Development Ethics
Justice, Wellbeing, and Poverty in the Developing World

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Part I. The normative context
Introduction

In 1997 the World Bank invested over xxx billion dollars in loans targeted directly for the purpose of facilitating economic development in the world’s poorest countries. Multilateral and bilateral aid during that year represented another xxx billion dollars, and national governments themselves provided xxx billion dollars in self-financed development efforts. These funds were expended on a range of projects: dams and water-control projects, loans for large national industries, funds for agricultural development and modernization, funds for health and education infrastructure, micro-loans for small businesses and entrepreneurs, and for many other types of projects and initiatives. In the same year, x million children suffered chronic malnutrition, x% of girls in South Asia ended their primary schooling at age 9, tens of millions of infants and children suffered premature disease and mortality as a result of poverty, and hundreds of millions of families lacked the income needed to support a minimally decent life. And these figures do not represent a significant improvement over comparable data from 1985. Finally, the inequalities of wealth and income between the first world and the third world continue to grow [document]. The growth rate in western Europe and North America was x% per year, while that of sub-Saharan Africa and South Asia was y% per year. The percentage of wealth controlled by the 100 largest multinational corporations increased from x in 1975 to y in 1995.

What are we to make of these facts? They suggest a series of questions: what economic processes are underway in the global economy today that lead to the increase of inter-regional inequalities of wealth and income? Why are problems of poverty so resistant to alleviation? How might richer nations and peoples effectively contribute to alleviation of poverty? Who is to blame? Who is doing well?

Many of these questions are empirical. The global economy is a complex system of causation and institutional inter-digitation, and it is a substantial exercise in social science to come to recognize the workings of the dense set of processes at work. Economists, political scientists, and area specialists have multiple theories and analyses that shed much light on these processes. However, the facts described here also demand that we ask a series of questions that are not primarily empirical, but rather moral or normative. Is there an ethics of development? What does justice require in the face of continuing and massive human suffering? What does charity require? What is the moral importance of the multiple forms of human suffering represented by extreme poverty? Are inequalities among nations or peoples morally problematic? At what point do they become so? What about inequalities within a country—for example, the inequalities of life prospect between a Mexican farmer and his banker or legislator? How are we to compare
the importance of several intrinsic goods and bads—e.g. human suffering and well-being versus environmental preservation?

In addition to substantial deprivation throughout the developing world (poverty), the global system provides striking instances of wide inequalities. Are inequalities inherently morally suspect? Is there a moral basis for any form of egalitarianism? Which, if any, of the inequalities that we find between countries today are morally problematic and in need of remediation?

The task I have set myself in this book is to attempt to take the measure of the ethical challenges that are presented by the facts of economic development at the end of the 20th and the beginning of the 21st centuries, and to provide a preliminary basis for attempting to answer those challenges.

Not every situation that leads to human suffering is one that demands for or admits of ethical treatment. For example, the occurrence of a volcano may lead to the displacement of tens of thousands of residents; but it would be senseless to ask for the “ethics of volcanos.” So what makes a bad situation one that supports ethical analysis? It is those situations where the bad outcomes are affected by human agency, individual or collective, or where the severity of consequences can be minimized through human agency. And economic development falls in this category, since the outcomes are very much affected by the choices made by individuals, groups, and governments.

**Important questions to be posed**

- What ought to be the leading priorities of economic development?
- What constitutes “just development” within a given society?
- Why is poverty morally repellent?
- What obligations of benevolence do citizens of the first world have towards the poor of the developing world?
- What obligations do governments of the first world have toward the poor of the developing world?
- How should we balance the interests of current and future generations?
- Are there moral principles that would permit us to assess the justice of international inequalities of citizen well-being, consumption, and assets?
**Chapter 1. What is development?**

The goal of this chapter is to provide a schematic but empirically informed account of some of the main features of economic development in the world today. We will consider the economic, social, and political processes within a given economy that constitute the system through which wealth is produced and distributed; we will examine some of the international linkages which affect the structure and process of economic activity in the less-developed world; we will consider some of the tools of intervention through which a given economy can be stimulated to economic growth; we will examine some of the outcomes in the developing world today: poverty, inequality, malnutrition, low literacy, low levels of democracy, and low life expectancy; and we will provide a brief description of some of the most important agents in international economic development outcomes (corporations, lending agencies, bilateral and multilateral aid agencies, non-government organizations).

Since 1945 the countries of the non-industrialized world have made major efforts at stimulating modern economic growth.\(^1\) The variety of approaches is as great as the variety among these societies themselves—the Brazilian model (import substitution industrialization), the Korean model (export-led growth), the Chinese model (socialist revolution, land reform, collectivization, and market reform), the Philippine model (aggrandizement of a small economic elite with near total disregard for the condition of the poor), or the Ethiopian model (general economic collapse in the midst of civil war). Economic development processes have resulted from a number of forces: domestic LDC government economic policy, the private activities of national and multinational corporations, the influence of industrialized-nation governments, and a variety of bilateral and multilateral development agencies.

In spite of over forty years of respectable growth in many of the economies of the less-developed world, however, problems of poverty are as severe as ever in many developing countries: the incomes flowing to the poorest 40% have climbed much more slowly than GNP, social welfare indicators such as longevity and infant mortality have shown little improvement in the lower quintiles, and processes of modernization and structural transformation have had little effect on the poorest strata. These generalizations are not true everywhere; Korea, Taiwan, and Sri

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\(^1\) Development economists generally agree in defining modern economic growth as sustained rise in per capita gross national product. This definition identifies the economic condition that is necessary for rising incomes and rising domestic welfare. See Kuznets, Meier, Ellis et al for various statements of this conception of economic growth. Chenery and Srinivasan, eds. (1988) is a rich sourcebook on development theory.
Lanka represent exceptions (for different reasons). But this story is largely accurate for many more countries: for example, India, the Philippines, Brazil, Nigeria, and Mexico.

The outcomes of these various economic development strategies are at least as varied as the strategies themselves. Some parts of the less-developed world have experienced respectable economic growth during the past four decades. South Asia has witnessed growth of slightly lower than 2% per capita per year since 1965, and East Asia has grown at a faster rate (3.5%). Per capita GNP in India has grown at 1.8%; in the Philippines at an average rate of 1.9% during this period; Indonesia at a rate of 4.6%; and China at a rate of 5.1%. Other parts of the world have been less successful. Parts of sub-Saharan Africa have witnessed falling per capita GNP during the past twenty years; the Caribbean economies have experienced almost zero growth (.6%), and the Latin American economies have had slight positive growth rates (1.6%) in per capita GNP. (These aggregated figures conceal substantial intra-regional diversity.)

**What does development require?**

What are the goals of rural development in the less developed countries? Several emerge from the development literature: to increase the net national income; to increase the productivity of the agricultural sector; to increase per capita income; to reduce rural poverty; to reduce hunger; to support a process of industrial development and urbanization; and so forth. Different development strategies affect these goals in different ways; and perhaps more importantly, different strategies have dramatically different consequences for the various strata of society in the less developed country. Different development strategies produce different sets of winners and losers. It is insufficient, therefore, to speak only of “modernization” or economic growth; it is necessary also to consider the effects on inequalities between various social classes that accompany a given development strategy.

It is possible for rural development plans to successfully increase agricultural productivity and per capita rural incomes, and yet simultaneously increase stratification and poverty at the bottom end. These effects raise serious problems of distributive justice and social policy. This paper has three main parts. First, it presents a schematic account of some of the considerations of distributive justice relevant to rural development. Second, it considers the tendencies concerning distributive justice that are contained in development schemes that work primarily through investments in private farming systems (capitalist development schemes). These schemes have a tendency to increase

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3 We need also to ask, whose goals: local political authorities, international lenders, U.S. foreign policy makers, or local people?
farm productivity and per capita income while at the same time increasing inequalities and creating a “surplus population” of rural poor. Finally, the paper considers socialist rural development plans that are designed to avoid these tendencies towards inequality and rural poverty. The paper considers whether such devices as fundamental land reform, producers’ cooperatives, and collective farming can potentially lead to a process of rural development that successfully increases agricultural productivity while at the same time reduces inequality and poverty at the lower end.

Let us consider briefly the main tasks of rural development in any developing society. Central among these are raising farm output, enhancing food security, and increasing rural incomes. A second set of goals involves improving equity in the distribution of wealth and income. Finally, developing economies are concerned with various aspects of economic modernization, including particularly the introduction of more efficient production technologies and the facilitation of structural transformation from traditional production sectors to modern production sectors.

There is another aspect of development policy formation that is often overlooked by development economists; this is the role of political goals within the development process. Regime stability, security interests, and the domestic political interests of the ruling party all play an important role in development policy formation in the developing world. And in many states—China, for example,—we may add to this list the set of ideological goals that have driven policy at various points: creation of a new man, reducing the social importance of material incentives, and enhancing the prestige and leadership role of the regime in power.

What is required in order for these development goals to be achieved? First, it is evident that most of these goals require the introduction of innovations increasing productivity in agriculture, particularly of land and labor. This is the kernel of truth in Schultz’s arguments about traditional agriculture; through long adaptation, traditional agriculture had adjusted in such a way as to extract the highest possible yields from traditional technologies and inputs. In order to enhance food security it was necessary that grain outputs should increase at faster than the rate of population increase, and this required the introduction of modern technologies and inputs into cultivation. These include particularly adoption of modern seed varieties, chemical fertilizers and pesticides, power machinery, electrification, and the extension of irrigation.4

A second means of development has to do with the organization of the institutions of production: the size of the unit of production, the investment

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4 See Mellor (1976) and Hayami and Ruttan (1971) for discussion of the problems of implementing new technologies in agriculture in the developing world.
funds available to the unit, the incentives defining the environment of choice of the participants, and the role of market processes in directing production decisions.

A third means of development focuses on the infrastructure of the rural economy: the efficiency and cost of transportation, the marketing system, and the system of grain storage. Here the role of the state is generally reckoned to be large in any developing country, since these features of the economy have many of the properties of public goods. But in an economy in which a fifth of the harvest may spoil during storage or in which the cost of transport from rural market to urban consumer is equal to the cost of growing the grain, development in these areas can have a major effect on output.

Through what policy tools might a state within a developing society attempt to reform technology, organization, and infrastructure? There are various dichotomies available: for example, plan versus market, compulsion versus voluntary adoption, or national policy versus regional variation.

**Development orthodoxy**

There is a more or less coherent development orthodoxy today. The central assumption of the development gurus is that growth in per capita income is the fundamental goal of economic development and that efficient markets, privatization of economic life, and a severely restricted role for the state in welfare and economic regulation are the central means. On this approach, economic development is a largely technical process involving the improvement of market institutions, price reform, and free-market entrepreneurial activity. Growth and efficiency are preeminent. Free markets and privatization are emphasized. And it is generally held that distributive goals should not intrude; the state is regarded as a predatory, rent-seeking agency which almost inevitably interferes with efficient growth. A chief goal, therefore, is to minimize the role of the state—including subsidies and welfare systems. Market institutions should be permitted to select the most efficient techniques of production, products, and uses of resources.

**Growth in Gross Domestic Product**

Some economists define economic development in terms of sustained growth in the overall productive capacity of the national economy, at a rate greater than the rate of population increase. Growth in this range leads to increases in per capita wealth and income—so, on average, the members of society are better off each year.

A second important characteristic of the economic definition of economic development has to do with qualitative transformation of the economy—what economists refer to as “structural” transformation. This phrase refers to the transition from an agricultural to a service and industrial economy, and the transition from traditional to modern techniques in all sectors. Finally, this
perspective emphasizes the transition from low-productivity labor to medium- and high-productivity labor.

Institutional factors in defining an economy

Any economy is a system of production and distribution. Goods are produced and income streams are assigned to persons entitling them to gain access to some quantity of these goods. A chief determinant of the distribution and character of poverty, then, is the system of entitlements that a given economy creates for its population: the means through which persons gain income through wages, interest and rent, sales of products, state-funded subsidies, and the like. So we can get an initial view of the physiology of poverty by examining some of the sources of income in typical developing economies that produce chronic and acute poverty.

A substantial shortcoming of neoclassical approaches to development theory is insufficient attention to the institutional determinants of income distribution; but analysis of these institutional arrangements is mandatory if we are to have an informed basis for designing poverty-alleviating strategies of development. Local institutional arrangements—the property system, the institutions of credit, the characteristics of labor markets, and the circumstances of political power—decisively influence the distribution of the benefits of economic growth in existing rural economies. In his major study of the rice economy of Asia, Randolph Barker argues that the Green Revolution technologies themselves do not create greater inequalities, but that unequal ownership of land and capital leads to greater inequalities of income through technical change [Barker, 1985, Rice, : 157]. Barker comments that the decisive factor determining distribution is the set of property relations and institutional arrangements present.

If ownership of these resources is concentrated in a few hands, then their earnings will likewise be concentrated. . . . The effect of resource ownership on the distribution of earnings is so great that any effect caused by technological change is marginal. . . . That does not say that when incomes are increased because of a technological change, all participants benefit equally. On the contrary, they benefit in proportion to their ownership of resources and the earnings of the resources. . . . The important factor determining who receives the direct income benefits is the ownership of resources. [Barker, 1985, Rice, : 157]

It is therefore important to consider the institutional framework that determines the generation of income. A chief determinant of the distribution and character of poverty is the system of entitlements that a given economy creates for its population: the means through which persons gain income through wages, interest and rent, sales of products, state-funded subsidies, and the like, as well as the distribution of ownership rights in productive assets. So we can get an initial view of the physiology of poverty by examining some of the sources of income in typical developing economies that produce chronic and acute poverty.
Inequalities in development

Important as absolute per capita growth rates are, we must also consider the distributive characteristics of various growth processes. And here again there is substantial variation. In many LDCs inequalities have grown sharply in the past three decades: Brazil, Central America, the Philippines, Thailand, and Nigeria, for example. In other LDCs, by contrast, inequalities have remained constant or fallen: Korea, Indonesia, China, and Nicaragua. Income inequalities may be measured in a variety of ways; but two common measures are the Gini coefficient (figure 1) and the share of income flowing to the poorest 40% of income earners. The Gini coefficients and income shares to the poor are represented in table 2 for a number of developing countries over the past three decades. Inequalities have generally worsened in most developing countries; the average ratio of income of the top quintile to the poorest two quintiles rose from 4.14 to 4.45 to 5.03 to 5.18 in the four periods between 1956-60 and 1971-75. (The average for 1976-80 in this data set is substantially lower, but this reflects a skewed sample for the final period.) This data demonstrates a downward trend in the share of national income flowing to the poorest 40% of population in developing countries.

One measure of the affluence of an economy is its gross national product (GNP) per capita. But there is substantial variation in the pattern of distribution of income across economies; some economies have a very pronounced skew toward higher income groups, whereas others have a more substantial degree of income equality. Income inequalities can be measured in a variety of ways; the goal is to arrive at a way of characterizing the degree of dispersion of income across groups. A common tool for representing the dispersion of income is a graph of income representing cumulative shares of income across cumulative shares of population (referred to as a Lorenz curve; figure 1). A society in which income is equally distributed across all persons will have a straight-line Lorenz curve at 45 degrees to the origin. The Lorenz curve for a particular income distribution permits us to read off how much of the national income is flowing to the ith percentile of income earners.
Let us dwell for a moment on the mathematics of income and distribution. One measure of the affluence of an economy is its gross national product (GNP) per capita. But there is substantial variation in the pattern of distribution of income across economies; some economies have a very pronounced skew toward higher income groups, whereas others have a more substantial degree of income equality. Income inequalities can be measured in a variety of ways; the goal is to arrive at a way of characterizing the degree of dispersion of income across groups. A common tool for representing the dispersion of income is a graph of income representing cumulative shares of income across cumulative shares of population (referred to as a Lorenz curve; figure 3.0). A society in which income is equally distributed across all persons will have a straight-line Lorenz curve at 45 degrees to the origin. The Lorenz curve for a particular income distribution permits us to read off how much of the national income is flowing to the ith percentile of income earners.

Corresponding to each Lorenz curve is a simple measure of inequality—the Gini coefficient. This construct measures the degree of inequality represented by a given Lorenz curve as the ratio of the area enclosed by the Lorenz curve and the 45 degree line to the area below the 45 degree line; thus perfect equality corresponds to a Gini coefficient of 0 and perfect inequality corresponds to a coefficient of 1. It is important to note, however, that the Gini coefficient represents less information than the full Lorenz curve; different Lorenz curves may possess the same Gini coefficient.

The fact of differences in the distribution of income across economies means that two countries with the same per capita GNP may have substantially different amounts of income flowing to the poorest income groups. So if we are concerned with poverty we need to pay particular attention to the pattern of distribution of income, and the amount and dispersion of income flowing to the poorest 20 to 40 percent of income earners. This suggests that we need to associate GNP data with a disaggregation of income across the population.

In practice we rarely have income distribution data as detailed as that represented by a Lorenz curve distribution for any country. Instead, available data generally represent an aggregation of data representing distribution of income
across quintiles. World Bank tables provide estimates of percentage of income flowing to quintiles and upper deciles; however, this data is only available for a minority of reporting countries (21 out of 89 low- and middle-income countries; *WDR* 1990). Other sources may provide only an estimate of the ratio of income shares of the top and bottom quintile, or an estimate of the Gini coefficient of income; *Human Development Report 1991*, for example, reports the income share of the lowest 40% of households (24 of 160 countries), the ratio of the top quintile to bottom quintile (20 of 160 countries), and gini coefficients (28 of 160 countries). It is desirable to be able to convert information provided in these various forms into an approximation of the Lorenz distribution of income that underlies the data. This can be done as a relatively simple spreadsheet exercise by constructing a linear Lorenz distribution consistent with the constraints imposed by the data source (e.g. quintile share data, quintile ratio data, or Gini data). Figure 3 presents the results of this exercise for Brazil, Egypt, and India. Once we have constructed the linear Lorenz distribution corresponding to a given data estimate, we can also calculate the percentage of the population falling below a given poverty budget. (This is convenient because poverty data are even more difficult to get than distribution data.)

**Figure 2.** Quintile incomes for Egypt

Quintile share data can be converted into an estimate of the average income flowing to each quintile. This disaggregation of income is useful because it permits us to focus on the incomes flowing to the poorest 40%. Egypt’s purchasing power
parity-adjusted GNP per capita in 1987, for example, was $1357. United Nations sources provide an estimate of the income share of the lowest 40% and an estimate of the ratio of the top quintile to the bottom quintile. These estimates can be interpolated to provide a quintile distribution: the bottom quintile of income earners received 6% of income; the second lowest quintile received 10%; the third received 13%; the fourth received 20%; the ninth decile received 16%; and the tenth decile received 35%. These data may be broken out into an estimate of the average income of each quintile (figure 2). If we adopt a PPP-adjusted poverty budget of $850, this disaggregated data suggests that the bottom two quintiles of income earners fall below the poverty line.

The data underlying Figure 2 can be converted into a Lorenz distribution, making use of the quintile inflection points. This Lorenz distribution corresponds to a Gini coefficient of 0.419.

![Figure 2a. Lorenz distribution for Egypt (based on Figure 2)](image)

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6 Purchasing-power parity is a measure of income that takes into account differences in prices in different economies.
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Figure 3 illustrates this set of facts. In this chart the national incomes of India, Egypt, and Brazil are disaggregated over their populations. (These income data reflect PPP-adjusted dollars, based on 1987 data. The graph should be interpreted as representing a value for the average income flowing to the nth percentile of income earners.) There are substantial differences in the national income of these three economies; but as the chart demonstrates, the condition of the poor is strikingly similar in the three cases. Brazil’s per capita income (PPP-adjusted) is $4307, Egypt’s $1357, and India’s $1053. Brazil, then, is substantially better off than Egypt or India. However, Brazil’s income distribution is much more skewed than that of either Egypt or India; these income distributions correspond to Gini coefficients of .358 for India, .419 for Egypt, and .591 for Brazil. The poorest quintiles of each of these countries receive approximately the same income. India and Egypt have about the same levels of income through the 80th percentile, after which Egyptian income rises more rapidly than Indian. And the level of income of the Brazilian population begins to rise above those of Egypt and India after the poorest quintile, slowly at first and then very rapidly above the 80th percentile. It is not unreasonable to interpret these data as showing that Brazil’s relative affluence is chiefly concentrated on the upper quintiles of income earners, whereas the poor of Brazil are about as badly off as those of Egypt or India.

![Income Distribution - Three Countries](image)

**Figure 3.** Income distribution data

**Source:** Income data reflect *Human Development Report 1990.*

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7 Income distributions have been estimated on the basis of limited quintile-distribution data. This income data is reported in *HDR 1990.* The income curves
Poverty

Let us turn now to the question of poverty. How has third-world economic growth affected the poor? Have the benefits of economic growth been broadly distributed over all income levels? Have incomes—and consequently welfare—risen for the poorest 20 to 40 percent of developing societies? This question is distinct from that of inequalities, since it is possible for inequalities to rise while per capita income to the poor rises as well. However, in a large number of developing countries the benefits of economic growth have not reached the poorest 20 to 40 percent: their share of income has fallen, and their absolute average income has remained approximately constant. Table 3 provides data on the welfare of the poor in selected developing countries; it shows quite dramatically that there are substantial differences in poverty performance across countries. Low income shares to the poorest income strata have direct welfare effects: malnutrition, disease, inadequate water, low educational levels, high infant and child mortality rates, and depressed longevity statistics. Some countries—e.g. Sri Lanka—have made impressive strides in raising the welfare of the poor, even in the absence of substantial economic growth. Other countries—e.g. Brazil and the Philippines—have witnessed a sharp decline in the welfare of the poor in the midst of respectable national economic growth. Table 4 presents regional aggregation of this data set for each of the variables considered. There is a general upward trend in the three chief welfare indicators represented here at the country and region level—life expectancy, infant mortality, and school enrollments, indicating a general improvement in welfare in developing countries during this decade. But these aggregate figures conceal substantial variation within each country, and it is reasonable to assume that much of the improvement indicated here is concentrated in the top three quintiles of income earners in each country. It should also be noted that there is substantial regional variation in each of these indicators; average infant mortality among countries in South Asia in 1986 was 138 per thousand, whereas the average figure for Southeast Asia was 48 per thousand.

There is an extensive literature within development studies that is organized around the problems of inequalities and poverty in development. In order to design a strategy of economic development that puts the poor first, we need to have an analysis of the causes and circumstances of poverty in the developing world. The poor have few assets to sell within a market economy. They are land-poor or landless, and are dependent on the sale of unskilled labor for income. And the institutional arrangements of LDCs—the property system, national political arrangements, and local power relationships—commonly leave the poor with little

represented here are my approximation of income distribution given HDR data on shares flowing to each quintile.

8 Particularly important are writings by Irma Adelman, Gary Fields, Atul Kohli, Keith Griffin, Hollis Chenery, and Ronald Herring.
access to land and little political power through which to influence state policy. This analysis suggests that there are three broad avenues for improving the income of the poor: by improving their access to productive assets (chiefly land and education), by increasing the demand for labor, and by increasing the flow of state resources into amenities for the poor. This in turn suggests several strategies for poverty-reduction: asset redistribution programs (land reform, for example), economic programs that have the effect of increasing unskilled employment, and what Dreze and Sen refer to as “public policy” spending—provision of health and education services to the rural poor [Dreze, 1989].

It is important to separate out inequalities and the direction of change of inequalities, from the issue of poverty and the direction of change of poverty levels. For, as Gary Fields shows, it is entirely possible that poverty falls, the real welfare of the poorest rises, and relative inequalities increase. We may have social policy reasons for preferring less inequality to greater; but it is fallacious to assume that increasing inequalities necessarily entail increasing poverty. A simple numerical example shows that rapid growth with higher inequalities may improve the welfare of the least-well-off more than slow growth with low inequalities over a few years. If our ultimate concern is the absolute welfare of the poorest in a medium timeframe, then it may be preferable to favor growth over reducing inequality. If, on the other hand, we are inherently concerned with equality (and not merely equality as an instrument for improving the welfare of the poorest), then we may choose the slow growth model. Whether growth with rising inequalities leads to immiseration or gradual improvement in the welfare of the poor depends on the rates of each; more basically, it depends on the form that growth takes. Consider the example of Brazil based on data in table 2. In 1971-75 Brazil is found to have an income ratio of 9.51, with the poorest 40% of the population receiving about 8% of the national income. Brazil’s growth rate in 1986 was about 4.3%. If we assume that this rate of growth is uniformly distributed across all income earners (a highly unrealistic assumption), then the average income for the poorest 40% will rise from $91 to $95, while that of the richest 20% will rise from $855 to $892. If we take $125 as the poverty level, it will take about 40 years of growth at this rate to bring the average income of the poorest 40% up to the poverty level. On the more realistic assumption that the benefits of growth flow disproportionately to higher income groups, this disparity becomes even more pronounced.

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Keith Griffin describes the requirements of a poverty-first strategy of development as involving the following elements: “(i) an initial redistribution of assets; (ii) creation of local institutions which permit people to participate in grass roots development; (iii) heavy investment in human capital; (iv) an employment intensive pattern of development, and (v) sustained rapid growth of per capita income” (Griffin 1988:31).
These points make clear what was perhaps already well known to thoughtful observers: economic growth (improvement in per capita GNP) is not sufficient to produce improvement in the welfare of the poor. Instead, there are some growth strategies that have harmful effects on the poor and others that have poverty-reduction effects.

**Improving incomes versus improving material well-being**

Note that it is possible to measure poverty from two points of view: incomes and consumption bundles. (This point converges to some degree with that made by Sen in his discussion of entitlements.) A given level of income in a given state of the economy suffices to purchase a given bundle of commodities. However, as an economy undergoes economic development, the price structure changes as well. Increasing productivity in various sectors leads to falling prices for the commodities produced in that sector. So in periods of rising productivity (through technical change and reorganization of the process of production), it is possible for the contents of the consumption value to increase in real terms while remaining constant (or even falling) in money terms. Food prices fall when agriculture undergoes significant increase in productivity and efficiency; likewise in other areas of consumption goods. So improving the condition of the poor cannot be understood solely in terms of rising per capita incomes; we need instead to unpack a given average income into the bundle of commodities which it is able to purchase.

The problem before us, then, is this: how should the development policies adopted by LDC governments and advocated by international development agencies deal with the problems of inequality and poverty in the context of economic growth?

**Income insecurity**

These arguments show the importance of disaggregating national income over the population as a whole. But there is another form of disaggregation that is important as well: disaggregation over time for a given person or family. There are two kinds of temporal variation that affect the status of the poor: life cycle variation in income-earning power and seasonal fluctuation in incomes. Consider the second point first. It may be that a very poor family in West Bengal subsists on an annual income of $200 per year, along with the products of a small piece of land. But this income and produce has a strongly cyclical character over the course of the year: demand for labor fluctuates, leading to employment and wages in some seasons and unemployment and no wages in other seasons. And the period just before the harvest is likely to be a lean season as well: food stocks have begun to run out, harvest-based employment has not yet begun, and grain prices are at their highest point of the year. During these periods the very poor may become absolutely
destitute, unable to buy food in sufficient quantities to support one meal a day. Thus poverty has its own cycle of ebbs and flows; and if we think only of the average level of well-being of the poor, we will have missed completely the extended periods of even greater hardship that have occurred throughout the year.

These forms of fluctuation of income capacity point up the very great importance of income stability as a factor underlying the well-being of the poor. A somewhat higher average annual income may involve long periods of unemployment, and subsequent deprivation throughout significant parts of the year.

The other important kind of temporal fluctuation in poverty is life-cycle variation. A poor family is in its best circumstances when both parents are present and healthy and when children are old enough to contribute their labor to the family’s well-being as well. At the beginning and end of this process, by contrast, the earning capacity of the family is reduced. During pregnancy and infancy the mother’s capacity to labor is often diminished to some degree, during the early years of childhood the children are hungry mouths rather than sources of labor. At the other end of the cycle, aging, illness, and death once again reduce the income-earning capacity of the family. (Jean Dreze has written very movingly of the terrible situation of widows in rural India; Dreze 19??:?.) So when we think of the situation of the rural poor, it is important not to imagine a sort of homogeneous level of deprivation. Instead, there will inevitably be a range of experiences, from the disadvantaged but viable to the horrendously deprived at the bottom. And the various measures of well-being discussed above—infant mortality and health and nutrition status—are certain to be correlated with these variations.

Geographical basis of poverty

So far we have looked at the institutional framework of poverty. But there is also an important geographical dimension to poverty: some regions are inherently poorer than others. There is an uneven distribution of resources across any national economy. Some regions have good cropland, whereas others have poor soil. Some regions contain extensive natural resources—coal, oil, or mineral deposits. Some regions are advantaged within the transportation system (ports, rail and road hubs, etc.), thereby making investment and economic activity more attractive to outsiders. And it emerges frequently that these patterns of unequal distribution of assets tend to coincide; so that poor farming areas are also poorly served by the transportation system, have low levels of social investment in health and education, and have low levels of non-agricultural economic activity. Disadvantaged and peripheral areas will tend to be poorer across the board than more advantaged areas. Thus China’s economy since 1949 has largely succeeded in reducing intra-regional inequalities of wealth and income through land reform and other social policies. But it has been much less successful in evening out inter-regional inequalities [Lyons, 1991]. Coastal cities and their hinterlands have gained substantially in past decades, whereas interior provinces have lagged behind. The
most acutely disadvantaged provinces are in the southwest and northwest of China [Perkins, 1984, #748].\textsuperscript{10}

**Conclusions from these observations**

A clear result of this analysis of the diverse social positions of the poor has to do with the structure of stratification within a developing economy. We may think of the institutions and economic relations that define a given economy as a distributive system, channeling flows of income to various groups. And it is apparent that there is substantial inequality in most such systems in the developing world, with large streams of income flowing to some social groups and irregular trickles of income flowing to others.

A second lesson that we may draw is the centrality of ownership of assets in the distribution of income. Land is often very unequally distributed; access to credit is very uneven; ownership of capital is very narrowly concentrated. The poor are poor, in large part, because they control few assets beyond their labor power. It is a familiar truth that productive activity requires proper tools; in economic terms, value-added is a function of the amount of capital set into motion by a quantity of labor. The poor have very little access to capital goods; consequently, the products of their labor have relatively little value, and their incomes remain low.

The low productivity of the labor of the poor is exacerbated by the low degree to which the poor have access to the services that would enhance the value of that single asset (education, health care). Illiterate, innumerate workers are less productive than their better educated counterparts; with the result that their incomes are lower as well. So a reasonably direct way of improving the welfare of the poor is to increase the productivity of their labor through education and training.

Third, the economic condition of the poor depends a great deal on the character and quality of government programs for social welfare: food subsidy programs, rural health and education programs, credit regulations and provision, and the like. The state is a substantial player (often by inaction rather than action). But equally important are negative effects of state policy: anti-rural bias in agricultural policy, restrictive migration policies, anti-agricultural bias in national credit programs, and the like.

Finally, preceding analysis shows that the particular institutional arrangements of a rural economy have profound effects on the character and distribution of poverty. The most general economic institution is the market: the institutional setting in which buyers and sellers, producers and workers, meet and exchange products at market-determined prices. We have seen that market relations conjoined with sparse assets and low-productivity labor skills guarantees low

\textsuperscript{10} Walther Aschmoneit has constructed a Quality of Life index based on the Chinese 1982 census that bears out this pattern (Delman et al 1990).
income to the poor; if we are to overturn this outcome then specific steps must be taken to offset the workings of the market.

But other more specific institutions are pertinent as well. The details of the land tenure system determine the relative shares of farm income that flow to tenant and landlord—thus profoundly affecting the ability of the tenant to survive hard times. The terms of labor hiring likewise have substantial effects on the well-being of workers: where employers are required to meet minimal conditions of wage, security, health, and safety, workers who find employment will be better off than otherwise. Economic institutions have the effect of channeling income into the hands of various groups; to the degree to which these institutions are skewed in the direction of the interests of the rich, the poor will suffer. (And, as will be argued in the final section, there is every reason to expect just such a skew, since the rich have greater access to political power than the poor.)

**What does development require?**

What are the goals of rural development in the less developed countries? Several emerge from the development literature: to increase the net national income; to increase the productivity of the agricultural sector; to increase per capita income; to reduce rural poverty; to reduce hunger; to support a process of industrial development and urbanization; and so forth. Different development strategies affect these goals in different ways; and perhaps more importantly, different strategies have dramatically different consequences for the various strata of society in the less developed country. Different development strategies produce different sets of winners and losers. It is insufficient, therefore, to speak only of “modernization” or economic growth; it is necessary also to consider the effects on inequalities between various social classes that accompany a given development strategy.

It is possible for rural development plans to successfully increase agricultural productivity and per capita rural incomes, and yet simultaneously increase stratification and poverty at the bottom end. These effects raise serious problems of distributive justice and social policy. This paper has three main parts. First, it presents a schematic account of some of the considerations of distributive justice relevant to rural development. Second, it considers the tendencies concerning distributive justice that are contained in development schemes that work primarily through investments in private farming systems (capitalist development schemes). These schemes have a tendency to increase farm productivity and per capita income while at the same time increasing inequalities and creating a “surplus population” of rural poor. Finally, the paper considers socialist rural development plans that are designed to avoid these tendencies towards inequality and rural poverty. The paper considers whether such devices as fundamental land reform,

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11 We need also to ask, *whose* goals: local political authorities, international lenders, U.S. foreign policy makers, or local people?
producers’ cooperatives, and collective farming can potentially lead to a process of rural development that successfully increases agricultural productivity while at the same time reduces inequality and poverty at the lower end.

Let us consider briefly the main tasks of rural development in any developing society. Central among these are raising farm output, enhancing food security, and increasing rural incomes. A second set of goals involves improving equity in the distribution of wealth and income. Finally, developing economies are concerned with various aspects of economic modernization, including particularly the introduction of more efficient production technologies and the facilitation of structural transformation from traditional production sectors to modern production sectors.

There is another aspect of development policy formation that is often overlooked by development economists; this is the role of political goals within the development process. Regime stability, security interests, and the domestic political interests of the ruling party all play an important role in development policy formation in the developing world. And in many states—China, for example—we may add to this list the set of ideological goals that have driven policy at various points: creation of a new man, reducing the social importance of material incentives, and enhancing the prestige and leadership role of the regime in power.

What is required in order for these development goals to be achieved? First, it is evident that most of these goals require the introduction of innovations increasing productivity in agriculture, particularly of land and labor. This is the kernel of truth in Schultz’s arguments about traditional agriculture; through long adaptation, traditional agriculture had adjusted in such a way as to extract the highest possible yields from traditional technologies and inputs. In order to enhance food security it was necessary that grain outputs should increase at faster than the rate of population increase, and this required the introduction of modern technologies and inputs into cultivation. These include particularly adoption of modern seed varieties, chemical fertilizers and pesticides, power machinery, electrification, and the extension of irrigation.\footnote{See Mellor (1976) and Hayami and Ruttan (1971) for discussion of the problems of implementing new technologies in agriculture in the developing world.}

A second means of development has to do with the organization of the institutions of production: the size of the unit of production, the investment funds available to the unit, the incentives defining the environment of choice of the participants, and the role of market processes in directing production decisions.

A third means of development focuses on the infrastructure of the rural economy: the efficiency and cost of transportation, the marketing system, and the system of grain storage. Here the role of the state is generally reckoned to be large in any developing country, since these features of the economy have many of the properties of public goods. But in an economy in which a fifth of the harvest may
spoil during storage or in which the cost of transport from rural market to urban consumer is equal to the cost of growing the grain, development in these areas can have a major effect on output.

Through what policy tools might a state within a developing society attempt to reform technology, organization, and infrastructure? There are various dichotomies available: for example, plan versus market, compulsion versus voluntary adoption, or national policy versus regional variation.

**Varieties of economic development strategy**
- export led growth
- import substitution
- neo-liberal reform
- “get the prices right”

**Instruments of economic development policy**
- agricultural development; grain prices and input prices
- improvement of human capital
- industrial policy
- markets and property rights

**Existing economic development strategies**

Are there viable strategies of development that privilege the poor? This section begins with a discussion of what would constitute an alternative: an alternative must be both economically feasible and superior in performance of poverty-alleviation objectives. I then turn to a range of economic policies and programs that show some promise of satisfying both criteria: asset redistribution, entitlement reform, employment-expansion policies, agricultural development, and expansion of state-funded amenities for the poor.

**Three pure strategies**

This section presents a very simple spreadsheet model on the basis of which to focus our thinking about the tradeoffs that exist between growth, equality, and poverty. Consider the time profiles of three pure strategies: growth-first, poverty-first, and immediate welfare improvement.

- **LF** laissez-faire growth: choose those policies and institutional reforms that lead to the most rapid growth: unfettered markets, profit-maximizing firms, minimal redistribution of income and wealth.
- **PF** poverty-first growth: choose those policies and institutional reforms that lead to economic growth favorable to the most rapid growth in the incomes flowing to the poorest 2 quintiles
- **WF** immediate welfare improvement: direct as much social wealth as possible into programs that immediately improve the welfare of the poor (education, health, food subsidies, housing subsidies)
These strategies are stylized and reflect a set of assumptions about the dynamics of growth and distribution. (Distribution is measured by the percentage of GNP flowing to the poorest 40%.) I have assumed that the LF strategy has a consistently higher rate of growth, that PF begins with a growth rate 1% lower than LF, and that WF begins 2% lower (5%, 4%, 3%). I have assumed that each growth rate begins to fall in later decades (reflecting the notion that exponential growth is not permanently sustainable). Second, I have assumed that both LF and PF show a Kuznets-U pattern of distribution over time, with inequalities increasing and then declining, but that PF declines less and recovers sooner. Figure 4 illustrates these assumptions. On the basis these assumptions I have computed GNP and income to the poor for each strategy over a fifty-year period; the results are provided in panels C and D of figure 4.

![Growth rate assumptions](image)

![Distribution assumptions](image)

![GNP performance](image)

![Income to poorest 40%](image)

**Figure 4. Three development strategies**

Several points emerge clearly from inspection of these graphs. First, the laissez-faire strategy succeeds in accomplishing its central claim: it produces a substantially higher GNP at the end of the 50-year period—a 33% advantage over the poverty-first strategy and a 110% advantage over the welfare-first strategy. Over the long term (75-100 years) all income groups are better off with the highest growth rate strategy: even though this strategy gives the lowest relative share to the
poor, the more rapid increase in total GNP more than compensates. From the point of view of the welfare of the poor over the bulk of the period of development, however, the LF strategy does less well. For the first twenty-five years the incomes to the poor are higher on both the PF and the WF strategies—even though LF’s GNP is substantially ahead of both alternatives. Second, in the near short term (0-25 years) the poorest groups are most advantaged by the immediate-welfare strategy. During this period incomes to the poor improve very slowly on the WF strategy, and improve significantly on the PF strategy. The critical period, though, is the medium term. In this period the poverty-first strategy passes the immediate-welfare strategy, and it retains the advantage over the maximize-growth strategy as well. The immediate-welfare strategy loses ground in the medium term because it has made too little productive investment in the national economy and has directed too much of the available surplus toward immediate welfare improvement. Incomes to the poor then stagnate (along with GNP as well) and improve only slowly from this point on.

This exercise has several important lessons. First, these idealized strategies show that development policy forces us to choose among various things: average income versus income to the poor; rate of growth versus rate of improvement in welfare of the poor; improvement in the present versus well-being in the future. Equally importantly, however, the exercise shows that if we pay attention only to efficiency and growth, the interests of the poor in the short and medium term will not be well-served. Third, this example makes it clear that privileging the interests of the poor does not entail neglecting economic growth. It is plain that sustained economic growth is the only longterm solution to the problem of poverty. National economic plans that work primarily toward channeling existing income into welfare assurance plans have shortterm benefits but promise longterm stagnation. (This may be the case of Sri Lanka in the 1970s and 1980s.) Only if a national economy is able to produce substantially greater per capita income and wealth will it be possible to create and sustain a process of improvement in the condition of the poor. This example makes it clear that other things being equal, economic growth

13 Empirical data suggests, however, that this process may be extremely slow. In 1971-75 Brazil had an income ratio of 9.51, with the poorest 40% of the population receiving about 8% of the national income. Brazil’s growth rate in 1986 was about 4.3%. If we assume that this rate of growth is uniformly distributed across all income earners (a highly unrealistic assumption), then the average income for the poorest 40% will rise from $91 to $95, while that of the richest 20% will rise from $855 to $892. If we take $125 as the poverty level, it will take about 40 years of growth at this rate to bring the average income of the poorest 40% up to the poverty level. On the more realistic assumption that the benefits of growth flow disproportionately to higher income groups, this disparity becomes even more pronounced.
is desirable from a poverty-alleviation point of view. Growth makes possible a sustained improvement in the income and welfare of the poorest strata of the developing economy. But whether that improvement occurs or not depends on the particular characteristics of the growth process and the institutions and institutional innovations through which incomes are distributed. If growth is stimulated by capital-intensive investment for world markets, there will be only sluggish increase in the demand for labor, which means that the pool of modern sector labor will expand only slowly and modern-sector wages will rise only slowly. [DL2]To give lexical priority to poverty alleviation, then, entails that we should rank strategies by their impact on the income and welfare of the poor, irrespective of overall growth rates.

These lessons also suggest that economic development planning should be time-sensitive. In a distributive environment in which there is extensive poverty and deprivation, policy should sacrifice some economic growth in exchange for more rapid improvement in the welfare of the poor. As the situation of the poor begins to improve substantially the mix of policy tools should then adjust toward a higher-growth strategy. And in fact there is a mixed strategy that suggests itself upon reflection. It would certainly be possible to shift the balance of strategy priorities over time, favoring the poor in the early stages and favoring growth in later stages (as the absolute welfare of the poor improves substantially). This would be a time-sensitive strategy: choose poverty-first strategy while there is widespread abject debilitating poverty; begin to shift to growth-first strategy as the poor pass the level of abject poverty in order to maximize the well-being of the least-well-off in future generations.

**Progressive economic development**

“Progressive” economic development may be defined as development with some or all of the following characteristics:

- is designed to result in wide distribution of the benefits of growth across the broad population,
- produces significant and sustained improvement in the quality of life of the population,
- increases the availability of important life amenities for the whole population (health care, clean water, standards of health and safety in the workplace, education)
- constrains the emergence and persistence of rural-urban inequalities,
- constrains the inequalities that develop between economic elites and the broad population,
- produces significant and sustained improvement in the incomes and assets of the poor and near-poor.
What would be required for a state to adopt a program of progressive economic development? It appears clear that this family of strategies requires substantial use of state political resources to implement. Second, it is evident that this exercise of state power is most likely to occur in societies in which the poor have an effective political voice. Arguments in the previous section reflect the truism that governments dominated by economic elites may be relied upon to adopt policies that favor those elites. So what prospects are there for the emergence of progressive economic development strategies? We will return to these questions about the political context of development in the final chapter.14

What political obstacles stand in the way of progressive economic development?

If we are to have a basis for understanding the forces that underlie national choices in the area of economic development policy, it is necessary to provide an analysis of political power at the local and national level. Given that different strategies affect local interests differently, and given that the strategy chosen will result from a complex political process involving various affected parties, it is crucially important to know what players will be most able to influence the goals and implementation of the development plan.15

Arguments above make it credible that progressive economic development is economically feasible. Moreover, from a neutral observer’s standpoint it seems clear that such a strategy has greater social welfare consequences than “growth-first” strategies. So why is it so difficult to introduce such strategies into domestic and international development planning? The short answer is that development policy is unavoidably politically contentious because it imposes costs and benefits on different groups in different ways. There are winners and losers in any given choice of development policy; so we should expect that groups will mobilize their

14 A successful revolution based on a competent peasant-based revolutionary party can result in pro-poor strategies (for example, China). But successful revolutions are rare, and revolutionary governments that succeed in sustaining their underclass orientation are even more uncommon.

15 In what is otherwise a stout denial of the claim that the Green Revolution has exacerbated inequalities, Hayami and Ruttan write, “It is a common observation that, in a society characterized by extreme bias in economic and political resources, it is difficult to bring about institutional reforms that are biased against those who possess substantial economic and political resources. A disproportional share of institutional credit and subsidized inputs will, in such situations, be directed into the hands of the larger farmers. . . . It is extremely difficult to implement institutional changes that are neutral or biased toward the poor in a society characterized by extreme inequality in economic resources and political power” (Hayami and Ruttan 1985:360).
political resources toward the government decision-making bodies to secure the most advantageous policy mix for themselves. The benefits of a progressive economic development strategy are reverse-stratified: the least-well-off receive the greatest benefits, while the best-off receive the least benefits. (I am assuming that it is still true that every group receives some benefits of the policy adopted; but the most-well-off receive smaller benefits from the progressive strategy than they would under a “growth-first” policy.) We now need to ask, what groups are likely to have the greatest political resources to deploy in defense of their preferred policy? And here the answer, if not wholly unambiguous, is fairly clear: the more advantaged a group is in economic terms, the greater its political resources are likely to be in a typical developing society. This means that the advocates of a progressive strategy are at a substantial disadvantage within the domestic political system: the primary beneficiaries of such a strategy are the least powerful groups in society.

Thus it is necessary to locate the process of rural development within the broader context of class politics and political power in the LDC. As one salient example, consider the political prospects for a program of land reform within a national politics dominated by the rural elite. Land reform runs contrary to the most fundamental interests of the rural elite, and this elite generally has substantial or even decisive political power. Land reform can only be the outcome of a political process—either through the exercise of state power or through collective action on the part of land-poor peasants. If it is the former, however, the interests of the individuals, coalitions, and organizations involved will play a determining role in the way in which institutional changes are adopted, and the various players have greatly unequal powers. It is therefore necessary to provide an analysis of political power at the local and national level. Given that different strategies affect local interests differently, and given that the strategy chosen will result from a complex political process involving various affected parties, it is crucially important to know what players will be most able to influence the goals and implementation of the development plan. In this context it is worth recalling the

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16 “Although land reforms are universally argued for in terms of social justice and economic efficiency, the political reality in South Asian societies is that such reforms are promulgated by ruling elites largely composed of, or structurally or electorally dependent on, agrarian elites” (Herring 1983:3).

17 In what is otherwise a stout denial of the claim that the Green Revolution has exacerbated inequalities, Hayami and Ruttan write, “It is a common observation that, in a society characterized by extreme bias in economic and political resources, it is difficult to bring about institutional reforms that are biased against those who possess substantial economic and political resources. A disproportional share of institutional credit and subsidized inputs will, in such situations, be directed into the hands of the larger farmers. . . . It is extremely difficult to implement institutional
situation of land reform in the Philippines in the late 1980s: a popularly elected president who was also a major land owner put forward a moderate proposal for limited land reform, and expected it to be adopted and implemented by a legislature dominated by a landholding elite. Predictably, the proposal had little success.

It would appear likely, therefore, that the outcome of a process of rural reform through existing political arrangements will be sharply tilted towards the economic interests of the rural elite. So long as this elite retains decisive political power, the goals of land reform are difficult to achieve. Thus Ronald Herring writes, “Land to the tiller is a direct attack on private property and seems to presuppose an organized and militant peasantry, a revolutionary situation, or some extraordinary concentration of power, perhaps from outside the indigenous political system (as in Japan and Taiwan)” (Herring 1983:50). This line of reasoning suggests that a successful policy of land reform requires very exceptional circumstances; in any nation in which the dominant political and economic elite is the landowning class, land reform looks very improbable.18

A second illustrative case involves the Indonesian military government’s exploitation of the Indonesian economy in the 1960s through the present. In order to retain the loyalty of army personnel the New Order government tolerated a variety of “unconventional” means of financing, including particularly the state oil corporation, Pertamina [Crouch, #1486, chapter 11]. Revenues from Pertamina were shrouded in secrecy during the 1960s, with the clear implication that they were captured by military personnel. “The funds made available by Pertamina enhanced the power of the army leaders, who were able to distribute rewards according to political requirements” [Crouch, #1486, : 277]. Likewise, Indonesia’s rice logistics agency (BULOG) was controlled by army officers and had substantial control of resources. “Although Bulog’s performance in procuring and distributing rice left much to be desired, it was very successful in providing opportunities to raise funds for the army as well as individual officers” [Crouch, #1486, : 280]. Crouch summarizes his analysis in these terms: “The economic policies introduced by the government in 1966 and afterward brought great benefits to the commercial enterprises with which army officers were associated” [Crouch, #1486, : 299]. In each of these cases we find instances in which critically important institutions within the Indonesian economy have been captured by elites changes that are neutral or biased toward the poor in a society characterized by extreme inequality in economic resources and political power” (Hayami and Ruttan 1985:360).

18 Somewhat different analysis is needed for a large and complex nation such as India. In this case there is a much broader range of political powers and interests at work, with a substantial urban sector whose interests may sometimes join with those of the rural poor against the rural elite.
(the army, in this case), and resources used in ways that primarily benefit those elites rather than the bulk of society.

What sorts of agricultural policies resulted from New Order economic policies? Village studies of rural change in Java indicate an increase in land inequalities as larger farmers benefited more fully from Green Revolution technologies, an accelerated social differentiation among large farmers, smallholders, and landless workers, and a shrinking demand for farm labor as larger farmers introduced labor-saving innovations (Hüsken and White 1989:236). Hüsken and White analyze New Order agricultural strategies in terms of the rural social tensions engendered by unequal access to land in Java. After suppressing the Communist insurgency in the mid-1960s, the New Order regime sought to consolidate its power in the countryside. The state made strenuous efforts to create administrative forms capable of penetrating local society—replacing both traditional village arrangements and the interest-group organizations of the early 1960s [Husken, 1989, :250]. The New Order regime attempted to increase rice production through a combination of quotas and subsidies imposed on rice cultivators. This program included subsidies on fertilizer prices, subsidized agricultural credit, state purchases of paddy, and subsidy of irrigation water (253); the result was a rough doubling of rice output on a fixed arable land. And Hüsken and White argue that the preponderance of this state support for agriculture—and ensuing income benefits—flowed to the richest 1/3 of Javanese farmers, who produce by their estimate about 75% of Java’s rice crop, since the richest 10-20% of farmers control 70-80% of farmland. And they find that “the share of output received by hired laborers in the form of wages has declined proportionately to the much more rapid growth of the farmers’ net income from crop production” (254).

On the basis of a detailed seven-village study in Java White and Wiradi find that income shares increased substantially more for labor-hiring farmers than hired laborers during the 1970s—though each group showed increases in almost every case [White, 1989, #1195, : 275]. “These data therefore indicate a growing divide between ‘farmers’ on the one hand, and ‘hired laborers’ on the other, in terms of their relative ability to command incomes from paddy production” (274). Moreover, White and Wiradi find that the demand for labor per hectare actually fell in each village sampled (285). But they find that wage rates for virtually all agricultural tasks rose during the period 1971-1981—a fact they explain as the consequence of the increasingly rigid scheduling requirements in modern-variety cultivation. (Though overall demand for labor has fallen, the demand at peak periods has risen; 288.) In short, the picture that we get from village-level studies of Java is one of rising inequalities in land ownership and incomes and slowly rising real incomes to small farmers and landless workers—a finding much less rosy than that of much World Bank assessment. And this picture suggests, in turn, that Indonesia’s rural policies are tilted in favor of the rural elites with whom the government hopes to ally itself.
This rough calculation leads to a conclusion: we should expect that there will be a bias in national development strategy toward the interests of the more advantaged. And these arguments are even stronger when we turn our attention to the feasibility of entitlement and asset reform. The political obstacles to agrarian reform are obvious, both in theory and in history. For agrarian reform is directly contrary to the economic interests of the politically powerful. Thus agrarian reform appears to presuppose a dramatic increase in the political power and influence of the rural poor; and in fact successful large-scale land reforms have only occurred in politically exceptional circumstances (post-war Taiwan and Korea, post-revolution China). The outcome of a process of rural reform through existing political arrangements will be sharply tilted towards the economic interests of the rural elite. So long as this elite retains decisive political power, the goals of land reform are difficult to achieve. Thus Ronald Herring writes, “Land to the tiller is a direct attack on private property and seems to presuppose an organized and militant peasantry, a revolutionary situation, or some extraordinary concentration of power, perhaps from outside the indigenous political system (as in Japan and Taiwan)” [Herring, 1983, #1551, : 50]. This line of reasoning suggests that a successful policy of asset reform requires very exceptional circumstances; in any nation in which the dominant political and economic elite is the landowning class, land reform looks very improbable.19

The country data set

Table 1, Table 2, and Table 3 present development data for some 73 developing countries. The bulk of the data derives from World Bank sources. Table 1 contains data on population (1985), per capita income in 1976 and 1986, growth rates in per capita income for 1960-1976 and 1965-1986, and the percentage of the labor force in agriculture in 1960 and 1975. The latter provides a rough indicator of the extent of structural transformation (transition from agriculture to manufacturing) that has occurred within a given economy after 1960. National income figures for 1986 show a wide range of per capita incomes, from $120 (Ethiopia) to $2920 (Venezuela). There is also a considerable range of growth rates in per capita incomes over these countries, from -2.6% (Uganda) to 6.7% (Republic of Korea). Significantly, all but two of the negative growth rates occur in sub-Saharan Africa. Table 1 also reports preliminary results of the United Nations International Comparisons Program (ICP), a program that attempts to adjust national GNP data by country consumption good prices. This index constructs a purchasing power parity (PPP) conversion factor that makes it more plausible to make cross-country welfare comparisons (World Development Report

19 Somewhat different analysis is needed for a large and complex nation such as India. In this case there is a much broader range of political powers and interests at work, with a substantial urban sector whose interests may sometimes join with those of the rural poor against the rural elite.
Table 2 presents a compilation of available inequality measures for a subset of these 73 countries. Two measures are provided: the Gini coefficient and the ratio of income shares of the top quintile to the bottom two quintiles of income. The two measures are defined differently, but show a reasonably high level of correlation in the small number of cases in which data is available for both ($R^2=.73$). Income inequality data are both more difficult to come by and less reliable than national income data; these data have been drawn from World Bank compilations and several published review articles (Ahluwalia 1974, Fields 1980). Here too there is a wide range of country conditions. Available Gini data range from .378 (Republic of Korea) to .605 (Brazil); while quintile ratio values range from 1.57 (Korea, 1971-75) to 9.87 (Colombia, 1961-65). For our purposes it would be desirable to have reliable and comprehensive time-series data on income inequalities, in order to reach conclusions about the direction of change in this variable. However, limitations of available data preclude this. Multiple estimates of inequalities during different five-year periods are available for only a few countries, and these generally derive from different studies embodying somewhat different methodologies. So it is not possible to draw strong conclusions about the direction of change in income inequalities from this data set. It is suggestive, however, that the average income ratios for the five periods surveyed show a strongly rising trend.20

Table 3 presents data on several indicators of population welfare for the 73-country set. This table provides an estimate of the percentage of the population below the poverty line in 1969 and 1985, longevity data for 1960 and 1975, infant mortality data for the same years, and primary school enrollment percentages for the same years. In the final column is an estimate of the Physical Quality of Life Index (PQLI) for each country, based on data from the 1970s. Several of these variables require some further comment. The percentage of the population falling below the poverty level is problematic because it is necessary to take account of variations across countries in the cost of living; a uniform dollar figure will not suffice. These data reflect adjustment of country income date by a purchasing power parity inflator reflecting the variations in the cost of subsistence goods and non-tradables across countries. ICP data provide the basis for such comparisons, but these data are available only for a minority of countries. Column 2 of table 3 represents my preliminary attempt to compute the poverty percentage based on a

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20 Data like these suggest the “Kuznetz” hypothesis: that inequalities tend to increase during the process of economic development, before beginning to decrease toward more moderate levels.
hypothetical income distribution (low, middle, and high), a poverty budget corresponding to the 45th percentile of India’s income distribution, and ICP-corrected per capita incomes for several countries. (See figure 2.) These computed values are speculative, but they are plausible estimates. The model on which this computation is based can be improved by making use of actual income distribution data for each country; but this data is available in only a few cases.

The PQLI indicator is designed to provide a composite index of the quality of life in developing countries. It reflects average performance on variables such as infant mortality, literacy, and longevity. As was true concerning income inequalities, it would be desirable to have time-series data on poverty and quality of life, in order to see whether economic development has generally tended to reduce the former and increase the latter. However, once again it emerges that this time-series data is unavailable, so it is necessary to base conclusions on the direction of change in poverty and quality of life on other grounds.

Finally, table 4 presents a crude aggregation of all of these variables by region. This aggregation does not weight variables by population; instead, it represents simple averages of the country data by region. Even this level of aggregation is illuminating, however. It shows that there is a good deal of inter-regional diversity in each of the variables under consideration—per capita income, poverty, and inequality. The greatest income inequalities are found in Latin America, Central America, and the Caribbean. However, these regions also fall on the high end of the per capita income—leaving open the possibility that the condition of the poor may be higher in these regions than in more equal Asian economies. And in fact the regional aggregate figures show that the highest percentage of poverty in 1969 is found in South and Southeast Asia. (It is noteworthy, however, that sub-Saharan Africa and South Asia switch relative positions depending on whether we consider GNP or ICP-adjusted GNP.) The aggregate data also suggest a rough correlation between PQLI and per capita income; South Asia has the second lowest per capita income and the second lowest PQLI (after sub-Saharan Africa), whereas Latin America has the highest per capita income and PQLI. This impression is born out by a simple rank-order correlation; the rankings imposed by these two variables on the ten regions produce a Spearman’s rho rank correlation of .76. Poverty percentage and PQLI are somewhat more loosely correlated, with a Spearman’s rho value of -.53.

Regression analysis of possible correlations among various pairs of variables provides some interesting results. First, there is a strong negative linear correlation between the poverty percentage and per capita income ($R^2=.58$)—that is, economies with higher per capita income tend to have lower poverty percentages. Second, there is a moderate positive correlation between income inequalities and per capita incomes ($R^2=.25$)—that is, income inequalities tend to rise as per capita incomes rise. There is a moderate negative logarithmic relationship between PQLI and the poverty percentage ($R^2=.25$)—that is, PQLI falls as the poverty percentage
rises, an intuitively plausible finding. And there is a moderate correlation between PQLI and per capita income (1986) \(R^2=.49\). This reflects the fact that some very low-income countries—e.g. Sri Lanka—have achieved high PQLI, whereas some middle-income countries—e.g. Algeria, Jordan, or Tunisia—still have low PQLI.

When we turn to possible correlations between the poverty ratio and measures of inequality, we find that there is a moderate negative correspondence between these variables: economies with higher inequalities tend to have lower poverty ratios. There is a moderate negative linear relationship between the poverty ratio and the Gini coefficient—suggesting that higher inequalities correspond to lower absolute levels of poverty \(R^2=.23\). However, this finding is based on only nine data points, and is probably not significant. When we turn to a possible relationship between poverty and the income inequality ratio we find the same general pattern; there is a weak reciprocal correspondence between the poverty percentage and the income ratio \(R^2=.13\). This correlation is based on 28 data points. These correlations might seem to suggest that rising inequalities are favorable for reducing poverty; however, when we recall that there is a positive relationship between per capita income and income inequalities (i.e., societies with higher per capita incomes tend to have greater income inequalities), it is reasonable to hypothesize that these correlations represent a form of collateral causation: falling poverty percentages and rising inequalities are both collateral effects of rising per capita incomes.

A final set of variables of interest are the poverty percentage, PQLI, and the percentage of the labor force in agriculture. These variables allow us to track the consequences of the process of structural transformation on poverty and physical quality of life. Here we may take the agricultural work force as the independent variable and speculate that more agricultural economies will have higher poverty percentages and lower PQLI. This hypothesis is born out by moderate correlations between the two pairs of variables. There is a positive logarithmic relationship between the poverty percentage and the agricultural work force: societies with higher percentages of agricultural workers tend to have higher poverty percentages as well \(R^2=.17\). And there is a negative linear relationship between PQLI and the agricultural work force \(R^2=.50\). This means that countries with higher percentages of labor in agriculture tend to have lower PQLI. Finally, inequalities tend weakly to increase as the percentage of the workforce in agriculture falls; but this trend also probably derives from the stronger association between rising per capita incomes and rising inequalities.

The country data set serves chiefly to provide a general picture of the state of development in the less-developed world at the end of the 1980s. In order to improve this picture, however, it is necessary to take a closer look at several countries. Below we will turn to a comparative study of six Asian countries with a variety of development experiences over this period.
Chapter 2. Policy, goals, and values

The process of economic development is an important instance of the interanimation of policy, contingency, and justice. Governments construct development strategies based on a variety of political and social objectives; this process may be characterized in terms of a decision-making process based on instrumental rationality. The outcomes of these strategies depend heavily on a variety of factors, only some of which are within the control of policy makers—world commodity markets, the behavior of powerful outsiders, weather and climate variability, and so forth. And the outcomes and implementations of development strategies unavoidably raise problems of justice. This is so because they have deeply significant distributive effects that may endure over many generations. Different groups do well or badly under different policy alternatives. So policy makers ought to be responsive to the demands of justice in their adoption of priorities and the instruments they choose in pursuit of the goods of development.

This chapter turns to a preliminary consideration of the normative structure of policy formation. How do (or should) policy makers take diverse social goods into account? In what ways do normative constraints affect the policy process? How should we think about the importance of poverty alleviation in the developing world, in comparison to other goods—e.g. environmental protection or the interests of future generations? And finally, are development and modernization themselves always good things, or is there something to be said for preserving traditional social practices?

The moral setting

The primary goal of this book is to make progress on some of the difficult normative issues that arise in the areas of economic development and international inequalities. The book is thus an exercise in applied ethics: careful, morally informed thinking about a complex of practical problems in the world. Putting the point of applied ethics as simply as possible, the aim is to formulate relevant and credible principles; explore the nuance of the facts; and apply principles to cases to give rise to credible consequences for action. The ultimate objective is to answer the question, What ought we do? Its purpose is thus not to contribute to the field of abstract moral theory. Nonetheless, because the audience for this book is intended to include non-philosophers—social scientists, development specialists, policy makers, and citizens—it will be useful to provide a brief discussion of several distinctions and concepts from moral theory.

Let us begin with the concept of an action. An individual acts when he or she chooses a course of conduct (series of bodily movements), under a given intention, so as to bring about a certain goal. The individual can specify the reasons for the action, and can specify the intended outcome of the action. Actions can go wrong
in several ways. The agent’s beliefs about the circumstances may be wrong. The agent may have miscalculated the probable effects of the conduct. Or the agent may have miscalculated the implications of the various reasons which he or she had for this particular choice. Actions are meaningful: they are undertaken in the context of a set of intentions and beliefs. Actions also have a behavioral description: they consist of a series of bodily movements, and lead to objectively describable outcomes. Schematically, we can characterize an action in terms of (a) the reason for the action, (b) the intended effect of the action, (c) the movements through which the action is carried out, and (d) the actual effect of the action.

An individual possesses what we may call a “plan of life”—that is, an orchestrated conception of the states of affairs that are important to him or her and a conception of how she will attempt to realize those states of affairs over the fullness of time. In its fully articulated form, this plan of life articulates all the goods that the individual wishes to realize (e.g., friendship, creative accomplishment, family, spiritual development, ...). And it specifies (at some level of abstraction) the strategies through which the individual aims to accomplish these things.

It is important to distinguish between the good, the right, and the just. A theory of the good is a conception of those states of affairs which are inherently valuable—e.g., human happiness, aesthetic beauty, spiritual experience, friendship, a sustainable environment, a harmonious society, or a well-lived life. We may refer to such goods as putative “intrinsic” goods—things which are valuable in and of themselves. We value other things besides intrinsic goods—for example, income, security, or effective transportation. These we may refer to as “instrumental” goods—things which are valuable in so far as they contribute to the attainment of a yet more inherent good. Aristotle’s *Nichomachean Ethics* is a classic philosophical exploration of the relationship between intrinsic goods and instrumental goods.

At this stage it is natural to ask, “good for whom?” That is: what is the status of an “intrinsic good”? Consider the idea that human happiness is an intrinsically good thing. Is this thought to be a fact about the universe, impersonally considered; is it a fact about human psychology (“happiness is something that human beings contingently and universally care about”); or is it a fact about the value system of the person who utters the claim? Are there objectively valuable states of affairs? Or are all statements of value ultimately subjective and individual? This series of questions takes us quickly to the topic of relativism and objectivism in ethics. We cannot pursue the topic fully here; but the position I will take throughout what follows is one of a conditioned objectivism concerning moral principles and values. I will not presume that nature or reason bring with them a wholly objective and fixed system of values and principles. But I will hold that human beings create supra-individual values (this is the work of culture and the historical development of humanity), and that moral principles (fairness,
benevolence, avoidance of pain) can be provided with credible, though contestable, rational support.

Turn now to the notion of the right (as in “right” actions, the “right” thing to do). “Right” is a characteristic of an action or rule. When confronted with a practical problem of action with moral significance (individual or collective), we are led to ask, what is the right thing for me (us) to do in these circumstances? (Note that this sense of right is distinct from the notion of an individual “right”—e.g. a right to free speech.) In attempting to answer this type of question, we are led to ask: Are there moral principles that incorporate this kind of case? Are there important intrinsic goods that would be brought about by one action or the other?

Let us begin by considering the notion of a moral principle. A moral principle is a general statement of a decision-making rule. A principle identifies a feature of action or outcome, and prescribes that the individual (or organization) should act so as to exemplify that feature or bring about that outcome. Consider several possible principles—“keep your promises”, “act so as to bring about the overall ‘best’ outcome”, “act so as to produce the best outcome for your family.”

Several points are important in considering moral principles. First is the issue of justification: how do we know which are the morally correct principles? And second is the issue of coherence: if we adhere to more than one moral principle, how do we handle disagreements between the prescriptions of the several principles? Here is an example. We may believe that both “keep your promises” and “avoid inflicting gratuitous pain” are morally valid principles. In a particular case, however, they may lead to different prescriptions—for example, in a case in which I have promised to attend an unimportant meeting at a time when doing so will mean unnecessary hardship for my aging mother. A promising approach is to attempt to find more general principles which encompass the more concrete principles that are in conflict.

Two large families of moral theories exist—consequentialist and deontological. A consequentialist theory is one which defines the right in terms of the good: “act always so as to create the greatest good.” The principle of right for a consequentialist is trivial; the hard problem is to adequately define the good. Utilitarianism is the most common example of a consequentialist theory. Utilitarianism defines the intrinsic good as human happiness (utility). John Stuart Mill and Jeremy Bentham are classic exponents of utilitarianism. But there are other possible consequentialist theories—“maximize human perfection,” “maximize the satisfaction of human rights.”

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21 I will not consider, but merely note, the very significant conceptual and theoretical issues which have confronted utilitarianism in the twentieth century: interpersonal comparisons of utility, utility as preference satisfaction, risk and uncertainty, and strategic rationality.
Deontological theories define the right prior to the good. The classic statement of a deontological theory is Kant’s categorical imperative: “act always according to a rule which you could will to be universalized” [Kant, xxx]. Kant believes that this principle in turn gives rise to other more concrete principles: “always tell the truth”, “treat others as ends, not merely as means”, “always keep your promises”. Deontological theorists generally recognize that there are intrinsic goods that guide human action; but they maintain that there are general principles which serve as moral constraints on all action—with the result that there are certain “good-maximizing” choices that nonetheless cannot be morally taken. Kant puts the point especially sharply: “tell the truth, though the world should perish.” On this approach, there is a fixed and governing principle that determines the rightness of actions, and this principle comes ahead of any calculation of the good or bad of various outcomes. We cannot, on this account, make tradeoffs between the goodness of outcomes and the rightness of action; rather, morality requires that we choose among those alternatives that are consistent with the principles of morality.

As was the case in the discussion of the good above, the problem of the status of moral principles arises. Are moral principles objectively true? Are they merely the private convictions of particular individuals? Are there rational grounds for supporting one principle against another? Or is the choice of principle ultimately a question of complete relativism? As above, I will take the view that reasoned philosophical argument can provide some degree of intellectual traction on problems of moral disagreement about fundamental principles. The concept of reflective equilibrium [Rawls, 1971] aptly characterizes the status of moral reasoning, in my view. We begin with convictions; we formulate principles which appear to capture most of those convictions; and we adjust convictions and principles until we have a coherent moral system.

Let us turn next to the notion of an individual right. One view of the moral human being is that he or she is constituted by a plan of life and a bundle of individual rights that permit the agent to pursue the plan of life. The concept of a plan of life was described above. But what are individual rights—e.g. a right to bodily integrity, a right to exercise free speech, a right to hold and dispose of property? We may say that “P has a right to X” is a statement that P is at liberty to perform X, and others have an obligation not to interfere with P’s performance of X. If I have a right of freedom of speech, then you have an obligation not to interfere with my exercise of free speech. That is: liberties and obligations are intertwined in the concept of a right. If I have a right to something, then you have an obligation to not interfere; and if you do interfere, it is morally appropriate that someone (e.g. the state) should coerce you so as to prevent the interference. (That is: it is morally justified for the state to coercively enforce the protection of valid individual rights.)

We can connect these two meanings of “right” in a morally contingent way, by asserting the following as the ultimate principle of right:
Act always in such a way that your actions respect the valid individual rights of all others.

This principle could likewise be thought to serve as the ultimate “constitutional” requirement of the just state.

Let us turn now to the third large topic, that of justice. Justice is the leading moral characteristic of social and political arrangements. We refer in the first instance to a just state or a just economy. We have a variety of intuitions that begin to give us traction on the notion of a just social institution. It should be impersonal (that is, no individual should benefit for purely particular reasons). It should assign “fair” benefits to all parties (that is, no party should be enabled to exploit other parties). It should treat all persons with equal consideration and dignity. Finally, it should be sensitive to the creation of material inequalities, given the centrality of factors like income, wealth, and access to health care in leading a full human life and pursuing a plan of life.

The leading, and in my mind conclusive, theory of justice is that provided by John Rawls. Rawls offers a theory of what he calls “justice as fairness”. Social and political institutions ought to be arranged in such a way as to be recognized as fair by all members of society. What is fairness? We can stipulate that an arrangement is fair if it would be accepted unanimously by all parties to the arrangement. Rawls argues that we can reach substantial conclusions about the features of a just society if we take this idea seriously. He introduces the idea of the “original position” and the “veil of ignorance.” As a thought experiment, he asks us to consider that all members of a given society are brought together to deliberate about fundamental principles of justice. They are stipulated to know all general facts about social institutions, human psychology, etc., but to know nothing about their own circumstances. (This is the function of the veil of ignorance.)

Rawls argues that this construction leads powerfully to two principles of justice: the equal liberty principle and the difference principle. [quote]

So far we have couched this brief review of moral concepts in terms of the moral context of individual action. The collective equivalent of individual action is policy. Many of the same issues arise for policy that arise for individual actions. A policy is an orchestrated set of public actions, for an intended purpose, with a set of outcomes which result. The questions of principles and goods arises here as well. What ought be the objectives of public policy? And what are the constraints (of justice and rights, for example) which ought to bind the exercise of public policy? A schematic answer to these questions might go along these lines: The state needs to be governed by a detailed theory of individual rights of its citizens, and it needs to possess an ordered conception of the social goods which state action ought to attempt to secure. Such a conception might include: improvements in the well-being of the whole population; improvements in real equality of opportunity
for all citizens; reduction of unjustified forms of inequality; improvements in the well-being and opportunities of segments of the population who have suffered past injustice. The governing principle of social policy might then be stated in these terms:

The state ought (a) always respect and guarantee the rights of its citizens; (b) pursue policies intelligently designed so as to most fully achieve the suite of goods identified in the inventory, subject to (c) the fiscal capacity of the state and (d) a democratic process of policy formation.

Let us turn to one final moral concept—that of **obligation**. An obligation is a moral imperative—a conclusion that I must do thus and so, on pain of immorality. Some obligations are created by my own personal choices. If I make a promise, I have incurred an obligation to honor the promise in the fashion to which I have committed. Others are created by a system of rights within which I reside. If you have a right to a piece of property, I have an obligation to respect your right. Others are created by the recognition of our common humanity. If you have an urgent need which I can satisfy at no cost to myself, I (perhaps) have an obligation to satisfy your need (based perhaps on a principle of benevolence). I have an obligation to nurture my children; to obey the legitimate laws of the state; to treat like cases alike (if I am a public official); and so on. Most generally, moral principles generate obligations for agents.

It is apparent that there are some significant differences among the examples provided here. Kant offers an important distinction between perfect obligations (instances for which I have an indefeasible duty to perform a particular action), and imperfect obligations (instances for which I have a prima facie but defeasible duty to perform a particular action). Instances of the first type include the obligation not to break promises (according to Kant); instances of the second type include duties of benevolence (where I have a general duty to render aid, but must exercise discretion in deciding when and where to do so).

We can also distinguish between prima facie and “all things considered” obligations. A prima facie obligation is one which I ought to honor, other things being equal. An “all things considered” obligation is the obligation which results from full consideration of all the relevant moral facts and principles.

One important consequence of this discussion of obligation is that morality gives rise to different kinds of “ought”—“should when possible”, “must unconditionally”. Our aim in moral deliberation is to reach justified moral conclusions about what should be done. In some instances the obligations that we arrive at will be unconditional; in other cases they will be guiding but not strictly obligatory.
This brings us to an end of a brief tour of the moral ideas and distinctions which are most significant for the types of moral problems that we will consider through this book.22

Some considered judgments about the moral context of development

In order to begin to probe the field of economic development policy from the point of view of ethical theory, we need to have a basis for making judgments in this area. Let us begin somewhat dogmatically with what Rawls might refer to as a set of considered judgments that appear relevant.

- people should be treated justly;
- people should have freedom to be autonomous and make choice concerning themselves;
- people should have rights that protect their freedoms;
- people should be in the position of developing and fully realizing their human capabilities as fully as possible.

How far can convictions like these take us in charting the normative waters of assessing alternative approaches to economic development policy? It is the central thesis of this book that we can go quite far on the basis of these simple ideas.

Moral issues arise in the area of economic development in several different ways. Moral reasoning always involves facts, principles, inferences, and remedies. In some cases the difficulty lies in determining what the facts are; in some cases it is difficult to determine what the relevant and binding moral principles are; in other cases, drawing the appropriate inferences from facts and principles presents the central difficulty; and finally, it is sometimes the case that facts, principles, and inferences are in order, but appropriate modes of remediation present the greatest challenge. Issues of gender justice probably fall in the final category; issues of equity probably fall in the “problematic principle” region; and issues of guaranteeing labor rights probably fall in the factual region.

Philosophy in economic development policy

This book raises problems about the role of normative considerations in several aspects of economic development. These problems arise in two general areas. First, there are problems defining the instrumental rationality of policy makers. Even if we bracket the problem of distributive justice there are perplexing problems that arise in attempting to characterize the goods of development and how these should be treated by policy makers. (For example, how should environmental quality and average longevity be compared, given that a policy that results in lengthening life expectancy may also require worsening environmental

22 The interested non-philosopher will find useful and reliable introductions to ethics in Smart and Williams, Mackie, and Scheffler.
quality?) And how should we think about the role of moral considerations within the policy process? The second broad topic is substantive: what are the overriding goals of economic development? I will argue that the highest priority goal ought to be the alleviation of poverty, a stance I describe as “putting the poor first”. Policy makers ought to give highest priority to improving the well-being of the poorest strata. But this position is faced with the task of explaining in substance why this is so: what is the bad of poverty? What is involved in placing highest priority on poverty alleviation? And what compelling moral reasons may be offered to support this position? These questions are important because the answers we provide for them will in large part determine how much importance we place on poverty alleviation in comparison with other development goals.

Seen from one point of view, this complex of issues is a relatively small part of applied moral philosophy, of interest only to a rather specialized audience. From another point of view, however, this area ultimately invokes virtually all of the most difficult and important topics within normative social philosophy: the problem of planning for a process of social change, the justice of the allocation of the benefits of social cooperation across individuals and groups, the problem of intergenerational justice, the legitimate claims that different groups and individuals have on each other and on outsiders, and the definition of the good of human life and social arrangements. So close study of the problems of economic development may have a considerable contribution to make for social philosophers more generally.

A role for justice

Before proceeding with this discussion, we need to consider whether a normative argument is relevant in this context. For it might be held that development theory is a purely positive discipline, concerned only with the technical relations between such variables as rates of saving, technological change, and GNP. Why should we consider the question of justice in this context at all? The short answer to this question is convincing: development processes are the result of policy choices by various agents—national governments, political parties, organized interest groups, donor agencies, and the like; and policy choices unavoidably express normative goals. Whether justice requires putting the poor first is therefore a critical question. And the normative case for the priority of the poor is not difficult to construct. The most immediate answer is a concern for the welfare of all members of a society and a collateral conviction that it both is important and feasible to focus attention first on the strata in the most immediate need.

When we ask the question, what does justice require of economic development policy, we are forced to consider whether the answer we arrive at has any relevance for the behavior of actual policy-makers. To what extent, and in what ways, do policy-makers take account of moral ideas, ideas about justice, and other normative commitments?
There is a line of analysis of policy choice in political science today that works on the assumption that policymakers are motivated solely by their particular private interests—not an estimate of what is best for society at large, but what is best for the policymaker’s own interests. This approach is described as “realism” or public choice theory. Margaret Levi represents a recent instance of this approach in her analysis of state revenue policies. “My hypothesis follows from two paired assumptions. The first is that all the actors who compose the polity, including the policymakers, are rational and self-interested. By this I mean that they calculate the costs and benefits of proposed actions and choose the course of action most consistent with their fixed preferences. The second is that actors who compose the state have interests of their own, derived from and supported by institutional power” [Levi, 1988, Revenue]. Likewise, Robert Bates’s analysis of African government agricultural policies aims to explain the policies selected as the result of the strategic efforts of groups in charge of government to maximize their power and income [Bates, 1981, Markets]. On this account, state policy formation is similar to any other kind of rational action: the agent has certain interests and chooses instruments that best serve those interests. Political behavior is understood as the result of a straightforward calculation based on self-interest. And the interests in question are private interests; either personal (the wealth, power, and privilege of the particular policymaker) or corporate (the wealth, power, and privileges of the policymaker’s group). (On such an account, group-oriented policies emerge through the logic of coalition politics: in order to achieve his ends Minister A must gain the support of group B; and this requires A’s putting forward policies that serve the interests of B as well as himself.) This model appears to leave little or no room for an influence to be exerted by normative principles or constraints. What, then, is the relevance of a normative theory of justice in development? To what extent and through what mechanisms do moral ideas about the justice of development affect the choices of powerful agents in the development process?

It would be foolish to deny the operation of this sort of calculation of self-interest within the policy process. Here I will only suggest that the approach is flawed in its claimed comprehensiveness. The public choice approach implicitly denies that policymakers are motivated or constrained by moral considerations. But much recent work in rational choice theory converges on the conclusion that this strictly instrumental conception is inadequate for all but the most artificial examples of rational deliberation—e.g. consumer choice among commodities based on price and quality. In more ordinary instances decision-makers have to take into account both their particular interests and a range of normative constraints and values [Margolis, 1982; Sen, 1982, Fools; Scott, 1985; Elster, 1989, Cement; Little, 1991, Rational; Taylor, 1982, #931]. Practical rationality has more structure than the narrow model of economic rationality allows, and deliberation is a complex process in which the agent attempts to balance interests, commitments,
and concerns for the public good. Debate arises over whether to regard these factors as extra-rational; my own position is that they are part of "extended practical rationality" which reduces to narrow economic rationality in special circumstances [Little, 1991, Rational].

In the area of economic development policy these points can be extended in several important ways. First, at any given time policymakers are operating within a normative framework that sets broad constraints on the nature and application of policy options that may be considered. (A politician who proposes abolishing state subsidies for public education in the United States would plainly transgress such limits.) Such constraints are often internalized, so that the decision-maker will not even consider adopting policies that flatly contradict the framework; but they are also externally embodied, so that there are substantial political costs that accrue to the regime that flagrantly violates popular assumptions about justice. A normative framework has the effect of helping define and limit the opportunity set for the decisionmaker; options that involve reintroducing chattel slavery are simply ruled out of consideration, whatever their economic effects. Norms affect policy choices by altering the options available to agents, giving priority to some goals over others, and making certain choices entirely unavailable. And they may have the effect of aiding in the mobilization of affected groups (e.g. the landless poor) whose new political dispositions impose new constraints and imperatives on policy makers. So even policy makers who are themselves indifferent to the new moral assumptions may be compelled to act otherwise.

Finally, it is unreasonable to assume that decision-makers’ interests are defined narrowly in terms of self-interest. As A. K. Sen argues [Sen, 1987, Ethics], it is better to conceive of agents as having a broad network of interests ranging from narrowly private interests, to family interests, to class or national interests. And interests at any of these levels may be motivationally efficacious at various times. In the development process this leads to a conclusion: it is at least possible to motivate decision-makers to choose policies because they are best for society at large. Whether this concern plays a prominent or minor role is not a matter of logic or economic rationality, but one of moral education. And it may well be that what distinguishes between more and less predatory states is the character and quality of the process through which young policymakers are trained, selected, and promoted.

I conclude, then, that discussion of the justice of development is not a purely philosophical exercise. It is rather an attempt to contribute to a debate that may come to change the framework of our assumptions about the priorities of development, and eventually to change the motives and constraints that govern the behavior of the agents whose choices in fact determine the course of development. Normative theory is behaviorally relevant in explaining the course and character of an ensemble of policies (military, economic, political, or social).

The reason I have dwell on this topic is that it makes a difference to how we think about problems of economic development policy and economic reform. If as
potential reformers we are best advised to look at policymakers as self-serving adversaries to be out-maneuvered, then one line of strategy is recommended. If on the other hand it is true that decisionmakers are to some extent swayed by moral arguments and considerations of the public good, then a strategy based on moral argument is feasible. In the former case our only hope is to create institutional arrangements that assure that the private interest of the policymaker is best served by adopting policies that we think best for the common good. In the latter case it will be causally efficacious to advance reasonable arguments about fairness, the welfare of the poor, or the demands of future generations; considerations of these sorts may be decisive in affecting policy choice.

I propose, then, that we think of the normative position of the policymaker along these lines. The agent is assumed to have a range of interests: personal security, income, and privilege; the continued ability of his or her party to retain power; the ability of the regime to reward its supporters with jobs, state investment and subsidies, and the like; and concern for the present and future welfare of some or all of the rest of society. And the agent is situated within the context of a set of moral assumptions about justice, entitlement, concern for disadvantaged groups, and the like, that are current in the society at large and that affect behavior by constraining and impelling choice. When considering a policy problem, whether a grand development theme (shall we liberalize our agricultural system through price reform and removal of subsidies?) or a more particular policy initiative (shall we replace current rice subsidies with a needs-based food stamp program?) I assume that the agent initiates a complex process of deliberation. What effect will the proposed policy have on me personally? (Perhaps liberalization will mean the ministry of development will have less importance within government and corresponding loss of funds and prestige.) What effect will the policy have on the electoral prospects of my party? (Perhaps the destitution caused to the landless poor will lead to massive loss of support for our party in the next elections.) What effect will the policy have on the welfare of rural society, in the short, medium, and long term? (Perhaps liberalization will lead to much unemployment in the short term, followed by strengthening demand for agricultural goods in the medium term, followed by rising demand for labor in agriculture in the long term.) What effect will the policy have on inter-sectoral equity, in which urban living standards are currently substantially higher than rural? (Perhaps liberalization will improve the terms of trade between urban and rural sectors, leading to rising rural incomes and a slight drop in urban incomes.) Finally, I will assume (with a proviso) that all these factors are potentially efficacious as a source of motivation. The policy chosen may in the end be one that is judged to be consistent with the official’s current interests, consistent with the electoral future of the party in power, and relatively progressive in its effects on social welfare and equity; and it may be the case that a different policy would have been chosen if welfare and equity concerns had not entered the calculation.
The proviso is this: there appears to be an almost unavoidable ranking of these considerations in any actual political decision-making context, such that the interests of the policy maker and his or her party must be satisfied as a necessary condition to the selection of a strategy. It is one thing to say that policymakers are concerned to further social welfare and equity; it is another to assume that they will do so even at the cost of loss of position, power, and privilege. We may read this proviso as a stipulation of political feasibility; policy initiatives that require the self-extinction of those who implement them are non-starters. Fortunately, the requirement of political feasibility does not narrow the opportunity set too drastically; there remain a range of options, some of which have better effects on the public welfare than others. What is excluded is the adoption of policies that would be best overall but that require that wielders of power relinquish substantial portions of their power, wealth, and privilege. (This is perhaps the central obstacle to meaningful land reform in the Philippines.)

If there is any force to this conception as a quasi-empirical theory of the reasoning of agents within the policy-making process, then debate and discussion of the goods and justice of development from the point of view of society as a whole have a practical role to play within development policy realm itself. In this case normative theories of the goods of development, the bad of poverty, or the requirements of justice in development may have the effect of clarifying the normative issues involved and thereby inducing policy agents to choose options they would not otherwise have chosen. (This approach would be to put the philosophical examination of the ethics of economic development into the category of other fields of applied ethics—e.g. medical ethics—in which one of the goals of the field is to affect the behavior of practitioners. One might hope that the Kennedy School’s program for officials from developing countries might have this effect.)

**Heterogeneous goods**

Economic development planning (like most other areas of policy formation) is aimed at multiple goods, superficially at least. (It may be possible to consolidate these goods to some extent.) Consider these goals: increasing the national wealth (GNP); modernizing industry and agriculture; improving food security; improving the well-being of all members of society; improving the provision of health and education services; reducing poverty; securing the conditions for stable democracy; ameliorating inequalities of income, power, status, and wealth; preserving and enhancing environmental quality; improving the well-being of future generations; effecting a transition to “sustainable” economic activity; and so on. There are a variety of social welfare goals—for example, economic growth, industrial modernization, improvement of social welfare across the board, and improvement of welfare of the poor. There are environment goals—for example, environmental protection and sustainable development. There are equity goals—distributive justice among different groups in society and intergenerational justice. There are
political goals—securing the conditions of democracy, establishing a stable and responsive government, securing electoral support for the regime in power, avoiding popular unrest. These goods are diverse and non-subsumable; so we must consider how multiple goods can be incorporated into the planning process. And we must consider how the priority of the poor is to be accommodated to the undoubted importance of other development goals as well.

**Different concepts of optimality**

Let us reflect briefly on the concept of optimality. A system consists of a set of features that work together to produce a set of outcomes. The outcomes are to be evaluated by reference to a set of goods $G_i$. If the system as a whole is designed to achieve goods $G_1$, $G_2$, and $G_3$, we can ask whether there is an optimal configuration of features of the system which best realize the goods $G_i$. To answer the question, however, we must first decide what to count as “optimal”. Is this a welfarist concept, according to which we assign utility to each of $G_i$, and then adjust the institutional arrangements until we have the maximum value for the sum of the utility of the three goods? Or should we look at the issue of optimality along the lines of Pareto optimality: that is, we begin with the complex of institutional features as given at a point in time; and then consider adjustments which lead to an improvement in one of the goods without decreasing any other good? This approach entails that we will not entertain tradeoffs among the goods, and guarantees the possibility that the end-state will be “sub-optimal” in another respect. (That is, there will be alternative institutional arrangements that lead to major increases in the achievement of one or more goods, at very small but measurable cost to at least one good.) Finally, we might look at the goods as lexicographically ordered, in which case optimization involves adjusting institutions so as to maximize the value of $G_1$; then adjusting so as to maximize $G_2$ (without decreasing $G_1$); and so on, for the full list of values.

A priori it seems reasonable to allow that a process of reform of a social system must allow for the possibility of tradeoff among multiple goods (so that the reform process may take one step backward on one good in order to achieve two steps forward on another good). Otherwise it is all too possible that the system will enter a low-level trap where there are no Pareto-improving steps that can be taken, and yet where there are nearby outcomes which reflect higher achievement in some or all goods. But we can probably think of instances where the lexicographic approach is more appropriate. For example, if we think of the goods of “increasing the degree of protection of basic human rights” and “increasing the nutritional status of the poor”, all would agree that both goods are important. Many would argue, however, that the protection of human rights of citizens is prior to improvements in nutritional status of the poor; so the state should not undertake any policy which reduces protection of its citizens’ basic human rights in order to increase the nutritional status of the poor.
Development goods

The goal of economic development can be described rather briefly, it might appear: to promote a process of social and economic change leading to sustained improvement in the average welfare of society. And the central characteristics of this process are easy to describe as well: modernization of industry and agriculture, technical and organizational innovations leading to rising labor productivity, and establishment of efficient economic institutions. Development economists are inclined to summarize these features of development in this way: economic growth is aimed at increasing per capita national income, and this occurs as a result of the introduction of modern technologies and efficient market institutions within a stable political context. “Economic growth refers to a rise in national or per-capita income and product... Economic development, in addition to a rise in per-capita income, implies fundamental changes in the structure of the economy” [Gillis, 1987]. To this “growth and modernization” stance at least some development economists will add an equity goal as well: income inequalities should be managed in such a way that the benefits of growth have a positive effect on all participants.

This simple description needs amplification, however. To start with, how are we to characterize the good of society? Social welfare theory brackets this problem by assuming something like a classical theory of utility; the goal of social policy is to maximize social welfare. This approach is probably too single-dimensional even for steady-state policy problems. But economic development involves massive social, technological, and economic change over an extended period of time, and it involves a set of heterogeneous goods. So a single dimension of “welfare” is inadequate as a basis for reasoning about development policy.

Consider the following list of goods: average and total national income; income shares disaggregated across social classes; life expectancy and morbidity (again, average and disaggregated); rising literacy and educational levels; broadening the scope of individual liberties; extending the scope of democratic decision-making; the welfare, health, and liberty of future generations; improving the equity of distribution of resources and incomes across regions, groups, and classes; preserving and enhancing environmental quality; and conserving natural resources. Each of these is a good thing; it would be desirable to improve each variable as a result of a given development policy choice. Unfortunately, two facts are relatively clear. First, these goods are largely heterogeneous; there is no common measure to which they could be reduced (e.g. utility). So we do not have the simple option of choosing that policy that maximizes utility across all these goods. And second, there are substantial conflicts among them; policies that favor some of these goods harm others. (There is debate within the development world, for example, over whether democratic institutions may not make the structural adjustments required by economic development difficult or impossible; so we are forced to choose between democracy and efficient growth. For a review of this
debate see [Haggard, 1990, Periphery; Kohli, 1986, Democracy].) If some strategies strictly dominated others with regards to these goods, then the problem of choice is relatively simple: the former are strictly preferred to the latter. Most commonly, however, it will be the case that policy options are mixed, with policy A doing better than B with regard to good \( G_m \) but worse with regard to \( G_n \).

If we are to make calculating choices in this circumstance, our options are limited. We might try to find a common measure for all the goods—which looks impossible. We might try to arrive at a set of priority rules ranking the goods of development: always favor an improvement in \( G_n \) over an improvement in \( G_m \). This would be to give lexical priority to \( G_n \) over \( G_m \) (as Rawls assigns lexical priority to liberty over welfare [Rawls, 1971]). In general, however, it is difficult to justify a lexical ranking of goods, since this implies that any miniscule improvement in the higher-ranked good will justify massive losses in the inferior good.

Third, we might try to assign a rough and ready scheme of weights to the various goods (perhaps changing in different stages of development and at different levels of provision of the various goods). This option allows the policymaker to consider tradeoffs among goods: is a substantial savings of rain forest sufficient to justify a modest reduction in rights of political association? Is a modest increase in individual liberties sufficient to justify delaying poverty alleviation by a generation? This suggestion gives rise to a microeconomic approach. We might conceive of each of these goods—income to each group and environmental bads—as individual commodities and then construct a series of indifference curves between each pair of goods. These curves establish the “price ratios” of each good against every other, for every level of provision of the goods: the ratio of marginal quantities of each we are willing to exchange.

![Indifference curves for income and environment](image)

*Figure 1. Indifference curves for income and environment*

Panel A represents the idea that we will accept large environmental costs in order to achieve relatively small increases in incomes to the poor—when those incomes are very low; whereas we will require greater improvements in the income of the poor in order to accept a unit of environmental cost at higher levels of income. But the elasticity of environment with respect to the poor is high throughout the range; a small percentage of change in incomes to the poor is
sufficient to justify a larger percentage of change in environmental quality. By contrast, the indifference curve in panel C embodies a low elasticity of environmental quality with respect to incomes to the non-poor.

This approach raises a difficult problem of interpretation, however: whose indifference curves are thought to be represented here? It is one thing to postulate individual indifference curves among commodities, based on observed price behavior. It is quite another to postulate a “social indifference curve” analogous to a social preference ranking. Presumably this problem is subject to the same sorts of impossibility results as arise within classical social choice theory. We might attempt to finesse the problem by regarding the policy-maker’s indifference curve as the social ordering as well (this is the “dictator” strategy; [Arrow, 1963]). To the extent that we want economic development policy to derive from a democratic process, we need to have some way of aggregating individual preferences into a social preference function.

Finally, we might offer a mix of the last two approaches: rank some goods lexically and the rest according to a scheme of weights. Thus, for example, we might set a minimum level of poverty alleviation and basic democracy that must be satisfied before we begin sacrificing further advances in these goods for the sake of resource conservation or environmental protection.

The point of this discussion is messy but important: the policy-formation process cannot be adequately characterized in terms of a simple utility-maximizing framework of decision-making. There are heterogeneous goods that must be accommodated within the process; there are problems aggregating individual preferences into a social preference function; and the policy process is extended in time within a stochastic world, with the result that the planning process requires constant readjustment.
Chapter 3. Welfare, needs, and entitlements

A central focus of any discussion of ethical issues in development is on the problem of poverty and poverty alleviation. Why is this so? Why should we place the problem of poverty ahead of other important values in the context of development and modernization—e.g. provision of clean, safe urban environments, preservation of environmental resources, or raising the average standard of living for the whole population? Why is poverty such a central concern? The most fundamental way of approaching this problem is to ask, what is the fundamental good which underlies judgments of value in social decision-making? One particularly compelling answer to this question is this: it is the example of a human life lived well and fully, in circumstances which embody the freedoms of the individual and the rights and liberties of all citizens. What, then, is involved in living well?

This chapter offers a detailed consideration of the bad of poverty, and more generally, the ways in which we may most fruitfully think about the human goods promoted by economic development. Here we consider various theories of human need and human welfare, and then turn to a more extensive discussion of what I judge to be the most fruitful conception: A. K. Sen's framework of capabilities and functionings. On this approach, the good of development and the bad of poverty can both be understood in terms of the ability of typical persons to better realize their human capacities. This chapter provides a detailed analysis, then, of the values toward which economic development ought to be aimed.

The moral individual

- possesses a plan of life,
- a set of needs,
- a conception of the good for him- or herself,
- a set of rights and liberties
- set of preferences that derive from needs and the conception of the good.

Quality of life, capabilities, functionings

Why should we put such a high priority on the alleviation of poverty? Why is poverty such a singularly important problem, demanding our immediate and highest attention for remediation? We think of poverty as synonymous with low income, implying material deprivation; and none of us would choose to live in the material circumstances of the poor. But we can say more than this about the bad of poverty: there is a fundamental relationship between poverty and obstacles to human development. It is not merely that the poor are able to consume less than the non-poor; it is that they are less able to develop their full human potential. Poor
or absent medical services lead to illness and premature mortality; poor education and illiteracy lead to stunted intellectual achievement; long and tedious work hours (when available) give rise to demoralized everyday experience; and the social stigma of shabby dress, poor housing, and low status employment lead to a failure of self-respect. So poverty is a unique bad in its concentrated destructive effects on the realization of the full human capacities of the poor: it is not just that the poor have a lower standard of living, but that they live less than fully human lives.

What reasons can be put forward to defend the poverty-first position? It might be argued, against this position, that all members of society should be treated equally; and this means that no group should receive priority. So privileging the poor is unfair and contrary to a principle of equality of treatment. Instead, it might be insisted that improving average welfare should be the goal, or that equal proportional increases in welfare for all income classes should be the goal. Or again, one might hold that poverty alleviation is a good, to be sure; but it is only one out of many important social goals, and should receive no more weight than other important goals—e.g. environmental goals.

So far we have approached the problem of poverty in income terms: the poor are identified as persons and groups falling below a given level of income. The rationale for this approach is that the satisfaction of human needs—food, clothing, shelter, medical care, education, and so on—requires income; so having low income strongly reduces the ability of persons to satisfy minimal human needs. This approach needs qualification on several grounds. First, it is clear that income is not the ultimate value at issue in poverty alleviation. The ultimate concern is with the ability of the poor to live fully human lives—to fulfill themselves as full human beings. Increasing the realization of human capabilities by the poor (so eloquently stressed by A. K. Sen) is the goal toward which poverty alleviation is directed.

A. K. Sen’s writings have contributed much to clarification of the bad of poverty. In his lectures on the standard of living Sen [Sen, 1987, Living] distinguishes between a commodity-based definition of the standard of living and a “human functioning” view of well-being. His central insight is that we are centrally concerned with human beings in possession of a bundle of human capabilities which can be either realized or impeded through the economic and social environment in which the person is located.

Sen’s basic insight is that well-being is best defined in terms of the individual’s capability to become a fully functioning human being. “In assessing the standard of living of a person, the objects of value can sensibly be taken to be aspects of the life that he or she succeeds in living. The various ‘doings’ and ‘beings’ a person achieves are thus potentially all relevant to the evaluation of that person’s living standard” (Sen 1985:29). If we were fortunate enough to live in a world in which all persons, rich and poor, were fully capable of realizing their human capacities, then the issue of poverty and wealth would be of secondary concern. In our world,
however, the limitations on personal development imposed by poverty are all too obvious: malnutrition, illiteracy, poor health, boring and dangerous conditions of work, and early mortality are plainly serious obstacles in the way of full human development for the poor.

Second, it must be noted that increasing the realization of capacities can be achieved through other means besides simply raising incomes; putting the point in another way, it is possible for the poor in one society to have higher income and lower capacity realization than the poor of another society, due to differences in the public provision of capacity-enhancing amenities. Societies in which there is extensive provisioning of education or health services, for example, will have a higher level of well-being in its poor population—even though the absolute income flowing to this stratum may be as low or lower than that of other societies.

This point brings to the fore a third qualification of the income-based criterion of poverty. Given the possible divergence between income and capacity-realization, we need to have other ways of measuring the extent and depth of poverty in different countries. It is here that a variety of “quality of life” indicators prove their merits. For it is possible to measure other variables besides income that have a more immediate relation to capacity-realization. Malnutrition is directly and patently incompatible with full realization of human capabilities; so, other things being equal, one society with a higher level of malnutrition than another is worse-off from the point of view of the condition of the poor. Longevity is a general indicator of the quality of health services available to the population (and the poor, since poor health care for a large share of the population will translate into reduced life expectancy on average). Infant mortality statistics are generally taken to be another sensitive indicator of the health and nutrition status of the poor; downward fluctuations in the latter lead to significant increases in the former. Likewise, data about school enrollments at various levels—primary, secondary, post-secondary—provide important information about the extent to which a given society is succeeding in providing education to its poor; and lack of education is plainly intimately related to obstacles in the way of capability-realization. (Literacy statistics can serve the same purpose.)

Measures of these non-income variables provide a fairly sensitive indicator of the condition of the poor in a way that permits informative cross-cultural comparisons. Several important indices of well-being have been constructed using such information. Central among these are the Physical Quality of Life index and the Human Development index.

**Freedom as a prerequisite of human capacity realization**

**Nussbaum’s formulation**

Martha Nussbaum offers an analysis of gender issues in development that flows from the “capabilities” approach to the analysis of quality of life (Nussbaum,
1995). Advocated and developed by Amartya Sen in a variety of writings,23 this approach attempts to define well-being in an objective way, by identifying a set of core human capabilities that are critical to full human functioning and assessing well-being (and the success of development policies) by the degree to which the individual is in circumstances which lead to the realization of these capabilities. The approach is studiedly critical of standard utility and preference-satisfaction approaches to the measurement of well-being. Along with its predecessor volume, The Quality of Life (Nussbaum and Sen, eds., 1993), the book provides a superb basis for discussions of justice and morality within the context of economic development policy. (It should be noted that the Human Development Report, published annually by the United Nations Development Programme, offers development statistics for about 150 countries that are designed to provide empirical information about quality of life in developing countries. The methodology of these reports is very much influenced by the capabilities theory advanced by Sen, Nussbaum, and others.)

The core of the theory is a principled account of a set of fundamental human capabilities which are held to be essential to a good human life. The Aristotelian origins of the approach are manifest. Martha Nussbaum’s essay, “Human Capabilities, Female Human Beings,” provides an effective exposition of the theory (as does David Crocker’s piece). It is Nussbaum’s contention that we can say a great deal about what is needed for a good human life; and this account is substantially independent of cultural variations (that is, human beings have the same capabilities for functioning in a wide variety of social and cultural settings). The capabilities involved in a good human life may be listed and justified, and the resulting list can serve as both a guide and a critical standard for development policy. Nussbaum devotes much care to the composition of this list; in brief, it includes:

- Being able to live to the end of a human life of normal length.
- Being able to have good health, adequate nutrition, adequate shelter, opportunities for sexual satisfaction and choice in reproduction, and mobility.
- Being able to avoid unnecessary and non-beneficial pain and to have pleasurable experiences.
- Being able to use the senses, imagine, think, and reason; and to have the educational opportunities necessary to realize these capacities.
- Being able to have attachments to things and persons outside ourselves.
- Being able to form a conception of the good and to engage in critical reflection about the planning of one’s own life.

• Being able to live for and to others, to recognize and show concern for other human beings.
• Being able to live with concern for and in relation to animals and the world of nature.
• Being able to laugh, to play, to enjoy recreational activities.
• Being able to live one’s own life and no one else’s; enjoying freedom of association and freedom from unwarranted search and seizure.²⁴

Nussbaum characterizes the significance of this list in these terms: “My claim is that a life that lacks any one of these capabilities, no matter what else it has, will fall short of being a good human life” (p. 85). Further, she maintains that the list, and its associated argumentation, ought to be taken seriously by development theorists in the design of development strategies. Public policy must be guided by a conception of the human good that gives the policy maker strong guidance in selecting goals and priorities for the development process. “The basic claim I wish to make . . . is that the central goal of public planning should be the capabilities of citizens to perform various important functions” (Nussbaum and Glover, p. 87).

Dignity issues
Much of the harm of poverty is tangible and material: high rates of infant mortality, poor nutritional and health status, and so forth. However, the emphasis on capabilities and functionings above should alert us to the fact that poverty has an intangible side as well. For the underlying value, recall, is that of the fully developed human being—the person in realization of his or her capabilities and functionings qua human being. And among the diminishments imposed by poverty are enduring assaults to human dignity over the whole of a human life. The person who cannot afford minimally decent clothing will often be ashamed to present himself in public. The underemployed housemaid may be compelled to accept indignity and disrespect from her employers rather than risk losing her job. The tenant farmer with low income and little power will be obliged to kowtow to his landlord rather than face eviction. Each of these situations is one in which we find a human being in circumstances of indignity; and it would be hard to imagine the person being able to sustain a robust sense of self-worth and self-respect in these circumstances.²⁵

A welfare argument
There is a straightforward social-welfare rationale for putting the poor first. Suppose that we postulate a utility-based social welfare theory and we maintain that

²⁴ This list largely quotes Nussbaum’s language, pp. 83-85.
²⁵ See James Scott’s eloquent discussion of the social psychology of domination and subordination (1990).
policies should be constructed so as to maximize average social welfare. The difference between the poor and the non-poor is that the former have less income. By almost any measure there is a declining marginal utility of income: the utility gained by expending an additional dollar in a high-income situation is less than that gained by expending a dollar in a low-income situation. Therefore we can maximize social welfare by biasing policies in the direction of increasing incomes flowing to the poor.26

This approach has very strong implications for distributive justice. Consider the simplest case in which we have a set of \( n \) income groups and an amount of incremental income \( M \) to distribute. The assumption of diminishing marginal utility of income entails that utility is maximized when incomes are equal across groups. Utility is maximized, then, if income is redistributed to achieve income equality across groups. If we impose the constraint that no existing incomes can be redistributed (reflecting individual entitlements that cannot be changed), then utility is maximized by directing new sources of income toward raising incomes of the poorest groups. It can be shown that the increased utility produced by the expenditure of \( M \) is maximized by raising incomes from the bottom up: raising the income of the last group to the level of the second-lowest group; then raise this group up to the level of the third-lowest group; and so on until the resources are exhausted.27

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26 R. M. Hare makes an argument along these lines in “Ethical Theory and Utilitarianism” (Sen and Williams, eds., 1982, p. 27).

27 Strictly speaking this finding only applies on the assumption that we are dealing with a purely allocative problem, and development is not solely concerned with allocation of consumption resources. The goal of much development spending is not to directly increase welfare through expanded consumption, but rather to create the possibility of future expansions in welfare through investment in the present. However, we saw above that there are distributive choices that planners must make;
It might be noted that this finding is sharply at odds with a common criticism of utilitarianism: that the principle of utility is indifferent to distribution [Rawls, 1971]. This is true in one obvious sense: the principle is indifferent between cases in which the same amount of utility is distributed over a small minority or diffused over a large majority. However, when we turn to consideration of the distribution of resources, along with the law of the diminishing marginal utility of resources, we get a strongly egalitarian conclusion: utility is maximized by distributing resources more equally.

**The link to the human development index and PQLI**

and this finding shows that social welfare is increased by favoring distributive outcomes that narrow inequalities by raising the welfare of the poor.
Part II. The demands of justice
Chapter 4. Equity and justice

In this chapter we turn to questions of distributive justice. There are several important dimensions of inequality in the developing world and several different conceptions of the moral significance of inequality. What does justice require in the domain of international inequalities? What is “just development”? Does the concept of justice apply to inequalities among nations, or is it rather a feature of the relations that obtain within given domestic economies?

We will consider inequalities of assets and income; inequalities of opportunity; and inequalities of ability to realize talents and capacities. Once having distinguished these different forms of inequality, we then must consider whether there are moral reasons based on justice for concluding that some such inequalities are unjust. Here my general perspective will be Rawlsian. The chapter then turns to two rather different problems of inequality within the development process: intra-country inequality and international inequality. The fact that 40% of the Philippine population has not shared at all in Philippine economic growth in the past 25 years is an instance of the former; the fact that Philippine average incomes are only a small fraction of North American average incomes is an instance of the latter. Do available theories of distributive justice give insight into the justice of such inequalities? And does justice demand that affluent nations submit to international redistributive institutions?

General questions for this chapter
What is justice? Is there a valid principle of global justice?
What is “just development”?
Is there a principle of egalitarianism that we ought to respect?
Exploitation—coercively established transfer of resources from A to B
Exploitation of labor—employment of labor at lower than “fair” wage, due to dominating social and economic institutions.
Is justice a characteristic of national development experience (internal to Brazil, for example), or is it also a characteristic of international economic relations?
Does a theory of distributive justice provide any traction on problems of economic development?
Are the grave inequalities—wellbeing, resource use, income—that are found in the world unjust?
Are some international economic relations exploitative? In what sense?
What is the relevance of the difference principle to global justice? Pogge, Satz
Distributive justice as fairness
Property rights and property regimes
Are differences in fundamental life prospects in the developing world potentially fair? Yes, if they are not generated by exploitative means
What are we to think about the legacy of colonialism? Compensatory justice? (note the book about Leopold in the Congo)
Is there a relevant principle of equality that binds in the sphere of international economic relationships?
Equality with respect to what? [Sen 1980]

**What does justice in development require?**
Wide and fair provision of human development
Equality of opportunity
Basic freedom for all
Market institutions that are not dominated by economic or political elites
State policies that are fairly and democratically adopted
Fair treatment of all segments of society
Secure basic rights; no extra-state coercion

**A fairness argument**

We might motivate a priority for the poor along these lines: anyone would favor this principle in advance if uncertain whether or not he or she will be among the poor. So fairness dictates that we should embody this principle in economic development policy. This is a line of thought that follows John Rawls’s construction of justice as fairness.

This approach can be developed further through discussion of Rawls’s own principle of distributive justice, the difference principle [Rawls, 1971]. Rawls’s difference principle establishes a baseline in terms of which to evaluate social and economic inequalities, and has the effect of concentrating our attention on the welfare of the least-well-off position in society. This principle has implications for economic policies in the less-developed world today; it implies that development policies ought to be structured so as to have the largest possible effect on raising the welfare of the poor in those societies. Rawls has not applied this framework to the problem of economic development. (Indeed, Rawls suggests that the “circumstances of justice” do not emerge until rather late in the process of economic development [Rawls, 1971]. ([Pogge, 1989] and [Beitz, 1981] have each borrowed some elements of Rawls’s theory in their own theories of international justice.) However, Rawls’s theory of justice has the merit of providing an extensively developed discussion of the justice of inequalities, along with a broad literature identifying some of the strengths and weaknesses of this framework.

Let us look briefly, then, at Rawls’s theory of distributive justice. The concept of justice as fairness depends on the idea that just social institutions are those that would be acceptable to all members of society, given appropriate restrictions on knowledge about personal circumstances. Rawls makes this idea more specific by introducing the idea of the original position, in which hypothetical members of
society deliberate about a basic charter for society (a theory of justice) behind a veil of ignorance. Participants are postulated to have extensive knowledge about economic arrangements but no knowledge about their own particular circumstances; and they are assumed to choose a theory of justice on the basis of their assessment of their own best future interests.

Rawls’s theory of justice rests upon his argument that two principles of justice would be chosen in these circumstances of choice to regulate the basic institutions of society. “The first statement of the two principles reads as follows. First: each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others. Second: social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone’s advantage, and (b) attached to positions and offices open to all” [Rawls, 1971, , : 60-61]. The first principle is referred to as the “liberty principle,” while the second is the “difference principle.” It is the difference principle which is of greatest interest in development studies. Rawls amplifies the difference principle in the following terms: inequalities in initial life prospects are justifiable “only if the difference in expectation is to the advantage of the representative man who is worse off, in this case the representative unskilled worker” (78).

Rawls applies the difference principle in terms of what he refers to as “primary goods”—goods that are needed for the furtherance of virtually any human life plan. He includes income, status, and the prerequisites of self-respect. This conception of primary goods converges nicely with the idea of “basic-needs” satisfaction and the fruition of human capabilities that A. K. Sen has offered (discussed above).

The difference principle requires that

- inequalities are justifiable only insofar as they work to the advantage of the least-well-off.

Justice requires, then, that the basic structure of society be arranged so as to create the least system of inequalities consistent with maximizing the position of the least-well-off.

In the context of development, then, we may formulate the following principle:

- development strategies should be chosen so as to produce the most rapid improvement for the least-well-off.

Thomas Pogge argues that the difference principle ought to be applied globally, without regard to national economic boundaries. This principle implies that we should not be concerned about average GNP or total GNP directly, but rather on the share of GNP flowing to the poorest 20%. It also implies that if two outcomes assign the same absolute amount of income to the poorest segment, we should choose that outcome that contains the least inequality—thereby reducing the total
of GNP. We should not “stretch” the ladder of income. This principle, however, has seriously counterintuitive implications in the context of development theory. For one of the central goals of development is to expand the welfare of all members of society—to create a material basis for more fulfilling human life. Growth, in other words, is of inherent value in development. The difference principle, however, appears to imply that we should choose to minimize growth, by selecting against policies that benefit groups other than the least-well-off. This implication violates a reasonable Pareto condition, and would not be chosen by rational agents in the situation of the original position. Instead, agents would be interested in establishing the highest welfare floor possible, and then maximizing the welfare of each group above the floor. Consider, then, the following principle:

- First maximize the income to the poorest 10%; then maximize the income to the next decile; and so on through the income ladder.

This principle involves maximizing GNP sequentially from the ground up; it does not permit tradeoffs between gains for higher deciles at the expense of lesser losses for lower deciles. This principle puts the poor first, but also places positive weight on income gains to other groups. It thus stretches out the income ladder and maximizing GNP consistent with maximizing the position of the least-well-off.

**Conclusions**
Exploitation is real and generates obligations that go beyond the general humanitarian obligation to render aid
The difference principle does not apply globally (because the world is not one fully integrated economic system)
Chapter 5. Human rights

Moral issues in rights theory
Rights and duties are correlative
What is the basis of the view that persons have rights, within moral theory?
What is the scope of human rights?
Positive versus negative rights
Freedom—negative (non-interference, non-domination); positive
Property rights and human rights
Are there subsistence rights in the human rights bundle—food security, health care, clean water, education?
Who has the duty of provision in the case of positive rights?
What obligations are created by positive rights, for whom?
What obligations are created for governments? What interventions are justified or mandated for other governments?
Specific rights: labor rights, reproductive rights, personal security, rights of economic activity and property
Is a theory of human rights a Western construct (Renteln) which ought not be imposed on other cultures, or is it a genuine moral universal that applies to all people qua human beings?
What is involved in securing human rights—is it sufficient for the state to arrange economic institutions so that everyone can purchase health care, for example?
Implications of human rights regime for development. If a reasonable set of rights were secured for all, could we conclude that development will be just?
Could it be that the positive rights are not individually applicable, but are instead a rights to live within which all have fair likelihood and opportunity to X, Y, Z (e.g. healthcare, subsistence)?

A human rights argument
Finally, we must consider whether there is a human rights basis for favoring the poor over the non-poor in economic development. (Henry Shue adopts such a position; [Shue, 1980, Rights].) This line of thought flows rather naturally from considerations raised concerning urgent human needs. Consider the following argument. All human beings have a right to access to the minimal goods needed to satisfy basic human needs. This right entails that if we are confronted with a group whose basic needs are not currently satisfied and if there are alternative plans that lead either to increased satisfaction of basic needs or to satisfaction of other persons’ non-basic rights, we should choose the former. The poor do not have a high level of basic-needs satisfaction. They therefore have a right to priority in development planning until their basic needs have been satisfied. Therefore
development planning should give priority to improving the incomes flowing to the poor.

Henry Shue, among others, argues that all human beings have basic rights that serve as the normative basis for international ethics: regimes that disregard these rights are unjust. Further, Shue argues that a variety of subsistence rights are included among these basic rights; so that developing countries have a strong obligation to undertake development policies that most rapidly advance the ability of their citizens to satisfy their subsistence needs. This chapter will consider whether a theory of human rights provides a strong basis for resolving the central problems of development ethics. I will take the position that a theory of human rights is needed within development ethics, but that most of the problems of development ethics may be better resolved on the basis of other normative resources.

A general notion of human rights has played a central role in the theory of international ethics since World War II. Such a theory—as formulated, for example, in the United Nations Universal Declaration on Human Rights—is designed to provide minimal standards and protections that governments must provide for their citizens. Such rights include civil and political rights (freedom of expression and association, democratic rights of political participation), rights of personal security (freedom from arbitrary arrest, torture, or death), and (perhaps) economic rights (rights to health care, employment, or education). The theory of human rights is not the whole of a theory of international justice; instead, it functions as a baseline set of guarantees that governments are urged to provide for their citizens, on pain of international censure.

The history of human rights institutions and practices in this century raises a number of difficult questions. What is the moral force of an international declaration on human rights? Is the notion of a right itself an ethnocentric Western construct? What if practices in some countries (e.g. the practice of arranged marriage) flatly contravene the declaration—which norm trumps the other?

Alison Dundes Renteln takes on several of these topics in this book, organized chiefly around the issue of relativism and universalism. She defends the position that ethical relativism is true as an empirical description of the moral practices of diverse cultures around the world. She takes this to amount to two things: that there is a great deal of moral diversity in different cultures, and that there is no rational ground for maintaining that one culture's moral ideas are superior to another's. But if this is so, then what justification can there be for insisting on a doctrine of human rights, since this is, or may be perceived to be, an ethnocentric Western idea at odds with indigenous moral ideas and principles? In some cases Renteln is content to say, so much the worse for human rights: "Women's rights and children's rights are problematic because societies do not all believe that these groups deserve special status. So, to assert the existence of universal standards for them is ethnocentric" (p. 60). But she has a more positive response as well. She
holds that though there is no philosophical basis for asserting the moral primacy of human rights, it may turn out that there are empirical regularities across the world's moral cultures that permit us to argue that certain human rights are respected by all cultures. There may be what she calls "homeomorphic" equivalents to human rights in all moral cultures (p. 11). She describes these regularities as empirical universals, and regards it as an important task for ethnography to identify such universals. Renteln illustrates this approach with an extended analysis of principles of retribution in a variety of cultures. She believes that a principle of proportional retribution is a plausible candidate for such a cross-cultural universal (p. 95), and one that may support international adherence to some human rights. Her conclusion, then (unless I have misread her) is that the theory of human rights should be restricted to requirements that are in fact respected by all the world's moral cultures. And she believes that there will turn out to be enough common moral substance to support a contentful doctrine of universal human rights.

These are important issues, and Renteln does us a service in raising them. The topics of relativism and universalism have been discussed a great deal in recent years by philosophers and ethicists, and the theoretical issues are more complex than Renteln admits. In particular, the fact of moral diversity across cultures by no means entails the skeptical conclusion that there are no rational grounds for favoring one set of moral principles over another. The task of formulating a rationally supportable theory of universal human rights requires that we sort out acceptable cultural variation in practices, concerning which the theory of human rights should be silent, from valid moral constraints on states—e.g. "no torturing of prisoners"—which can be justifiably imposed whether or not indigenous moral beliefs sanction the practice. So Renteln is overly ready to accept the ethical relativist conclusion without making enough of an effort to canvass the philosophical resources available to support a substantive moral theory of human rights. More satisfactory in this regard are several earlier works on international ethics—e.g., Henry Shue's Basic Rights (Princeton: Princeton University Press, 1980) and Charles Beitz's Political Theory and International Relations (Princeton: Princeton University Press, 1979).

Special areas of human rights in development

**Labor rights**

United Nations Covenant on Economic, Social, and Cultural Rights
http://www.hrweb.org/legal/escr.html
CONVENTION CONCERNING FREEDOM OF ASSOCIATION AND PROTECTION OF THE RIGHT TO ORGANIZE (9 Jul 48)
Women’s rights

Property rights

Rights of well-being (nutrition, health care, education)

Political rights

Rights of personal integrity (torture, imprisonment, mistreatment)
Chapter 6. Gender and development

Data on mortality, nutrition, health status, and access to income show substantial and significant differences between men and women in many developing countries. Women are disadvantaged in their exercise of economic and political rights in many countries; they are disadvantaged within the household in the domestic economy; and they are disadvantaged in many measures of well-being as outcome of social processes. Likewise, traditional social practices in various developing countries often show a marked bias against women. This chapter will consider the issues of social justice and human welfare raised by these persistent patterns of gender discrimination.

The issue of the role of gender issues in development enters our story from another door as well: because women are in fact the agents of development as well as the subjects of development. The role of women in agriculture is one such instance; women’s labor and organizational skills are at the center of increasing productivity in developing country farming systems. At the other end of the spectrum of generality, women’s organizations—in support of female labor rights, child welfare, women’s issues, and democratization—have the potential for reorienting development policies in country in ways that are more favorable to a range of human development issues.

The data from many developing countries concerning the status of women are alarming. Whether we consider basic measures of human development—education, nutrition, and health status—or measures of political and economic rights—the right to hold property, the rights of political participation—or measures of cultural and social repression of women—enslavement, violence against women, and cultural and religious limitations of the freedom of choice of women—we find that women in many developing countries are subject to severe disadvantage and restriction, resulting in massive differences in human welfare and the realization of human rights for men and women. Studies of girls in rural South Asia show that female children have lower nutritional levels and lower levels of education. Girls in West Africa are subject to the practice of female circumcision, leading to the surgical removal of female sexual organs. Women in Brazil are disadvantaged in the labor force and in their right to hold and dispose of property.
Some have argued that some differences in the status of men and women are legitimate expressions of valid cultural differences between the liberal west and religious and cultural traditions of other civilizations (for example, [Renteln, 1990 #1791]). Others maintain, by contrast, that there are culture-neutral standards that any society must honor in the treatment of women and girls (for example, Martha Nussbaum in the lead essay of Women, Culture and Development [Nussbaum, 1995 #1619]). So one concern that must be addressed here is that of cultural relativism: are there morally acceptable differences in the social treatment of men and women (or, for that matter, different religious or ethnic groups, adults and children, and other ways of distinguishing within society)?

Before we can make progress on this question from a moral point of view, we need to consider some moral principles that appear to be most salient. Perhaps the most direct basis for a moral theory concerning the status of women is a principle of equality: all human beings ought to be treated equally. However, it is necessary to amplify a principle of equality: equality with respect to what? Consider the following possibilities:

- equality of treatment with respect to basic social goods
- equality of life prospects
- equality of potential for realization of human capacities
- equality of basic human rights (political, social, economic)
- equal rights and freedoms

Let us attempt to formulate a principle that might capture the normative issues of gender justice.

---

Table 0.0. Illustrative data on the condition of women in the developing world28

<table>
<thead>
<tr>
<th></th>
<th>country</th>
<th>years of study</th>
<th>male</th>
<th>female</th>
</tr>
</thead>
<tbody>
<tr>
<td>literacy</td>
<td>Nigeria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>health status</td>
<td>Egypt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>nutritional status</td>
<td>India</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>political rights</td>
<td>Sudan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>legal rights</td>
<td>Brazil</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>violence against women</td>
<td>Afghanistan</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

28 Source: status of women.xls
Means of protecting the rights of women

We have surveyed some of the ways in which the life circumstances of women and girls are disadvantaged in the developing world, and have constructed a bit of moral theory maintaining that things ought to be otherwise. What are some of the instrumentalities through which progress is possible on these issues? At least two mechanisms stand out as especially salient: the activities of international NGOs (Human Rights Watch, for example), and the activities of women’s organizations within developing countries.

The rights and well-being of women provide a salient basis for democratic mobilization in developing countries. As we will see in the final chapter, democratic mobilization around progressive issues is in fact one of the major benefits which “more democracy” can bring to the development process. If women, through effective local and national political organizations, can begin to effectively demand better protections of the rights of women and girls, state policy will presumably begin to move in the right direction on these issues.

Gender inequalities

Education
[Hadden, Educating, 1996], [Mak, investing, 1996]

Access to health care

Nutritional inequalities

Political rights
[Poe, global, 1997]

Economic rights

Limitations on women’s rights within the household

Much of orthodox development theory treats the household as the unit of analysis. It is now apparent, however, that intra-households relations have an important role within the development process; in particular, gender-based inequalities within the household are glaring in many developing countries.

Inequalities of power, authority, and decision-making within the household

Inequalities of resource allocation within the household
[Findlay, Gender, 1996]
Limitations of women’s rights outside the household

*Employment*
[Lantican, income, 1996], [Smith, Women, 1992]

*Property rights*

*Political rights*

*Mistreatment of women*

Principles

*The priority of human development*

*Human rights*

*Justice and non-discrimination*
Chapter 7. Aid from the Industrialized Nations

This chapter turns to problems of international aid. Why should developed nations give aid to the developing world? Should normative considerations play a role in national decisions about the level and character of aid? How much aid should be given? Should aid be transmitted through bilateral channels, or is multilateral assistance (for example, the United Nations or the World Bank) preferable? What form should aid take? How important is food aid in the development process? Finally, how significant is aid administered through non-governmental organizations (Oxfam, Food First, etc.)? And what social obligations to citizens of developed countries have to support such organizations with funds, services, or participation? The goal of the chapter is to draw out a discussion of the implications of the normative theories discussed previously for U.S. foreign policy and for the political choices and activities of U.S. citizens.

International Politics of Development

This chapter turns to the international politics of development. Development takes place within an international environment. The international economy sets firm constraints on economic development within the LDC through prices and world demand for LDC products. International financial agencies—banks and multilateral and bilateral lenders—provide scarce access to credit, with consequent leverage on LDC development policy. And advisory and donor agencies, again multilateral and bilateral, exert a fair amount of influence on the direction and character of LDC development policy. Arguments above were offered to show that it is desirable that LDC development policy should be biased toward the poor. This chapter discusses some of the ways that international institutions might be employed to encourage this bias on the part of LDC governments. It also discusses the security implications of continuing rural poverty for the industrialized nations of the North.

These groups too have constituencies, including large business interests and foreign policy departments of the industrialized countries. The economic interests of large businesses and of industrialized economies are affected by alternative development processes. And there are good reasons to suppose that “poverty first” development goals are not as beneficial for these interests as “growth first” goals. Compounding this economic bias is the effect of Reaganism on international development planning. The anti-government, pro-market bias of the conservative revolution of the 1980s is wholly unsympathetic to the poverty-first goal. Economists and policy makers from this perspective mistrust such a policy orientation as an effort to reimpose a “dirigiste” imprint on economic planning.
Part III. Non-welfare considerations

This part provides discussion of three important normative issues that have not been fully discussed in previous chapters: the value of the environment, inter-generational obligations, and the value of democracy in the developing world.
Chapter 8. Future generations

The welfare of future generations should be taken into account in current policy formation. But how should this be done? As in the previous chapter, the issue arises in its sharpest form in instances where there is a clear conflict between the welfare of future generations and the welfare of today's poor. One standard approach to this problem is to introduce a temporal discount rate, so that utilities produced in the future count for less than those produced in the present. But the details of this treatment are philosophically problematic: how steep should be the discount rate? And why is it reasonable to discount future utilities and disutilities at all? The chapter will consider the following thought experiment: Suppose that we are considering two policies. One will immediately improve the condition of the poor by 30 percent and eventually level off at a GNP per capita of $20,000. The second improves the condition of the poor by only 15 percent, but eventually levels off at a GNP per capita of $30,000. Suppose, finally, that the poorest stratum on the latter plan are better off than that of the former. Which policy should be chosen?

Intergenerational justice

A second topic in the normative framework of development policy concerns the problem of taking present and future interests of society into account—the problem of intergenerational justice. Suppose we are confronted with two development choices. The first policy package leads to an immediate and gradual improvement in the welfare of the poor, followed by slow but steady growth over the next 50 years. The second policy package leads to some decline in the position of the poorest 40%, then gradual improvement and medium steady growth for the next 50 years. Finally, suppose that the welfare of the poor on the second plan passes that of the first plan after 30 years. (This can best be visualized in the form of a graph of incomes flowing the poor over time.) Considered with strict temporal neutrality the second plan is preferable to the first; for an historically brief time the first dominates the second, whereas for the rest of time the second dominates the first. The gains achieved by the future poor vastly (perhaps infinitely) outweigh the sacrifices of today’s poor.

On the other hand, we might reason along these lines. The needs of today’s poor are extremely urgent. Infant mortality is high, morbidity is high, literacy is low, nutritional status is compromised, and so on. Today’s poor need immediate attention. Tomorrow’s poor deserves consideration as well; but their condition will be better than that of the poor today. Therefore we should give first priority to poverty alleviation for today’s poor, and then turn to improving the prospects of later generations.

Both these arguments have a certain amount of force. (Ideally, of course, it would be preferable to adopt the poverty alleviation strategy for the first 30 years
and then switch effortlessly to the growth strategy. But this may not be feasible; the technological and institutional innovations needed for the first may not support the second.) So how are we to resolve the issue; shall we maximize utility over time—thus favoring the growth strategy? Or shall we maximize the welfare of today’s poor—thus favoring the poverty-first strategy?

One possible line of analysis involves introducing a time discount function. If we discount future utilities by even a low rate, then large gains in the distant future will not outweigh small gains in the near future. Moreover, if we do not discount future utilities, then we should always favor investment over current consumption—at every point in time. So a time discount is mandatory. But setting the discount rate high or low is a substantive moral issue, and we need to have a justification for our choice.

The way we treat this issue makes a great deal of practical difference in the kinds of development plans that we favor. If the present generation gets strong priority, then there will be less investment in productive assets and more in current consumption—food grain subsidies, free health care and education, and the like. On the other hand, if we favor future generations very heavily over the present generation (as might be justified by a temporally neutral social choice approach considering a large number of generations), then we will choose a mix of strategies heavily biased toward longterm investments in productive assets.

**Intergenerational constraint**

An important constraint on economic development strategies is normative and derives from the interest that each generation has in the wellbeing of the next. This is the requirement that the policies adopted should be broadly consistent with the interests of future generations; policies adopted today ought not be such as to guarantee harm for future generations. Several factors fall under this consideration: resource utilization and conservation; preservation of air and water quality; preservation of wetlands and rain forest; sustainable patterns of urbanization and urban development; and sustainable population policies.
Chapter 9. Development and the environment

Most people would agree that preserving the environment is a good thing, and that development policies need to give proper attention to environmental preservation. But why is this so? What is involved in environmental preservation? And how should the goods associated with the environment be compared with other goods of development (including particularly the good of enhancing human welfare)? Answers to the first question range from the prudential—environmental protection is necessary in order to preserve resources and a livable environment for future generations—to the intrinsic—the environment is inherently valuable, independent of human welfare. The chapter will consider a range of such views, and will then turn to the question of how to handle conflicts between the value of environmental protection and other important goods of development—in particular, the good of enhancing the life expectations of the poor and the near-poor. It appears unavoidable that there is a conflict between longterm environmental protection and medium-term poverty alleviation, since more rapid development of natural resources harms the former while potentially benefiting the latter. So how should these conflicts be resolved?

Two principles

*Environment is an input into human well-being*

*The intrinsic value of the environment*

The issues of environmental concern

*resource depletion*

*preservation of water and air quality; effective waste management*

*prevention of catastrophic climate effects: global warming, ozone depletion*

*preservation of forests, wetlands, and other “natural” land uses*
Biodiversity and species preservation

Goals

*Sustain the agricultural carrying capacity of the planet*

*Conserve important non-renewable material resources (metals, minerals)*

*Sustain (and enhance) air and water quality to preserve human health*

Sustainable development

The concept of “sustainable development” came into central focus in discussions of global environmental policy at the 1992 United Nations Earth Summit in Rio de Janeiro. One definition of this concept is:

- Sustainable development is development that satisfies the needs of the present without compromising the needs of the future [Brundtland, common future, 1987., chapter 2].

Why regulation? Public goods and future interests

Environments need state protection; a high quality environment is not one of the effects which even the strenuous advocates of liberal economic regimes claim for the workings of the market. Why is this so? There are two related reasons, each having to do with the nature of private decision-making in economic activities. First, environmental goods and bads are typically public goods or common goods, and not easily converted to private goods and bads. Government regulation is a way of protecting the common good against the effects of purely private decision-making.

Second, the negative consequences of current economic activities are commonly imposed on future generations rather than the current generation. Government regulation is a way of protecting future common interests against the effects of purely present-centered decision-making.

Implicit conflict between environmental goals and economic development

We have identified a series of objectives which an environmentalist program would wish to see honored within the context of economic development in the coming fifty years. Why are these goals especially challenging within the context of a world undergoing significant economic development? Environmental goals and economic development goals are almost inevitably at odds with one another.
Economic growth requires a change in the character of human activity in a region; it requires the use of natural resources; it implies more intensive land use; it implies rapid increases in energy consumption; and it gives rise to activities which produce waste in vastly greater quantities than traditional means of economic activity had done. (In the grandest scale, one might even say that the conflict between environment and economy is an implication of the laws of thermodynamics relating activity (the creation of local order) to the production of greater entropy (in the form of heat)). Economic development therefore leads naturally to increased depletion of non-renewable resources, increased pressure on land and water resources, and ever-increasing production of waste products (household waste, industrial waste, chemical by-products and heat released into air and water systems).

One important dimension of the conflict between economic activity and the quality of the global environment is demographic: with increasing human population, even the goal of sustaining a given level of consumption requires more intensive and extensive use of resources. If we keep production technology and individual consumption levels fixed, an increase of 5% in the population implies a 5% increase in energy use, fossil fuel use, metals and minerals use, timber and agricultural products use, and so forth. At present the global population is increasing at a rate of x% per year. It is predicted that developing nations will undergo a demographic transition similar to that witnessed by the developed countries in the past 50 years, with the hope of a stable global population of x billion in the year 2050. However, this equilibrium, if it occurs at all, will not come about for fifty years. So population growth itself will be a major driver of environmental degradation.

More profoundly, however, the goal of economic growth, and the goal of poverty alleviation that we have identified throughout as being a leading priority within economic growth, is intimately related to sustained increases in the use of resources and the creation of waste. The ultimate goal of economic growth is to increase the consumption bundles available to human beings. When a person becomes less poor, this means that he or she will be able to consume more of the economy’s finished products: food, shelter, clothing, books, education, electronic goods, and so forth. So the goal of economic growth implies a rising per capita output of the global economy. Compare the consumption bundle of a 30-year-old German professional with that of a 30-year-old Indonesian rice farmer; an effort at such comparison is offered in table 0.0. Here we can put concrete terms on the goal of reducing the poverty of the Indonesian farmer: we would hope that economic development will give him the opportunity of gaining access to a more varied and satisfying diet; better clothing and shelter; and access to a broader spectrum of the goods through which human capacities are amplified. These goals,

29 H. E. Daly makes this point in [Daly, Steady State, 1991].
however, require a higher per capita level of industrial and agricultural production in the global economy.

<table>
<thead>
<tr>
<th></th>
<th>professional</th>
<th>farmer</th>
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<tbody>
<tr>
<td>annual income</td>
<td>$ 60,400</td>
<td>$ 1,200</td>
</tr>
<tr>
<td>food</td>
<td>$ 6,000</td>
<td>$ 450</td>
</tr>
<tr>
<td>clothing</td>
<td>$ 2,000</td>
<td>$ 50</td>
</tr>
<tr>
<td>health care</td>
<td>$ 4,000</td>
<td>$ -</td>
</tr>
<tr>
<td>shelter</td>
<td>$ 8,000</td>
<td>$ 250</td>
</tr>
<tr>
<td>energy</td>
<td>$ 6,000</td>
<td>$ 300</td>
</tr>
<tr>
<td>savings</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>transportation</td>
<td>$ 4,800</td>
<td>$ 50</td>
</tr>
<tr>
<td>computing</td>
<td>$ 1,000</td>
<td>$ -</td>
</tr>
<tr>
<td>electronics</td>
<td>$ 1,000</td>
<td>$ -</td>
</tr>
<tr>
<td>entertainment</td>
<td>$ 3,600</td>
<td>$ -</td>
</tr>
<tr>
<td>books and recordings</td>
<td>$ 1,000</td>
<td>$ -</td>
</tr>
<tr>
<td>travel</td>
<td>$ 3,000</td>
<td>$ -</td>
</tr>
<tr>
<td>taxes</td>
<td>$ 20,000</td>
<td>$ 100</td>
</tr>
</tbody>
</table>

Table 0.0. Consumption baskets for German professional and Indonesian farmer

Put these two trends together—global population increase and global economic growth—and we can derive a “theorem” in the environment-economy sphere. The inference that we can draw is that—other things being equal—the next fifty years will reflect greater usage of natural resources, more intensive and extensive use of land and water, and greater overall production of waste products.

Fortunately it is not quite the case that all things are equal. For a central goal of environmental policy-making is to improve the efficiency of the “exploitation of nature”—that is, to improve the efficiency of energy production, distribution, and consumption; to improve the efficiency of the use of raw materials in the production of useful items; to arrive at agricultural techniques which make more efficient use of inputs and which permit sustainable land use over multiple generations; and, in general, to produce more with less. To the extent that efficiency gains are possible in some or all of these areas, we can expect that the rate of increase in the use of resources and in the creation of waste will be lower than the rate of increase in per capita consumption. (It is dubious, however, that efficiency gains along these lines can be achieved indefinitely; rather, it is probably more reasonable to hypothesize a period of efficiency improvement, followed by a constant level of energy costs.)

It is worthwhile to attempt to model these several effects simultaneously, to attempt to work out the consequences of the assumptions we have been making.
about sustained economic development. The model is designed to probe the
question, what is required of the process of economic development if there is to be
sustained improvement in the material quality of life of the world’s population
(including especially the poor)? And what are the implications of such growth on
energy and resource expenditure? The model summarized in table 0.0 makes very
simple assumptions:

- a linear production system (that is, fixed coefficients of production
  independent of scale)
- increase in the quantity of goods in the consumption basket over time
- increase in the efficiency of each production technology over time (falling
  coefficients of production)
- increase in energy and resource efficiency (leading to higher production costs)
- a fixed rate of profit (to permit us to compute prices through each cycle)

It is possible to estimate the resource consumption and waste production levels
associated with a hypothetical equilibrium in which population is stable and the
whole population has achieved a high minimum standard of living. (At this point
we could reasonably assert that the human imperatives of economic development
have been satisfied.) The resource budget of this high-level human welfare
equilibrium is represented (in a somewhat fanciful way) in table 0.0.
Table 0.0. High level global human welfare equilibrium

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2050</th>
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<tbody>
<tr>
<td>population</td>
<td>3,500,000,000</td>
<td>6,000,000,000</td>
</tr>
<tr>
<td>GDP per capita (1998 $)</td>
<td>$10,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>GDP for global economy</td>
<td>35,000,000,000,000</td>
<td>180,000,000,000,000</td>
</tr>
<tr>
<td>minimum income</td>
<td>$1,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.700</td>
<td>0.500</td>
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**per capita**

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<thead>
<tr>
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</tr>
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<tbody>
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<td>200</td>
</tr>
<tr>
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<tr>
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<td>60</td>
</tr>
<tr>
<td>fish</td>
<td>14</td>
<td>60</td>
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</tbody>
</table>

**total output**

<table>
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<th></th>
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<tr>
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<td>30,000,000,000,000</td>
</tr>
<tr>
<td>metals</td>
<td>175,000,000,000</td>
<td>1,200,000,000,000</td>
</tr>
<tr>
<td>grain</td>
<td>350,000,000,000</td>
<td>1,200,000,000,000</td>
</tr>
<tr>
<td>meat</td>
<td>42,000,000,000</td>
<td>360,000,000,000</td>
</tr>
<tr>
<td>fish</td>
<td>49,000,000,000</td>
<td>360,000,000,000</td>
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</tbody>
</table>

**agricultural output**

<table>
<thead>
<tr>
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</tr>
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<tbody>
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<td>grain per acre</td>
<td>2,000</td>
<td>2,500</td>
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<td>meat per acre</td>
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<td>250</td>
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<tr>
<td>fish per acre</td>
<td>600</td>
<td>800</td>
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**agricultural land use**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>grain</td>
<td>175,000,000</td>
<td>480,000,000</td>
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<tr>
<td>meat</td>
<td>210,000,000</td>
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</tr>
<tr>
<td>fish</td>
<td>81,666,667</td>
<td>450,000,000</td>
</tr>
<tr>
<td>all agriculture</td>
<td>466,666,667</td>
<td>2,370,000,000</td>
</tr>
</tbody>
</table>

The implications of this effort at compiling a “resource budget” for progressive economic development are profoundly sobering. This analysis suggests that the goals described throughout these chapters as desirable would entail a five-fold increase in agricultural land use (implying a dramatic reduction in uncultivated land, wetland, meadows, and forests); an eight-fold increase in global energy use (implying extensive use of nuclear energy and intensive exploitation of

30 Source: economic development resource budget.xls
fossil fuel sources); and roughly the same magnitude of increase in the use of metals (implying even more intensive mining than the present). In short, progressive economic development poses an agenda for the world that implies profound stress on the natural environment.\textsuperscript{31}

**Means of preservation of environment**

- increased energy efficiency
- effective resource recycling
- alternative energy sources
- more efficient use of resources (e.g. more efficient packaging)
- more efficient water and air purification

It should be noted that all of these instrumentalities have an economic cost, and they have relatively clear limits in terms of the positive effects they are able to produce. In treating waste gases exiting from a smokestack, it costs nothing (directly) to allow the gases to escape without treatment; it costs $X to remove 80\% of the particles; and its costs $Y to remove 95\% of the particles.

**Sustainable development**

The principle of sustainable development is this:

- Modes of material human activity should be constrained in such a way as to assure that the use of resources and the production of waste can be continued indefinitely.

This statement disregards the possibility of technical change; so the principle might be amended as:

- Modes of material activity should be constrained in such a way as to assure (1) that the current use of resources and production of waste can be continued

\textsuperscript{31} [Grossman, economic growth, 1995]
indefinitely, or (2) new technologies and materials can be envisioned to take the place of resources and assets which are depleted through the activity.

We saw in the previous section that agriculture and industry must increase many-fold to accomplish economic development; likewise, the use of resources like fossil fuels, minerals, and timber must increase dramatically, and the production of waste will increase concomitantly. Is the goal of progressive economic development (or indeed, any form of sustained economic growth) compatible with the principle of sustainable development? It is not transparently obvious that we can answer this question affirmatively; indeed, if we exclude the possibility of largescale new technological discoveries in the relatively near future (fifty years), it is probably more justified to conclude that progressive economic development is not compatible with sustainable development over the course of a half-century. In other words, to pursue the goal of progressive economic development, we may have to accept the consequence that the earth’s environment will continue to degrade over time, in ways that are not reversible in the medium term.32

**Tradeoffs between environment and the poor**

**Sustainable development, population size and human well-being**

Arguments presented to this point come very close to establishing the following conclusion: the goals of progressive economic development, conjoined with the standard demographic model, entail that sustainable development is not attainable in the next 50 years, and that the environment that would result from such a process would be one in which there was substantial resource depletion, depletion of forest and meadow, and degradation of water and air quality.33 Moreover, the central line of normative reasoning offered in this book would accept this outcome, in that I have privileged human well-being over other goods (including environmental quality). It is better to have an impaired environment if that is the cost of eliminating global poverty.

There is another possible solution, however, that forces us to open another large set of normative issues. For it is possible to imagine a world in which all human beings are supported at a high level of functioning, and in which the globe’s resources are treated in a sustainable way. This is a world in which the equilibrium

32 See [van den Bergh, dynamic, 1995] for a formal model pertinent to efforts to project the environmental effects of sustained global growth.

33 The most common basis for disagreeing with this view is the prospect that technological advances in the future will offset rising pressure on the environment. See [Starr, sustaining, 1996] for survey of this view.
population is smaller than what we currently expect—not 6 billion, but—perhaps—3 billion.  

Put it the other way around: what is the equilibrium population size that emerges as a solution to the constraints created by sustainable progressive economic development? This would be an estimate of the “carrying capacity” of the global economy, based on the minimum consumption levels implied by the goals of progressive economic development.

It should be clear to all that this solution to the problem—ultimately, controlled human fertility—is by no means an easy one; in fact, the social disruption and negative welfare created by poverty may well be less pervasive than the social problems created by aggressive population policy. However, it is essential to recognize that the central values that underlie the arguments advanced in this book are silent on absolute population size. To value human well-being is not to prefer a larger over a smaller population.

This is in one way an alternative statement of an old debate between “average” and “sum” versions of utilitarian ethics: do we maximize happiness by creating a large number of somewhat happy people or a smaller number of very happy people? Maximizing the average welfare seems in general to be a more defensible moral position; and this intuition has immediate implications for the problem before us here. A preliminary conclusion appears to emerge, therefore: that development policy must be highly engaged in population policy as well; and that the target equilibrium of global population ought to be one constrained by appropriate conditions of sustainability and human well-being.

**Salience of environmental issues in developing countries**

So far we have discussed the feasibility of a policy of sustainable environmental development. In the coming chapter we turn to issues having to do with democracy and development. We can anticipate some of the issues raised there, however, by asking whether, and to what extent, it is likely that a political imperative to adopt sustainable environmental policies will come forward within the developing world. Are poor democracies likely to place a priority on environmental goods? The problem here has to do with the longterm character of many environmental goods, and the doubtful durability of longterm goods in competition with shortterm improvements in material wellbeing. When a population contains a high level of poverty, how likely is it that a majority will support environmental policies that have the effect of restricting the scope of near-term improvements in material well-being?

We can get some clue to an answer by considering the experience of two developing democracies—India and Mexico. And it will emerge that environmental priorities have significant grip on majorities in each of these

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34 [Keyfitz, Population, 1993]
countries. (See [Dutt, Growth, 1996] for discussion of this issue in application to India’s development experience.)
Chapter 10. Democracy and development

Is democracy inherently a good thing? And do democratic institutions facilitate economic development? It appears reasonable to answer the first question affirmatively: democracy is a good thing because it facilitates free human choice and it furthers the good of political participation. But the answer to the latter question is an empirical one, and there is debate within the development field about the effects of electoral democracy on the development process. Some argue, for example, that the experiences of Korea, Taiwan, or Indonesia show that a strong authoritarian state is better able to engineer a successful process of economic development than an electoral democracy such as India (because of its ability to discipline fractious demand groups). This chapter will consider both the normative and the empirical side of these questions. It will argue, first, that democracy is inherently desirable; second, that the empirical record of authoritarian developing states is about as mixed as that of democratic states; and finally, that only democratic institutions give any promise of tilting economic development policies toward the interests of the poor.

Normative theory of democracy

Democracy is a good thing, both intrinsically and instrumentally. Intrinsically, it is a necessary component of the ability of individuals to live freely and autonomously. Instrumentally, it is an institutional guarantee that the policies and laws created by a government will have a reasonable fit with the fundamental interests of the people. Thus democracy is a central determinant of the quality of life, and a central element in the ability of men and women to live freely and autonomously as human beings. This is no less so in poor and developing countries than it is in the North and the West.

So, at least, the moral intuitions of a liberal western philosopher would assert. But before we can have great confidence in these utterances, we need to look more closely at the meaning of democracy and democratic citizenship. And we need to consider several important empirical questions: do democratic institutions facilitate economic development of the right kind? And do democratic institutions guarantee, or even make probable, the result that government policy and law will reflect the fundamental interests of the people?

Economic development “of the right kind”

We have seen that economic development “of the right kind” involves several dimensions:

- growth in the productive capacity of society: growth in productivity of labor, agriculture, and capital (leading to growth in per capita incomes and per capita assets)
• development that leads to significant and continuing improvement in the quality of life for the poor and the near-poor (that is, the majority of the population in most developing societies)
• development that serves to broaden the distribution of economic assets and incomes
• development that leads to improvement in conditions of health and safety in the workplace
• development that leads to improvement in "quality of life" issues for all: improved access to health care, clean water, education
• development that leads to sustainable environmental change and resource use
• development that leads to improvement in gender equity over time

Do democratic political institutions have positive effects on the achievement of some or all of these characteristics of economic development? Does a transition to stable electoral democracy in a developing society help to facilitate economic development "of the right kind" in that society?

What is democracy?

We can represent the central characteristics of a democracy from two points of view: from that of the individual citizen, and from that of the political institutions through which the values of democracy are realized in a particular social context. Let us begin, then, at the level of the citizen. There are several central and defining normative commitments that jointly define the political theory of a democracy. In the briefest possible way, we can offer a preliminary definition of democracy in these terms: A democracy is a polity in which collective decisions (laws, policies, procedures) are the expression, direct or indirect, of the preferences and choices of the collection of equal citizens of the polity.

Democracy thus pertains to the self-rule of a politically constituted social group—a state or provincial authority, or a city or town. Several elements distinguish a political group from other forms of association: the fact that the political unit is empowered to coerce its members through the collection of taxes, restrictions on the use of property, and the imposition of regulations and laws; and second, that the authority of the unit does not depend upon the continuing voluntary consent of the individual for the exercise of its authority. The citizen may sometimes vote with his or her feet (by departing the jurisdiction); but while resident within the jurisdiction of the political unit, the citizen can be compelled to act according to the laws, policies, and decrees of the political authorities. And laws have the invariable characteristic of restricting freedom; that is, they inevitably work to prevent people from acting on choices they otherwise would have made.
It is sometimes debated whether there is ever a moral justification for coercive legislation by the state, but I will not enter into this debate here. Rather, I will take it, with Hobbes, Rousseau, Mill, and Rawls, that the individuals within a society require some central authority in order to establish a system of law, to prevent violence, and to enact policies in the common good. Society requires a state. And democratic theory attempts to provide the most general blueprint possible for the legitimate state.

**Tenets of normative democratic theory**

The central tenets of normative democratic theory are these:

- All adult members of the collectivity ought to have the status of citizens (that is, there ought to be no restriction in political rights for different groups of people within the polity; **universal citizenship principle**).
- All citizens ought to have the broadest set of political rights and liberties possible, compatible with the extension of equal rights to all (that is, there ought to be full equality and the broadest possible liberty for all citizens; the **liberty principle** and the **equality principle**).
- Legislation ought to reflect the principle of the sovereignty of the people. When and where legislation is required, it ought to result from a process which involves the meaningful expression of interest and preference by all citizens (**popular sovereignty principle**).
- The legislative process ought to weight no individual’s or group’s preferences more heavily than those of any other individual or group (**equal weight principle**).
- Finally, a democratic society is one that is fully subject to the rule of law: legislation rather than personal authority produces limitations on individual liberty, and legislation is neutral across persons (**legality principle**).

What is a citizen? A citizen is, to start, a person; and so the thick conception of a person described above (chapter 3) is a good starting point here as well. A person is a moral individual, possessing a plan of life, a conception of the good for him- or herself, a set of needs, a set of rights and liberties, and, finally, a set of preferences that derive from needs and the conception of the good. The individual’s preferences represent the embodiment of his or her wishes with respect to a given set of outcomes or choices.

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35 See Bakunin, Kropotkin, and Nozick (not at all birds of a feather), for anarchist and libertarian statements of this position.
Democratic institutions

These represent the chief desiderata of a democratic polity. But these principles do not dictate a specific implementation. Rather, it is necessary for a given polity to design a set of political institutions through which the principles of liberty, equality, and sovereignty are realized. There is a logical gap between the principles and the institutional implementation, in the sense that people can always debate whether the particulars of local institutions adequately realize the relevant underlying values. It is likely, moreover, that different institutional arrangements represent different ways of accommodating the underlying values, and represent different types of tradeoffs among them.

In discussing institutional design it is useful to recall the discussion in Chapter 2 of the several different ways of aggregating and comparing multiple goods. A democratic state is a complex system involving multiple features (electoral institutions, parties, constitutional protections) and producing multiple goods (individual liberty, effective legislation, secure property rights, popular sovereignty). Institutions can be designed de novo, or they can be adjusted through a series of corrections and reforms. And as we consider the process of adjustment of an institution, it is necessary to consider carefully the “objective function” by which we intend to guide the adjustment and reform process. Are we willing to make tradeoffs among the goods produced by the institution—e.g. give up some popular sovereignty in order to achieve more equality of assets? Or do we mean to accept only Pareto-improving innovations—that is, those that improve at least one good without reducing any other good?

An ideal type of democracy

Consider this institutional sketch of a democratic system. The polity adopts a constitution that defines maximal political rights and liberties, and defines the status of citizenship. The constitution prohibits the establishment of laws that limit or constrain the constitutional rights and liberties of citizens, or that create inequalities in basic rights among different groups of citizens. The constitution further creates a legislative process through which elected representatives engage in a majoritarian process of debate and legislation. Representatives are elected and can be removed by the electorate; and the legislative process is itself governed by majoritarian voting rules. Legislation cannot contravene the constitution, and a separate super-majoritarian process for revision of the constitution is established. This sketch embodies each of the values indicated above: universal citizenship, maximum liberties, and popular sovereignty. The sketch corresponds fairly closely to the political theory of the United States government. Note that this sketch privileges liberty and equality (by placing the constitution prior to the legislative process). As a result, it restricts popular sovereignty. Even if a majority preferred
legislation that restricted liberties (for all or for a group), such legislation would be unconstitutional.

We can imagine other institutional sketches as well. We might imagine building a polity on the popular sovereignty principle first: all legislation emerges on the basis of majority vote of all citizens, and all legislation is in principle possible. Such an approach would privilege popular sovereignty, but would potentially interfere with the liberty principle or the equality principle (since it is possible that a majority would prefer to reduce liberties or undermine equality.

It is possible to provide a taxonomy of possible democratic systems (figure 0.0). The variables generating the taxonomy are “constitution/no constitution”, “representative/direct”, and “divided/unified”. This produces six variants (since direct government is by definition unified government). For any species of democratic government, we can always ask the fundamental question, how well do these institutions work to establish and implement the values of universal citizenship, maximum liberty, full equality, and popular sovereignty?

In addition to describing the institutions of constitution, elections, legislation, and executive action, a political system also has a surrounding cluster of supporting institutions: mass media, political parties, political fund-raising, and legislation surrounding the electoral process. Once again, for any particular configuration of institutions of these sorts, we can ask the question: how well do these institutions establish and implement the central values of democracy?

Finally, we need to find a place within our theory for the “instruments of coercion” within a society—the military and police, and the organs of private violence. A modern state—whether developed or developing—marshals capacity for a significant level of coercion. It is possible for political authorities to make use of this capacity for their own political purposes; likewise, it is possible for military and police authorities to use coercion and the threat of coercion to political purpose.

This brief discussion serves to establish the abstract geometry of a democratic polity: constitutional definition of the status of citizens, constitutional establishment of basic rights and liberties, establishment of an electoral process through which representatives are appointed, establishment of a majoritarian legislative process through which legislation is brought into being, establishment of an executive power which has the authority and charge to implement and enforce legislation, and establishment of a judicial branch charged to interpret the law and to judge law-breakers.

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36 It might be noted that the “no constitution” side is also somewhat complex, in that it is possible for custom or common law to act as an implicit constitution that constrains the right of legislators to enact certain kinds of legislation.
Institutional variants of democratic regimes

The ideal type of authoritarian government

What is the alternative to democratic government? Authoritarian government is just as complex as democratic government, in that there are many different ways of institutionally implementing a system in which the few govern the many. But let us lay out an “ideal type” of authoritarian government that is common in the developing world. I will focus on what is sometimes called “bureaucratic authoritarianism;” important variants include military dictatorship, party dictatorship, or “strong-man” dictatorship. (See [O'Donnell, 1979] for an account of bureaucratic authoritarianism in Latin America.) In the bureaucratic authoritarian state, a strong man rules the state, making use of a complex bureaucratic organization to create legislation and policy and an extensive coercive apparatus (army, police) to enforce government policy. But since both bureaucracies and police organizations are complex social organizations, autocrats have less than absolute power. They confront classic “principal-agent” problems in inducing the various organizations to do their bidding. So there is some looseness in the lineages of power from the center to the administrative peripheries of the
polity. Second, most societies contain non-political centers of power with which
the autocrat must contend—land owners, businessmen, financiers. Finally, even
the most autocratic regime must give some weight to the preferences of the masses
of the population. Coercion has its limits, and the autocrat must remain aware of
the potential of popular unrest in response to unpopular policies (increases in staple
prices, increases in taxes, reduction in customary rights).

What are some of the common characteristics of authoritarian regimes?

- Frequent use of force and threat of force against the population
- Predatory treatment of the national economy—taxation, access to positions of
  wealth, rent-seeking
- Bureaucratic interference with the market (especially in financial markets)
- Tendency towards capital-intensive growth
- Low ability to moderate and negotiate ethnic or nationalist conflicts

**Transition to democracy**

It is common in recent history to find developing societies in a state of
transition from authoritarian regimes to democratic regimes. Military dictatorships,
bureaucratic oligarchies, and other authoritarian regimes have found themselves
subject to irresistible forces which compel them in the direction of a degree of
progressive democratic reform: extension of political rights to citizens,
establishment of limited electoral processes, extension of the ability of independent
parties to organize themselves, extension of some degree of freedom of press, and
so forth. Here a series of questions demand answer. First, to what extent is it
possible for skillful elites and rulers to orchestrate the process of democratic
liberalization in such a way as to preserve their power and privilege within the
resulting regime? Second, what are the features of institutions which best serve to
bring about effective democratization? Third, is there a relatively clear distinction
between effective democracies and sham democracies? Finally, what if anything
can we say about the progressive features of hybrid political systems—polities that
are intermediate between authoritarianism and democracy? Are the steps along the
road to democracy unambiguously positive with regard to individual freedom and
other democratic virtues?

**Philosophical issues concerning democracy**

It is worth noting that there are well-known paradoxes underlying the theory of
democracy. The Arrow paradox establishes that there is no logically consistent and
fully general voting system that maps individual preference orderings onto a single
consistent social preference ordering.

There are also difficult philosophical issues that arise in the endeavor of
explicating the concept of preference. Are preferences entirely arbitrary and
subjective? Or is there a principled relationship between one’s fundamental values,
plan of life, conception of the good, and one’s preferences (or a subset of them)? Is there a principled basis on which others may criticize one’s scheme of preferences? And, finally, is there an objective basis for saying that some of a person’s preferences are more important than others—or that one person’s preferences are more important than another’s? These problems are critical for democratic theory, because collections of individual preferences underlie the principle of popular sovereignty. If I prefer one zoning code over another because I prefer to have silence in the neighborhood while doing my early morning exercises, whereas you prefer the second option to the first because it alone will allow you to earn your living—should your preferences be given more weight than mine?

**Empirical issues**

To this point we have focused largely on the normative theory of democracy. However, it is crucial to recognize that democratic institutions are institutions—they have real empirical and causal properties, and function according within the context of forces that give them a real empirical trajectory that may be at odds with the ideal theory. So at this point in the story it is appropriate to turn to a realist theory of democratic institutions, and to ask sharp empirical questions about the actual characteristics and tendencies of democratic political institutions.

Let us turn now to some of the empirical questions that surround the issue of democracy within the context of developing societies. How do the typical institutions of electoral democracy affect the process, character, and rate of economic development? Do the institutions of electoral democracy have the effect of inducing more egalitarian economic development? Do such institutions serve to emphasize the interests of the poor? Can broader political participation improve the situation of the poor?

**Multi-case studies of democracy and development**

There has been an extended debate about democracy and development, and the relations between democratization and economic growth. Do the institutions of electoral democracy facilitate or impede development? Samuel Huntington characterizes the debate in terms of “conflict” and “compatibility” theorists [Huntington, 1987]. Some have maintained that democratic regimes are in general less capable of managing effecting economic development than authoritarian regimes. The central premise of this reasoning stems from the observation that development requires change, and that change affects some voters adversely. So governments dependent on electoral support in the next election will typically tend to avoid choices that impose hardship on significant numbers of voters. (Adam Przeworski’s arguments in *Democracy and the Market* [Przeworski, 1991, #1633] represent a thoughtful argument to this effect.) Others have argued that democratic regimes are positively associated with economic development, and especially with more egalitarian modes of development. Finally, there is a body of thought which holds that democracy is neither positive nor negative with respect to economic
development. ([Sirowy, 1990] provides a careful review of this issue and the empirical data that pertains to assessment of the various hypotheses.)

The issue of the dynamic causal relations between democratic political institutions and the pace and character of economic development can be probed in several different ways. First, we can approach the problem theoretically or deductively: given what we know about the character and institutional dynamics of democratic institutions, and given what we know about the character and needs of economic development, what causal connections does underlying theory lead us to expect? Second, we can approach the problem through multi-case studies in which we operationalize the concepts of democracy and rate and character of development, and then examine to see whether there are meaningful statistical associations among the resulting variables. Both approaches have been pursued in the literature of the political economy of development, with deeply mixed results.

The theoretical case

Note that political theory leads us to expect causal connections flowing in both directions. The institutional arrangements of electoral democracies, with the dynamics created for majoritarian governments by the political calculus of voting blocs, can be predicted to give rise to the likelihood that some development choices will be more difficult than others. That is, the institutions of democracy are likely to impose a characteristic “look” on the process of economic development. But likewise, features of the economic development experience, short-run and long-run, may have significant effects on the stability and character of political institutions. For example, the structural adjustment crises of Latin America in the 1980s posed serious challenges to the stability of democratic institutions in a variety of countries. ([Peeler, 1998] describes the experience of Mexico, Venezuela, Peru, and Bolivia from the point of view of this direction of the causal arrow. Peeler takes the view that there is a generally positive causal relationship flowing from the presence of democratic institutions to effective economic development.)

The central theoretical dynamics that come into play include at least these:

Conflict theory

- Development requires decisive policy choice and effective policy implementation; authoritarian regimes are more decisive and more effective in implementing policy.
- Ethnic and sub-national conflicts interfere with economic development, and are most effectively suppressed by strong authoritarian government.
- Authoritarian governments are more able to effectively defer consumption in favor of savings. Democratic regimes are under a political imperative to increase social welfare spending, which reduces the rate of accumulation.
- Democracy undermines investment [Huntington, 1975].
Compatibility theory

- Progressive development requires policy choices that lead to a development pathway that produces a wide distribution of the benefits of growth; democratic regimes are more effective at producing wide distribution of benefits (because of the strong tendency of authoritarian regimes to structure economic activity towards “rent-seeking” activities, enrichment of the ruling circle, and widespread corruption).
- Democratic regimes are less prone to corruption and rent-seeking; they are less “predatory”.

Assessment: democracy and development

Issues of democracy and development have an empirical manifestation; since World War II over 100 nations have undergone a variety of processes of political and economic development, so it should be possible to examine this 50-year and 100-nation experience for statistical and causal associations among the variables of interest. Is there a demonstrable correlation between the attributes of democracy and the attributes of effective economic development? A large number of empirical studies have been undertaken in the past 30 years to investigate this question. However, the empirical case is suggestive but inconclusive. The data support some optimism in support of the “compatibility” theory: that democratic institutions have a net positive effect on economic development. However, the association is empirically weak, and there are a number of counter-examples in both directions: authoritarian regimes that have a good development record, and democratic regimes that have weak development records. In their major review of available cross-country studies of democracy and development, Sirowy and Inkeles conclude that (1) there is little support for a strong positive causal relation between democracy and development, and (2) there is little empirical basis for choosing between the “conflict” hypothesis and the null hypothesis [Sirowy, 1991]. Overall these authors conclude that there are few robust conclusions that can be supported on the basis of existing empirical multi-case studies of these factors. Sirowy and Inkeles believe that methodological flaws in the studies are an important part of the problem—leading to the possibility that more refined studies may shed greater light. Przeworski and Limongi arrive at a similar conclusion. They examine 18 cross-country studies, and conclude that these studies do not provide a clear basis for conclusion about the causal properties of democratic institutions with regard to development [Przeworski, Political Regimes, 1993, p. 60]. Both of these review

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37 See for example [list of studies from Przeworski and Limongi and Sirowy ant Inkeles].
essays point to the methodological difficulties that stand in the way of effective statistical test of these causal hypotheses.\textsuperscript{38}

This suggests, however, that it is reasonable to work on the assumption that democratic institutions are compatible with effective economic development.

\textit{Democracy and the poor}

How does the presence of democratic institutions affect the viability of progressive economic development strategies? Recall that “progressive” economic development is defined as development that is designed to result in wide distribution of the benefits of growth, significant and sustained improvement in the quality of life of the population, and significant and sustained improvement in the incomes and assets of the poor and near-poor.

The promise of democracy from the point of view of progressive economic development follows from a very simple argument. The poor are numerous. As parties compete for electoral support they have an interest in adopting policies that favor the interests of the poor. It is in principle possible for a political party representing the interests of the disadvantaged to acquire substantial political influence in a third-world democracy, through its electoral significance. And in countries in which there is such a political party, we should expect that government policy will be accordingly tilted back in the direction of the poor. Therefore we should expect a tendency for state policies to accommodate the economic interests of the poor, and to begin to redress the anti-poor tilt that is characteristic of authoritarian politics.

These considerations suggest that progressive development strategies and third-world democratization movements need to flow hand in hand: regimes whose political base depends on support from the poor and the near-poor will be the most motivated to pursue a poverty-first program, and the most capable of implementing such a program; whereas the existence of such a program within a developing democracy provides a plausible basis for mobilizing further mass support for the progressive development party.

There is a realistic core to this optimistic argument, but it is over-simple in this formulation. More extensive democracy \textit{can} be a central means of furthering poverty-first economic development. But it is also clear, both empirically and theoretically, that broad-based electoral democracy does not unavoidably result in conferring political influence on the poor. There are constraints on the political capacity of such a party. First, there are numerous channels through which elite interests can subvert the political goals of a party of the poor. And second, there are structural constraints on the policies that such a party can advocate, let alone

\textsuperscript{38} See also [De Haan, New Evidence, 1996] for a similar conclusion: “Our main conclusion is that the relationship between democracy and economic growth is not robust.”
implement, without creating an economic crisis that worsens the condition of the poor.

**Can democracies take hard measures?**

Consider one final question-mark on the role of democracy within development. Electoral democracies are reasonably effective in mobilizing groups in defense of their economic interests, and the results bear the mark of this process. It is difficult to implement policies within an electoral democracy that impose economic hardship on politically effective groups. But development (and economic reform more generally) unavoidably involves hardship for various social groups. So the question arises: Do effective political demands within the context of an electoral democracy paralyze development? The answer to this question depends a great deal on institutional variables below the current level of discussion: the political competence of existing parties, the ideology and commitments of the governing party, the quality and effectiveness of leadership, the level of confidence the electorate has in a regime’s intentions and competence, the character and goals of existing sub-party organizations, and the details of parliamentary institutions. The strongest conclusion that can be drawn on the basis of the recent experience of Poland, for example, is that it is possible to implement an aggressive program of reform through democratic means, but that the political pressures build substantially as the reform program begins to impose hardships on the populace. Moreover, there are instances elsewhere in Eastern Europe (Hungary, for example), in which governing parties have not succeeded in putting together strong electoral support for a unified program of reform; in these cases, gridlock appears to be a very possible outcome.

**Co-optation of democratic institutions by elites**

It is a familiar fact in the democracies of the developing world that economic elites often manage to retain disproportionate influence within a democratic electoral system. The reasons for this privileging of elite interests are not hard to find. Elites have privileged access to the instruments of political influence—education, literacy, campaign finance. Elites are able to oppose political strategies through the threat of capital strike. And elites are compact groups, so that their collective action problems are more easily handled than those of more numerous

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39 These issues have been most actively discussed in the past few years in the context of the reform processes currently underway in Eastern Europe: Poland, Hungary, and Czechoslovakia. See Przeworski (1990), Kornai (1990), Cohen (1989), and Nove (1983).

40 Adam Przeworski analyzes the process of economic reform in Poland along these lines [Przeworski, 1991].
These considerations suggest that elites are well-positioned to defend their economic interests within an electoral competition—with the result that they will be able to preserve the benefits of pre-existing anti-poor biases in economic policies.

Second, to the extent that non-elite groups emerge as politically significant it is possible, perhaps likely, that the groups that stand to gain the most political influence through democratization are not the poor, but the near-poor: urban workers and consumers, better-off farmers, and the like. And the interests of these groups are not identical with those of the poor. Consider one example of a process that is almost ubiquitous in the developing world: the political influence of civil servants, urban workers, and urban consumers. These groups have an interest in securing food price policies that guarantee lower food costs; they have an interest in development strategies that enhance urban amenities (transportation, sanitation); and they have an interest in wage policies that favor them. Further, these groups are well-positioned to back up their demands with effective political action: mobilization around political parties, personal and political relationships with government officials, and the threat of urban unrest. So it is common to find that LDC policies reflect an urban bias: food price policies, provision of infrastructure, and wage policies that favor urban workers and civil servants. These politically-created benefits have the effect of improving the material welfare of these groups—but at the expense of the rural poor. The result of these policies is to depress the market-determined incomes of farmers, to reduce the level and quality of amenities flowing to the rural sector, and to further exacerbate the wage differentials between rural and urban sectors. A consequence of this line of analysis, then, is to raise the possibility that more democracy may in fact reduce the amount of attention the poor (and particularly the rural poor) receive within the politics of development policy.42

These arguments are not intended to discredit the significance of democratic institutions in furthering a poverty-first economic strategy. Indeed, it is unlikely that such a strategy will emerge except through an effective, politically competent demand for such a strategy by the rural poor, supported by an effective and administratively competent party strongly committed to its interests. But democratization is not the only ingredient of a successful poverty-first policy, and arguments in preceding paragraphs are designed merely to show that it is quite possible for democratic electoral mechanisms to lead to outcomes that neglect the poor or are positively biased against them.

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41 See Miliband 1969, Miliband 1977, Miliband 1982, and Cohen and Rogers 1983 for developed analysis of these points.

42 See Michael Lipton’s Why Poor People Stay Poor (1976) for extensive analysis of some of these mechanisms.
This line of thought suggests, then, that effective political action in support of progressive economic development policies is most likely to come into place within a context of effective electoral democracy, in the presence of an administratively competent party of the poor.43

43 Consider the detailed analysis offered by Atul Kohli of the politics of development in three Indian states [Kohli, 1987].
References