



History and Politics of Development

Technology for Developing Communities

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Background

- Development is largely a post-WWII phenomenon
- Before WWII, little sense of moral/ethical obligation of one nation to another
- Idea of development is based fundamentally on classical Western concepts of evolution (i.e., of unfolding of pre-determined plan) and unending progress



Colonial Legacy

- Colonial acquisition by European powers began in 15th century and continued well into 20th
- Focused on resource extraction through cheap labor and creating market for finished goods
- Seen as necessary “safety valve” for Europe
- But also “civilizing mission” based on inherent superiority of European people and inferiority of “natives” (the “White Man’s Burden”)

Mandate System

- After WWI, colonies of the defeated powers (Germans and Ottoman empire) were divided up by the victors under the “Mandate System”
- BUT, annexation came with certain provisions, including a generalized duty of the West to uphold the “sacred trust of civilization” to work toward the well-being and development of people not yet able to stand on their own “under the strenuous conditions of the modern world.”
- Self-governance could be given to some regions (in the former Ottoman empire), but not others (esp. in Africa)

Major Assumption

- “The best method of giving practical effect to this principle is that the tutelage of such peoples should be entrusted to advanced nations who by reason of their resources, their experience or their geographic position can best undertake this responsibility, and who are willing to accept it...”

Other Issues

- Stages of development
- Developed nations at top of the ladder
- Justification for governance of less developed regions by developed nations
- Seen as benevolent, not paternalistic
- League of Nations was meant to ensure that the Mandate System worked on behalf of the colonized (but it was impotent and could not)

WWII

- WWII turned Europe on its head. In order to be rescued from the Nazis, the dominant colonial powers had to put themselves at the mercy of the USA and USSR, neither of whom had any interest in maintaining the colonial regime as it stood

Decolonization

- Occurred after WWII
- Former colonial subjects were given self-determination and new countries were created
- BUT, with the cards stacked against them (heavy debt, little infrastructure, degraded culture, inequity and prejudice from colonial era)
- “Democracy” and self-rule was goal, but very quickly military governments and dictators emerged in many former countries



Truman: Point Four

- Make the benefits of S&T available to all “peace-loving” and free people.
- Wanted to help these people increase their production and their industrial activity → this is the key to peace around the world.
- Programs should benefit beneficiaries (not just investors)
- The old imperialism “has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing.”

Consequences

- Took development to be internal, self-generated process that could be assisted from outside but not dictated from outside
- Countries were seen as individual entities that could seize opportunities and better themselves through diligence, perseverance, and the proper political orientation (sound familiar?)
- Development and economic *growth* became naturalized and seemingly inevitable
- Development not just America's responsibility, but more generally the "human family's responsibility"



Marshall Plan

- Tremendous aid to Western Europe to help rebuild after being devastated in WWII
 - IMF and World Bank were both created in this context
- Highly successful, but crucial to remember that Western Europe was *rebuilding*, not being built for the first time.
- But, like the democratization of Germany and Japan after WWII, it became the main model for subsequent development projects in the post-war era



Cold War & Development

- For both USA and USSR, best set-up would be independent, but closely aligned, countries that emulated the particular array of social, political and economic arrangements that they did
- Thus, once cold war began, USA and USSR struggled for global dominance through the language and practice of development
- Technical and social assistance was often conditional on military cooperation

The Ugly American

- By the 1950s, there was already a tremendous amount of resentment about the US's efforts to control communism around the world, esp. in SE Asia
- 1958 publication of "The Ugly American" by William Lederer and Eugene Burdick
 - Hero of the book was an engineer (who happened to be ugly on the outside and beautiful on the inside); villains of the book were US diplomats (who were handsome on the outside and ugly on the inside)
- Questions arose about whether the US should be meddling in other countries' business

Kennedy

- Why should the United States continue a foreign economic assistance program?

"The answer is that there is no escaping our obligations: our moral obligations as a wise leader and good neighbor in the *interdependent community of free nations*--our economic obligations as the wealthiest people in a world of largely poor people, as a nation no longer dependent upon the loans from abroad that once helped us develop our own economy--and our political obligations as the single largest counter to the adversaries of freedom. "To fail to meet those obligations now would be disastrous; and, in the long run, more expensive. For *widespread poverty and chaos lead to a collapse of existing political and social structures which would inevitably invite the advance of totalitarianism into every weak and unstable area*. Thus our own security would be endangered and our prosperity imperiled. A program of assistance to the underdeveloped nations must continue because the *Nation's interest and the cause of political freedom require it.*"



USAID

- Foreign Assistance Act of 1961 separated US military aid from non-military aid in an effort to quell criticism
- USAID was a product of this Act—it's focus is solely economic and social development
- USAID plays no role in military aid; but its activities are still determined largely by the US's foreign policy objectives

Economic Development

- Much of the US's early economic development program was based on Walt Rostow's 1960 book, *Stages of Economic Growth: A Non-Communist Manifesto*
- Rostow provided a blueprint for economists seeking to “help” developing countries reach their “natural” potential

Rostow's Five Stages

1. Traditional Society
2. Preconditions for take-off
3. Take-off
4. The Drive to Maturity
5. Age of High Mass-Consumption

Rostow

- Economic historian of the West
- Process depends crucially on increasing rates of savings and investment (THE TAKE- HOME MESSAGE FOR MANY WHO READ ROSTOW)
- Development of new industrial sectors, effective use of technology, and innovation
- Also requires social, political, and cultural climate that favors growth



Limitations of the Special Case

- BUT, in a 1963 essay called “The Limitations of the Special Case,” economist Dudley Seers suggested that Rostow’s observations about the evolution of economies were limited to today’s developed countries

Potential “Fallacies” of Dev. Theory

- Underdevelopment is caused by one or a few problems that can be fixed given rational policymaking
- Development performance can be measured using one or a few indicators
- The West is the appropriate model to use when creating these policies

A few more...

- Economic growth is always a worthy goal
- The developing world is homogeneous, so growth will occur at the same rate everywhere once you get conditions optimized
 - In reality, development is a complex, non-linear, non-rational, contextually-dependent (regionally, historically, environmentally, etc.) process.
- Developing countries must participate in global markets → self-reliance is no longer possible

Monocausal Solutions

- We know from both common sense and classical economic theory that achieving growth requires a multifaceted set of conditions, but most development theory since the end of WWII has been shockingly monocausal in its analysis
- William Easterly devotes the better part of *The Elusive Quest for Growth* to demonstrating that grand, monocausal solutions to “underdevelopment” have failed miserably.

1946-1970: Physical Capital (à la Rostow)

- Post-War period began with injections of physical capital to jump-start economies in places where actual savings and investment did not meet levels required by economic theory
- Worked to a certain extent in Marshall Plan countries, as well as Russia and Japan, where rapid (re)industrialization took place

1960s: Increase Innovation/Entrepreneurship

- As realization that large-scale investment in physical capital wasn't working, development economists decided that the problem was a lack of entrepreneurs to partake in waves of Schumpeterian creative destruction and growth
- Promote entrepreneurship or get governments involved in creating new industries and businesses when private sector could not do it

Problems

- But governments not very good at business, so they needed to create subsidies for state-sponsored industries
- Did not promote increasing efficiency or innovation
- Not always enough domestic demand for products when better foreign imports are available, so the need for tariffs to correct problems

1980s-present: Markets, not Govts

- Governments took on role of guiding the economy both to encourage its growth and to meet the basic needs of its people
- But most governments were bad at both, and corrupt to boot!
- By the 1980s, the new mantra was free trade and market liberalization
 - Markets will make decisions via competition
 - Developing countries will thrive in areas where they have comparative advantage
- Known as “structural adjustment”



“Washington Consensus”

- Developed countries forced developing countries to free markets from control and adopt economic adjustment measures to bring them more in line with Western standards → collectively known as the “Washington Consensus”
 - Emergence of WTO, WIPO, TRiPs, etc.

Problems

- But Western countries did not always practice what they preached, esp. in areas of subsidies and tariffs
- Markets aren't good at distributing wealth equitably
- Assumes that markets function rationally in developing countries

Human Capacities Approach

- Concurrently, a shift to human capital and capacities in late-1980s and early 1990s
 - Growth can only occur in places where value-added and high-demand products can be produced efficiently
 - Need knowledge and steady supply of well-educated workers to make this happen
 - So lots of projects sought to build schools, teach workers/farmers new skills, bring knowledge, modify IP arrangements, etc.
- 1990: First Human Development Report



BUT...

- Educated and skilled workers will just move elsewhere if: investment capital can't be acquired; where laws and taxes are anti-business; where banks, courts and govt. regulators don't function well; and where physical infrastructure is bad or non-existent.
- Backlash against neo-liberal Washington Consensus
- Question becomes: what role should government play?
 - Lots of experiments going on in the world today
 - State control of natural resources in South America
 - Focus on promotion of exports in SE Asia (as opposed to blocking imports or giving local industries subsidies that prevented competition)
 - Welfare programs around the world

Current Situation

- Defer to Rahul on this issue, but still lots of talk about markets and improving human capacity
- Globalization increasingly central:
 - Communication and commerce across boundaries
 - Public-private-NGO-philanthropic ventures the norm
 - Corporations freed from control of nation state
 - Lots of smaller entities and NGOs taking part in development game...some good, some not so great



Growth in the West

- Early American industry was aided by technological piracy
- Industrialization and agricultural development was built on the availability of cheap labor, esp. women and immigrants in the North and slaves and freed blacks in the South
- The process of industrialization, urbanization, and “development” caused the same sorts of social problems that we see in the “developing world”
- Western solutions took a long time to get right, and still leave a lot to be desired
- Western governments and public policy have historically been involved in all levels of development



TVA

- Discussion of TVA, govt's role, social effects, and resistance from industry