

Introduction: Toward a People-Centered Approach to Development

Deepak Nayyar & Ha-Joon Chang

I. INTRODUCTION

Development must bring about an improvement in the living conditions of people. It should, therefore, ensure the provision of basic human needs for all: not just food and clothing but also shelter, health care and education. This simple but powerful proposition is often forgotten in the pursuit of material wealth and the conventional concerns of economics. The problem is compounded by the dominant ideology of our times, which states that markets and globalization promise economic prosperity for those who join the system and economic deprivation for those who do not. The reality that has unfolded so far, however, belies the expectations of the ideologues.

The development experience of the world economy from the early 1970s to the late 1990s, which could be termed the *age of globalization*, provides cause for concern, particularly when it is compared with the period from the late 1940s to the early 1970s, which has been described as the *golden age of capitalism*.

The reforms of the 1980s and the 1990s, inspired by the current-

Deepak Nayyar is Vice Chancellor of the University of Delhi. Ha-Joon Chang is Professor of Economics and Politics at the University of Cambridge.

ly dominant neo-liberal ideology, were introduced with great promises. They were supposed to accelerate growth and raise efficiency by expanding (through privatization) and freeing the private sector from government intervention. They were supposed to reduce inequality by getting rid of government regulations that create “artificial rents,” or above-market rates of return, that increase inequality. And with higher growth and better income distribution, poverty was naturally expected to fall.

Unfortunately, these expectations have not been met. Growth did not accelerate. It was much slower and more volatile. For example, the developing countries grew at around 3 percent per annum in per capita terms between 1960 and 1980, the “bad old days” of state intervention and import substitution, but their growth rate fell to half that rate between 1980 and 2000, following the reforms. With increasing frequencies in financial crises, growth has been more fitful than before. This process of lower-quality growth was associated with higher levels of unemployment, as well as greater insecurity of employment, almost everywhere. Moreover, a substantial proportion of the workforce saw no significant increase in real wages.

Available evidence suggests a divergence rather than convergence in levels of income between countries and between people. Economic inequalities increased in the last quarter of the twentieth century as the income gap between rich and poor countries, between the rich and the poor in the world’s population, as well as between rich and poor people within countries, has widened.

Clearly, markets and globalization do not ensure prosperity for everyone; in fact, they exclude a significant proportion of countries and people. There is inclusion and growing affluence for a few. There is exclusion and persistent poverty for the many. This emerging reality is morally unacceptable and politically unsustainable.

II. DEPARTURES

The conception of the idea to create an International Forum for Development began with this concern about the dominant ideology

of our times. There are three fundamental points of departure from the prevalent orthodoxy which deserve emphasis.

First, we start from the premise that the well-being of humankind is the essence of development. This is often forgotten in the dominant discourse, where aggregate growth figures or the pro-corporate concept of “economic freedom” get more attention than the well-being of people. Our focus, therefore, must be on people, ordinary people.

Second, it is essential to make a clear distinction between means and ends. Economic growth and economic efficiency are means. Economic development and social progress are ends. Similarly, trade is a means, while development is an end. All these are often forgotten in much of the current debate.

Third, it must be recognized that economic growth is necessary but not sufficient to bring about the eradication of poverty. It cannot suffice to say that the outcomes of economic policies, which ensure growth with efficiency, should be moderated by social policies, say in the form of safety nets. The dichotomy between economic and social development is inadequate just as the dichotomy between economic and social policies is inappropriate. Hence, as in industrial societies, there is a clear need for an integration, rather than a separation, of economic and social policies. At the same time, it is important to create institutional mechanisms that mediate between economic growth and social development. We believe that the time has come to explore alternatives in development, where the focus is on people rather than economies, and on ends rather than means.

III. OBJECTIVES

The essential purpose of the International Forum for Development is to create and to institutionalize a meeting space for concerned scholars and concerned citizens to come together to construct an alternative worldview with a focus on people.

For clarity, it is necessary to contrast our conception with the existing meeting spaces. The World Economic Forum in Davos is organized by corporate leaders to network with each other and to meet with a select group of political leaders, policymakers and

media persons. The net extends to a few intellectuals and some social activists. But this space belongs to captains of industry. The World Social Forum in Porto Alegre is organized by social activists to network with each other and to meet with a select group of political leaders, policymakers, media persons, trade unionists and academics who broadly share the same worldview. But this space belongs to NGOs.

The International Forum for Development, we believe, is different. We hope to create a meeting space for a genuine dialogue between different stakeholders: scholars, parliamentarians, policymakers, social activists, media persons, corporate leaders and trade unions. These groups need to work together if we are to bring about meaningful changes, but they do not talk to each other enough. We aim to provide a space where they can communicate with each other, develop mutual understanding and hopefully develop a common agenda. Concerned scholars are expected to play a catalytic role in the process by presenting state-of-the-art knowledge in accessible forms, highlighting policy issues that deserve more attention and identifying new issues. It will not, however, be an academic forum. The forum will be a shared common space for every stakeholder, which does not belong to any particular subset.

We are convinced it is possible to enhance understanding and develop capabilities by learning from each other. We also believe differences in perceptions and pluralism in thinking, through dialogue, can provide the foundations of alternative policies for, and a new consensus on, development.

IV. FORMAT

This annual meeting is designed as the flagship event of the International Forum for Development. The discussion will focus on a perennial theme and a conjunctural theme. These themes will change from year to year. The perennial theme this year is growth and employment. The conjunctural theme this year is the disguised unilateralism implicit in the trade policies of industrialized countries. It needs to be said that this annual event constitutes a modest beginning.

In the years to come, we hope to diversify our activities so that we can use knowledge, dialogue and outreach for exploring development alternatives. This is, obviously, an ambitious endeavor. We need to recognize that the journey to our destination cannot be telescoped in time. Indeed, we should think of five years as the minimum period of transition before we begin to be recognized as an institutionalized meeting space. Even so, given the strength of our common cause, we are confident that it can be done.

V. ANALYSIS

The following points have emerged from the papers presented and the discussions around them throughout the meeting.

It is rather well known that the last two decades of marketization and globalization have witnessed increasing inequalities across and within countries. While there is some debate on whether individual income distribution on the world scale has become more equal or not—the answer to which critically depends on how one estimates the results of the spectacular growth in China and impressive growth in India over the last two decades—there is little disagreement that inequalities have markedly increased over the last two decades in most countries (including China itself, which has seen a very sharp deterioration in income distribution) and across the world *sans* China.

This record on inequality looks even more negative when we consider that it has happened in the context of slower and more volatile growth. In the early days of neo-liberal reforms, we were told by proponents that while their reforms may introduce short-term increases in inequalities, they will in the end lift everyone up by accelerating growth and thereby producing more wealth. The sad truth, as we have pointed out, is that these reforms have failed to deliver on their central promise, namely, accelerated growth. And given this growth failure, the poor record of neo-liberalism on income distribution makes us wonder why we have to accept higher inequality if we are not even getting higher growth in return.

Employment is another area where the neo-liberal policies have performed very poorly. During the last two decades, unemployment

has risen, employment has become far less secure and real wages have fallen for many people. In particular, with the casualization of work women have borne disproportionate shares of the burden, as many of them have become main breadwinners while having to continue to perform virtually all the domestic work. In their obsession with low inflation and (internal and external) financial balances, neo-liberal policies have essentially relegated employment to the position of a residual in policy design. In fact, provision of more jobs of decent quality is the only sustainable way to provide decent income, decent work and female empowerment, especially in the context of most developing countries, where social welfare institutions are extremely weak.

The orthodoxy naturally keeps quiet on these embarrassing records, and, when confronted with them, attempts to blame the governments for not trying hard enough—often saying that reforms were not sincerely implemented or that there is still a lot more that needs to be done—or pleads for patience, asserting that the reforms need more time to work their effects. In fact, what needs to be pointed out is that these poor records are inevitable results of the logic behind the neo-liberal reforms, and not the results of poor implementation or insufficient time. Lower investment in physical and human capitals, slower and more volatile growth (punctuated by speculative booms and financial crises), creation of greater insecurity and higher unemployment in the labor market, and the increase in inequalities are all inevitable results of the neo-liberal reforms that emphasize low inflation, financial balances, and “flexible” (and thus short-term oriented) markets.

It is not as if alternative policies that would encourage decent work, social solidarity and long-term oriented productive investments are not known. Development experiences of the more advanced countries, starting from eighteenth-century Britain down to the more recent success cases of South Korea and Taiwan, provide plenty of lessons, if not ready-made solutions, in this regard. However, the use of policies that encourage long-term commitments and social solidarity—which often involves the use of protec-

tion, subsidies and government regulations—is made difficult by the current rules of the game and the balance of power in the world economy.

This is most visible in the area of the international trading system embodied in the WTO. Under the rhetoric of a “level playing field,” the developing countries are denied many policies they need—such as extra protection, greater use of subsidies, additional regulations on foreign investment and weaker intellectual property rights—and are instead put under pressure to open up their markets to the same extent as that found in the developed countries. True, there are some minimal allowances for their conditions under “special and differential treatment,” but these are being rapidly eroded in the name of creating a level playing field. And to make it even worse, the developed countries continue to protect the sectors where they are most vulnerable, such as textiles and agriculture.

In addition to the “unfair” international trading rules embodied in the WTO, the developing countries are subject to further pressures from the developed countries to do even more than what is required under their WTO obligations. The conditionalities imposed by the IMF and the World Bank—as well as donor governments, informal bilateral pressures and various bilateral and regional free trade agreements—all work together to subject developing countries to a “WTO-plus” regime.

Developing countries need more policy space that will allow them to adopt policies that suit their levels of development and other socio-economic conditions. This policy space is often denied on the grounds that developing countries are prone to make bad policy decisions and therefore should be prevented from harming themselves through binding external constraints. The curious thing, though, is that many of these orthodox economists who advocate limiting policy autonomy for the developing countries would vehemently denounce similar restriction on individual autonomy by national governments as unwarranted paternalism. If they truly value choice and autonomy, as they often claim, they should be willing to allow countries to have “the right to be wrong.”

VI. MESSAGES

There are a number of significant messages that have emerged from the discussions at the first annual meeting of the International Forum for Development.

- Employment must be placed center-stage. It should be seen as an objective that has a strategic importance in itself, rather than as a residual outcome of economic growth or economic policies.
- The only sustainable solution for poverty eradication is employment creation, just as it is the only real foundation for decent work.
- The gender dimensions of employment are critical because empowerment of women is an integral part of any process of egalitarian development.
- There is a need to integrate economic and social policies. For this purpose, it is essential to create institutional mechanisms that mediate between economic growth and social development. Safety nets will not suffice.
- For latecomers to development, it is essential to develop capabilities at a micro level and institutions at a meso level.
- It is necessary to redefine the economic role of the state in this age of markets and globalization. Yet, the role of the state is critical if development is to bring about an improvement in the living conditions of people.
- The rules of the game in the world economy, particularly in the sphere of trade but also elsewhere, are unfair. We need fair rules. Indeed, we may need affirmative action for the developing countries in general and the least developed countries in particular.
- Countries that are latecomers to industrialization need policy space in the pursuit of national development objectives. Indeed, countries and people have a right to be wrong so that they can learn from mistakes.

VII. FUTURE

We do not see ourselves as incurable romantics, starry-eyed idealists or even functional pragmatists. In our search for alternatives in development, we seek to blend the desirable with the feasible. Our short-term motivation is to increase consciousness about, and impart a voice to, the poor and the excluded. Our long-term objective is to change thinking, exercise influence and ultimately shape outcomes. As a group of concerned scholars and concerned citizens, we do not seek to preach to the converted. Instead, we hope to reach out in persuasion. It is only natural that we begin on such a modest note. And beginnings are always difficult. We sincerely hope that an ever-widening circle of concerned citizens at the International Forum for Development can spread the message that a better world is possible.