

# ASSESSING STRATEGIES OF ECONOMIC DEVELOPMENT

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Assessing strategies of economic development is not easy as we find patterns standing in strong contrast to one another. Our fundamental question is: how adequate have been recent efforts to improve living standards and life opportunities in poorer countries? No one here would doubt that these are very substantial issues, as the lives of millions of people depend on finding more adequate answers, and quickly.

Indeed, I think it no exaggeration to say that we are engaged in a great battle of ideas with immense consequences for whole continents of people. We have already talked in this conference about the radical free-market ideologies which have accompanied economic changes throughout the process of globalisation. These ideologies, of course, do not come from nowhere, but reflect the aims of various interest groups and powers.

However, I would not want to support a conspiracy theory which saw the free market simply as a cunning plot by the rich against the poor, though I can understand why some might think that. The free market is demonstrably the most efficient instrument for the production of goods and many services, as long as it is constrained by robust institutions and cultures which can steer the market to serve the common good.

After the fall of Soviet communism, the Pope warned in *Centesimus Annus* against the development of such radical free-market ideologies, but unhappily in many parts of the world they are exercising greater influence.

The churches, then, have a special responsibility, as global actors themselves, and as prime shapers of moral values, to engage intelligently yet forthrightly, with the philosophies and ideologies of the new global forces. My expectation is that next May the Pope will issue a new social encyclical developing these themes.

After this little preface, in the brief time we have, I will approach the matter in four segments, to

- i. identify progress so far;
- ii. outline some key failures;
- iii. review proposals to improve development work; and
- iv. assess these proposals in the light of Church social teaching.

## **PROGRESS SO FAR**

Given the extent of aid fatigue and the problems faced even in richer countries from the effects of globalisation and market-driven economic policies, it is important not to consign the problems of developing countries to the 'too hard basket'. Alarmist exaggerations about the extent of hunger or about increases in global population can undermine the political will in developed countries for governments to support sensible development initiatives. The picture is not one of unrelieved gloom.

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Indeed, development efforts in recent years have achieved some remarkable, though uneven, results.

- Child death rates have fallen by half since 1965;
- The number of school children in developing countries has doubled since 1965, and the percentage in primary school increased from half to more than three-quarters;
- Adult literacy has increased from 48% in 1970 to 72% in 1997;
- Average per capita incomes tripled in the past 50 years;
- Those in medium human development levels increased from 55% in 1975 to 66% in 1997;
- Those in low human development fell from 20% to 10%;
- We seem to be over the worst of excessive fertility rates, and the latest estimates indicate that global population will level out at about 10 billion in 50 years.

Leading development economists assure us that, for the first time in history, we have the **capability of eradicating hunger** and the most degrading forms of poverty. The Nobel Prize-winning economist, Amartya Sen, in his recent excellent work, *Development as freedom* (Oxford University Press, 1999), adds that there is 'no significant crisis in world food production at this time' (See Table 9.1, p. 206). As for famine, Sen writes: 'Famines are, in fact, so easy to prevent that it is amazing that they are allowed to occur at all' (p. 175).

Sen has become distinguished for his pioneering work with Jean Dreze on famine relief, and more recently for his studies on social inequality and on bringing economics and ethics into closer debate. He also took part with other leading economists in a colloquium with the Pontifical Council for Justice and Peace in 1991.

Indeed an Australian scientist, Lloyd Evans, the former head of the CSIRO plant industry division, has written in his *Feeding the ten billion*, that we could feed all these even with current levels of food production, on condition we distributed food equitably, with less waste, and a sharp reduction in the use of grain for animal feed. We have succeeded with food production, but failed with food distribution. (See Peter Hartcher, *Australian financial review*, 13-14 May 2000, 9).

Moreover, there has been **rapid expansion in knowledge of the development process**, as chronicled in such books as Partha Dasgupta's *An inquiry into well-being and destitution* (Oxford: Clarendon Press, 1993/95). Such researches have shed much light on how processes of development differ in various social and cultural contexts, and how important is decision-making at the micro level.

The new direction in development thinking has been reflected during the last ten years in the *Human development reports* published by the United Nations Development Programme (UNDP). The 1999 report is particularly important. Gradually even the World Bank, under the Australian-born James Wolfensohn, and the IMF, have been reorienting their policies towards poverty alleviation.

## SOME KEY FAILURES

Yet on the negative side of the balance sheet, we find such distressing results that one could be tempted even to lose hope. There is no room for complacency.

The *Human Development Report 1999* frankly acknowledged that there have been many failures in development effort, and in many countries poverty and inequality have grown much worse.

- More than 80 countries have per capita incomes lower than a decade ago, especially in Sub-Saharan Africa. Eastern European countries and the former Soviet Union have experienced the sharpest increases in inequality ever recorded.
- The income gap between the richest 20% of the earth's population and the poorest 20% has increased from 30 to 1 in 1930 to 74 to 1 in 1997.
- By the late 1990s, the 20% of people living in the richest countries had
  - 86% of world export markets – compared with the poorest one-fifth's 1%;
  - 68% of direct foreign investment – compared with 1% for the poorest one-fifth;
  - 74% of phone lines, compared with 1.5% for the poorest.
- The world's 200 richest people more than doubled their net worth in the four years to 1998, to more than \$1 trillion.
- The top three billionaires possessed assets worth more than the combined GNP of the 48 least developed countries with their 600 million people.

In addition,

- The AIDS epidemic in 1998 hit another 6 million people, bringing the total to 33 million, 95% in developing countries. Currently some estimates for the number of people with aids are *as high as 50 million*. In nine African countries, life expectancy by 2010 is expected to *drop by 17 years*.
- About 18 million people die from hunger each year.
- The 1997-99 financial crisis in Asia
  - ❖ Bankrupted many businesses;
  - ❖ Cost 13 million jobs;
  - ❖ Cut global output by \$2 trillion in 1998-2000, badly affecting other low-income countries;
  - ❖ Destabilised capital markets and investment.
- Growth in global and organised crime – estimated turnover of \$1.5 trillion a year.
- Trafficking in women and girls for sexual exploitation – 500,000 to Western Europe alone.
- Gender imbalance, leading to more than 100 million females missing in Asia and Africa.
- Illegal migration and increasing trafficking in people.

As measured by the Human Poverty Index, more than a quarter of the 4.5 billion people in developing countries do not have access to basic choices:

- ◆ life beyond 40 years;
- ◆ nearly 1.3 billion lack clean water;
- ◆ one primary-school-age child in seven is not at school;
- ◆ about 840 million are malnourished;
- ◆ About 1.3 billion people have to live on less than \$US1 a day; 3 billion on less than \$2 a day.

Even in the richer countries, one person in eight is affected by poverty.

## PROPOSALS FOR IMPROVEMENT

In general, development thinking is tending to move

### 1. From macro-scale projects to *micro-levels*.<sup>2</sup>

- Big projects, e.g. dams, have long and heavy repayments, and often have inequitable burdens or results, or are socially divisive. Sometimes mistakes have been made in the siting, size and value of dams.
- The phenomenal success of micro-credit schemes, especially the Grameen Bank in Bangladesh, has proved that small amounts of capital can lead to significant improvements in living standards if small local groups, especially involving women, are accountable to one another.

### 2. From paternalistic or academic large-scale planning over the heads of 'passive' people to inviting *strong participation and local involvement in planning and projects*.

- Development planners have often made disastrous mistakes which have cost many lives, e.g. the overemphasis on heavy industry at the expense of agriculture in India from the 1950s.
- Many projects have wasted valuable national resources on prestige or inappropriate projects;
- Corrupt leaders have plundered their people, with the collusion of western banks;
- Military conflicts have squandered limited economic resources and human lives.

### 3. From a concentration on increasing aggregate economic output to recognising *that more equitable distribution is often even more critical*.

4. From a stress on the material factors of development or strictly economic well-being, to recognise more clearly the non-material factors, of culture, human rights, democratic freedoms and participation, and the *expansion of human capabilities*, or *agency* in the sense of people participating in action for change which advances their own values and goals (Sen, 1999, 18-19).

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<sup>2</sup> For a summary of prospects and problems of microfinancing in the Pacific, see Joe Remenyi, 'Microfinance in the Pacific Islands: Adjusting to Aid Dependency and the Dutch Disease', in Joe Remenyi and Benjamin Quinones, *Microfinance and Poverty Alleviation: Case Studies from Asia and the Pacific* (London: Pinter, Asia-Pacific Development Council, 2000, 220-49). Remenyi looks particularly at attempts at microfinance in Tonga, the Solomons, Fiji and Papua New Guinea.

5. From seeing the market system as the fundamental mechanism for reaching desired outcomes, to seeing it as a valued and indispensable instrument for economic development, but as only one aspect of development. *Other institutions are needed to promote equity, social and political participation, cultural expression and continuity, religious identity and democracy. Social and distributive justice must be reclaimed in economic debate, and not displaced by contractual justice alone.*

Sen applies to the exaggerated belief in the benevolent power of an unfettered global market a quote from T. H. Huxley that 'It is the customary fate of new truths to begin as heresies and to end as superstitions.' (p. 111).

6. To *restoring the gender balance* in development, by recognising the central role of women. In most developing countries, the role of women is extremely important in household management and agriculture, as well as nurturing children, but it is now widely recognised that *enlarging the capabilities of women, especially through education, paid employment and social and political participation*, is essential in lowering excessive birth rates, improving health care and nutrition, and lifting living standards.

Sen has argued strongly that the central focus of development should be on enhancing human freedoms, and involving local communities as closely as possible in decisions about economic and social development.

### **THESE PROPOSALS IN THE LIGHT OF CHURCH SOCIAL TEACHING**

One cannot help being struck by how closely the thinking of Sen and other development economists, especially on the need to enhance human capabilities in all areas, meshes with recent Church social teaching.

Though the Church employs a slightly different rhetoric, especially since Pope John XXIII, and most notably in Pope Paul VI's *Development of peoples* in 1967, we note a similar stress on

- the 'right to participate' in decisions affecting one's life;
- recognition of human rights and the necessity of political participation;
- endorsement of rights to initiative and enterprise;
- the subordination of *instrumental economic concerns to the higher values of justice, freedom and equity*: to have more in order to be more;
- insistence on the need for a *renewed education of conscience* so that all recognise their responsibilities.

Pope John Paul II has vigorously promoted this social agenda, especially in this Jubilee year, not just drawing out the redistributive implications of the Jewish Jubilee, but stressing that concern for the social needs of others is central to Jesus' understanding of his mission, and must be so for the entire Church. However I fear that many Catholics are still victims of a past Quietism which considers social concern as a marginal and optional matter for the Church.

My very strong impression is that most Catholics, and even many of the clergy, have little or no idea about the Jubilee's social implications. I am sorry to say, also, that if my contact with teachers and schools is a reliable indication, the Church's social teaching is not very alive in our Catholic education system, despite some magnificent exceptions

and the sometimes quite extraordinary efforts of the staff in our various social agencies. I would like to be proved wrong, and would welcome some careful evaluation of our efforts, but I suspect there is much tokenism.

However, I think we can take heart that our tradition of education, especially for girls, health care and value formation are exactly what are needed still in all countries.

At stake here is our image of God. Jesus is the human face of a God who is so passionately concerned about human suffering and disadvantage that he identifies with them fully in Christ's mission of healing and preaching, and enters profoundly into his suffering and death.

It is not incidental that our most revered words, 'Redeemer, Salvation' etc, rest so firmly on the Exodus experience of liberation from slavery and oppression. Such keen experiences of human suffering remain the foundational metaphor for what we now call sin and alienation in all its forms. The whole point of Jesus' message is that God is not indifferent to human suffering and evil, and that the Holy Spirit continues this mission of reconciliation and healing not just through Christians, but through all people of conscience and good will. Nevertheless, the Church is called to witness to this most explicitly. In a real sense, ours are the healing hands of God, the voice for peace, the intelligence of God to reorganise our world so all can live a decent life.

Concern about social injustice is not marginal to the Gospel, though as the Pope has recently acknowledged in his Jubilee apologies, it has at times been shamefully marginal in the history of the Church.

In an address to the diplomatic corps in 10 January 2000, Pope John Paul II appealed to all 'to bridge the gap between the rich and the poor, to realise that we are all responsible for one another. It is God himself who asks this, and he never asks what is beyond our abilities' ('The century for solidarity').