</sup> The older and restricted conception of governance as efficiency in economic management evolves through human rights perspectives into a broader understanding of the way in which leaders exercise power and authority in an effective and inclusive manner to advance the cause of human rights, and therefore improve the human condition. Experience has shown that participation, dialogue, consensus, transparency, accountability and the rule of law make the state more representative and capable of responding adequately to the concerns of its citizens.<sup>154</sup>

The main strength of a human rights approach to development is that it may be able to offer an internationally recognized and sanctioned foundation for the design and implementation of policies to address poverty reduction. Rights constitute a strategic entry point to address the ways in which power imbalances deny access to the assets necessary for secure and sustainable livelihoods. In addition, the international normative framework of human rights provides a valuable set of guidelines for strengthening the accountability of institutions (especially State institutions), and for pressuring them to deal inclusively and effectively with policy and administrative issues relevant to the livelihoods of the poor. Finally, a human rights approach to development also focuses on the importance of redress mechanisms for individuals to invoke when facing a denial or violation of their rights.

Yet rights-based approaches to development also have limitations. First, there are problems in determining priorities between different human rights, primarily because the principle of ‘indivisibility’ is central to rights-based approaches. From this perspective, civil and political rights mean little without the attainment of economic, social and cultural rights, and vice-versa. However, the absence of a ‘hierarchy’ of rights is quite unhelpful when trying to define priorities for action or the allocation of resources. A second limitation is the emphasis on state-citizen relationships as the basis for accountability regarding the obligation to respect and achieve human rights. This is problematic because globalization undermines the position of the nation state as the focus of political accountability. In particular, in the case of ‘failed’ or ‘collapsing’ states, the inter-governmental frameworks to back up accountability for human rights may be entirely inadequate and incapable of ensuring compliance. A third limitation emerges from the perception that rights-based approaches place too much emphasis on laws and legal processes, and because the limitations of the Judiciary in poor countries creates impossibly high hurdles to achieving human rights.

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<sup>151</sup> As Ibrahim Shihata, former Senior Vice-President and Legal Counsel of the World Bank put it, ‘Speaking about ‘Development’ and ‘Human Rights’ as if they were two distinct matters may be misleading’ (Shihata, 1992).

<sup>152</sup> Baehr (2000).

<sup>153</sup> Shihata (1992).

<sup>154</sup> Sagasti (2004a).

Notwithstanding these limitations, viewed from a broad perspective, there are several indications that human rights approaches to development have been steadily advancing and gaining ground during the last two decades. At the national level, many developing countries have created social safety nets to assist the poor and ensure their livelihoods are not jeopardized by economic policy reforms. The institution of the ‘ombudsman’ has been established in many countries to safeguard individual economic, social, cultural and political rights, primarily by using moral suasion and interceding before the Judiciary, Parliament and the Executive on behalf of those whose rights are threatened. In several countries where violence and civil wars have led to extensive and systematic human rights violations there have been ‘Truth and Reconciliation Commissions,’ which have helped to build improved social and political cohesion. Finally, at the international level, the report of the International Commission on Intervention and State Sovereignty has articulated a set of principles and guidelines that aim to make possible international interventions when a state fails to protect the rights of its own citizens.<sup>155</sup>

Rights-based approaches to development are closely related to the work of Amartya Sen, who has focused on the functionings and capabilities that allow individuals to exercise their freedom and maintain their dignity as human beings. Sen’s incorporation of the concepts of entitlements, capabilities, opportunities, freedoms and individual rights into social choice theory has challenged the view that poverty is irrelevant to the characterization of fundamental freedoms and human rights.<sup>156</sup>

Sen spells out the added value of a rights-based approach to development in terms of claims. Examining the commonalities and differences between human development and human rights, he argues that if human development focuses on the enhancements of the capabilities and freedoms that the members of a community enjoy, human rights represent the claims that individuals have on the conduct of individual and collective agents, and on the design of social arrangements to facilitate or secure these capabilities and freedoms.<sup>157</sup> However, Sen also highlights the difficulties involved in aggregating individual human rights to arrive at an unequivocal expression of human rights in a collective sense.<sup>158</sup> Therefore, his contributions to human rights approaches to development may be considered as a work in progress that requires a large degree of operationalization and elaboration to derive practical and workable policy recommendations.<sup>159</sup>

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<sup>155</sup> Evans and Sahnoun (2002).

<sup>156</sup> Sen (1984, 2000a).

<sup>157</sup> Sen has also argued that: ‘a rights-based moral approach has many advantages. In particular, it may be able to do a better job of dealing with deprivation than utility-based approaches can. A person has some moral rights, and to be denied them is to be deprived of something valuable.’ ... ‘Rights can take very many different forms. In terms of actual legal rights against the state, they sometimes take the form of a substantive claim to, say, minimal health care, unemployment benefit, poverty relief, etc. But such specific legal rights are typically not justified in terms of their intrinsic importance, but some instrumental grounds, e.g. the belief that they lead to a happier community.’ ... ‘Rights do not specify directly what a person may or may not have, but specify the rules that have to be followed to make his or her actual holdings and action legitimate.’ (Sen, 1984, pp. 310-311). He has also stated that: ‘Perhaps the most important thematic deficiency of traditional development economics is its concentration on national product, national income and total supply of particular goods rather than on ‘entitlements’ of people and the ‘capabilities’ these entitlements generate. Ultimately, the process of economic development has to be concerned with what people can or cannot do.’ (Sen, 1984, pp. 496-7).

<sup>158</sup> Sen (2002).

<sup>159</sup> The work of Alkine (2005) constitutes a most valuable contribution to the operationalization of Sen’s capabilities and functionings approach to development. Rights-based approaches, and in particular the concepts put forward by Sen, also inform current reformulations of the notion of the ‘common good’ as the main objective of development. For example, a recent report has defined the common good in the following terms:



Some of the issues and questions that emerge from taking a stand on human rights include, first, the need for conceptual clarity in understanding what human rights are, and how they relate to other rights regimes operating at the international, national and sub-national level. Second, positions must be taken to in responding to questions such as: are political rights more or less important than economic rights? Should a degree of political freedom be sacrificed to provide security and wellbeing? When is it justified to disregard democratic practices and individual freedoms to ensure collective security or even survival? What institutional arrangements are better to ensure that basic human rights are guaranteed for all or most people? What is required to ensure that the rights of minorities are protected while at the same time taking into account the wishes of majorities (e.g. in issues of positive discrimination)? Answers to all of these questions require collective and individual value judgments that determine the positions that societies will take on human rights.

### *Culture*

Since World War II conceptions of development have emphasized economic rationality, growth and the pursuit of material wellbeing, both of which are closely associated with the idea of modernization, and largely left aside considerations such as culture, identity, ethnic allegiances, religion, ethics and values. However, these non-material aspects have been acquiring renewed importance during the last two decades. The end of the Cold War, and the subsequent partial disengagement of the two superpowers in some culturally and ethnically diverse regions of the world, allowed long-standing animosities and historical grievances to resurface, sometimes with violent and tragic consequences.

The traditional anthropological conception of ‘culture,’ centered on the main stable features that defined relatively homogeneous social groups usually placed in a specific geographical setting, has been gradually transformed. Rather than appearing as an essential and immutable feature of particular societies, ‘culture’ is now seen as a flexible, diverse and evolving characterization of social groups that encompasses both material and non-material aspects.<sup>160</sup> In this dynamic and flexible conception of culture, cultural differences and cultural diversity become a positive force for development, for if development is understood ‘as a

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‘To expand as far as possible the options that all people have to imagine, design, choose and freely realize their own life projects. This multiplication of options and possibilities of achieving them is based on a shared vision of history and future, on a pluralist and integrated sense of identity, on the increase of prosperity and wellbeing for all, on a commitment of solidarity and assistance to the disadvantaged, and on seizing of the opportunities offered by the emerging global information and knowledge society. (Sagasti 2001, p. 35).

<sup>160</sup> A most valuable contribution to the study of the relations between culture and development is the volume edited by Rao and Walton (eds.) (2004), in which they offer the following conception of culture in a development context: ‘culture is about relationality —the relations among individuals within groups, among groups, and between ideas and perspectives. Culture is concerned with identity, aspiration, symbolic exchange, coordination, and structures and practices that serve relational ends, such as ethnicity, ritual, heritage, norms, meanings, and beliefs. It is not a set of primordial phenomena permanently embedded within national or religious or other groups, but rather a set of contested attributes, constantly in flux, both shaping and being shaped by social and economic aspects of human interaction’ (Rao and Walton, 2004, p. 4). The declaration of MONDIACULT, which emerged from the World Conference on Cultural Policies sponsored by UNESCO in 1982 and held in Mexico City, defines culture as ‘the whole complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or social group. It includes not only arts and letters, but also modes of life, the fundamental rights of the human being, value systems, traditions, and beliefs.’ Goulet (1994, p. 32-33) defines ‘living communities of culture’ as: (i) A common system of signifying and normative rules; (ii) some shared basis for people to identify themselves as members of a single group, a common territory, history, languages, ancestors, religion, race; (iii) the will or decision to be primarily self-identified as a member of a given community.’

means to find alternative solutions for economic growth, then the loss of cultural diversity represents a serious threat for the future.<sup>161</sup> Yet, many political leaders (and citizens as well), rather than seeing cultural differences as a potential source of strength and resilience, still aim at defining ‘cultural identity’ in the static and precisely bounded way that has largely been abandoned by anthropologists. This has been the case particularly in ethnically diverse and conflict-ridden countries, where politicians have played the ethnic and cultural identity card to advance their political causes.

Two extreme views that bracket the broad range of approaches to examine the relations between culture and development have been identified in a recent volume edited by Rao and Walton.<sup>162</sup> The first argues, much along the lines of the earlier modernization theories but in a much more strident way, that culture matters because ‘traditional’ cultures are inimical to ‘modern’ market-oriented development that leads to growth and prosperity. From this perspective ‘traditional cultural values are at the root of the poverty, authoritarianism, and injustice,’ and must be eradicated as a precondition for development.<sup>163</sup> The second argues, in an equally strident manner, that the idea and practice of ‘development’ is a Western cultural construct, which is used to impose a neo-colonial system of dominance on developing countries by ‘a tiny minority of profiteers, supported by their foreign patrons.’ From this perspective ‘development [is] basically the wrong answer’ to the ‘true needs and aspirations’ of developing country populations, and ‘an ideology that was born and refined in the North, mainly to meet the needs of the dominant powers in search of a more ‘appropriate’ tool for their economic and geopolitical expansion.’<sup>164</sup> Rao and Walton propose to seek a middle ground between these extreme views, and the contributions to their volume suggest that it could be possible to integrate culture and development in a constructive and fruitful way.

Debates on the relation between culture and development have also focused on the role played by values and attitudes that influence individual and social behavior. For proponents of what may be called ‘cultural determinism’ and its variants, long-term cultural features —understood in the sense of values, attitudes and mindsets prevailing over long periods, together with the institutions associated with them— are largely responsible for the ‘success’ or ‘failure’ of societies. For example, it has been argued that, in contrast with North America, Latin American countries have not been able to achieve democratic stability, sustained economic growth and social justice because of the cultural heritage of Spain and Portugal.<sup>165</sup> An alternative view argues that differences in socioeconomic performance are the result, not of retrograde values and attitudes, but of the complex interaction between culture, geography, institutions and knowledge, all placed in the context of historical processes that unfold often in unpredictable ways.<sup>166</sup>

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<sup>161</sup> See Arizpe (2004, p. 183), who provides a concise account of the way in which culture has been viewed by development institutions.

<sup>162</sup> Rao and Walton (2004, pp. 10-11).

<sup>163</sup> Harrison (2000, p. xxvii).

<sup>164</sup> Rahnema (1997a, p. x, and 1997b, p. 379).

<sup>165</sup> Harrison (1992, p. 9). In his view, ‘In the case of Latin America, we see a cultural pattern, derivative of traditional Hispanic culture, that is anti-democratic, anti-social, anti-progress, anti-entrepreneurial, and, at least among the elite, anti-work.’ (Harrison, 1985, p. 165).

<sup>166</sup> Historian Felipe Fernandez-Armesto devotes a book to this subject in which he concludes that ‘it seems to me pointless to ... search for cause in another continent —attributing Latin American retardation, for example, to a supposed ‘Iberian’ curse, or the continent’s present arrest to an enervating ‘legacy’ in the remote past of a distant peninsula.’ He further disparages what he calls ‘the Pharisaic theory of history: material success is the reward of virtue. According to this argument, if people towards the northern end of the hemisphere have done better than the rest, it must be because they deserved to. Superior morals or superior culture or superior race

As indicated previously in the section on globalization, there has been a tension between the pressures towards cultural homogenization, associated with the process of globalization, and the determination to preserve cultural identity. It has been pointed out that, as a modern global culture emerged during the 20<sup>th</sup> century, there was a concern that local variations of culture might disappear.<sup>167</sup> However, if anything, the opposite appears to have been the case. Technological advances, especially in the fields of information and communications, have given new tools for self-expression to local communities, allowing them to reassert their own identity through new means and to project their particular cultural features on the world scene at large.<sup>168</sup> Yet, the growing awareness that there is and will continue to be a great variety of cultural forms evolving in parallel with a growing number of 'global' cultural features, has not deterred the search for single 'end point' for the evolution of human societies. For example, focusing, not on the broader features of civilizations and cultures, but on their political systems, there have been arguments in favor of viewing Western liberal democracy as the only 'final' stage in political evolution.<sup>169</sup>

The desire to preserve and reaffirm cultural identity, writ on a large scale, has been seen as inevitably leading to conflicts and to a 'clash of civilizations.'<sup>170</sup> From this point of view, different value systems and cultural features, combined with hegemonic aspirations and a desire to impose them on others, are likely to create conditions that are propitious for the emergence of violence between nations and civilizations. A different perspective is offered by those stressing the positive aspects of cultural tensions and argue that 'the sparks caused by the cultures colliding produced not merely violence; they have also ignited cultural genius and innovation ... the engine of human progress has been the dynamic tension between different cultural groups.'<sup>171</sup>

The importance of cultural diversity has also been emphasized in the first Article of UNESCO's Universal Declaration on Cultural Diversity: 'cultural diversity is as necessary for humankind as biodiversity is for nature. In this sense, it is the common heritage of humanity and should be recognized and affirmed for the benefit of present and future

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destined them for superior performance. Although this theory is false, it has to be acknowledged that its advocates had good reasons for believing it.' (Fernández-Armesto, 2004, p. 157).

<sup>167</sup> Weatherford (1994, pp. 7-11).

<sup>168</sup> According to Weatherford (1994, p. 8) 'Even though economic interdependence increased, and even though an international popular culture of sports and entertainment icons arose and became as known in Tibet and Timbuktu as in Toledo, the emergence of a global culture failed to obliterate local cultures. Instead, ethnic and cultural identities grew stronger, everywhere from the largest cities to the most remote jungle valleys. Rather than blending into a homogenized global culture shared by all, the various tribes, nations, religions, and ethnic groups accentuated their differences to become more varied and ever. ... The global culture makes each group more self-consciously aware of its own identity and where it fits in the global society.'

<sup>169</sup> According to Fukuyama (1992, p. 4). 'What we are witnessing is not just the end of the Cold War, or a passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government.'

<sup>170</sup> According to Huntington (1993, p. 22), 'It is my hypothesis that the fundamental source of conflict in this new world will not be primarily ideological or primarily economic. The great divisions among humankind and the dominating source of conflict will be cultural. Nation states will remain the most powerful actors in world affairs, but the principal conflicts of global politics will occur between nations and groups of different civilizations. The clash of civilization will dominate global politics. The fault lines between civilizations will be the battle lines of the future.' Huntington sees eight major civilizations dominating the world scene in the first decades of the 21<sup>st</sup> century: Western, Islamic, Sinic, Japanese, Orthodox, Hindu, Latin American and African.

<sup>171</sup> Weatherford (1994, p. 10).

generations.<sup>172</sup> Closely associated with this is the idea of ‘cultural freedom,’ understood as the capacity to choose one’s own identity without being excluded or shunned by others. As Sen has put it, ‘the freedom and opportunity for cultural activities are among the basic freedoms the enhancement of which can be seen to be constitutive of development.’<sup>173</sup> This acquires special importance as the growing interactions among peoples all over the world are opening new opportunities to choose the defining features of one’s own identity, while at the same time fragmenting the self into many slivers that are linked with different social groups. In turn, this configures an ever-changing and protean sense of the self and of identity.<sup>174</sup> From this perspective, struggles over cultural identity may deteriorate into violence and chaos, and therefore need to be managed adequately.<sup>175</sup>

Other contributions to the debates on culture and development emphasize the highly specific and local character of culture. For example, for anthropologist Mary Douglas ‘at any point in time the culture of a community is engaged in the joint production of meaning.’ These ‘connected meanings ... are always in process of mutual accommodation’ and lead to the ‘process of self-understanding’ that underpins a community’s sense of identity and purpose. However, development interventions often disrupt this set of complex and highly intertwined social processes that take place at the local level. As a result, they tear the social fabric, erode trust and create uncertainty, which in turn may lead to despondency, anxiety, alienation, indifference and even violent and self-destructing behavior, all of which may appear as ‘irrational’ to external observers. The term ‘culture of apathy’ has been coined to describe this situation, which has ‘nothing to do with the traditional culture,’ but is rather seen as a ‘response to the cultural destruction brought about by development.’<sup>176</sup>

Closely related to the issues of culture, but affecting all the issues covered in the whole of the present section are the non-Western and alternative conceptions of development that focus on the counterpoint between ‘the West’ and ‘the rest,’ examining how the meaning of development would change if viewed from different cultural perspectives. Among these, there are the ideas of ‘simplicity’ espoused by Gandhi, which lead to a rejection of luxury and comfort, the accumulation of material wealth and of capitalism in general. In his view, ‘we may not barter away our ancient simplicity for anything in this earth. Now you will understand my determined opposition to the modern rush the hypnotic dazzle that seems almost to overcome us with such violent force from the West.’<sup>177</sup> His economic conceptions were rooted in the replacement of greed and accumulation by generosity and love, he condemned the ‘monster god of materialism,’ *laissez faire* and capitalism.

While such views are not widely held at present, there is a thread linking Gandhi’s ideas with current concerns about excessive consumption and environmental sustainability, particularly in view of Daly’s ‘impossibility theorem’ referred to earlier in the review of debates on environment. The need to curtail the use of resources and to change consumerist life-styles has been frequently raised, highlighting the imperative of ‘shifting to high quality,

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<sup>172</sup> UNESCO (2002).

<sup>173</sup> Sen (2004, p. 39). This leads him to the question of ‘how to increase the real options —the substantive freedoms— that people have, by providing support to the cultural traditions they may want to preserve’ (p.53).

<sup>174</sup> Lifton (1993).

<sup>175</sup> ‘Cultural liberty in today’s diverse world has become one of the greatest sources of instability within states and between them—and in so doing trigger conflict that takes development backwards. Identity politics that polarize people and groups are creating fault lines between *us* and *them*. Growing distrust and hatred threaten peace, development and human freedoms.’ (UNDP 2004, p. 45)

<sup>176</sup> Douglas (2004, pp. 88, 107)

<sup>177</sup> Gandhi, quoted by Varma (1972, pp. 90-91).

low input, durable goods and partly by seeking fulfillment through leisure, human relationships, and other nonmaterial avenues,' however difficult and improbably this shift may seem at present (especially in rich societies).<sup>178</sup>

Along similar lines, there have been many expressions of the need and potential advantage of taking into consideration non-Western views in the process of rethinking the meaning and practice of development. Some of these refer to sources of knowledge and experience in dealing with natural ecosystems,<sup>179</sup> others emphasize the integration of the technical and technological heritages of non-Western and Western societies,<sup>180</sup> and still others stress the creativity of indigenous cultures that need and choose not follow the road traveled by the West and forcefully assert their right to traverse a different path.<sup>181</sup> Rather than emphasizing the counterpoint between the West and the rest, a more eclectic historical perspective would view 'the development of different civilizations and societies in the last centuries ... as a complex whole, whose components are in continuous interaction and transformation, and in which a perspective —the Western one— came to influence all others. ... At the same time, other cultures preserved their individuality, influenced Western civilization, and gave rise to new hybrid ways of conceiving the world and relating to it. The image of all civilizations and cultures of the world converging to the culmination and greater glory of the West, implicit in the metaphor of different cultures as tributary rivers that converge on the sea of Western civilization, is rather biased and Eurocentric.'<sup>182</sup>

There are other contributions to the development debate that, without explicitly addressing the question of Western and non-Western perspectives, offer alternative ways of visualizing the process of development and relate to culture, values and power relations. These include the call for 'another development' in the mid-1970s by the International Foundation for Development Alternatives,<sup>183</sup> the ideas on 'human scale development' proposed as a response to the alienation created by the excessive emphasis on satisfying

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<sup>178</sup> Durning (1992, p. 25). He further argues that 'limiting the consumer life-style to those who have already attained it is not politically possible, morally defensible or ecologically sufficient. And extending that life-style to all would simply hasten the ruin of the biosphere. ... On the other hand, reducing the consumption levels of the consumer society, and tempering material aspirations elsewhere, though morally acceptable, is a quixotic proposal. It bucks the trend of centuries. Yet it may be the only option.'

<sup>179</sup> According to Noorgard (1988, p. 607), 'Many in the sustainability movement have acquired a positive understanding of the role of culture and the value of cultural diversity. Many see a positive role for non-Western realms of knowledge. Many see positive opportunities in working with natural systems. It is positive interpretations which excite people and make the idea of sustainable development viable in diverse cultures.'

<sup>180</sup> For example, Sagasti (2004, pp-18-19) indicates that 'although the transition from technique to technology took place mainly and most successfully in the West, non-Western cultures and societies also acquired and evolved a set of technical and technological responses of their own, usually appropriate to their own context, often based on mixes of indigenous and Western knowledge, and always processed by the social organization forms particular to them.'

<sup>181</sup> Blaser (2004, p.26) 'Indigenous communities do not just resist development, do not just react to state and the market; they also sustain 'life projects' [that] are embedded in local histories, ... encompass visions of the World and the future that are distinct from those embodied by projects promoted by state and markets. Life projects derive from development in their attention to the uniqueness of people's experiences of place and self and their rejection of visions that claim to be universal. Thus, life projects are premised on densely and uniquely woven threads of landscapes, memories, expectations and desires.'

<sup>182</sup> Sagasti (2004b, pp. 3-4). See also van Nieuwenhuijze (ed.) (1972) and Nagai (ed.) (1982).

<sup>183</sup> The report *What Now?* of the Dag Hammarskjold Foundation (1975) espoused a humanist view of development that, in addition to satisfying basic needs, should aim at ensuring 'the humanization of man by the satisfaction of his needs for expression, creativity, conviviality and for deciding his own destiny.' (p. 7).

material needs,<sup>184</sup> the work of several authors on alternative ways of organizing economic life and confronting globalization,<sup>185</sup> and proposals on how to overhaul the capitalist system.<sup>186</sup>

These considerations suggest that, in an increasingly globalized world, all societies are exposed to powerful external cultural influences and at the same time have their own cultural heritage to preserve. Starting from this premise, some of the issues and questions that emerge when taking a stand on culture are the following: How can a pluralistic, integrated, rooted and continuously unfolding sense of identity be evolved? What is required to promote the collective self-esteem and tolerance that are necessary to maintain a sense of perspective regarding one's own culture and its place in the world, particularly in poor societies? Is it possible to promote a shared perspective of history, a common appreciation of the present and a joint sense of the future to inform development efforts, particularly in multicultural societies? What are the requirements to work though and integrate the variety of cultural perspectives on the 'good life' held by different civilizations? How would it be possible to transform a society's cultural patrimony, heritage and historical traditions into a resource without devaluing them? What roles of education, mass media and leadership play in the evolution of social values? Is it possible to guide and orient this evolution in a positive manner?

#### **4. The Evolution of Development Cooperation**

Development cooperation emerged over five decades ago against the backdrop of the Marshall Plan's success in re-building post-war Europe. The prevailing view at the time was simple and optimistic: development would come quickly to the poorer areas of the world through the provision by a few countries of capital, supplemented by the judicious provision of technical know-how. The reality proved far more complex and intractable. Fifty years ago, a small handful of institutions comprised the organizational arrangements of the international development system. Today that system is made up of a bewildering array of bilateral, multilateral, non-governmental, private and hybrid institutions characterized by overlapping functions, duplication and a confused or non-existent division of labor. To speak of the existing arrangement as a 'system' is itself misleading, for the system is really not much of a *system*. It is rather a collection of disjointed entities that lack coherence, often work at cross purposes and are not up to the task of responding to a growing diversity of developing countries in their efforts to reduce poverty and improve living standards.

The international institutional structure for development is at present composed of the IMF, the World Bank, more than 20 regional and sub-regional development banks, over 40 bilateral development agencies, the UN family of organizations and thousands of large and small NGOs, and private foundations. At the same time, this unwieldy institutional arrangement, as never before in the sixty year history since end of World War II, is required to bring together and work with the state, the private sector and civil society in complex and numerous interactions.

Yet the importance of this 'system' needs to be placed in perspective. Within the international political economy, the main drivers of development are only marginally

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<sup>184</sup> Max Neef (1993), Max Neef, Elizalde and Hopenhayn (1986).

<sup>185</sup> See, for example, Henderson (2005) and George (2004).

<sup>186</sup> See, for example, Albert (2003), who proposes a vision of a 'participatory economy,' eerily reminiscent of the work of Vanek (1971) more than three decades ago.

connected to this system. Excepting a few of the very poorest countries, the most important factors are internal to individual countries and the external factors that most matter are far less those of development cooperation and far more those that deal with access to markets, capital, and technology, human mobility, and supportive security, economic, socio-political and environmental conditions. The institutional arrangements for internal cooperation have been restricted mainly to official development assistance (ODA) and address modestly, if at all, the main drivers of development. Beyond aid, trade preference schemes have been the main purposeful components of development cooperation to date, but here the arrangements to date have been at least as much limiting as enabling and the nature of the focus has again served as a further diversion of attention and energy from the much larger institutional issues that determine development and development prospects.

This conclusion is not at all new. The Brandt Report of 1979 was explicit in recognizing the relatively greater importance of non-development cooperation as a means to development, but this (and other attempts to challenge the overall adequacy of institutional arrangements) was ignored, subverted to politically powerful interests and, at best, accorded partial responses. How can this be explained? Above all it is due to the ‘realpolitik’ fact that little genuine weight and priority has been given to an equitable development of poor countries in the international political economy and on the part of its most powerful states. In spite of the undeniable growth of global interdependence, the institutional arrangements for international development have been and remain wholly inadequate. They comprise for the most part palliative and humanitarian measures, rather than a comprehensive set of institutional arrangements, including financing, required for sustained attention on development in the mainstream public policy agenda. Amartya Sen makes this point in the following terms:

‘The central issue of contention is not globalization itself, nor is it the use of the market as an institution, but the inequality in the overall balance of institutional arrangements—which produces very unequal sharing of the benefits...’<sup>187</sup>

These systemic inadequacies have recently been accorded growing attention by world leaders, at least at the level of official rhetoric. The cause of ‘policy coherence’ for development has become much stronger in recent years and successions of G7 and G8 summits, and other key international gatherings since the mid 1990s, have probably given more attention to the development of poorer parts of the world than at any other time over the past six decades. Included on these agendas, in addition to humanitarian concerns and aid, have been international development concerns in relation to matters of peace and security, stability of the international financial and trade systems, continuing and extending prosperity, cross-border concerns of environment, disease and crime and the promotion of human rights and democratic freedoms. Explicit endorsement has been given to new strategic approaches to development and to the need for much expanded institutional arrangements.

Given the recent character of such endorsement, it may be premature to judge where it will lead. Certainly, however, if history is any indicator, one should not be overly optimistic. The call from the very highest levels of Western governments to bring into force institutional arrangements conducive to development coherence in the policies of their own countries does not appear to be producing much, if anything, in the way of significant changes. In few countries does the department or agency responsible for international development exert a

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<sup>187</sup> Sen (2002b).

power influence of play a lead role in large-scale policy making. Indeed, in most OECD countries such departments or agencies are assigned to very or quite junior ministers who in most cases are not members of the inner circle of decision-makers. Moreover, it is a steep climb to move from policy coordination (getting systems to communicate and work together) to policy consistency (avoiding contradictions and conflicts) to policy coherence (in which policies become mutually reinforcing toward a common, in this case developmental, objective). There are few concrete indications that industrial countries will assign development considerations much more than a secondary position behind more immediate concerns with more powerful trade, finance, and geo-political players.

With regard to the institutional arrangements for development cooperation, there have been recent efforts to instill greater coordination ('policy coherence') and improved cost effectiveness. These, however, continue to be frustrated by two powerful and pervasive factors. The first is that there is no accepted authority or 'consortium of owners' that can make decisions for the system as a whole. The absence of an overall authority means that institutional adjustments involve countless trade-offs to immediate domestic concerns and usually involve only partial and inadequate responses. Secondly, even where widespread consensus exists that some institutions have little impact or have outlived their usefulness, closures and/or mergers have not occurred. In 50 years of aid there has been no closure or merger of a major international institution. Yet fifty years ago, a small handful of institutions comprised the institutional arrangements for development. As indicated previously, this comprises today a bewildering array of bilateral, multilateral, non-governmental, private and hybrid institutions characterized by overlapping functions, duplication and a confused or non-existent division of labor.

The resulting institutional configuration has been described as:

'...riddled with imperfections, inertia and bureaucratic 'intrapreneurship' (with) a distinct, sheltered bureaucratic culture, outside the mainstream of donor (and sometimes recipient) government administrations. These factors also tend to neutralize sporadic top-down reform initiatives, which have mostly been limited in scope and time.'<sup>188</sup>

To bypass or rectify the myriad deficiencies of this arrangement, new institutional arrangements are created regularly. If major reforms are to prove possible, they will need to contend with and resolve a combination of structural challenges and problems, including the following:

- *Lack of global governance of the system.* The present international institutional structure is composed of a plethora of organizations and none of them plays the pivotal and coordination role needed to address global economic and social issues. The consequences of this lacuna are that some issues are left without any form of international governance and others are solved only on an *ad hoc* basis. The United Nations was originally intended to ensure coherence, consistency and the design of overall policy over the international development system, but this has never been possible because the governance structures of other institutions, notably the World Bank and IMF, accord them virtually full autonomy from the UN. The excellent, nuanced and pragmatic

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<sup>188</sup> Rogerson (2004, p. 7).



recommendations in the December 2004 Report of the High-level Panel<sup>189</sup> may already have become yet another missed opportunity.

- *Lack of overall coherence and delineation of mandates and roles.* The institutions that make up the international development system is less a system than a ‘dysfunctional family’ of different organizations and agencies with confusion and conflict over mandates, roles and comparative advantage. Attempts at ‘harmonization’ rarely, if ever, acknowledge asymmetries and the vast differences that exist between different actors in power, influence, capabilities and experience. The dominant discourse of ‘partnerships, inclusion and equality’ reinforces the rhetoric of cooperation and collaboration but, until now it has failed to introduce greater overall coherence to the system.
- *Inappropriate governance structures: inadequate representation, lack of accountability and transparency.* The governing structures of the institutions within the international development system are asymmetrical and unequal. A very large proportion of the voting rights in some of them, mainly the Bretton Woods Institutions, are vested in a very small number of industrialized countries, as they are the principal shareholders in terms of paid-in capital. Such imbalances are perceived increasingly by developing and some developed countries, by advocacy organizations and by political analysts, as a major defect that produces decisions that do not adequately take account of the interests of the developing countries they are intended to serve, and do not reflect the real nature of burden sharing in the international financial institutions. It is further noted by many observers that the balance of power in decision-making has not evolved to match the growing economic importance of countries such as China, India and Brazil, thus perpetuating outdated patterns of representation, weak accountability and interests that do not focus sufficiently on the real needs of a very large number of countries or even on collective good issues in the world economy.<sup>190</sup>
- *Lack of predictable and stable funding.* The Report of the High-Level Panel on Financing for Development (the Zedillo Report) of 2001 estimated that an additional US\$50 million annually would be required if the Millennium Development Goals were to be achieved by 2015 and that this would also require that developing financing be made available on a predictable and stable basis. Problems of unpredictability and instability in development financing have been particularly acute for the development institutions of the UN. Moreover, over the past two decades, the financing of UN Institutions of development has become increasingly tied or restricted, with the result that strategic decisions have been shifting away from the multilateral boards and governing bodies of these institutions to exclusively bilateral organizations. This has undermined the institutional foundations of multilateralism. Unchecked and uncorrected, this risks fatal damage to multilateralism itself.<sup>191</sup>

In spite of these deficiencies, the early years of the 21<sup>st</sup> century have brought about an unprecedented ‘window of opportunity’ for a conscientious re-examination and re-alignment of the institutions and organizations that configure the international development architecture. There is a renewed impetus for reform, partly because global communications have increased awareness of the plight of the poor in developing countries, partly because criticisms about the effectiveness of the development system have multiplied, and partly because of increased

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<sup>189</sup> United Nations (2004).

<sup>190</sup> Nayyar and Court (2002).

<sup>191</sup> On these issues see Sagasti, Bezanson and Prada (2005).

awareness that the haphazard approaches to reforms of the past have not been successful. In addition, the specific and time-bounded nature of the Millennium Development Goals has helped to focus attention on the inadequacies of current international development financing arrangements. There is also evidence that the terrorist attacks of September 11, 2001 (USA) and July 7, 2005, (London) have caused political leaders concern that deeper international security crises may be looming (and perhaps imminent) unless the widespread poverty, marginalization and growing inequalities that lead to frustration and despair are significantly reduced.

Whatever the relative weights one assigns to these factors, the first years of the 21<sup>st</sup> century are characterized by a much greater international focus on development issues than in the previous three decades. Current attempts to reform the international development system appear to be serious and far-reaching, to have engaged a wide constituency and to have generated substantial political momentum.

Sustaining this momentum will require exceptional political will and leadership. The inertias in the 'system' are formidable and there is also a considerable risk that the current sense of crisis and fear could divert development thinking and practice towards narrow and short-term security concerns —such as the 'war on terrorism'. This could hijack the development enterprise in a manner reminiscent of the impact of the Cold War from the 1950s to the 1980s. Political realities dictate that efforts to reform the international system cannot be on an 'all or nothing' or 'anything goes' basis. If meaningful and sustained reforms are to occur, they will need to be guided by a long-term vision, to focus on clearly articulated strategic choices, and to identify practical and politically viable short-term actions.

## **5. Renewing development thinking and practice.**

The central conclusion of this paper is that a fundamental re-thinking of development —of its intellectual framework, its institutions and its organizations— has become necessary and urgent. At the same time it must be accepted that the appearance of the development glass being half full is persuasive. Those who argue the half full case refer to numerous measures that indicate that the world has never been as rich and that it is become richer. Trade is expanding, commodity prices are rising, output is increasing in most parts of the world, inflation is in check and efficiency gains resulting from technological advances are evident across a vast spectrum of goods and services. A recent assessment drawing from a broad range of non-income indicators concludes that convergence has been occurring across a wide range of quality of life indicators.<sup>192</sup> These measures and studies combine to produce a compelling case that 'development is thriving,' or at least that it is not completely foundering.

On the other side, much of the recent development debate on progress towards achieving the MDGs has been built on the argument that that we are failing badly and that developing countries are losing ground. Those who argue the development glass as half empty refer to other data such as one quarter of the world's population living in severe

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<sup>192</sup> Kenny (2005) shows that a broad range of quality of life indicators, including health, education, rights and infrastructure, are converging for most countries of the world, even though income variables are diverging. Becker, Philipson and Soares (2005) make a similar argument, but focusing on what they call a 'full income' measure that takes into account the value of life expectancy gains. In contrast, indicators of the capacity to generate and utilize knowledge are diverging even more sharply than income (Sagasti, 2004).

poverty or 125 million children who never go to school, and so on<sup>193</sup>. Both cases deserve to be taken seriously. Not to do so merely serves to polarize further positions and worldviews that are already highly polarized.

The case that we have attempted to make in this paper is not that one side or the other in this debate is correct. We accept that both sides can be meritorious, depending on the data that are selected, but that it is the development model itself that is flawed and misleading. This is only partly because the standard arguments for and against it are generally distortions based on selective data, but more profoundly because its basic underlying assumptions have grown at variance with reality. The essence of the idea of development presupposes infinite growth that is in reality impossible and the concept of development has been converted into 'one-size-fits all' formulations for a universality of Western modeled material wellbeing.

Eric Hobsbawm concluded his book on the history of the 20<sup>th</sup> century with the following observations:

'The Short Twentieth Century ended in problems for which nobody had, or even claimed to have, solutions. As citizens of the fin-de-siècle tapped their way through the global fog that surrounded them, into the third millennium, all they knew for certain was that an era of history had ended. They knew very little else. ... The century ended in a global disorder whose nature was unclear, and without an obvious mechanism for either ending it or keeping it under control. ... The reasons for this impotence lay not only in the genuine profundity and complexity of the world's crisis, but also in the apparent failure of all programmes, old and new, for managing or improving the affairs of the human race.'<sup>194</sup>

Hobsbawm's description of the human predicament at the end of the 20<sup>th</sup> century applies with even more force to the current state of development thinking and practice. The review in the preceding pages has shown the great diversity, messiness and intractability of development debates, as well as the difficulties faced in deriving policy prescriptions from these and in designing interventions to improve human conditions in specific settings. It recalls Ortega y Gasset's dictum 'we don't know what is happening to us ... and that is what is happening to us.'

The concept of 'development' that took hold following World War II managed, at least for a few decades, to renew faith in human progress and also to place all societies along the same continuum, from 'least developed' to 'advanced societies.' In this sense, it brought back the Enlightenment idea that humanity can, and eventually will, advance towards material prosperity and wellbeing for all, even though this may not happen steadily and without setbacks. But the idea of development went further: this was to be done within a single generation and without the heavy social costs experienced—or imposed on others—by the advanced Western societies that had made the journey in earlier times.

### *5.1 A futile quest: the search for a meta-narrative*

As indicated earlier in this paper, over the past six decades development thinking has become a field on its own right and has spawned a rich and ever growing literature. Although the thought of achieving 'development' in a single generation has ceded to longer-term

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<sup>193</sup> See, for example, the recent UN Millennium Project Reports.

<sup>194</sup> Hobsbawm (1994, pp. 558-559, 562, 563).

perspectives, it remains essentially viewed as proceeding along a single path towards a common and universal goal. Implicitly this means that the ‘problem’ of development can be ‘solved’ by adopting the ‘right’ strategies and policies, usually fashioned in the image of those prevailing in more ‘advanced’ societies.<sup>195</sup> As this paper has shown, a consequence of this has been a search for *the* pathway to development and for a set of simple, universal one-size-fits-all prescriptions that will lead to it.

However, the richness of the ideas and debates outlined in the preceding pages clearly suggest the elusive and illusory character of this search. Differences in initial conditions (history and geography), different policy choices (on globalization, institutions, knowledge, environment and participation), and alternative stands on value questions (on human rights and culture) demand a diversity of approaches and more nuanced responses, rather than conceptual and policy straightjackets. Lack of development is not a ‘problem,’ but rather a ‘condition,’ and while it is not possible to ‘solve’ a condition it is possible to ‘evolve’ from it. Such evolution requires a more varied, specific and finely tuned range of strategy and policy responses tailored to particular situations, which nevertheless should be capable of being examined and compared to each other within a broad framework that links and articulate the repertoire of strategy and policy choices.

This begs the question whether a new meta-narrative is possible or even desirable. In today’s fractured global order is it possible to construct comprehensive models that can successfully integrate the complexity of issues such as economic growth, poverty, inclusion, social needs, social capital, environment, climate change, among others? From the current churn of ideas is it possible to discern the outlines of a new synthesis? Without exaggerating too much, it may be possible to say searching for ‘silver bullets’ and ‘meta-narratives’ is a futile quest, and that the only ‘meta-meta-narrative’ that makes sense is that there are no meta-narratives of development in today’s complex and messy world.

Moreover, the material well being for all that has been the basic aspiration of the modern development idea since its inception, is seen by those who resist it more as a quest to tear apart the fabric of the planet than the means of bringing material comfort to the poor. Barring acts of blind faith, the inescapable conclusion is that (as pointed out earlier in the section on environment) limitless economic growth is not possible in a finite world. Looked at in this way, the thinking and practice of development become no longer a rational and secular undertaking, but a matter of faith—faith that human ingenuity will always be equal to the consequences of its own actions, that science and technology will save humanity from itself. This has led some to a fundamental questioning and rejection of the very idea—perhaps metaphor or even myth—of development.<sup>196</sup>

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<sup>195</sup> Yet, even though bilateral agencies and international financial institutions press poor countries to adopt institutional arrangements and policies now prevailing in rich countries, they do not promote those policies that were pursued in past decades and that led to prosperity and wellbeing. A clear example is that of Intellectual Property Rights, in which countries like the United States and agencies like the World Trade Organization (WTO) and the World Intellectual Property Organization, have pressed for international regimes that make it impossible for developing countries to do what most European countries and the United States did during the 19th century and early decades of the 20th century, namely to have a very loose national system of international property rights that allowed them to copy and utilize many scientific and technological advances produced by other countries. The Trade Related Intellectual Property (TRIPS) provisions agreed in 1995 at the WTO make it impossible even to follow the reverse engineering policies that were at the root of the development successes of Japan, South Korea and other Asian countries in the first few decades after World War II.

<sup>196</sup> For example, as indicated earlier when reviewing debates on culture (section 3.3), there are those who advocate a ‘post-development’ perspective that radically rejects the idea of development: ‘under the banner of

## 5.2 A way forward

Therefore, the basic idea of development as a march towards limitless increases in material wellbeing and prosperity for all has become suspect. But if despondency, apathy and even nihilism are to be avoided when regarding the human prospect, there emerges immediately the need to offer alternative ways of conceptualizing 'development' —or whatever improvements in the human condition may be eventually called. This will require a thorough reexamination of the premises and assumptions that underpin development efforts at the beginning of the 21<sup>st</sup> century, a process that goes well beyond this paper and its attempt to map the main features of current development debates.

The problem is that the spaces and procedures to undertake such an examination are hard to find. Development thinking, as observed earlier in this paper, has become overly dependent on economic theory and official debates continue to be dominated by economic reasoning. This constrains enquiry into many of the consequences of industrial and financial capitalism extending throughout the globe. It also converts economic reductionism into the platform for scholarly debates on development, denying it thereby the margins to explore, accept and even embrace, the complexities, paradoxes and widely divergent worldviews that are essential to apprehend and understand the human conditions in these troubled times. Although this has begun to change, much more is needed and should be done to accelerate pace and to broaden the scope of efforts to renew development thinking and practice. Moreover, as the development discourse emerged from a primarily Western perspective, it is now necessary to integrate non-Western views into a new conceptualization of development. The perplexing question is how to create the spaces for this to happen and what preconditions would need to exist in terms of leadership and agency if this were to happen.

Development thinking and practice will also need to grapple simultaneously with the interconnection of the general and the specific, to link local experience to global forces, to construct fruitful conceptual models on the basis of aggregated local experiences, to test the validity of the premises and assumptions underlying globalization theory, to inform and be informed by disciplinary work and, most importantly, to generate through integrative knowledge systems the new understandings of the human condition that are so urgently required. This implies envisaging the possibility of constructing a multiplicity of paths towards development, for societies can and should choose their own path to what they consider as the 'common good' and their own long-term development objectives. But this must be done while ensuring minimum standards of living, personal freedom and dignity for all, so as to allow individuals to freely imagine, design, choose and realize their own life

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development and progress, a tiny minority of local profiteers, supported by their foreign 'patrons', set out to devastate the very foundations of social life in [developing] countries. A merciless war was waged against the age-old traditions of communal solidarity. The virtues of simplicity and conviviality, of noble forms of poverty, of the wisdom of relying on each other, and the arts of suffering were derided as signs of 'underdevelopment'. A culture of 'individual' success and of socially imputed 'needs' led younger men to depart their villages, leaving behind dislocated families of women, children and older men who had no one to rely on but the promises of often unattainable 'goods' and 'services'. Millions of men and women were thus mortality wounded in their bodies and souls, falling *en masse* into a destitution for which they had never been culturally prepared.' ... 'most contributors to this Reader have come to the conclusion that development was indeed a poisonous gift to the populations it set out to help. For it introduced a paraphernalia of mirages into their natural environment, and at the same time dispossessed them of most of the things that gave meaning and warmth, to their lives.' Rahnema and Bawtree (eds.) (1998, pp. x, 381).

projects. On this basis it would be possible to appreciate and interpret initial conditions; choose among policy options regarding globalization, institutions, environment, knowledge and participation; and to take a position on human rights and cultural factors.

This will be very difficult to do and is not likely to happen at all within existing institutional arrangements. Rather, any prospects for success will require institutional innovations to link, gather and integrate the efforts of leading thinkers and practitioners from all over the world, working together on common agendas, growing and learning together, while at the same time producing ideas, devising strategies and articulating policies that address both conceptual and practical development issues.<sup>197</sup>

One possibility is to provide a forum for a medium-term comparative research and studies program in different cultural settings to explore the meanings of progress and development, and to evolve widely shared appreciation of their main defining features with a forward-looking perspective. This program should be open-ended in content, but limited in time; should have a few themes to structure initial discussions, but allow the process of collective learning shape the direction of debates; and should not focus on a particular end-product, but rather shed off specific outputs as partial consensus and agreement are reached by the participants.

To help structure such discussions around themes it would be useful to begin with a discussion aimed at identifying the inconsistencies and limitations of current development thinking and practice, as well as potential and promising avenues for renewal. This would generate an agenda of issues to be addressed in a collaborative and intellectually open-ended manner, incorporating perspectives and views from a variety of cultures and disciplines, allowing for the ambiguities and inconsistencies that will surely emerge, and which could be structured as a time-bounded exercise to produce, not only ideas and concepts, but also policy recommendations.

Private foundations could play an especially important role in supporting such an initiative. In contrast with international financial institutions, which must be rather conservative to preserve their financial standing, and with bilateral cooperation agencies, which are instruments of foreign policy, private foundations can take greater risks, choose more freely their areas of interest, engage more readily in joint programs, support initiatives for relatively long periods without having to show immediate results, and operate in a flexible way without excessive administrative or political constraints. They are uniquely placed to undertake initiatives to renew development thinking and practice, and to support the type of thinkers and practitioners that were clearly identified by the late Eric Trist, professor emeritus at the University of Pennsylvania:

‘We need flexible, resourceful, resilient people who can tolerate a lot of surprise and ambiguity emotionally, while continuing to work on complex issues intellectually’<sup>198</sup>

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<sup>197</sup> This will also require the focus of development debates to shift away from the current near-exclusive fixation on geographic areas of extreme poverty, mainly Africa and South Asia. This focus is fully understandable and defensible to a point, but it is narrowing excessively the discourse on development thinking and practice.

<sup>198</sup> Eric Trist, personal communication to the second of the authors of this paper.

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### ANNEX A: Development Approaches (1950s-80s)

Approaches or Theories	Conception of Development	General Perceptions for Development		Typical Exponents
		Role of the State and Corresponding Planning Style	Trade and Interface between National and International Economy	
Liberal (1950s-60s)	<ul style="list-style-type: none"> <li>• Development as economic growth</li> <li>• Automatic “trickle-down” effect, through operations of free markets guarantees distribution of benefits</li> <li>• Main indicators: investment rate; GNP growth</li> <li>• Means: fixed capital and human capital formation</li> </ul>	<ul style="list-style-type: none"> <li>• State intervention reduced to minimum needed to make market work. Planning: focus on projects/micro level</li> </ul>	<ul style="list-style-type: none"> <li>• Open economy</li> <li>• Automatic distribution of benefits through international trade</li> </ul>	<ul style="list-style-type: none"> <li>• W.W. Rostow</li> <li>• P.T. Bauer</li> <li>• G. Meier</li> <li>• R. Harrod</li> </ul>
Early Structuralist approaches (1950s-60s)	<ul style="list-style-type: none"> <li>• Development as economic growth accompanied by changes in economic structure (increasingly urban and industrialized)</li> <li>• Debate: balanced vs. unbalanced growth; unlimited vs. limited supplies of labor</li> </ul>	<ul style="list-style-type: none"> <li>• State intervention required to overcome structural constraints to growth</li> <li>• Planning: indicative, sector based</li> </ul>	<ul style="list-style-type: none"> <li>• Selective “open economy”</li> <li>• Foreign aid required to fill resources gaps</li> <li>• Recognition of problems of export orientation if demand is inelastic</li> <li>• External policy closely linked to domestic resources allocation (e.g. “Two-Gap Model”)</li> </ul>	<ul style="list-style-type: none"> <li>• A. Lewis</li> <li>• R. Nurske</li> <li>• P. Rosenstein-Rodan</li> <li>• A. Hirschman</li> <li>• H.B. Chenery</li> </ul>
Neo-Marxist approaches (1950s-70s)	<ul style="list-style-type: none"> <li>• Development as economic growth in the context of technical transformations (“transformation of forces production”) and workers’ control of production (new “social relations of productions”); seen as impossible under current international order</li> </ul>	<ul style="list-style-type: none"> <li>• State control of means of production</li> <li>• Planning: comprehensive</li> </ul>	<ul style="list-style-type: none"> <li>• Delinking from international capitalism markets</li> <li>• LDCs’ participation in international markets (or “extension of capitalist relationships” into LDCs) leads them to stagnation</li> <li>• Freeze in international division of labor in detriment of LDCs</li> </ul>	<ul style="list-style-type: none"> <li>• P. Baran</li> <li>• P. Sweezy</li> </ul>
Structuralism (1950s-70s)	<ul style="list-style-type: none"> <li>• Development as economic growth accompanied by some changes in economic structure and institutions, as well as improved intra- and international distribution of benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Strong State intervention to guide economic growth and promote redistribution</li> <li>• Planning: mixture of indicative and comprehensive</li> </ul>	<ul style="list-style-type: none"> <li>• Deterioration of terms of trade viewed as inevitable; import substitution as main initial vehicle to stimulate development</li> <li>• Debate: declining “terms of trade”; “infant industry” argument; “cumulative causation” in international trade</li> </ul>	<ul style="list-style-type: none"> <li>• R. Prebisch</li> <li>• G. Myrdal</li> <li>• H. Singer</li> <li>• C. Furtado</li> </ul>

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(First draft annotated outline, Jan 31, 2005)

Early Dependency Theory/Unequal Exchange (1960s-70s)	<ul style="list-style-type: none"> <li>• Development as transformation of internal politico-economic system and international relationship</li> <li>• “Center-periphery” characterization of the world economy</li> <li>• Emphasis on the global economy</li> </ul>	<ul style="list-style-type: none"> <li>• State represents the ruling class’ interests; facilitates the flow of surplus to economies in the “center”</li> </ul>	<ul style="list-style-type: none"> <li>• Delinking from world economy; inward orientation</li> <li>• Unequal exchange in the capitalist world economy is to the detriment of LDCs or “periphery”; transnational corporation dominate the international system</li> <li>• LDCs reproduce internally the external dependency relations</li> </ul>	<ul style="list-style-type: none"> <li>• A.G. Frank</li> <li>• T. dos Santos</li> <li>• S. Amin</li> </ul>
Dependent Development (1970s)	<ul style="list-style-type: none"> <li>• “Dependent development” (only option for capitalist LDCs): growth with some degrees of industrialization, but linked to multinational operations</li> <li>• Emphasis on national level</li> </ul>	States participates directly in economic accumulation, in association with local elites and international capital	Regulation of external transactions (trade, foreign direct investment) to avoid excesses of peripheral capitalism. Unlikely in case of authoritarian state	F.H. Cardoso G. Palma P. Evans O. Sunkel
Neostructuralism (late 1970s-80s)	Development as economic growth accompanied by changes in the economic and institutional structures; bases its analyses on particular institutional behaviors (rigidities, lags) which make some patterns of allocation and growth more likely than others; introduces distributional considerations	Strong state intervention at the macro levels to restore balance; intermediation in the solution of conflicts over distribution Planning: mixture of indicative and comprehensive	Trade has basically benign effects; however,, governmental intervention in required to guarantee optimal mix of import-substitution and export-promotion (not seen as mutually exclusive) Introduction of the concept of scale economies in trade models Strategic Trade Theory	ECLA L. Taylor P. Krugman
Neoliberalism (1980s)	<ul style="list-style-type: none"> <li>• Development as economic growth, with liberalization of internal and external aspects of the economy as a requirement; bases its analyses on “ideal” behaviors leading to optimal solution only in the context of competitive markets</li> </ul>	<ul style="list-style-type: none"> <li>• State intervention reduced to minimum needed to make market work</li> <li>• Planning: focus on projects at microlevel and application of compensatory package</li> </ul>	<ul style="list-style-type: none"> <li>• Optimal distribution of benefits through international trade; need for an “open economy”; export-oriented growth</li> </ul>	<ul style="list-style-type: none"> <li>• B. Balassa</li> <li>• D. Lal</li> <li>• A. Krueger</li> </ul>

Source: adapted from Montoliu (1991)



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