PN-AAK-385

MEASURABLE DEVELOPMENT RESULTS OF THE LAST QUARTER CENTURY: DO THEY HAVE POLICY IMPLICATIONS?

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Office of Evaluation Working Paper Number 27

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U.S. Agency for International Development

June 1979

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INTRODUCTION

Since 1973, Congress has attempted to focus all activities of the U.S. Agency for International Development (AID) on a distributional objective — namely, helping the poorest of the poor in developing countries. In doing this, there is a presumption that there are more effective methods for attaining this objective than the development approaches the Agency has employed traditionally. This presumption is manifested in the increasingly restrictive (as regards methods employed) legislative directions that have been developed since 1973; the presumption is also manifested in the approaches the Agency itself has developed (with the assistance of contractors) to implement the new distributional objective.

The presumption that new approaches are needed to realize the new objective and, equally important, the presumption that large donor agencies such as AID and the World Bank are capable of implementing them have been given remarkably little systemtic attention. It is time that attention be focused on these issues inasmuch as the Agency is coming under increasing pressure to show results. To date, the Agency has adopted a defensive posture: it has told Congress that it is pursuing its legislative objectives. It is time to develop

some solid documentation to report back to Congress on what can and cannot be accomplished. And even if the Agency does not want to take the offensive with Congress, it is important that internally the Agency know the strengths and weaknesses of alternative approaches.

The purpose of this paper is to assess the "New Directions" mandate that development activities can be targeted to the poor by large donors in a cost-effective manner. The assessment will be based on a review of the latest available empirical data. Fortunately, David Morawetz recently completed a thorough review of available data on development progress over the last 25 years.[1] His study, which reflects the current ideas on what the overriding objectives of development activity should be, looked at country progress measured economically, politically and from the standpoint of basic needs satisfaction. In an ideal setting this information could be used to assess the efficacy of alternative development approaches, policies and stragegies. That is, theoretically at least, development approaches could be assessed by looking at development results. Of course, real world dynamics are complex: how does one define a development approach, and how does one isolate the effects of a development approach from all the other factors influencing the rate of development? The world might be complex, but policy decisions must continually be made.

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[1] David Morawetz, Twenty-five Years of Economic Development, 1950 to 1975 (Washington, D.C.: World Bank Publication, 1977).

Because we are talking about the possibility of empirically verifying the effectiveness of alternative approaches, the approaches to be considered should be limited to those that have been attempted; there is little evidence to be gleaned from empirical data concerning the effectiveness of approaches that have not been tried. Further, in light of the highly aggregative data that Morawetz examines, we must focus on "big picture" aggregative approach definitions.[1] With these considerations in mind, the following historical summary is pertinent.

While development issues have been the focus of attention for many centuries,[2] the United States did not have a significant foreign assistance program until near the end of the Second World War. Initially, this took the form of support to the United Nations Relief

[1]There is increasing evidence to suggest that the success or failure of different approaches is more a matter of how certain technical issues are handled than anything related to the intrinsic value (if there is such a thing) of alternative approaches. In this context, technical issues might be defined as: identifying the right local organizations to work through, insuring an adequate level of participation on the part of potential project beneficiaries building a two-way information system into development activities, and designing the activity in a manner that the host country can afford to pick up project activities when external support is withdrawn.

[2]For a review of the history of development thought see, John Stuart Mill, Principles 5th London ed. (New York: Appleton and Co., 1978), Vol. II; and Thomas Malthus, Population: The First Essay (Ann Arbor: University of Michigan Press, 1959).

and Rehabilitation Agency (U.S. support was terminated in 1946, when it appeared that a large portion of the Agency's resources were being funnelled to Eastern European countries under Soviet control). Large loans to the United Kingdom ($3.7 billion) and to Japan (more than $2 billion) were made in 1946, through the Marshall Plan ($13 billion over a four-year period), and separate assistance to Greece and Turkey closely following in the late 1940s. One is struck by the magnitude of this assistance (probably worth two and one-half times as much in current dollars or roughly $45 billion), its specific focus on reconstruction, and its success in achieving its objectives.

The rationale underlying this development effort was simple and apparently on the mark: rebuild the capital destroyed by the war and everything else would fall into place. It would be incorrect to say that those instrumental in the formulation of the initial assistance programs to developing nations believed the same approach would work, but the Marshall Plan was a tremendous success, the country had no other development experience and many involved in the Marshall Plan effort were also involved in formulating the assistance plans for less-developed nations. It is probably also relevant that domestically, macro economic planning was coming into its own as an operational policy tool, largely as a result of the compilation of national account statistics and the acceptance of Keynesian economic theories.

Streeten [1] and others have noted that in the 1950s, considerable attention was given to such current concerns as basic needs and income distribution issues. However, Morawetz is correct when he says, [W. Arthur] Lewis set the tone for the next fifteen years when he began [The Theory of Economic Growth]: 'First it should be noted that our subject matter is growth, and not distribution.'"[2] With aggregate economic growth serving as the development objective, it was left to Rostow to offer a development theory that appeared reasonable and simple enough to serve as the rationale for development policy. The essence of the Rostow thesis was that development occurs in states and that with adequate resources in early stages, countries would "take-off" into self-sustained growth.[4] The stages theory of growth was widely debated among development experts, but it did offer a simple and rather comprehensive framework for a large-scale development program. Again, the overall thrust of the argument was, as it was for Marshall Plan countries, making adequate investment resources available would launch countries into self-sustained development paths.

The activities and ideas just described (and others) led to a U.S. development approach dominant during the 1950s and 1960s that can be characterized as follows:

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[1] Paul Streeten, "Changing Perceptions of Development", Finance and Development, vol. 14 (September 1977): 14-16.

[2] Morawetz, op. cit., p. 8.

[3] See W.W. Rostow, "The Take-off into Self-Sustained Growth", Economic Journal (March 1956): 25-48.

* a focus on increasing aggregate production;
* macro economic planning to identify constraints to increasing aggregate production;
* a view that output growth was primarily constrained by inadequate investment;
* foreign assistance provided to eliminate investment shortfalls;
* foreign assistance not tied to specific project activities, but instead directed at:
    * the use of western equipment and technologies (including community development and traditional agricultural extension techniques;
    * large scale infrastructure investments;
    * education through technical assistance and foreign schooling for developing country nationals; and
    * institution building.

It was believed that such assistance, when tied to the elimination of policies that constrained the operation of free markets, would lead countries into the "take-off" stage. Distribution issues were not ignored; instead, it was assumed that the poverty problem would be eliminated most rapidly by focusing attention on increasing overall output. In short, the period can be characterized as the era of the "big lever" approach to development: find a few handles that really make a difference, turn them in the right directions and output will increase; then benefits will "trickle-down" to all segments in society.

Such an approach satisfied a lot of people including:

* American businessmen looking for new markets for their products;

* Development agencies needing only to earmark funds for general programmatic purposes;

* Expatriate technicians who could do most of their "planning" work from behind desks in capital cities;

* American agriculturalists and community development experts interested in trying out their techniques in other nations;

* Host country governments in a position to specify how programmed monies should be used: and

* The wealthiest classes of the developing nations in the best position to take advantage of foreign assistance.

Despite all this satisfaction, dramatic changes in development objectives and approaches occurred in the early 1970s. In sum, the focus turned from increasing aggregate output to targeting development, particularly as it related to satisfying "basic needs" of the poorest segments of society.[1]

It is interesting to speculate why this dramatic change in objective occurred. Morawetz claims the change occurred: "Largely as a result of changes in perceptions in the developing countries themselves....that maximization of GNP per capita is too narrow an aim and that other aims related to poverty reduction need to be considered as well...."[2]

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[1] Research and analysis, comparing the traditional and targeted approaches to development, is just beginning to appear. For an analysis of seven development strategies attempting targeted development see: James H. Weaver, et al., "A Critical Analysis of Approaches to Growth and Equity", unpublished paper, 1979. For another interpretation see: Elliott R. Morss, "Alternative Approaches to assisting the Rural Poor", a paper presented at the Society for International Development meeting in Washington, D.C. on December 2, 1978.

[2] Morawetz, op. cit., p. 3.

This is somewhat misleading. While developing countries have been vocal concerning income disparities between developed nations and themselves (the so-called North-South dialogue[1]), there are very few developing nations making significant efforts to reduce internal income inequalities. In short, the proper generalization is that developing nations have not been happy with the decision of donor agencies to target development assistance on the poorest segment of society.

What then has been the motivation behind the change in objective? The most commonly heard explanation is that traditional development approaches, as exemplified by the "Green Revolution" resulted in a widening of income disparities.[2]

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[1] Martin M. McLaughlin et al., The United States and World Development Agenda 1979 (New York: published for the Overseas Development Council by Praeger, 1979).

[2] For two of the best statements on this subject, see Keith Griffin, "Policy Options for Rural Development" background paper for the Ford Foundation Seminar on Rural Development and Employment, Ibadan, April 9-12, 1973; and Carl H. Gotsch, "Technical Change and the Distribution of Income in Rural Areas", American Journal of Agricultural Economics 54 (May 1972): 326-41.

For a global treatment of the dynamics of the income distribution phenomenon see Montek S. Ahluwalia, "Income Inequality: Some Dimensions of the Problem", Chapter One in Redistribution with Growth, by Hollis Chenery, et al. (London: Oxford University Press, 1974) and Irma Adelman and Cynthia T. Morris, Economic Growth and Social Equity in Development Countries (Stanford: Stanford University Press, 1973).

On the face of it, this explanation sounds reasonable: empirical studies from the field indicated the development approach was not working and had to be changed.[1] Moreover, the shortcomings of the community development movement nationally were becoming painfully apparent,[2] and traditional extension methods appeared to be getting nowhere.[3] But this explanation for the change was challenged by many. It is likely that at least two more factors were at plan. Firstly, there was the domestic political situation in the United States. The 1960s were a time of ferment in which the fundamental tenets of growth and progress were being questioned. Eisenhower, in his last speech as President, quoted C. Wright Mills' concern about the increasing power of "the military-industrial complex".[4] In the mid-sixties, Congress symbolically terminated government funding for the development of a supersonic aircraft. Public dismay with the escalating involvement in Vietnam was growing and such books as Small is Beautiful

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[1]To this day, the debate over the efficacy of traditional methods continues: "The question needs to be raised if actions taken to reduce income inequalities necessarily improve the lost of the poor in the long run. The validity of this proposition cannot be taken for granted." (Bela Balassa, "The Income Distribution Parameter in Project Appraisal", Economic Progress, Private Valves and Public Policy, editors, Bela Balassa and Richard Nelson (Amsterdam: North Holland, 1977) p. 217-272.)

[2]See Lane E. Holdcroft, "The Rise and Fall of Community Development in Developing Countries, 1950-65: A Critical Analysis and an Annotated Bibliography" Michigan State University Rural Development Paper No. 2, 1978.

[3]See Akhter Hameed Khan, "Ten Decades of Rural Development: Lessons From India", Michigan State University Rural Development Paper No. 1, 1978.

[4]See C. Wright Mills, The Power Elite (New York: Oxford University Press, 1956).

and the Greening of America were bestsellers. On the purely political plane, the "War on Poverty" had failed but aspirations and agitation remained high among the domestic poor; and in these circumstances, Congress was understandably sensitive to charges that foreign assistance dollars were ending up in Swiss bank accounts of the wealthy from developing nations.

The New Objective

In response to the pressures discussed above, the major donors in the early seventies took on a new objective: to target development assistance on the poorest segment in developing nations.[1] The new focus was manifested in policy directives that were issued almost simultaneously within the World Bank and the Agency for International Development. Robert McNamara, addressing the Board of Governors of the World Bank in 1973, said:

> The fact is that very little has been done over the past two decades specifically designed to increase the productivity of subsistence agriculture. Neither political programs, nor economic plans, nor international assistance—bilateral or multilateral—have given the problem serious and sustained attention. The Workd Bank is no exception. In our more than a quarter century of operations, less than $1 billion out of our $25 billion of lending has been devoted directly to this problem.
>
> It is time for all of us to confront this issue head-on.

[1] For a history of the development of the new foreign assistance and the individuals responsible, see: Ellen Ziskind Berg, "The 1973 Legislative Reorientation of the United States Foreign Assistance Policy: The Content and Context of a Change" unpublished M.A. Thesis, The George Washington University, 1976.

> I suggest that the goal be to increase production on small farms so that by 1985 their output will be growing at the rate of 5% per year. If the goal is met, and smallholders maintain that momentum, they can double their annual output between 1985 and the end of the century.[1]

Congress expressed similar concerns in the 1975 amendments to the Foreign Assistance Act:

> United States bilateral development assistance should give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries.[2]

It should be emphasized that this change constituted a radical departure from earlier development priorities. In the past, foreign donor priorities were placed on increasing the pace of overall economic development; the new thrust focused development assistance on helping the poor of developing nations. This change in emphasis was greater than that attempted domestically by the "War on Poverty". The poverty legislation did not subordinate the mandate for growth included in the Employment Act of 1946 to equity considerations; it simply added the "War on Poverty" to it. In contrast, it appears that McNamara and the Congress wanted a more extreme change in emphasis: The distributional objective was to assume primary importance.

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[1] Robert McNamara, "Address to the Board of Governors", Nairobi, Kenya, September 24, 1973.

[2] The 1973 amendments to chapter one, section 102 of the Foreign Assistance Act of 1961.

Research on how to implement the new objective stressed the need to involve the poor directly in development efforts, both from the standpoint of decision-making and resource commitment. The new development strategy consists of a process, with the poor as active participants, that leads ultimately to the poor gaining the ability to help themselves.[1] Placed on understanding the constraints under which the poor live and work in order to meet their "basic needs", Western technologies are seen as contributing to unemployment as well as simply being too expensive. Unlike the traditional approach which focused on macro economic planning and the use of "big policy levers", the new strategy focuses on the development of customized plans for micro regions, with much of the planning done after development activities have started.

Sustained development efforts require the blending of private and public sector activities. The "New Directions" mandate virtually ignores the private sector. Partially as a consequence of this, OPIC and AID have little in common, a most unhealthy situation.

The Other Position

With the change in objectives, the major donors developed the strategy described above as a means of targeting development assistance on the poorest segments of developing nations. It should be noted that

[1] Elliott R. Morss, et al., Strategies for Small Farmer Development, 2 vols. (Boulder, Colorado: Westview Press, 1976).

a respected body of scholars holds out little hope for the new approach in the absence of a fundamental asset redistribution in favor of the poor. The following statement of Keith Griffin exemplifies this position:

> ...the view that asset redistribution (notably land) is a sine qua non for the rapid reduction of rural poverty is indeed a hypothesis--as all such statements must be. But there is considerable historical evidence from, say, Japan, Taiwan, South Korea, China and Cuba which is consistent with this view. Equally, there is increasing historical evidence that rapid growth alone, in the absence of a relatively egalitarian distribution of rural assets, will not necessarily lead to a reduction in poverty, e.g., Morocco, Pakistan, Philippines, and Mexico.
>
> I quite agree that aid donors are in no position to promote asset redistribution on a large scale, and even if they were, it would be undesirable for them to interfere in internal political matters to that degree. So certainly one should try other approaches, although I am not optimistic about their success.[1]

Interestingly enough, it does not appear that supporters of the "other" position are particularly concerned with the use of traditional development methods once the asset redistribution has been affected. Their major point is that the benefits of development will accrue to the asset holders, regardless of the development strategy employed.

The Empirical Evidence

It is in the context of the development debate described above that the Morawetz findings are of most interest. As regards development performance over the last 25 years, Morawetz finds: On the growth of GNP per capita:

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[1] Letter Keith Griffin to E.R. Morss, February 26, 1979.

> The GNP per capita of the developing countries as a group grew at an average rate of 3.4 percent a year during 1950-75. This was faster than either the developing countries or the developed nations had grown in any comparable period before 1950 and exceeded both official goals and private expectations ....although it is true that per capita income has roughly trebled for some 33 percent of the people of the developing world during the past twenty-five years, it is also true that for another 40 percent the increase in per capita income has been only one or two dollars a year.[1]

On population growth:

> Between 1950 and 1975 the population of the developing countries increased by 70 percent, or by more than 80 percent if China is excluded. Beginning in 1950 at 1.6 billion, it grew at an average annual rate of 2.1 percent during the 25 years (2.4 without China), reaching 2.7 billion by 1975.[2]

On unemployment:

> ....in most of the countries for which partial, unsatisfactory evidence is available, the situation at least may not have worsened since 1970.[3]

On income distribution measured by relative impoverishment:

> In quite a large number of countries, the share of the poorest people in GNP seems to have either increased or at least remained constant over time....By contrast, in a second, also quite large group of countries...., the share of the poorest people seems to have declined over time.[4]

On the question of absolute impoverishment:

> Clearly this cannot have been the case in nations in which the share of the poor in a growing GNP increased or remained constant....Among the most populous countries, only in China and possibly Mexico does it seem to be agreed that there has been no large-scale absolute impoverishment among the poor. In Bangladesh, Brazil, India, Indonesia, and Pakistan, the matter is in dispute.[5]

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[1] Morawetz, op. cit., pp. 12-14.

[2] Ibid., p. 23.

[3] Ibid., p. 36.

4Ibid., pp. 39-40.

[5] Ibid., pp. 42-43.

On nutrition:

> ....the absolute number of persons with inadequate food intake has almost certainly increased since 1970, but....it is not clear whether the proportion of total population in the developing world suffering from undernutrition has been increasing, decreasing, or constant over time. Between 1961-65 and 1974, per capita caloric availability seems to have increased in forty-seven of fifty-seven FAO countries, and it no doubt increased in China as well.[1]

On health:

> In the past couple of decades the developing countries have registered increases in life expectancy that took a century to achieve in the developed countries.[2]

On housing:

> ....time series data on housing that are available indicate that in a number of countries the average number of persons per room declined between 1960 and 1970, and that some progress was also made in bringing piped water and electricity to dwellings.[3]

On education:

> Between 1950 and 1970 the number of pupils in primary schools in developing countries trebled, reaching 200 million. During the same period the number of students in secondary and tertiary education increased sixfold....The proportion of adults in the developing countries who are literate, which stood at about one-third in 1950, had risen to over one-half by 1975.[4]

On national independence:

> ....basic and important progress....has been made toward economic self-reliance in a wide spectrum of developing countries. This has been particularly noticeable in increased national control of the economy, diversification of foreign ties, and reduced dependence on a small number of export products as sources of foreign exchange.[5]

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[1] Ibid., p. 45.

[2] Ibid., p. 48.

[3] Ibid., p. 51

[4] Ibid., p. 52

[5] Ibid., p. 65.

Table 1 summarizes these conclusions on the development performance over the past 25 years. The following coding is used to indicate levels of progress:

+ = significant progress
o = little or no progress
? = data too problematic to draw conclusions
– = worsening situation

TABLE 1

Summary Box Score on Development Progress, 1950-1975

Increase in per capita incomes	+
Population Growth	–
Unemployment	o
Income Distribution	?
Absolute Impoverishment	o
Nutrition	?
Health	+
Housing	+
Education	+
Basic Human Needs (total)	+
National Independence	+

Policy Implications

It is interesting to speculate on the policy relevance of these findings. By any interpretation, the last 25 years has been a period of impressive development performance particularly inasmuch as this was the first period in history in which a concerted effort to assist less-developed nations has ever been made. In this regard, it is

extremely disturbing to see major donor agencies focusing all their efforts on a new approach wherein the primary objective is to help the poorest segment of developing nations. Putting the point somewhat differently, there appears little empirical evidence to support a wholesale repudiation of more traditional methods simply because they have failed to realize the new distributional objective. It is quite clear that the traditional approach yielded impressive results at a time when distributional considerations were not paramount. It is quite possible (at least it has not been proven otherwise) that the traditional approach could yield impressive results vis-a-vis the distributional objective if it were tailored to this end.

Important Technical Points

Before a more general discussion of these issues, there are a few technical points that should be mentioned. On the question of GNP per capita measurement, there is a problem with the traditional income measurement technique:

> ....India's per capita income estimated on the basis of purchasing power parities comes out at more than $450, instead of $140 as conventionally measured. As the per capita income purchasing power parity estimates tends to fall. This is because the price of non-traded goods, mainly personal services, tends to be higher in rich countries than in poor ones, and it explains why the use of conventional estimates significantly overstates the size gap between rich and poor nations.[1]

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[1] Ibid, pp. 4-5.

A second technical point has to do with the reduction of absolute income differentials between developed and developing nations. It is unrealistic to hope for this for the indefinite future:

> ....a poor country growing faster than a rich one will not even begin to reduce the absolute gap between them until the ratio of their per capita incomes is equal to the inverse ratio of their growth rates.[1]

To elaborate this point further, let us assume that per capita income in the United States was $7,880 and in India was $140 for 1976, and that the rate of growth in the United States was 1.7 percent between 1970-76. Based on an absolute rate of growth of $134 per year in the United States, India's rate of growth will have to increase 96 percent annually in order for absolute income disparities not to increase between the two countries.

Analysis of the Empirical Evidence

Analysis is, of course, critical if empirical evidence is to serve as the basis for anything beyond the most general policy pronouncements. While Morawetz concentrates on providing the empirical evidence, he does refer to several analytical studies and reaches the conclusions summarized in the following five quotes:

> 1. From cross-section evidence it seems that income inequality increases in the early stages of development, but then tends to diminish after per capita income of from $500 to $1,000 is reached....even if cross-section studies indicate that income inequality normally increases during the early stages of the

[1] Ibid., pp. 27-28; E.R. Morss, "Alternative Approaches for Assisting the Rural Poor", Paper presented to the Society for International Development, November 1978.

development process, a country that follows policies different from those pursued by most nations in the past....may be able to avoid or at least partly neutralize this stage.[1]

2. ....the blame can hardly be laid at the door of "economic growth", for the list of countries in which some groups may have experienced absolute impoverishment includes at least as many slow growers as fast ones. Indeed, in countries such as Pakistan, Bangladesh, India, and Indonesia only sustained and equitably distributed economic growth will make any sort of dent in their massive poverty in the foreseeable future.[2]

3. ....the initial distribution of assets and incomes may be a crucial determinant of the trend in inequality....both real-world and simulation evidence indicates that the most powerful determinant in the income distribution is the underlying structure of the economy....Putting these two working hypotheses together suggests that it simply may not be possible to "grow first and redistribute later."[3]

4. ....although the various national governments [in Taiwan, Korea and China] played an important role in establishing an overall policy framework to send appropriate signals to lower-level decision-makers, the bulk of the day-to-day economic decisions were made at a decentralized local level without a great deal of interference from the central government. This division of functions by level seems to have been logical and effective.[4]

5. The historical experience suggests that political stability, of whatever ilk, and stability in the economic 'rules of the game' may be an important and underrated determinant of economic growth.[5]

In the first quote, Morawetz makes a point that is frequently overlooked by social scientists of the positivist school--namely, that empirical evidence, even when accurate, does not necessarily have

[1]Morawetz, op. cit., p. 39

[2]Ibid., p. 41.

[3]Ibid., p. 43.

[4]Ibid., p. 69.

[5]Ibid., p. 72.

either predictive or normative implications. There is nothing inherently good about what has gone before, nor is there reason to believe that it cannot be changed. At the very most, cross-section and time-series analysis can assist in the understanding of past happenings.

The second statement is a timely one today when so much emphasis is placed on distributional/"basic needs" considerations. Economic growth means expanding employment opportunities. Unemployment means no wage income and hence means poverty in the developing nations. Consequently, to the extent that economic growth expands employment, it reduces the poverty. The experience of Korea attests to how significant growth can be in absorbing large labor force increments.[1]

To the extent that rapid economic growth is troubling to some because of undesirable side effects, attention should focus on population growth. Population growth leads to a rapidly expanding labor force which in turn causes unemployment and poverty unless economic growth and the resulting jobs serve as an antidote. If ones does not like the antidote, focusing on the root cause--population growth--is an alternative. Putting the issue somewhat more forcefully, population growth will cause poverty if economic growth is not rapid

[1] See V.C. Rao, "Economic Growth and Equity in the Republic of Korea", World Development vol. 6:3 (1978): 383-396.

enough to absorb the expanding labor force. In this light, it is remarkable how little attention those who focus on the distributional objective give to strategies to reduce population growth.[1]

The third quote is interesting because it gingerly supports the "Other" school. That is, two "working hypotheses" are put together, but no assertion is made that this is what the empirical analysis leads one to. In passing, it should be noted that while a respected body of scholars supports the "Other" position, other respected scholars do not. For example, Gustav Papanek does not refer to the need for asset redistribution when he asserts:

> .....all the evidence is that growth, and especially rapid growth, increases the absolute income of the poor even without specific policies to benefit lower income groups.[2]

At the risk of gross oversimplications, a cursory analytical excercise is offered that relates to Morawetz's last three quotes. We start by asking what lower income countries have been the best performers in terms of annual percent increase in real GNP per capita over the last 25 years (1950-75).

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[1]The relationship between population growth and the satisfaction of "basic needs" will be addressed in a later section.

[2]Letter G. Papanek to E.R. Morss, March 6, 1979. Two articles support his contention. They are: "Economic Growth, Income Distribution and the Political Process in Less Developed Countries" in Income Distribution and Economic Inequality, Z. Griliches, W. Krelle, H. Krupp and O. Kyn eds., (Frankford: Campus Verlag, 1978); and "Distribution of Income, Wealth and Power", Economic Growth in Developing Countries, Y. Ramati, ed., (New York: Praeger, 1975).

TABLE 2[1]

Countries that have had the most Rapid Growth in GNP per capita, 1950-1975

Country	% Increase in GNP per capita
Swaziland	7.0
Taiwan	5.3
Korea	5.1
Jamaica	4.7
Malta	4.6
Barbados	4.3
Angola	4.2
Brazil	3.7
Thailand	3.7
Trinidad	3.7
Sudan	3.3
Jordan	3.3
Botswana	3.1

In Table 3, countries from Table 2 for which income distribution data exists are ranked in accordance with that data. Specifically countries are ranked by the percentage of GNP going to the lowest 20% of households. The following coding is used: a plus (+) indicates that, in comparison with an earlier income distribution study, there has been a movement towards equalization: a minus (-) indicates the opposite.

[1]This list does not take into account the effects regional distribution of poverty might have on growth. The poverty level, for example, is much worse in Asia than in Latin America. Nor does the list include major oil producers, European countries or China.

TABLE 3

High Growth Countries Ranked by Income Inequality

Country	Year	Share of Lowest 20%
Taiwan	1972	8.8+
Korea	1971	7.2-
Thailand	1970	6.0+
Sudan	1963	5.0
Brazil	1970	3.2-
Jamaica	1958	2.2
Botswana	1972	1.6

Thailand, Korea and Taiwan have:

* received large amounts of foreign assistance;
* welcomed private foreign investment;
* indigenous entrepreneurial capabilities;
* stable political systems;
* labor intensive export industries; and
* agricultural sectors based primarily on the production of smallholders.

Brazil and Jamaica are quite similar to Taiwan, Korea and Thailand on the first four items. However, neither country has redistributed land to smallholders and export promotion activities have not focused on labor intensive products. Critical development strategy decisions are now being made in Sudan and Botswana that will affect their growth and distribution patterns over the next few decades. Neither of these countries has had a significant agrarian reform.

The evidence cited above is suggestive, but far from conclusive. My own assessment of where we are is as follows:

* in countries where agricultural land is held primarily by small farmers, both traditional and targeted development efforts will benefit small farmers;

* in countries where a significant portion of agricultural land is held in large blocs, the situation is less clear:

  --there is a political issue as to what will be tolorated (it should be remarked that increasingly politicians are coming to realize that assisting small farmers can result in a new support base);

  --without significant political opposition, traditional approaches might attain distributional objectives if applied with such objectives in mind;

  --land reforms take time, cause disruptions (and often physical violence) and usually result in a reduction in output for a nmber of years (e.g., Cuba, Ethiopia, Nigeria, Chile and Peru); these costs should be put against the benefits to be expected;

  --the new "targeted" approaches do not yet have track records, and it will not be until the mid-eighties before we have a clear idea of their potentials and the relative abilities of different institutions to implement them;

* the distributional objective poses a different set of problems for growth in the industrial sector:

  --natural resource recovery, which tends to be capital intensive, leads to widening income disparities;

  --labor intensive industrial growth can at least be distributionally neutral;

  --it is not clear what type of asset redistribution proponents of the "Other" approach have in mind in regard to the industrial sector, but state ownership of enterprise clearly offers no panacea.

Critical "Basic Needs" Relationships

A major pillar of the new targeted approach entails satisfying the "basic needs" of the poor. What are "basic needs"? Morawetz states:

> The word "needs" is defined by Webster's dictionary as an urgent requirement of something essential or desirable that is lacking." Because "urgent requirement", "essential", and "desirable" are all subjective concepts, so too is "basic needs".[1]

Maslow does somewhat better on the definition of "basic needs" than Webster. He argues that the first and most basic are the physiological needs, e.g., for air, food and drink. When these needs are met, the needs for safety, shelter and security emerge. Then come the needs for a sense of belongingness and love, followed by a desire for prestige and self-respect. And finally, one develops a need for self-actualization.[2] In today's policy setting, nutrition, health, housing and education programs are seen as efforts to satisfy "basic needs".

Beyond definitions, a number of unresolved issues exist as to the appropriateness of "basic needs" strategies. Proponents of "basic needs" argue that economic growth should not be the sole objective of development, and even if it were, satisfaction of "basic needs" would increase productivity of the labor force. Opponents focus primarily on two points:

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[1] Morawetz, op. cit., p. 44.

[2] A.H. Maslow, Motivation and Personality (New York: Harper, 1954). For a thoughtful attempt to measure in quantitative terms progress in "basic needs" see James P. Grant, Disparity Reduction Rates in Social Indiactors (Washington, D.C.: Overseas Development Council Monograph No. 11, 1978).

* the provision of basic needs is an expensive undertaking, does not lead directly to higher output and incomes, and as a development strategy, has little chance of becoming self-sustaining;

* an immediate effect of a successful basic needs program will be to reduce death rates of all ages, thereby truly causing a population explosion.

The issues are difficult to resolve by means of quantitative analysis because of the number and complexity of forces operating on key variables. On the relation of "basic needs" to economic growth, both Korea and Taiwan offer a high level of "basic needs" services to their citizens, but so do Sri Lanka and Tanzania. And while the per capita GNP growth rates of Korea and Taiwan have been impressive over the last 25 years, the growth rates of the latter two have not.[1] In short, the issues will not be resolved until more sophisticated analyses have been performed. It is unquestionable that the provision of "basic needs" services results in direct and immediate benefits for the beneficiaries; by the same token, their provision is expensive and not self-liquidating over the near term. It may, therefore, be argued that they should be phased in after direct efforts to increase outputs and income.

On the relationship between "basic needs" and population growth, the information appears more complete. Eugene Staley observed in 1954:

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[1] Korea and Taiwan grew at rates of 5.1% and 5.3% annually over the last 25 years. In contrast, Sri Lanka's growth rate was only 1.7%. Tanzania grew at an annual rate of 2.6% for the entire period, but for the last five years (when the provision of "basic needs" was given highest priority), the growth rate fell to 0.6% annually.

> The explosive growth of population released by modern health measures and by economic improvement is a grave danager to success in development.[1]

Morawetz comments:

> ....Twenty-five years ago, it was not expected that population growth would become such a large problem in developing countries....The sharp surge was caused by the remarkable and largely unexpected success in reducing mortality, which, in turn, was brought about by higher standards of living, increased control of communicable diseases, and improved distribution of food in times of famine.[2]

It should not be inferred from the above quotes that the long-term effects of providing "basic needs" services will not be beneficial; just the opposite appears to be the case.[3] Multiple regression analysis on a large cross-section of countries indicates in a fairly convincing statistical fashion that in the long run increasing family incomes and education reduces fertility rates, while reducing income inequalities does the same. But the timing and components of the "basic needs" package appear to be critical. In the 1940s and 1950s, Sri Lanka introduced a "basic needs" program that significantly reduced child mortality rates. The resulting population increase lead to a labor force expansion such that Sri Lanka had the highest unemployment rate in Asia by the late 1960s.

Population growth rates might come down at some point in the future as a result of a "basic needs" package lacking a family planning

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[1] Eugene Staley, The Future of Underdeveloped Countries (New York: Praeger, 1961).

[2] Morawetz, op. cit., p. 23.

[3] D. Morawetz, "Basic Needs Policies and Population Growth", World Development, vol. 6 (Nov./Dec. 1978): 1251-1260.

component, but to allow the population to balloon in the early states will be costly. To give some idea of the cost, three simulations were run on the differences in Sri Lanka's educational outlays required to provide the same input levels for different population growth profiles. The simulations were based on reproduction rates becoming equal in 35 years. When the high population growth rate in the early years simulation was compared to the constant growth rate model, it was found that educational outlays under the former would exceed the latter by over $500 million, or by more than 15 times Sri Lanka's education expenses in 1969.[1]

To avoid such costs, it is essential that the short run population growth effects of "basic needs" programs be faced. Appropriate countermeasures should be taken, such as building family planning components into any and all "basic needs" programs.

What is the policy upshot of all this?

During the 1950-75 period, "traditional" development approaches were quite effective overall in reducing poverty in developing countries. Beyond this, nearly everything is conjecture.

The "New Directions" approach to development stand between supporters of the traditional approach and those who argue that an asset redistribution is needed before the poor will reap the benefits of development efforts.

[1] Gavin Jones, Population Growth and Education Planning in Developing Nations (New York: Wiley, 1975).

When will we know how effective the "New Directions" approach is, and what should we do in the meantime? As a starter, Congress should be informed that traditional development efforts were quite effective in assisting the poor and should not be totally abandoned, at least not until we have an alternative that is demonstrably better.

Findings as to the effectiveness of "New Directions" approaches cannot be in before the early to mid-eighties simply because "New Directions" activities are only now getting underway in the field. But findings as to their effectiveness, and in particular, comparative findings vis-a-vis more traditional approaches will not come in even then unless comprehensive planning starts soon to collect the information needed for comparative assessments.

Given the time and effort that has gone into developing "New Directions" approaches, they should not be dismissed summarily if the first findings on their effectiveness turn out negative. Improvements can undoubtedly be made. By the same token, the more traditional approaches should not have been so summarily dismissed by Congress. It is time to launch an information offensive. In addition to informing Congress of efforts to implement the "New Directions" mandate, the Agency should push for latitude to use more traditional approaches where warranted. It should also become a little more critical of the "New Directions" mandate--what parts make sense and what parts do not. In short, the parade of success stories to please and placate Congress should be replaced by well-documented reports on what works and what does not.

But perhaps it is too soon for a public disclosure on these matters; perhaps Congress cannot be trusted. It is certainly not too soon for such a debate, backed by solid documentation, to start within the Agency.

Policy Recommendations

The Office of Evaluation should be concerned about the comparative merits of the "New Directions" approach and more traditional development strategies. Within five years, the first results of projects developed under "New Directions" guidelines will be available. It is recommended that the Office of Evaluation immediately undertake an effort to develop an evaluation methodology that would permit a comparative assessment of "New Directions" strategies with more traditional approaches as vehicles for getting benefits to the urban and rural poor of developing nations.

As part of this work, the Office of Evaluation should support projects using more traditional approaches that include an income distribution objective.