



# **The Development Economics Reader**

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### THE HUMAN DEVELOPMENT PARADIGM

*"That's very important," the King said, turning to the jury. They were just beginning to write this down on their slates, when the White Rabbit interrupted: "Unimportant, your Majesty means, of course," he said in a very respectful tone, but frowning and making faces at him as he spoke.*

*"Unimportant, of course, I meant," the King hastily said, and went on to himself in an undertone, "important – unimportant – unimportant – important –" as if he were trying which word sounded best.*

*– Alice in Wonderland*

**T**HE REDISCOVERY OF HUMAN DEVELOPMENT is not a new invention. It is a tribute to the early leaders of political and economic thought. The idea that social arrangements must be judged by the extent to which they promote "human good" dates at least to Aristotle (384–322 B.C.). He argued that "wealth is evidently not the good we are seeking, for it is merely useful and for the sake of something else". He distinguished a good political arrangement from a bad one by its successes and failures in enabling people to lead "flourishing lives".

Immanuel Kant (1724–1804) continued the tradition of treating human beings as the real end of all activities when he observed: "So act as to treat humanity, whether in their own person or in that of any other, in every case as an end withal; never as means only." And when Adam Smith (1723–1790), that apostle of free enterprise and private initiative, showed his concern that economic development should enable a person to mix freely with others without being "ashamed to appear in publick", he was expressing a concept of poverty that went beyond counting calories – a concept that integrated the poor into the mainstream of the community. A similar strain was reflected in the writings of the other founders of modern economic thought, including Robert Malthus, Karl Marx and John Stuart Mill.

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After the belated rediscovery of human development, it is necessary to give this paradigm some firmer conceptual, quantitative and policy moorings.— here and in the next six chapters.

The basic purpose of development is to enlarge people's choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and a sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.

### **Income and human choices**

The defining difference between the economic growth and the human development schools is that the first focuses exclusively on the expansion of only one choice — income — while the second embraces the enlargement of all human choices — whether economic, social, cultural or political. It might well be argued that the expansion of income can enlarge all other choices as well. But that is not necessarily so, for a variety of reasons.

To begin with, income may be unevenly distributed within a society. People who have no access to income, or enjoy only limited access, will see their choices fairly constrained. It has often been observed that in many societies, economic growth does not trickle down.

But there is an even more fundamental reason why income expansion may fail to enlarge human options. It has to do with the national priorities chosen by the society or its rulers — guns or butter, an elitist model of development or an egalitarian one, political authoritarianism or political democracy, a command economy or participatory development.

No one will deny that such choices make a critical difference. Yet we often forget that the use of income by a society is just as important as the generation of income itself, or that income expansion leads to much less human satisfaction in a virtual political prison or cultural void than in a more liberal political and economic environment. There is no automatic link between income and human lives — a theme explored at length in the subsequent chapters. Yet there has long been an apparent presumption in economic thought that such an automatic link exists.

It should also be recognized that accumulating wealth may not be necessary for the fulfilment of several kinds of human choices. In fact, individuals and societies make many choices that require no wealth at all. A society does not have to be rich to afford democracy. A family does not have to be wealthy to respect the rights of each member. A nation does not have to be affluent to treat women and men equally. Valuable social and cultural traditions can be — and are — maintained at all levels of income.

Many human choices extend far beyond economic well-being. Knowledge, health, a clean physical environment, political freedom and simple pleasures of life are not exclusively, or largely, dependent on income. National wealth can expand people's choices in these areas. But it might not. The use that people make of their wealth, not the wealth itself, is decisive. And unless societies recognize that their real wealth is their people, an excessive obsession with creating material wealth can obscure the goal of enriching human lives.

The human development paradigm performs an important service in questioning the presumed automatic link between expanding income and expanding human choices. Such a link depends on the quality and distribution of economic growth, not only on the quantity of such growth. A link between growth and human lives has to be created consciously through deliberate public policy — such as public spending on social services and fiscal policy to redistribute income and assets. This link may not exist in the automatic workings of the marketplace, which can further marginalize the poor.

But we must be careful. Rejecting an automatic link between income expansion and flourishing human lives is not rejecting growth itself. Economic growth is essential in poor societies for reducing or eliminating poverty. But the quality of this growth is just as important as its quantity. Conscious public policy is needed to translate economic growth into people's lives.

How can that be done? It may require a major restructuring of economic and political power, and the human development paradigm is quite revolutionary in that respect. It questions the existing structure of power. Greater links between economic growth and human choices may require far-reaching land reform, progressive tax systems, new credit systems to bank on the poor people, a major expansion of basic social services to reach all of the deprived population, the removal of barriers to the entry of people in economic and political spheres and the equalization of their access to opportunities, and the establishment of temporary social safety nets for those who may be bypassed by the markets or public policy actions. Such policy packages are fairly fundamental and will vary from one country to another. But some features are common to all of them.

First, people are moved to centre stage. Development is analysed and understood in terms of people. Each activity is analysed to see how much people participate in it or benefit from it. The touchstone of the success of development policies becomes the betterment of people's lives, not just the expansion of production processes.

Second, human development is assumed to have two sides. One is the formation of human capabilities — such as improved health, knowledge and skills. The other is the use people make of their acquired capabilities — for employment, productive activities, political affairs or leisure. A society needs to build up human capabilities as well as ensure equitable access to human opportunities. Considerable human frustration results if the scales of human development do not finely balance the two sides.

Third, a careful distinction is maintained between ends and means. People are regarded as the ends. But means are not forgotten. The expansion of GNP becomes an essential means for expanding many human options. But the character and distribution of economic growth are measured against the yardstick of enriching the lives of people. Production processes are not treated in an abstract vacuum. They acquire a human context.

Fourth, the human development paradigm embraces all of society — not just the economy. The political, cultural and social factors are given as much attention as the economic factors. In fact, study of the link between the economic and the non-economic environment is one of the most fascinating and rewarding aspects of this new analysis.

Fifth, it is recognized that people are both the means and the ends of development. But people are not regarded as mere instruments for producing commodities — through an augmentation of "human capital". It is always remembered that human beings are the ultimate end of development — not convenient fodder for the materialistic machine.

### A holistic concept

Nor should human welfare concepts or social safety nets or investment in education and health be equated with the human development paradigm, which includes these aspects, but only as parts of the whole. The human development paradigm covers all aspects of development – whether economic growth or international trade, budget deficits or fiscal policy, saving or investment or technology, basic social services or safety nets for the poor. No aspect of the development model falls outside its scope, but the vantage point is the widening of people's choices and the enrichment of their lives. All aspects of life – economic, political or cultural – are viewed from that perspective. Economic growth, as such, becomes only a subset of the human development paradigm.

On some aspects of the human development paradigm, there is fairly broad agreement:

- Development must put people at the centre of its concerns.
- The purpose of development is to enlarge all human choices, not just income.
- The human development paradigm is concerned both with building up human capabilities (through investment in people) and with using those human capabilities fully (through an enabling framework for growth and employment).
- Human development has four essential pillars: equality, sustainability, productivity and empowerment. It regards economic growth as essential but emphasizes the need to pay attention to its quality and distribution, analyses at length its link with human lives and questions its long-term sustainability.
- The human development paradigm defines the ends of development and analyses sensible options for achieving them.

Despite the broad agreement on many of these features, there are several controversies about the human development concept – often stemming from some misunderstanding about the concept itself. Fairly widespread is the mistaken view that human development is anti-growth and that it encompasses only social development.

The human development paradigm consistently takes the view that growth is not the end of economic development – but that the absence of growth often is. Economic growth is essential for human development, but to fully exploit the opportunities for improved well-being that growth offers, it needs to be properly managed. Some countries have been extremely successful in managing their economic growth to improve the human condition, others less so. So, there is no automatic link between economic growth and human progress. And one of the most pertinent policy issues concerns the exact process through which growth translates, or fails to translate, into human development under different development conditions.

There are four ways to create the desirable links between economic growth and human development.

First, emphasis on investment in the education, health and skills of the people can enable them to participate in the growth process as well as to share its benefits, principally through remunerative employment. This is the growth model adopted by China, Hong Kong, Japan, Malaysia, the Republic of Korea, Singapore, Thailand and many other newly industrializing countries.

Second, more equitable distribution of income and assets is critical for creating a close link between economic growth and human development. Wherever the distribution of income and assets is very uneven (as in Brazil, Nigeria and Pakistan), high GNP growth rates have failed to translate into people's lives. The link between distribution of assets and the nature of growth can be:

- Growth-led, with favourable initial conditions in asset distribution and mass education, including the participation of people in economic activities (China, the Republic of Korea).
- Unfavourable initial conditions but high growth with corrective public policy action, including people's participation (Chile, Malaysia).
- Low growth with public policy action to provide basic social services, but normally unsustainable over the long term (Jamaica, Sri Lanka).

Third, some countries have managed to make significant improvements in human development even in the absence of good growth or good distribution. They have achieved this result through well-structured social expenditures by the government. Cuba, Jamaica, Sri Lanka and Zimbabwe, among others, achieved fairly impressive results through the generous state provision of social services. So did many countries in Eastern Europe and the Commonwealth of Independent States (CIS). But such experiments generally are not sustainable unless the economic base expands enough to support the social base.

Fourth, the empowerment of people – particularly women – is a sure way to link growth and human development. In fact, empowerment should accompany all aspects of life. If people can exercise their choices in the political, social and economic spheres, there is a good prospect that growth will be strong, democratic, participatory and durable.

Another misconception – closely related to the alleged anti-growth bias of human development models – is that human development strategies have only social content, no hard economic analysis. The impression has grown that human development strategies are concerned mainly with social development expenditures (particularly in education and health). Some analysts have gone further and confused human development with development only of human resources – that is, social development expenditure aimed at strengthening human capabilities. Others have insisted that human development strategies are concerned only with human welfare aspects – or, even more narrowly, only with basic human needs – and that they have little to say about economic growth, production and consumption, saving and investment, trade and technology, or any other aspect of a macroeconomic framework.

These analysts do scant justice to the basic concept of human development as a holistic development paradigm embracing both ends and means, both productivity and equity, both economic and social development, both material goods and human welfare. At best, their critiques are based on a misunderstanding of the human development paradigm. At worst, they are the products of feeble minds.

The real point of departure of human development strategies is to approach every issue in the traditional growth models from the vantage point of people. Do they participate in economic growth as well as benefit from it? Do they have full access to the opportunities of expanded trade? Are their choices enlarged or narrowed by new technologies? Is economic expansion leading to job-led growth or jobless growth? Are budgets being balanced without unbalancing the lives of future generations? Are "free"

markets open to all people? Are we increasing the options only of the present generation or also of the future generations?

None of the economic issues is ignored, but they all are related to the ultimate objective of development: people. And people are analysed not merely as the beneficiaries of economic growth but as the real agents of every change in society whether economic, political, social or cultural. To establish the supremacy of people in the process of development – as the classical writers always did – is not to denigrate economic growth but to rediscover its real purpose.

It is fair to say that the human development paradigm is the most holistic development model that exists today. It embraces every development issue, including economic growth, social investment, people's empowerment, provision of basic needs and social safety nets, political and cultural freedoms and all other aspects of people's lives. It is neither narrowly technocratic nor overly philosophical. It is a practical reflection of life itself.

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## REVIEW AND DISCUSSION QUESTIONS

- 1 According to the author, what are the key objectives of development?
- 2 Under what circumstances might growth in average incomes not translate into greater human development? Explain and give a few examples.
- 3 Does the human development approach imply that economic growth is unnecessary or unimportant? Why or why not?
- 4 What policies may help economic growth translate into greater human development?
- 5 Do you see any possible drawbacks of the human development approach? Explain.