

**TOWARDS A ONE WORLD DEVELOPMENT PATH:
THE CASE FOR GRASSROOTS DEVELOPMENT**

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Abstract

After a brief description of the diversity of development experiences in the post-war period, the paper considers the three most important lessons stemming from those experiences. An explanation of the contrast between grassroots and macro development performance is then offered together with a characterization of the notion of participatory development as a launching pad for a new development impulse. The paper concludes with a defence of public action as a precondition for the starting up of a one-world development path.

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1. Introduction

The main question I want to address in the present paper is whether the world is becoming fragmented economically into regions blocs or whether a one world is possible. When one looks at the present day economic and social situation, the concept of "one world" or "more integrated world economy" appears rather impractical and imaginary. In a world in which Mozambique has per capita annual GNP of about \$ 100 only, while Switzerland has \$ 30,270 (in 1989), one wanders as to what could be the relevance of "one world", "Our common future" and similar other slogans.

Still, what we seek is a One World development strategy in a period of revolutionary changes - changes in the world strategic situation, changes in the working of the global economy and changes affecting the global ecology. It is the impact of these changes which force us to think for the first time in terms of world development rather than in the historic terms of national development.

The idea that a global strategy was necessary to remove poverty gathered considerable international support in the years after World War II. In an address to the UN General Assembly, President John F. Kennedy proposed that the 1960s should be designated as a development decade in which both developing and developed countries would undertake to adopt concerted convergent measures for promoting sustained growth in the Third World. Since then, at the beginning of each decade, the United Nations has outlined proposals for international development in that decade.

These proposals spell out the major elements which influence the international environment for development and the responsibilities of the international community for improving it.

Yet the very rapidity of change exceeds our individual and institutional capacity to make the necessary adjustment. We cling to known patterns of response, even as these prove inadequate to the new challenges.

Relative to the hopes of the 1950s and even the 1960s, the performance of most developing countries has been dismal. Indeed, the polite phrase "developing country" itself has become an embarrassment, when it must be used in such sentences as "per capita income in the developing countries of Sub-Saharan Africa has declined steadily since the mid-1970s". It is unfair to blame Western economists for more than a small fraction of this failure, but the ideas of development economics were too often used as a justification for policies that in retrospect impeded growth rather than helping it along.

A major effort of creativity is required to make substantial advance towards a new way of tackling the immensity of the problems the Third World faces to-day and the restricted choices it has to overcome them. The following pages are meant to be a contribution in this direction. After a brief description of the diversity of development experiences in the post-war period (section 2), I will consider the three most important lessons stemming from those experiences (sections 3-5). An explanation of the contrast between grassroots and macro development performance is the subject matter of section 6. In the subsequent section, I elaborate on the thesis that the only possible resolution of the contrast will come in response to activity at the grassroots level. In section 8, I characterize the notion of participatory development as a launching pad for a new development impulse. The final section contains a defence of public action as pre-condition for the starting up of a participatory process.

2. Diversity of global development

A clear sign of fragmentation in to-day's world is the diversity of global economic development, with the world economy as a dual track system. At a time of great technological and material advances, a large part of the world population lives in abject poverty, undernutrition and illiteracy, while a minority lives in rising affluence. In the last decade there was great progress in development in some countries and serious setback and even regression in many other countries.

In Asia, growth in the 1980s was faster than before. Per capita output increased by about 5% a year in East and South-East Asia. In Latin America growth declined by 1% a year and in sub-Saharan Africa by more than 2% a year. In many countries including countries in the Pacific, per capita income was lower than in the 1970s. Therefore, it is no wonder why the World Development Report 1990 has written that for many of the world's poor, the 1990s was a lost decade - a disaster indeed.

The outlook for the 1990s is that the patterns of growth and stagnation of the 1980s are likely to continue. The projections of international organizations for the per capita growth of output of Latin America as well as the Middle East is 1 per cent per year. Projections for sub-Saharan Africa suggest that per capita income might not grow at all but remain below the level of 1980. In Asia and the Pacific, on the other hand, the same projection is one of 4 per cent.

In the 1980s, where there was substantial economic growth, social conditions improved, and the number of people living in absolute poverty declined. In the

regions and countries where economic conditions stagnated or declined, social indicators point to deterioration with regard to nutrition, infant mortality, housing, health care, education, and the supply of safe drinking water. The number of absolutely poor increased. These patterns seem at present likely to continue in the 1990s, although the erosion of living standards and social services in many countries have rendered some of them virtually ungovernable.

By the year 2000 world population will have increased by one billion, almost one fifth. Some 90 per cent of that increase will be in developing countries which will add to their populations more than the total populations of Europe and North America today. Coping with this staggering increase is an important challenge. Economic and social development and active population policies have helped to reduce the growth of population in many countries, but in many others population growth contributes to a vicious circle of poverty, environmental degradation, and uncontrolled urbanization.

Unemployment and underemployment is likely to assume even more serious proportions in Latin America, Africa and parts of Asia and the Pacific where the projected rate of growth of labour force in the 1990s far exceeds the rate of current creation of job opportunities. Even in those countries of Asia, where fast economic growth created a substantial number of jobs in the 1980s, a large proportion of the labour force is underemployed, and is likely to remain so in the 1990s.

"Sustainable development" the term popularized by the Brundtland Commission for development sensitive to environmental concerns, is a major effect to reverse world wide environmental degradation and assure ecological security. For developing countries the concern is with exhaustion of the natural resources base on which human survival depends, the disappearance of the forests, the spread of deserts and the erosion of soil. The transition to technologically sustainable industrial and energy practices which eliminate pollution of the atmosphere and water calls for enhanced global cooperation to adjust lifestyles in developed countries and increased technical and financial help for developing countries.

Little (1982) has pointed out that development theorists in the 1950s were by and large not optimists. Indeed, when they did express views about the prospects for the Third World they were generally more pessimistic than turned out to be warranted (except in Africa). But their pessimism was largely based on doubts about the ability of countries to carry out the coordinated effort that they regarded as central to industrialization. What actually happened was that most developing countries were quite successful at developing industrial bases - but these industries were highly inefficient, so that industrialization turned out not to have much to do with

development. This called into question the whole idea that the problem of coordinating investments in the face of external economies was a major part of the underdevelopment story.

The successes of development have also been an embarrassment for the "old" development theory (the theory linked to the names of Rosenstein-Rodan, Leibenstein, Nurkse, Scitovsky, Lewis, Hirschman). Most versions of that theory tacitly assumed that firms would produce only for the domestic market, a view that seemed sensible given the trade pessimism of the time. The great success stories have, however, involved export-oriented industrialization.

Another major embarrassment for development has been the realization of the extent to which the rhetoric of development theory has been used to cover poorly conceived or even corrupt policies. This is a familiar subject, acerbically surveyed in Little (1982). The calculation of effective rates of protection, whatever the method's flaws, revealed rates of protection that were often absurdly high, some cases of negative value-added at world prices, and highly variable rates of protection across industries that were hard to justify. Country studies of trade policy revealed a heavy preference for complex administrative regulations that were evidently more costly than tariffs and failed to yield revenue. (Little, Scitovsky and Scott, 1970). Studies of repressed financial systems showed similar irrationalities (McKinnon, 1973). And it became apparent that the incentives provided by administratively generated rents were becoming major objectives both of legal and illegal economic activity (Krueger, 1974).

The challenges raised by the present situation and the risk of its continuation are very great. If present trends continue, the 1990s - like the 1980s - would be another "lost decade" for global development. How can this be avoided? How can we break the pattern of slow growth, ecological deterioration and fragmentation in the world economy with so many people and countries marginalized - even as others progress? In other words what have we learnt from the successes and failures of developing countries over the last four decades? Briefly, the following are some of the lessons which appear to be particularly relevant for the future.

3. Outstanding lessons of the past forty years: a) The importance of economic policy reform

Why do governments adopt policies that are manifestly inconsistent with growth? If alternative policies offer such a high long-run payoff, what is there in the

structure of decision making that has led to such unfortunate choices? And why, when policy reform programs are undertaken, are they so often failures?

Given the evidence that alternative policies do in fact provide superior economic performance, the question assumes great importance. Research into this question has begun, and some parts of an answer are beginning to emerge, although important puzzles still remain. Here, all that can be done is to sketch some of the insights that are beginning to emerge from consideration of political-economic interactions in developing countries (See Krueger, 1992b).

It has always been recognized that reforms may be politically difficult to put into place, and that there may be a period of time before the benefits begin to be felt. In part, political difficulty has arisen when reform programs have been poorly designed, so that short-term costs of adjustment have been greater than necessary. There is no question but that the failed reform programs of Argentina, Brazil, and many other countries have imposed real economic costs on many groups in society while failing to make a difference to longer-run growth prospects. In those circumstances, it is small wonder that new reform efforts encounter resistance from many groups in society.

However, there is more to the analysis of the political economy of reform than resistance during the transition period. Any analysis of the political economy of economic policy determination must be divided into two parts: those factors leading to the initial policy choice, and those tending to perpetuate the policy stance once it is effected. While there are clearly overlaps between the two issues, they are not in fact the same thing.

Turning first to the factors influencing initial choices, there are several components. It must be recalled that many of the developing countries achieved their independence from a colonial power in the postwar period, when their developmental efforts began, and when they were deciding upon the institutional structure and policies that were to be adopted for economic development. In that environment, it was perhaps natural to reject an open trade regime as a tool of colonial rule. But there were other important components. It will be recalled that the Great Depression had led to an abandonment of the belief in the functioning of markets in many quarters. Also, the legacy of the Russian revolution and the then-belief that the Soviet Union had achieved rapid growth through a centrally planned economy were also influential. In addition, examination of the very low per capita incomes in newly independent developing countries seemed to provide further evidence of market failure: not only was there an infant industry case, and the apparent example of the Soviet Union: it seemed self-evident that if markets had

functioned properly, standards of living in the developing countries would be considerably higher.

A final factor underpinning the choice of development policy was that the idea of a "planned economy" was consistent with economic thought at the time. It was thought that there was little difference between government and private ownership, and that government officials could correct market failures and take into account differences between private and social profitability.

Thus, the current state of economic thinking was not inconsistent with government ownership, intervention, and controls. In addition, however, there was an important underlying implicit political premise. That is, there was an implicit belief among economists that government was, or would behave as, a benevolent dictator in the Wicksellian tradition. It was assumed that politicians and bureaucrats would serve disinterestedly, calculating Benthamite social welfare functions, identifying market failures, and letting governments costlessly and flawlessly undertake functions to offset market failures. The idea that there might be government failure was seldom voiced. Indeed, Oskar Lange had, in 1940, provided a demonstration that was widely accepted that it was a matter of indifference whether governments or markets carried out production activities: central planners could provide appropriate signals to individual enterprise managers to achieve exactly the same results as would an ideal market mechanism.

This belief underlay most economists' discussions of economic policy in developing countries in the quarter century after 1945. The conditions under which perfect competition would provide a Pareto-optimal outcome were set forth; it was generally asserted that when these (very strict) conditions failed to hold, there was a case for government intervention. To add to the plausibility of the case for government intervention, the "infant industry" argument had long since been recognized as an instance where market failure might be quite plausible. The fact that Alexander Hamilton had advocated it, and that the United States had imposed tariffs on some industries in the late nineteenth century was interpreted to support the view that the United States had grown because of tariffs.

With hindsight, some of the arguments advanced for intervention seem ludicrous: for example, it was argued that the state had to intervene to increase savings because the government would care more for the welfare of future generations than would private citizens. Thus, taxation for purposes of increasing savings was deemed a priority issue for governments. What has since been learned is that politicians are far more concerned with the next election than are private citizens: if anything, the relevant discount rate in the political arena is higher than

that in the marketplace!

In that intellectual atmosphere, it is certainly understandable that policies of "import-substitution" and of government production in parastatal enterprises, and the substitution of state agencies for private traders, bankers, and other economic agents, were undertaken. The emotional predisposition of the body politic in newly independent countries was favorable to rejection of a market solution, and economic theory seemed to provide a rationale for these departures.

4. b) Concern over the proper role of the State

The sense of discontent with the role of government in economic affairs has not been limited during the last decade to the so-called socialist countries. Throughout the developed world, the decade of the 1980s has seen governments in retreat: privatization, deregulation and, if not the dismantling of the welfare state, a whittling down of its role.

The age-long question of the proper balance between the private and the public sector has once again been answered: and the universal answer seems to be that 'we' had gone too far, given the government too large a role, too much power, and that a new balance to be attained. Intellectual movements are often swept along by the tide of events, sometimes at cross-currents. They have a life of their own, only loosely coupled with surrounding events. The past 15 years have seen two conflicting shifts in perspective on the role of government.

One of these shifts in viewpoint may have as much to do with the waning role of government as the seeming failures of government - at least the failures of government to accomplish as much as its most ardent advocates had claimed. For there were notable successes of government (Korea, Japan, and Singapore) mixed in with the failures; it often seems, at least within some circles, as if the failures have been given a selective emphasis over the successes.

The first change in perspective has resulted from a recognition of the importance of risk and information imperfections in the economy - market 'imperfections' which are even more pervasive within LDCs than in developed economies. With this recognition has gone a changed perception of the efficiency of a market economy. The 'Fundamental Theorem of Welfare Economics', the theorem which tried to give precision to Adam Smith's invisible-hand conjecture, has been shown to be far more restrictive than was previously realized: Greenwald and Stiglitz (1988) have shown that the economy is essentially always constrained Pareto inefficient. Arrow and

Debreu's great achievement was to find that singular example - that peculiar array of assumptions - under which markets are efficient.

The Greenwald-Stiglitz theorem was not simply concerned with theoretical niceties: they and their co-authors established that both labour and capital markets worked in ways fundamentally different than conceived by the standard neoclassical model. For instance, the imperfections in risk markets were an inherent consequence of informational limitations; as a result, there was equity rationing; and as a result of that, firms acted in a risk averse manner, with profound consequences for the macroeconomic behaviour of the economy. It was shown that even with perfect competition, there could be credit rationing (Stiglitz and Weiss, 1986) and equilibrium unemployment.

These 'new market failures' were different from those that were the focus of discussion in the 1960s. The earlier failures, in particular, public goods and externalities, required only selective government intervention. Indeed, some argued that all the government needed to do, beyond financing public goods, was to impose certain 'corrective' taxes to deal with externalities.

As I shall comment later, within the socialist tradition considerable attention was paid to what in neoclassical terms we could call one further market failure - the absence of futures markets. To correct this market failure, a more pervasive intervention of the government was required, either in the form of planning (possibly only 'indicative'; that is, providing firms with the information upon which they could base their plans) or, more frequently, the direct control of investment.

The consequences of the 'new market failures' were far more pervasive than those of the older market failures. Since almost all markets were characterized by imperfect information, and in almost all economic activities there were risks which could not be insured against on futures markets, the new market failures touched every market in the economy. There was, seemingly, a potential role for government intervention almost everywhere.

Of course, when the central theorem of economic analysis stated that no government, no matter how efficient and how benevolent, could improve upon the market's allocation of resources, there was little need to spend much time analysing how governments actually behaved and, in particular, in assessing whether they could or would actually improve the economy's resource allocations. But once the presumption of the efficiency of markets is removed, more careful attention needs to be paid to the nature of government. This is precisely the concern of the second major strand of research to which I want to call attention.

While the intellectual underpinnings of our faith in the market economy were

being swept aside, there was another movement that attacked our confidence in the ability of government to correct these and other pervasive market failures. Scholars like George Stigler, James Buchanan and, within the development literature, Anne Krueger and Jagdish Bhagwati, called attention to rent-seeking behaviour and other political economy problems which suggested that the frequent failure of government to maximize social welfare (using essentially any reasonable social welfare function) was no accident, but a consequence of natural economic forces.

Perhaps nowhere is the discrepancy between public rhetoric and government actions so great as in programmes 'designed' to redistribute income. In traditional discussions, the role of government in redistributing income and wealth was emphasized. It was noted that the distribution of income which emerged from market forces might be 'socially unacceptable'. There seemed to be a presumption that the government, reflecting the interests of the 'people', could and would redistribute income from the wealthy to the poor.

The experience of the past 15 years has cast doubt on that presumption. The beneficiaries of government programmes in many LDCs are urban workers, who are much wealthier than the poor rural peasants from whom revenues are collected, often through export taxes; the beneficiaries of loan programmes are often the large wealthy farmers who have 'good collateral' as well as political connections (See Cheng and Singh, 1991).

It is curious that the second movement (emphasizing the limitations of government) largely ignored the first (which had emphasized the limitations of markets): the former called for less government and a greater role for markets. The call for less government was based partly on ideology - the selective drawing of lessons from certain cases - and partly on a theory of government which perhaps exaggerated the importance of rent-seeking activities.

Yet it would be wrong to conclude from these experiences and from its more general retreat that government is not only not the solution (to the difficulties of economic development), but is actually the problem itself. Such critics suggest that, were it not for the interference of government, natural economic forces would have led to a burst of economic energy, lifting the billions in the Third World out of the mire of poverty in which they have lived for millennia. This contention flies in the face of two virtually incontrovertible facts: first, many economies seem to have done a perfectly fine job of stagnating, without any assistance from the government.

Secondly, government has played a vital role in the development of most major countries. In the US, there was massive government assistance to establish the railroads; in Japan, most observers assign a central role to MITI; in Korea, government

is similarly given credit for its central role. In each of these cases, critics may suggest that what the government did was not vital (the development of the US would have been delayed only slightly had railroads not been developed) or possibly even perverse (Japan without MITI would have been an even greater economic power). But these are merely exercises in counterfactual history; interesting as they are, they do not contradict the basic fact that we have few instances of major countries growing without government playing a seemingly vital role.

In conclusion, a scrupulous survey of intellectual developments may serve as a caution against carrying a free-market orthodoxy too far. It makes sense for the World Bank and other multilateral agencies to push very hard for liberal policies in LDCs, given their demonstrated tendency to engage in economically irrational interventions. But we should keep at least in the back of our minds the thought that it is not true that economic theory "proves" that free markets are always best: there is an intellectually solid case for some government industry promotion, one which has often seemed empirically plausible to sophisticated observers. In other words: don't get caught up too much in the orthodoxy of the moment.

5. c) Freedom, equity and development

The model for effective political systems and respectability worldwide is now clearly parliamentary democracy. History has proven that there is no better mechanism for disciplining the state than democracy. Its adoption has been most spectacular in almost all Latin American countries during the past decade and now in Eastern Europe where the dramatic political opening flows from the discrediting of Communist dictatorships and withdrawal of the threat of Soviet intervention.

In the 1990's more than ever before, competitive political systems are viewed almost everywhere as the desired standard - even if remaining authoritarian governments can find reasons why more open criticism and competition must be postponed in their countries' specific circumstances. Also women's rights and equal status have still to be fought for in many regions.

One of the lessons is that countries at all levels and all types have been able to achieve high levels of social development - health, education and participation - for all their people, even at low levels of income. Moreover, high levels of social development have served to promote and not hinder economic goals. This is cause for optimism. A major change in development thinking and activities in the last decades has been a recognition of women's work and contribution to the economy. There has

been a radical shift in the way of analysing women's place in development. No longer are women assigned to an "invisible" unmeasured domestic sphere assumed under the category of culture or health. In the more rigorous analysis of the economy, today women's role in the survival of the family and community, their contribution to the work force (the double burden) are seen as the lynch pin of the survival of developing economies.

The relationship between growth and equity and political freedom must be stressed. The evidence of the past indicates that there does not need to be a trade-off between economic growth and equity given the right balance of policies, and this being so the sacrifice of equity which took place was immoral. Here too there are issues in transitional dispute since the drive to reduce state interventions in favour of private markets is seriously undermining safety nets for the poor. The importance of reconstituting safety nets where they previously existed and extend them where necessary for the poorest peoples and countries was underlined. For without some form of equity and respect for human rights, political stability is not possible and without political stability investment and growth cannot be sustained.

Nor there need to be a trade-off between freedom and growth. If one picked up a principles of economics textbook of 15 or perhaps even 10 years ago, one 'learned' that the socialist economies were growing faster than the capitalist economies. There seemed to be a trade-off: 'growth' versus 'freedom'. Markets and free enterprise were luxuries which rich countries like the US could afford, but for those who were desperately poor, who had no time to waste in frivolities, centralized government control was required. (The reasoning paralleled the experience of many countries in war-time: government seized the reins and markets were put under strict control).

From our current perspective, the countries participating (voluntarily or involuntarily) in the socialist experiment seem to have had less political freedom and less economic progress. Did these texts make a sign error? Could it be that political freedom and economic progress are, at least at some stages of development, complements (not substitutes), to use the jargon of economics? I believe they are. For now, we need only observe that the historical record certainly does not reveal the kind of trade-off that once was a part of conventional wisdom. (See Dasgupta, 1990).

A look at the successes and failures of the socialist economies makes it clear that they have been able to attain high rates of savings - not necessarily higher than those obtained voluntarily in countries like Taiwan and Japan - but certainly higher than obtained in most other in most other societies. They can repress consumption.

But governments do not have the power to make the economy efficient. Indeed, we now realize that to a large extent the high savings rate was necessary to offset

massive inefficiencies. There is a growing consensus, for instance, that total factor productivity in, say, Chinese agriculture may actually have decreased for the quarter century from 1955 to 1980.

5. d) Environmentally Sustainable Development

If development is to have meaning it must be long term; it must be sustainable. More and more frequently, however, doubts are being expressed that present patterns of development, in rich countries and poor, cannot be sustained indefinitely and perhaps not for much longer. Many people have come to believe that the world cannot continue as it is. So much damage and stress are being inflicted on the environment that its capacity to sustain productive activities and eventually life itself is being undermined. Views such as these are widely held throughout the world, but it would be a mistake to assume that perceptions of environmental problems are identical in the industrialized and developing countries. They are not (See Griffin, 1989).

Many environmental problems in the industrialized countries are regarded as consequences of affluence. The use of large numbers of private automobiles, many for recreational purposes, result in air pollution; the intensive agriculture required to supply an over-fed and over-weight population results in soil and water contamination by high levels of nitrates; the high consumption per head of manufactured products is associated with huge quantities of industrial waste, some of which ends up polluting the soil, rivers and coastal waters. Environmental damage in affluent societies is a consequence of excessive development and unrestrained demands for ever-larger quantities of goods and services. It is thus consequence of consumerism and acquisitiveness.

Environmental problems in the developing countries are seen as consequences of poverty, not of affluence. A rapidly growing population puts pressure on a country's natural resources. The ever-increasing demand for food and firewood, for example, results in the destruction of the forests, degradation of the soil and depletion of water supplies. Thus the basis for future growth is eroded. Issues of economic development consequently cannot be separated from environmental issues. Poverty and the environment are closely linked, not least because it is the poorest members of society that typically suffer most from environmental deterioration.

Despite these differences in perception there is broad agreement that attempts by men and women to improve their economic well-being have resulted occasionally

in huge disasters (the explosion of a chemical plant at Bhopal, the nuclear explosion at Chernobyl) and more frequently in gradual destruction of the resources on which material betterment depends (desertification in the Sahel, flooding in the Indo-Gangetic plain). There is also broad agreement that the situation in the Third World is sufficiently different from that in the industrialized countries that it would be a mistake to adopt identical technical standards for, say, air and water pollution throughout the globe. Environmental problems may be present in all countries, but the appropriate response will differ from one country to another. Environmental standards are needed, but in many cases these should be specific to each country.

Some issues, however, transcend individual countries and threaten the entire globe. Foremost among these is the possible warming of the planet from the emission of carbon dioxide into the atmosphere, the so-called greenhouse effect. The main source of the greenhouse effect is the emission of carbon dioxide from burning large quantities of fossil fuels, above all in the advanced, affluent industrialized countries.

A second threat to the entire globe comes from the depletion of the ozone layer in the upper atmosphere. This is due to the emission of chlorofluorocarbons or CFCs into the air, again largely in the developed countries.

Not all environmental issues are global in scope or require universal agreement to be resolved. Indeed the number of such issues, although growing, is relatively small. More common are environmental problems that affect a number of countries in close proximity; they are international in character but not global. The industrialized countries provide many examples of such environmental problems, though the issues raised are not unique to them.

Many of the environmental problems found in developing countries are different from those characteristic of the industrialized world. Shrinking forests, eroding soils, more frequent flooding of river basins and plains, overgrazed pastures and expanding deserts - these are the special problems one encounters in the Third World. In these cases a close link exists between the persistence of poverty and restricted economic opportunities for the poorest people in society and the processes that result in the deterioration of the physical environment. Deforestation, desertification and degradation of existing cultivated land are inevitable as long as (i) inequality in the distribution of productive resources is great, and (ii) the pressure of the poor upon the physical environment is high. If there are many people, if most of them are poor and if the poor are denied access to produced means of production, it is obvious that they will have no alternative but to earn a living as best as they can by extracting the maximum possible output from the natural resources available.

This will occur even if short-term maximization of output reduces long-term

potential; that is, even if development is unsustainable.

Some problems could be ameliorated if the poor were organized to protect common resources. This would help to avoid over-exploitation and 'the tragedy of the commons' by, in effect, internalizing some negative externalities. If nothing else were done, however, a serious problem would still remain because of the high time rate of discount of the poor and the associated high optimal rate of extraction, as seen from the perspective of the poor. The only real or permanent solution is to alter the strategy of development, giving high priority to human development and adopting policies that ensure that the benefits of growth accrue directly to those most in need.

Failing a reorientation of the development strategy, the question arises whether growth in the Third World can be sustained in the face of a deteriorating environment. The answer is that aggregate rates of growth probably can be sustained. Environmental deterioration has not in general reached such a point that it will bring growth to a halt, or even reduce the rate of growth markedly, but it definitely is costly and represents a misallocation of scarce resources. In some countries, for instance those which run the risk of exhausting usable supplies of water, environmental constraints may affect the rate of growth, but it is not likely to occur in many. The more immediate danger is that if environmental deterioration continues, it may be impossible to sustain the income of the poor. Development on average may proceed while the poorest sections of the community enter into a process of underdevelopment, with falling incomes, consequently greater pressure upon those parts of the physical environment to which they have access, and consequently lower incomes still in subsequent periods. A vicious spiral of environmental degradation and falling incomes for the poor certainly is possible.

6. Explaining the development conundrum

A new student of development would have difficulty assessing the development experience of the past four decades⁽¹⁾. There is some consensus that improvements in some measures of human development have occurred: life expectancy, infant mortality and access to education and potable water have improved. However even these accomplishments have begun to erode during the 'lost decade', the 1980s, which saw a deterioration of development performance in Latin America, Africa and many other areas of the world. There is also consensus that some developing countries, primarily in East Asia, have performed well on almost all indicators, though it is doubtful that those successes can be replicated elsewhere (Hamilton 1987).

Beyond these minimal areas of agreement, our development neophyte would find few firm conclusions to cling to. Indeed a set of readings could be found which would give diametrically opposed perspectives, presenting the entire question of development as a conundrum. On the one hand are current macroeconomic and country studies which point to continuing, recurring or even growing problems; on the other are analyses of grassroots development projects at a local or perhaps regional level which show vibrant activity and progress in dealing with the felt needs of populations⁽²⁾.

Studies of national development failure abound (for instance, Lal 1985). One of the most influential annual development publications, the World Bank's World Development Report, spends most of its pages cataloguing the continuing and major problems in the development process; of course it then holds out the possibility that action by international agencies can successfully confront these problems. From this exposure our reader would certainly conclude that development since the 1950s had failed in most countries and that retrogression was in store for the 1990s.

The second set of readings - on 'grassroots development' - would provide a very different perspective. For example, Hirschman visited projects in six Latin American countries and found them both intriguing and impressive. Another observer of grassroots efforts, Goulet (1989), has found in them wellsprings of human development. There are also many specific examples of institutional innovations which have aided grassroots development endeavours. One of the most successful is the Grameen Bank of Bangladesh which has discovered mechanisms to generate and collect resources and to distribute them efficiently. Finally, there are many surveys of grassroots development efforts which document their contributions to the peoples of developing countries (Rahman 1984, Wassestrom 1985, Annis and Hakim 1988). In general the claims of these studies are quite careful and are limited to the cases examined. As Annis and Hakim write: 'Yet [grassroots development] does work, sometimes. It has made a difference, for some people and some communities. It does start larger processes in motion, if not inexorably. This is a book about small victories' (1988, p. 3). The consistently positive results of grassroots development and the optimism about the development process viewed from the grassroots would certainly give our neophyte a radically different perception of development and its possibilities⁽³⁾.

These diametrically opposed expositions of the development experience make development a conundrum, a puzzle. Surely the dynamism and success at the grassroots level should be reflected in the aggregate; there is no obvious reason for the two domains to exhibit such inconsistent performance. The existence of the puzzle raises two questions. How can we explain that development at the aggregate level

has lost momentum, while at the same time evidence grows that successful grassroots development efforts continue and increase in number? Secondly, and more importantly, is there any likelihood that this conundrum will be resolved in coming years, that macro and grassroots tendencies and processes will become more consistent?

My explanation for the contrast between grassroots and macro development performance is that the process of development since the 1940s has worked systematically against the interests and livelihood of the grassroots, utilizing unequal political and economic power to siphon away the benefits of development. The grassroots were sacrificed to the ruling elite in the pursuit of better macroeconomic performance. The only notable exceptions were in public works and in education, which explain the important improvements that have been made in these areas. Development - as Hirschman has convincingly shown - is an 'unbalanced' process, and the unbalanced growth of the first decades was costly to the grassroots. The unbalance of the 1970s and 1980s - unbalanced decline - turned the grassroots into a sector of refuge for those pushed out of the formal economy, though it also provided room for more grassroots activity.

The second problem is whether the coming decades of development will bring a resolution of the conundrum. Useless to say, there is no easy answer. However, the evidence seems to suggest that energizing the grassroots may indeed enable the development puzzle to be resolved.

The effectiveness of future development will be influenced by the context in which grassroots efforts take place. The necessary starting point, therefore, is an analysis of the changes in the world system and in national societies which are likely to condition grassroots efforts in coming decades. It is clear that the resolution of the development puzzle will not come from better or more successful policy at the macro level. A dominant theme of the 1980s, this has had minimal success. Grassroots advances have occurred despite the failure of World Bank - and IMF - mandated macro policies. The resolution must come from a vibrant and active grassroots movement; this is far from assured.

7. The convergence of macro and grassroots tendencies

There are six discernible trends that will affect the influence that grassroots finally exert on development and on the possibility of unifying the two realms of development.

i) The first is the likely establishment of a new international regime in virtually all aspects of economic and political relations.

This new era will have differential results for the direction of development. Countries which had been in the Western sphere are likely to put greater emphasis on internal equity, for there will be less external support for illegitimate regimes which oppress their people. In the newly independent socialist countries, the opposite may be the case: inequalities which had been suppressed may grow and thus the grassroots may be hampered as resources are concentrated, much in the fashion of the early years of Western development. One possible counterforce is the experience of mobilization in those countries and the success of grassroots political rebellions that precipitated the overthrow of their governments. The relevant effect in both sets of countries will be to provide the grassroots much more space for action and much more control over the direction of its own fate, with greater influence on the domestic national economy.

ii) Though the outlines of the reorganization of the world economy are as yet unclear, one certainty is *the emergence and growth of regional blocs*, with Japan and China dominating an Asian bloc. Europe and especially Germany dominating Eastern Europe and much of Africa, and the United States dominating Latin America and the Caribbean. All will try to exert influence in the Middle East, but international cooperation may be the only effective mechanism to do so. Regional blocs will provide more scope for grassroots groups whose appeal can be more understandable on a regional basis than on a wider international scale. In addition competition between bloc leaders will force greater identification with the performance of the entire bloc and will thus encourage a more supportive stance by the bloc leader towards grassroots efforts.

iii) Another trend will be *the continued weakening of the central government and of the state in developing countries*, hastened by the emergence of grassroots movements and parties in opposition to the dominant political powers. The World Bank's World Development Report, 1990 documented the fiscal crisis of developing country governments and their inability to confront poverty directly - in no small part a result of the very structural adjustment policies pushed by the Bank and the IMF. (In Africa tribal challenges to central governments have grown, resulting in civil war in Liberia, Somalia and Chad, in addition to viable challenges to long-term rulers in Malawi, Zambia and Ivory Coast. Tribalism has thus outlasted the arbitrary national boundaries established with the demise of colonialism. In Asia the stable pattern of submission to central government has been broken by riots and strikes in Korea, student challenges to the central government in China, and continued insurrection

and coup threats in the Philippines. Ethnic Taiwanese have moved to a dominant position in Taiwan, though only after very tense political manoeuvring).

For the most part the central governments which have dominated national development during the entire post-war period are currently having a much more difficult time, with challenges arising from various directions. These regimes established the pattern of development and the contrast of macro and grassroots performance. Their replacement is not clear and will vary from country to country. There are many tribal and ethnic challenges to existing regimes throughout the world, challenges that were suppressed or restrained in the interests of the nation states created after World War II. In their last desirable form they are often directed against other groups within a society.

However, in many cases there is a strong and authentic grassroots base to the movements and the possibility that such bases will be more sensitive to resolving the tensions between grassroots and macro performance. Grassroots movements will certainly have a greater importance in the entire political and economic structure of societies, and there will be greater scope and opportunity for grassroots development initiatives. The current momentum that democratization movements have gained, following the discrediting of military governments in many countries, can also encourage the positive elements of grassroots efforts. To the extent that democracy or at least a more open system is implemented, the space that the grassroots needs to flourish will be expanded; the challenge will be to encourage new forms of cooperation across grassroots movements.

iv) *The continued denationalization of elites of developing countries* will also affect the direction of grassroots development efforts. Changes in the international financial system have facilitated capital flight and transfer of assets abroad, and as a result have lessened the identity of elites with their national economies. The estimates of capital flight from Latin American countries are staggering, often roughly comparable to the debt they owe. For example, between 1981 and 1987 dollar deposits by Latin Americans in the international banking system increased by \$ 67 billion (Jameson 1990, p. 523). The operation of international institutions such as the World Bank, the IMF, the UN, and the regional public banks has created a new technocratic elite of economists, engineers and financial analysts with loose ties to their nations. The multinational corporations have significantly denationalized to the point that their chief operations officers are quite likely to be non-nationals. The result is a new international elite oriented to the international economy and whose income and wealth may depend much more on the international economy than on the performance of any national economy. The quality of life of the new elite is certainly better in the

developed than in their own developing countries. For our purposes this trend suggests that elite opposition to grassroots demands and initiatives may lessen in particular countries, once again offering more space to the grassroots.

v) *The ongoing restructuring of international economic activity* will have a similar effect. Structural adjustment loans combined with trade liberalization will result in measurable deindustrialization of many developing countries. Steelplants, cement factories, small appliance manufacturers, automobile assembly plants - all can generally be categorized as 'inefficient' based on the market calculus. Other economic activity which had created a labour elite will also be dismantled. These 'modern' industries will be replaced by informal activity or labour-intensive industries, often in the form of assembly plants that have become common in duty-free zones of many countries. This is one contributor to the apparent 'global feminization' of the world labour force (Standing 1989).

The result will be two-fold. First the share of the informal sector in the economically active labour force will increase. Secondly, the differentiation among workers will diminish as the labour elite, whose interests were often more closely aligned with the industrial elite than with the grassroots, becomes smaller and weaker. Both will increase the strength of the grassroots.

vi) Finally it is likely that *uneven macro performance across countries will continue*, with growth in some and decline in others. This will now be the case in a larger sphere, for the East European countries have entered the Western system and will become part of the same trends.

One of the unknowns in the future is whether there will be more or less stability in the international economy. The demise of the socialist bloc suggests that there will be less; if it did nothing else, the CMEA was successful in stabilizing those economies, albeit at low rates of growth. Their insertion into the world economy may thus contribute to aggregate instability. One countervailing influence is that the adventure of free market economies has been less than successful on a world scale. The unmanaged financial flows of the 1970s gave rise to the uncontrollable deterioration of many economies in the 1980s. Exchange rate fluctuations allowed wildly erratic balance of payments performances and led to supranational efforts to stabilize exchange rates, such as the European Monetary System. It is likely that the operation of the international economy will be much more consciously controlled in the 1990s and beyond, and that unabashed free market liberalization will be greatly tempered by regional efforts at stability and economic control. Since the grassroots is often used as the shock absorber and must adjust to international instability, greater stability would be beneficial to a longer-run and sustained grassroots development effort.

When all of these trends are summed, it appears that national and international conditions will prompt grassroots initiatives to move to the centre stage of development in coming decades. The basis has been laid; the alternatives that generated the distortions of development have been discredited; while the trends seem likely to be quite permissive to grassroots approaches. The result may be that the notable discrepancy between macroeconomic performance and the grassroots experience of large parts of humanity will lessen and perhaps even disappear.

This likelihood is not suggested with any euphoric expectations of a resurgence of progress towards some brighter future. Grassroots efforts may often be reactive and antagonistic to other societal groups who differ by region or ethnicity. Their energy and level of technical skill may often be sufficient to allow only a minimal contribution to development. Devolution of responsibility to smaller groupings may indeed result in a proliferation of 'tragedies of the commons' (Think of the ethnic independence movements in Yugoslavia and the rest of Central Europe). It is clear that the future pattern will be different, however, and that there are certain areas in which greater grassroots activity and responsibility are likely to result in better results than those obtained before.

The challenge of development in coming decades is to accept the centrality of the grassroots and the demise of authoritarian regimes, while finding mechanism to amplify its beneficial effects and to diminish those detrimental elements. Then the unification of macro and grassroots experience can occur in a positive and truly developmental context.

8. The meaning of participatory development

There are a number of elements that will be profoundly altered by the new realities detailed above. Here, I will focus only on one of them: a new meaning of development. Indeed, it has become increasingly clear to many scholars that the magnitude of the accumulating crises that face the majority of peoples in developing countries as they move into the twenty-first century, requires fundamental rethinking of the simplistic conceptual framework for development and the processes-local, national and global-into which these peoples and countries are now locked. It is not a matter of moving between Market or Statist ideologies. There needs to be a vision of development in wider human terms, the tensions between people and nature and people and technology have to be mediated, the damages of past 'economic' development processes have to be limited and a positive response to the multiple

crises referred to, has to be articulated.

The economic development intervention deeply affected the nation building processes that were initiated after these countries achieved Independence and the two processes were intertwined. It is clear that no marginal tinkering with the existing structures or the framework of single discipline development thinking and action or adding redistributive justice to the growth objective will respond to the multifaceted crises. Whatever the gains from modernization and industrialization, they need to be maintained and gradually built upon with major damage limitation strategies incorporated into the process. Even if the preferred option is for an 'open economy', it would need to go beyond simplistic liberalization measures of getting the 'prices right'. The economies need to be managed with complex instrumentalities, which can ensure that market interventions increased dynamic competition, as well as, establishing a safety net under the poor as was done in the case of the East Asian NICs. If culturally, politically and economically this is not feasible, then these countries would need to undertake a parallel approach of mass mobilization, with the new instrumentalities of participatory development.

The notion of participatory development is premised on the fact that people have creativity, knowledge and wisdom, and can be trusted. The observable evidence also demonstrates that the pattern of development initiated at the microterrain permits new forms of accumulation and an ecologically sound and rational natural resource use. This is not inconsistent with the building up of new levels of technological capability and growth in output, over a period of time.

Four propositions help to characterize the concept of participatory development:

1. The micro-level participatory development approach is based on the idea that in the nexus of contradictions between rich and poor, powerful and vulnerable there may be considerable space for the latter groups to locally develop countervailing power and organizations, not only to keep the local economic surplus in their hands and set in motion a new accumulation process, but also to move on all round development of their lives, which is sustainable.

This participatory development process which has to start with people as the subject, implies that in achieving these tasks the people would start with austerity, and build on their knowledge and awareness of their economic, political and ecological reality. At the same time the achievement of specific objectives for improving their resource position and technological capability through collective effort would impart greater community consciousness.

2. The solution to the current crises lies not in simplistic, fragmented, 'pragmatic'

solutions as attempted by most governments, international organizations and some NGOs. A holistic conceptual framework and complex strategy needs to be evolved to guide development initiatives at each of these three levels. The new conceptual framework for development will evolve out of the still inadequate interdisciplinary analytical tools on the one hand, and the reconceptualization of those engaged in the new social praxis, on the other.

3. Human development also has instrumental value in accelerating economic growth (UN, 1988). Indeed expenditures on improving human capabilities have the potential to yield a return to society at least as high as the return on physical investment. Estimates of the rate of return on expenditure on education have made this very clear, even after allowing for possible upward biases in the rates of return. Countries that neglect human development not only retard the expansion of human capabilities in the broadest sense; they also undermine the country's long-run potential rate of economic growth.

During the 1990s the meaning of development must focus on the welfare of individuals in a society and must be seen in terms of the expansion of their 'capabilities' for functioning and of their freedom to achieve combinations of functionings. Sen's proposals (1989) at once narrow the focus of development to the people involved, to the grassroots, while at the same time expanding development's meaning beyond the simple attainment of some physical measures of well-being. In part the puzzle of development may be a matter of definition, and adoption of Sen's approach can solve this element of the puzzle.

The most compelling reason for doing so is that the process of economic development is coming increasingly to be understood as a process of expanding the capabilities of people. The ultimate focus of economic development has of course always been human development, but at times this has become obscured by too narrow a concentration on expanding the supplies of commodities. Economic growth should be seen as merely one means among several to the end of enhancing people's capabilities. Commodities and capabilities are of course linked, for example through the distribution of income which affects the degree to which the basic needs of the entire population are satisfied and through the system of entitlements that determines to what extent specific needs in society are met. But commodities and capabilities are distinct categories and should be kept separate. In the final analysis it is capabilities that matter and this is underlined by putting people first. An emphasis on human development has the virtue of forcing policy-makers to ask themselves the question, growth for what?

4. People in the Third World, but above all the poor, often feel and indeed are relegated to the status of subjects. Recognition of this in recent years is what lies behind the call for greater popular participation in development. Broadly-based development of the type recommended is most likely to succeed when the various groups in poverty are well organized. Participation, or the opportunity to participate if one wishes, is of course an end in itself, but participation also has a number of instrumental values which makes it an important feature of human development. First, participation in representative community-based organizations can help to identify local priorities, to determine which needs are essential or basic and which of secondary importance, and to define the content of development programmes and project so that they reflect accurately local needs, aspirations and demands. Next, having identified priorities and designed the programmes which incorporate them, participation in functional organizations (service cooperatives, land reform committee, irrigation societies, women's groups) can be used to mobilize support for national and local policies and programmes and local projects. Last, participation can be used to reduce the cost of public services and investment projects by shifting responsibility from central and local government (where costs tend to be relatively high) to the grassroots organizations (where costs can be low). In some cases, for example, it may be possible to organize the beneficiaries of an investment project and persuade them to contribute their labour voluntarily to help defray construction costs. In other cases some of the public services (clinics, nursery schools) can be organized, staffed and run by local groups rather than by relatively highly-paid civil servants brought in from outside. Thus in an appropriate context participation can flourish and in so doing contribute much to development.

9. Against the current: in defense of public action

It is not a purpose of this paper to go into the details of how the macro-national and the international processes could work in support of praxis at the micro-level. This is certainly a fundamental and urgent job. However, I feel it even more urgent to stress the role of public action as a sort of condicio sine qua non for the starting up of a participatory process.

Following Dreze and Sen (1990), by public action I mean not merely the activities of the state, but also social actions taken by members of the public - both 'collaborative' (through civic cooperation) and 'adversarial' (through social criticism

and political opposition). The state does, of course, have a major role to play in the developmental process. But the reach of public action goes well beyond the doings of the state, and involves what is done *by* the public - not merely *for* the public. The nature and effectiveness of the activities of the state can deteriorate very easily in the absence of public vigilance and activism. In other words, public action is not just a question of public delivery and state initiative. It is also, in a very big way, a matter of participation by the public in the process of social change. It is essential to see the public not merely as "the patient" whose well-being commands attention, but also as "the agent" whose actions can transform society. Taking note of that dual role is central to the notion of participatory development.

A question that would occur to many people is this. Is this not a hopeless time to write in defence of public action? The world has, in recent years, moved decisively towards unhesitating admiration of private enterprise and towards eulogizing and advocating reliance on the market mechanism. Socialist economies - from China to the USSR and East Europe - are busy de-socializing. Capitalist economies with a tradition of 'welfare state' policies - from the UK and the USA to Australia - have been absorbed in 'rolling back the frontiers of the state', with a good bit of privatization of public enterprise. The 'heroes' at this moment are the private ownership economies with high growth rates - not only old successes such as Japan, but also the new 'trail blazers' - South Korea, Hong Kong, Singapore, Taiwan. What chance is there of getting much of a hearing at this time for an argument in favour of *more* public action? And, more importantly, how can we possibly *defend* such a case, given the empirical regularities that are taken to have emerged in the recent decades?

There is indeed some sense in seeing the developments in the modern world in these terms. But there is also a good deal of nonsense mixed with that sense.

To emphasize the vital role of public action in the modern world must not be taken as a general denial of the importance of incentives, nor indeed of the particular role played by the specific incentives provided by the market mechanism. Incentives are, in fact, central to the logic of public action. But the incentives that must be considered are not only those that offer profits in the market, but also those that motivate governments to implement well-planned public policies, induce families to reject intrahousehold discrimination, encourage political parties and the news media to make reasoned demands, and inspire the public at large to cooperate, criticize and coordinate. This complex set of social incentives can hardly be reduced to the narrow - though often important - role of markets and profits.

It is also worth noting, in general, that effective action is not only a matter of

informed analysis, but also one of determination and will. The idea of the 'political will' has often been invoked in social analysis. That concept, however, is hard to make very precise, and the tendency to treat it as a 'black box' for 'completing' incomplete explanations has been viewed - rightly - with some suspicion. There are, in fact, many problems in trying to specify the exact process through which a 'political will' is supposed to operate, and there are certainly many connections here that are hard to observe.

Moreover, it must also be acknowledged that dogmatic commitment and inflexible resolve on the part of the leadership can sometimes be associated with a negative - rather than a constructive - role in combating deprivation. But, at the same time, it would be a mistake to leave no room whatever in our social analysis for the general influence of firm commitment, uncompromising resolve and dedicated action by the political leadership, and to take no account of the way in which an inspired leadership can generate effective social response.

The 1990s and beyond are likely to be the time of grassroots development, where pressure from below will force a greater consistency of micro and macro processes. There is no justification at present for development euphoria such as existed in the 1950s. On the other hand there is no reason for the sense of despondency that the experience of development - or underdevelopment - in the 1980s would suggest. Indeed, the subject often generates either cynicism ('not a lot can be done about it'), or complacent irresponsibility ('don't blame me - it is not a problem for which I am answerable').

Perhaps this is what one should expect with a resilient and continuing calamity of this kind. But it is not at all easy to see why we do not owe each other even the minimal amounts of positive sympathy and solidarity that would make it hard for us to cultivate irresponsible complacency. While we shall not wait for an answer to that ethical question, we must address the issue of cynical pessimism (i.e., the belief that 'not a lot can be done'). There is, in fact, little reason for presuming that the problems of hunger and starvation in the world cannot be changed by human action.