

Unfinished Revolutions

by Barbara J. Heinzen

Introduction

With all the changes that have taken place in the past few years, there has been a tendency to think of the world as reduced to the three legs of a tripod: Japan, the US and Western Europe, ignoring all other regions. When the 'Christmas' revolutions in Eastern Europe radically transformed the third leg of the tripod, that reduction dismissed many developing countries as stagnant and intractable, lacking the revolutionary dynamism of other parts of the world. Such a perception is misplaced. The developing world, and the thinking that will shape its future have been undergoing changes as significant as those in other parts of the world.

1990: Principal Legacies & Models of Development

Before the end of World War II, there were—at least linguistically—no 'developing' countries. There were colonial territories and dependencies, as well as a vague idea of material progress, but no widespread notion of development as a goal or a national right. This changed dramatically during the post-war era of decolonization. As previous colonial territories in South Asia and Africa became independent nations, they were forced to take control of their own future. The South Asian countries began a conscious program of economic development, while many nations in Latin America pursued a set of policies aimed at achieving economic self-sufficiency in the shortest period of time. The "development decades" had begun.

During this time, theories and models of development were abundant, but two of them assumed primary importance. The first, outlined by Raul Prebisch for Latin America in the UN report, *The Economic Development of Latin America and Its Principal Problems*, was Dependency Theory. Prebisch divided the world's countries into *Core* and *Periphery*, and argued that the *periphery* was doomed to a subservient economic position providing cheap natural resources and labor to the larger *core* industrial economies. To correct this imbalance Prebisch argued that countries should promote a policy of import substitution while protecting indigenous infant industries working to replace the imported goods.

Dependency Theory hit a responsive chord in nearly every developing country of the 1950s and '60s. It put the blame for underdevelopment on the colonial powers. It made political independence a function of economic independence, and promised rapid progress into a more prosperous future as young countries learned to stand on their own two feet.

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The other primary model of development was first exemplified by the Soviet Union which had modernized through the force of centralized state control: the model of the Communist State. China followed this example, relying further on enthusiastic mass mobilization to convince millions that workers, peasants and common folk were to be the main beneficiaries of growth. These two models—economic independence and state leadership for the benefit of all—were combined in various degrees by nearly all developing countries of the post-war period. Above all, there was a widespread assumption that industrialization equaled development, that the state and bureaucracy were crucial to any progress, and that economic growth would lead to social well-being for all.

But the adoption of these models also included some less obvious assumptions made by most developing countries at this time. The models assumed that human rights and democracy were consequences of development rather than contributors to development. Also, that the central government was more important than local government. Finally, there was a tendency to substitute bureaucratic direction for a framework of public law. In China, it has been said, the law is a state secret.

There were, however, several critical variations in the ways individual countries developed the main features of these two models. In Asia, these variations led to the evolution of what Chalmers Johnson has called the Developmental State. Their development included protection of indigenous industry, an emphasis on the role of the state and the bureaucracy, and a focus on industrialization, but the results were very different. Part of their success was due to the way in which the successful Asian countries used the power of the state and the bureaucracy to move the whole nation forward.

Perhaps the most significant difference was that in the Asian NICs, following the example of Japan, the bureaucracy constituted an elite professional force charged with the development and direction of economic and social life. It was an institution that functioned relatively independently of political power. In Africa, by contrast, the bureaucracy was an instrument in the consolidation of the state, used to include interest groups that might otherwise have launched some kind of political opposition. In Latin America, the bureaucracy served a similar function, rewarding interest groups for their support during elections or in the aftermath of a military coup.

This led to another important variation in development approach concerning the degree of support given to agriculture and rural societies. Africa and Latin America both tended towards policies that drained people and

resources from the rural areas into the cities and industry where the most active (and threatening) political constituencies were based. However, the states of Northeast Asia, for a variety of historical reasons, were less captive of particular interest groups and better able to balance urban and rural development. In South Korea, Taiwan, and Japan political power was built on the support of rural voters who benefitted from policies of land reform and price subsidization not effectively implemented in other parts of the world.

Countries also varied in the constancy and quality of their support for health and education. In Africa these services were habitually underfunded. In Latin America they were frequently biased away from the countryside towards urban areas and the middle classes. In Asia, health and educational services were more consistently supported and more widely offered.

What nearly all developing countries neglected was the role of women in development (particularly in African agriculture), and the ecological costs of rural poverty and/or hasty, poorly conceived urban-based industrialization.

The Record So Far

With the exception of a few unexpectedly successful Asian countries, development would seem to have failed. The gap between North and South, between Rich Nations and Poor Nations, between Rich and Poor *within* nations keeps growing wider and wider. There is fear of economic catastrophe in the air, accentuated by environmental critiques that pace the destruction of the rain forest against apocalyptic visions of the poisoning of the biosphere. But has development truly failed these nations? Is this assertion supported by the facts? What is the statistical record and what does it say about the models of development which have been used so far?

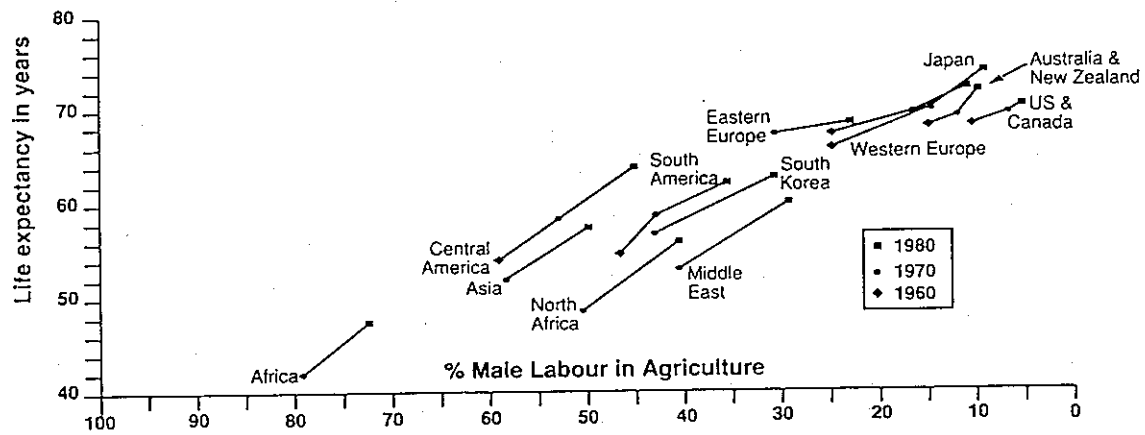
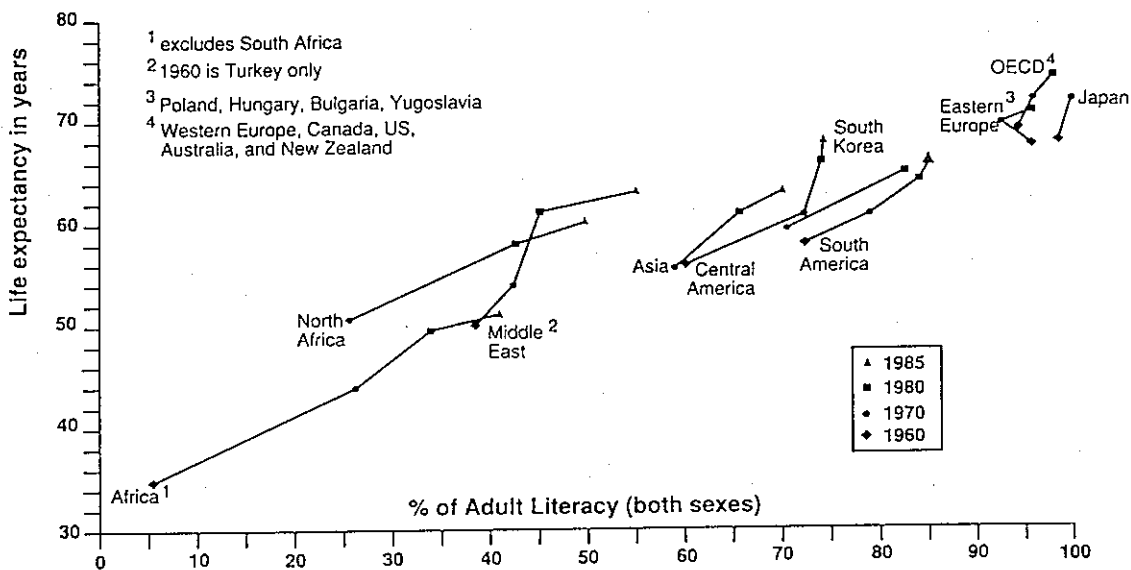
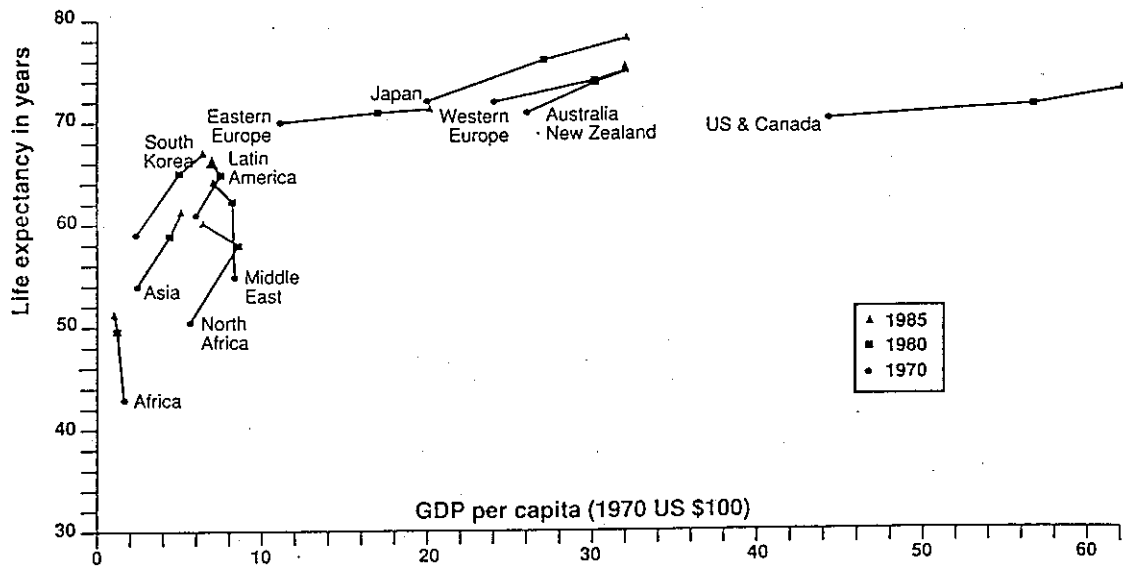
Certainly in economic terms, the record is not so good. The developing regions have not yet begun to approach Japanese, Western European or North American standards in GDP per capita (Figure 1). Of even more significance economically is the shift that took place in many regions between 1980 and 1985, when for the first time in 25 years GDP per capita fell in many regions of the world: South and Central America, Africa and the Middle East. This, in part, is a reflection of the severity of the recession, but there is a widespread feeling that it also indicates the failure of development.

And yet, development is a complex phenomenon involving both social and economic change. Can failure be so simply measured? If we look at measure-

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Figure 1: Indicators of Development vs. Life Expectancy



Source: UNRISD, 1969, 1988 and UNDP, 1988 (Regional figures as average of country values)

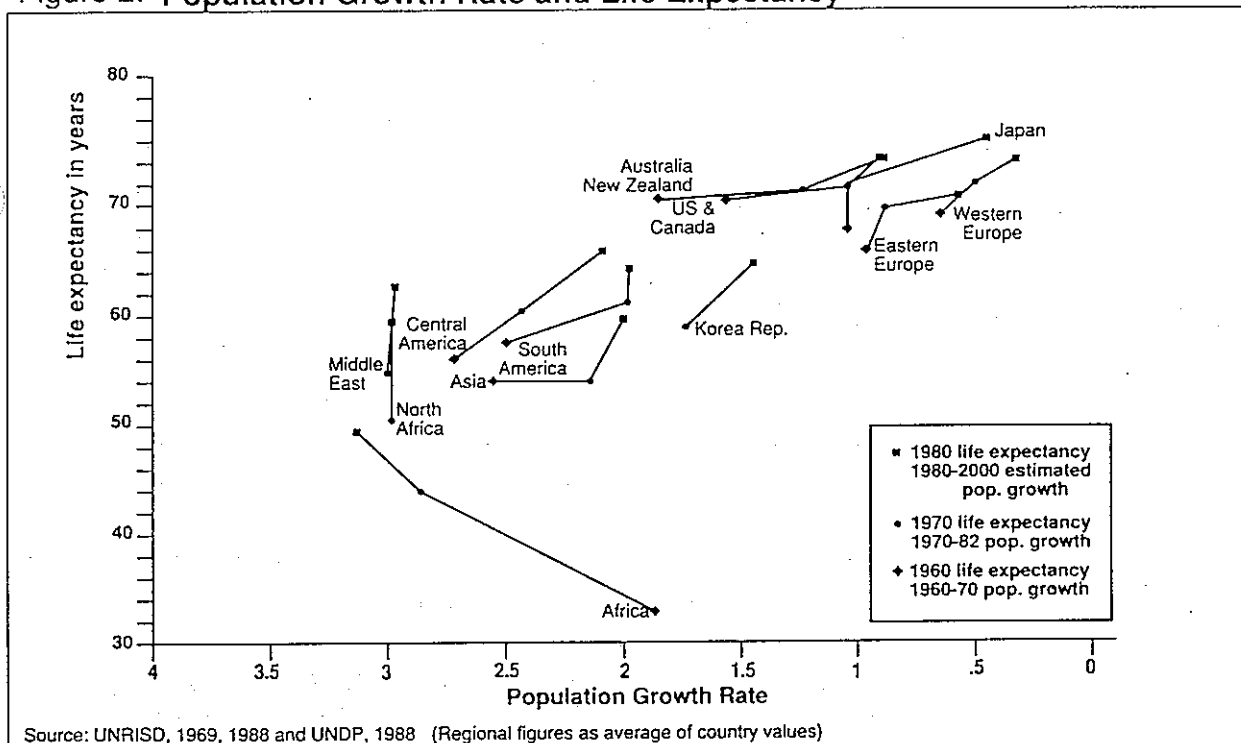
Developing Nations

ments of social change another picture emerges: one in which more and more people can read, and more and more people are leaving agriculture to work in other areas. The changes in these two indicators of development over the past 30 years are startling and give evidence of societies which are more dynamic and protean than the economic figures alone would suggest (Figure 1).

Even more important is the apparent linkage between social and economic development. This link has been most clearly established by the United Nations Research Institute for Social Development (UNRISD). For more than 30 years, they have been identifying the most reliable and comparable statistical indicators of development. They now have the best data base on development assembled anywhere in the world.

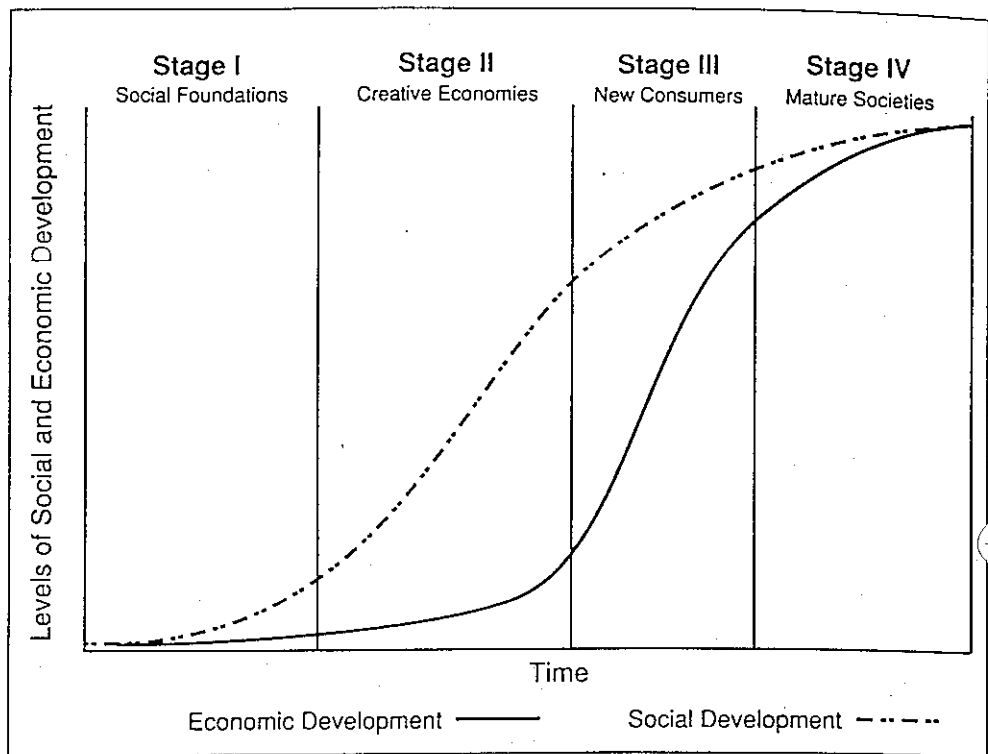
They also have observed in studying these indicators several important phenomena about the multi-dimensional progression known as "development." The first is that improvements on various measures of social development proceed gradually and roughly in parallel. As a result, when social indicators are plotted against life expectancy we see school enrollments rising, infant mortality falling, and literacy increasing throughout the population in a steady measured way as life expectancy also increases (Figures 1 and 2). The second observation is that economic indicators perform quite differently. As a

Figure 2: Population Growth Rate and Life Expectancy



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Figure 3:
Double-S
Curve



result, when economic indicators—e.g., steel consumption, electricity consumption, GDP per capita—are plotted against life expectancy, there is little change in their performance until a fairly high level of life expectancy has been reached, somewhere around 68 years (Figure 1). These two processes can be summarized in a Double-S Curve of development, where social change proceeds gradually, while rapid economic growth only occurs once a given level of social development has taken place (Figure 3).

This simplified concept allows us to imagine four stages of development. During Stage I, the basic Social Foundations are established: political unity and stability, basic health and educational infrastructure and an acceptance of the desirability of change. This is followed by Stage II: Creative Economies. At this stage, sufficient educational progress has been made and sufficient political agreement exists for an increase in economic growth. This growth in turn allows for the payment of improved social services, which in turn permits accelerated growth. At this point, a country will enter Stage III: New Consumers. Most of the basic social achievements have been made and the whole population is able to enjoy highly developed standards of health and education. The economy, however, still lags far behind. This is, therefore, the period of the most rapid economic growth and it is accompanied by increased consumption by the population at large. Finally, Stage IV can currently be seen as the stage reached during the 1980s by the Mature Societies of North

America, Western Europe and Japan. Basic social foundations are now taken for granted, and much of the economic potential has been realized. Growth on all parameters slows down while these societies begin to explore what their own future development path might be: high technologies, ecological economies, intensive services or some combination of them all.

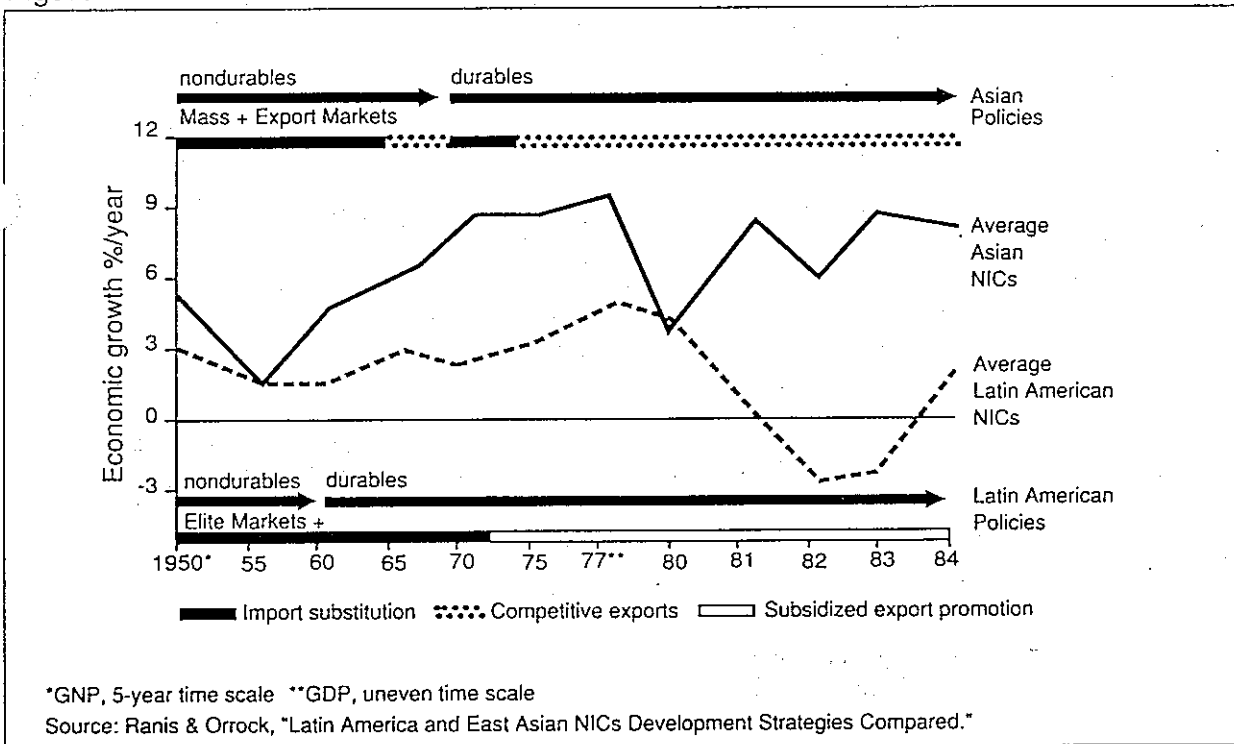
The Double-S Curve of social and economic change (Figure 3) could lull us into believing that the setbacks of the 1980s are transient phenomena due more to the recessionary climate of the first half of the decade than any failure of the development models. It might seem that with sufficient patience, all countries will eventually be equally strong.

Asian vs. Latin American NICs

And yet patience is not enough. Policy choices do make a difference. In particular, those policies which have limited development benefits to a small elite have been less successful than those based on the improvement of society as a whole. This can be clearly seen in a comparison of the Asian and Latin American NICs (Figure 4).

The Asian import substitution policies of the 1950s were initially used to support labor-intensive industry producing non-durable goods like processed

Figure 4: Growth Rates & Economic Policies



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foods and clothing. This allowed more people to be employed, creating a new market for the new goods. Once the industries were established, they were exposed to international competition and expanded into the larger international market. Then the process was repeated with consumer durables. Throughout, these policies were supported by rapidly advancing levels of health and education in the population at large.

Latin America took a different approach. It also protected its infant industries, but never exposed them to international competition. Nor did Latin American policies create a mass market based on labor intensive industries involving an increasing proportion of an increasingly healthy and educated population. When Latin American countries decided to enter the export markets in the early 1970s, they continued to protect their industries with subsidies, limited benefits to an elite labor force, and never developed a broadly based competitive industrial environment.

These policies of Latin America served to preserve the highly elitist social structure in Latin America where assets of wealth and land have been concentrated in a few hands since colonial times (Figures 5 and 6), but this had many unintended consequences. For a long time this concentration did not seem to matter. But if the overall performance of the Asian NICs (Taiwan, South

Figure 5: Latin American Import Substitution Policies and Consequences 1950-89

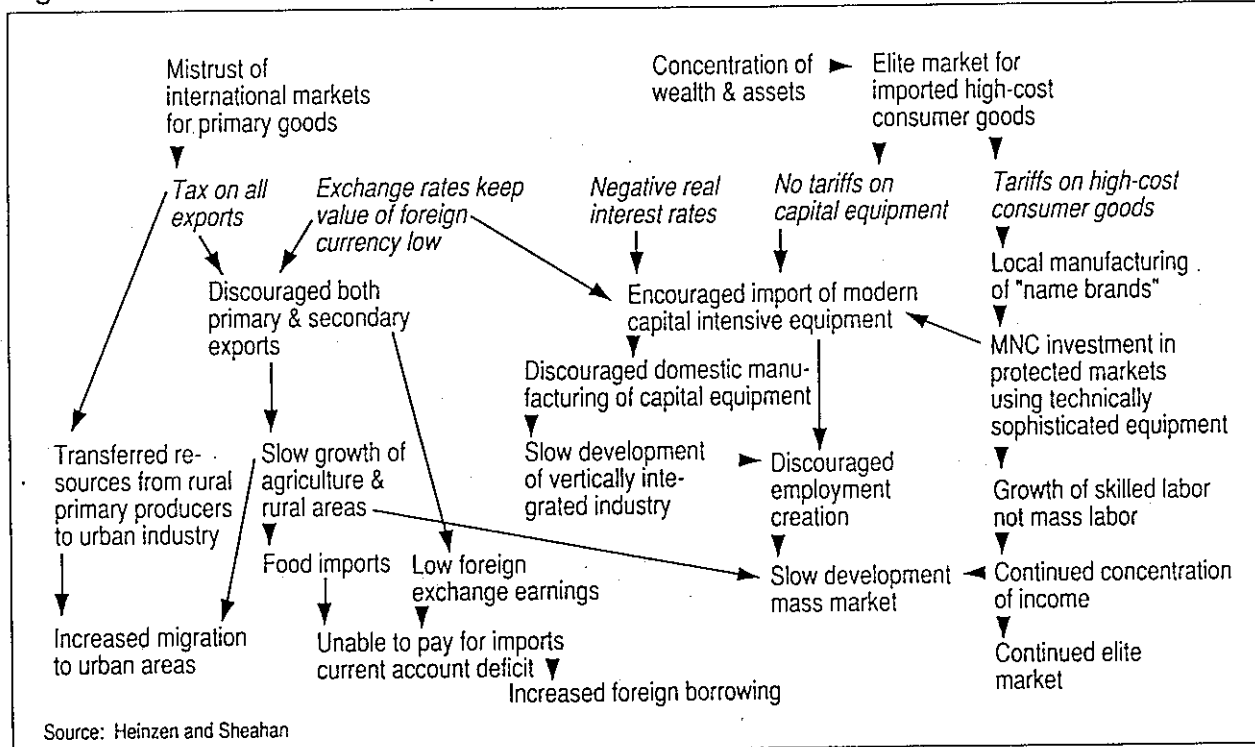
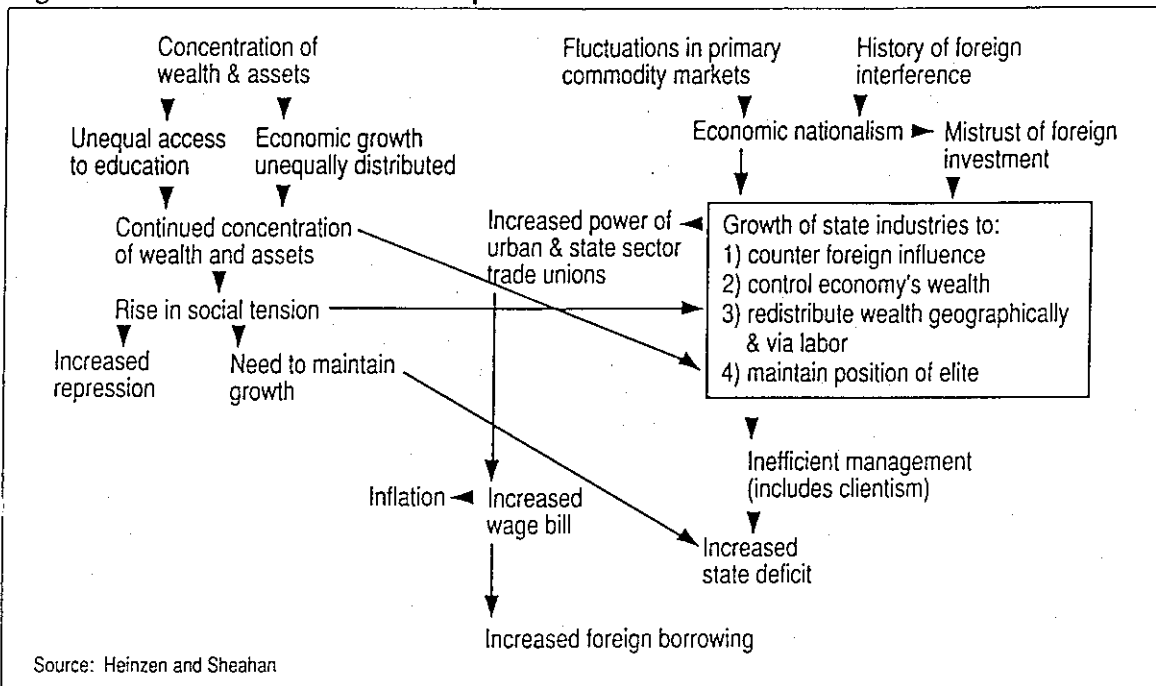


Figure 6: Growth of State Enterprise 1950-80s



Korea, Hong Kong and Singapore) is compared to that of the Latin American NICs (Mexico, Colombia, Chile, Brazil, Argentina and Venezuela), the difference is astonishing. From 1950 to 1984, economic growth in Asia was higher than in Latin America for all but two years. Furthermore, when economic hard times did hit, the Asian countries were much more resilient than those in Latin America (Figure 4).

Africa

Surely the saddest record has been the African one; Africa, however, is faced with a different set of problems. When the African states were first created in the early 1960s there was almost no recent indigenous tradition of large scale governance. Most political forms were based on a village or clan system. The transition to a national level is still taking place. As a result, outside the neo-colonial stability of Francophone Africa, development in this part of the world has not been a time of economic growth, but rather a highly troubled and bloody history of state formation. Not surprisingly, the state has been less an instrument for development than a "golden goose" to be captured by anyone with sufficient guile or force. Bureaucracy has often become "kleptocracy."

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Literacy, mobility and an openness to change are the foundation for the second revolution.

THIRD WORLD PRESSURES:

- 1) *population pressure*
- 2) *growing social gaps*
- 3) *environmental movement*
- 4) *events in Eastern Europe*

The Second Revolution

Where does all of this lead us? It is perhaps a time to remember the legacy of post-colonial independence, that broad international movement which believed that people could take charge of and improve their lives. Since then, the many failures of the great models, both economically and politically, have left people everywhere with a mistrust of all grand design. And with a growing mistrust of their own leaders.

These failures suggest that there is a second revolution coming in the developing world. The first was a revolution against colonial rule, a revolution in which the elites in peripheral countries stood against the elites of the core to mark a new line, a new boundary redefining the relations of developed and developing nations. It was the most successful component of Raul Prebisch's otherwise dismal theory.

The second revolution, however, has been building dynamically for the past 20 years. In one sense it is the natural continuation of an unfinished revolution, begun as a revolution of internal migration and education. While the economic goods have generally been limited in their distribution, the social goods are more widely shared than ever before. What is most impressive in the graphs of social development (Figures 1 and 2) is the vigor and dynamism of the developing world over the past 25-30 years. It is these goods—literacy, mobility and an openness to change—that are already the foundation for the second revolution: a revolution of everyday people; men and women taking charge of their own affairs.

To understand that revolution, and the direction it might take, we need to look more closely at the pressures which are creating it: 1) population pressure, 2) growing social gaps, 3) the international movement for environmental protection, and 4) the events in Eastern Europe.

Population Pressure

The UNRISD has compared the development of a nation to the development of a child. When a child grows, the fingers and toes, the arms and legs, the speech and reasoning tend to keep pace with each other, with no feature wildly disproportionate to any other for any length of time. The same is true of a nation, one of whose important development features is the size of its population. As a nation improves its health care and sanitation, the death rate falls and the population grows. Later, education takes effect and the birth rate falls as well. When this happens, a country is said to have gone through 'the demographic transition.'

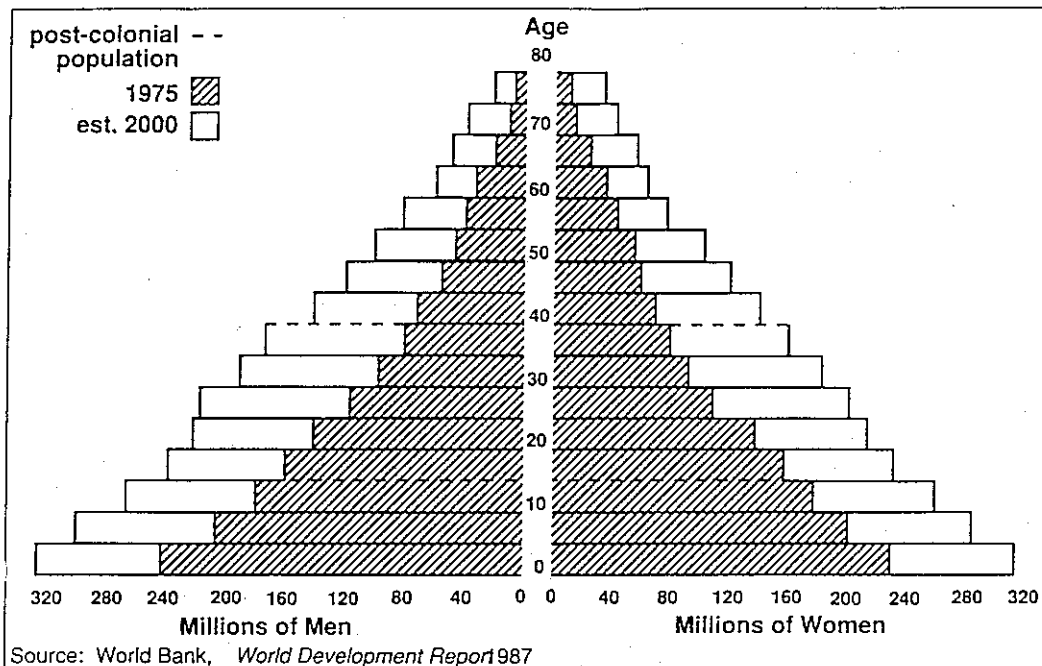


Figure 7:
 Population
 Growth and Age
 Structure in
 Developing
 Countries

Population growth, therefore, represents a number of complex social changes in the development of a nation. And here again, we see evidence of the great dynamism in developing countries over the past 30 years (Figure 2). This is, however, a very slow social transformation, the overall effect of which is to increase the absolute numbers of people living in a country and to change the age structure of the population so that in the early years a high percentage of the population is under the age of 15 (Figure 7).

These two population factors—age and numbers—create considerable pressure. First, because of the change in size, there is the immediate pressure to feed, house and educate more people than before. Second, because the age structure in many countries is changing so rapidly, a very high percentage of people are under the age of 30 and they are the first post-colonial generation. This group of people was born in a time of great expectations and have grown up looking to their own indigenous leaders for growth and well-being. They have no first-hand memory of colonial wrong, but have quite often painfully suffered from the abuses of the present leadership.

Growing Gaps

In addition to the population pressure, gaps are forming that separate one part of society from another, making it more difficult for developing nations to grow with balance and coherence, often exacerbating ethnic tensions. The first of these gaps is that between the rich and the poor. The income distribution

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Figure 8: Income Distribution: Latin America vs. Others

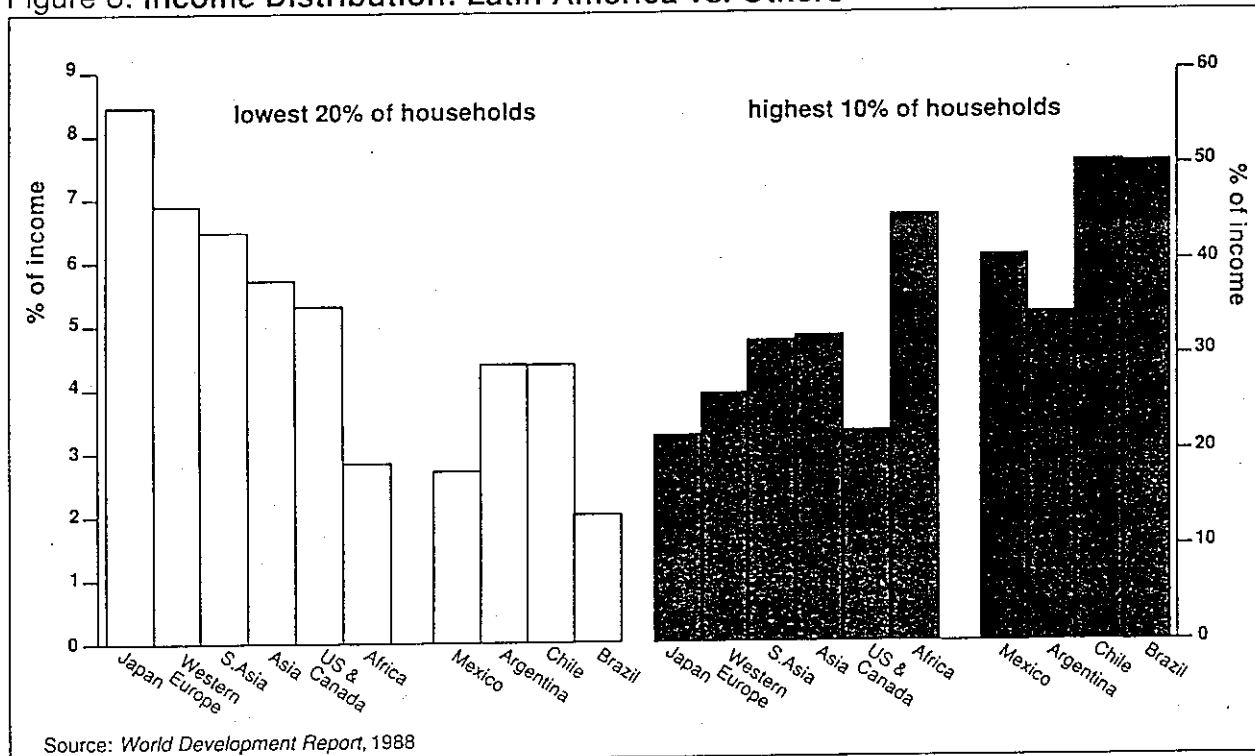
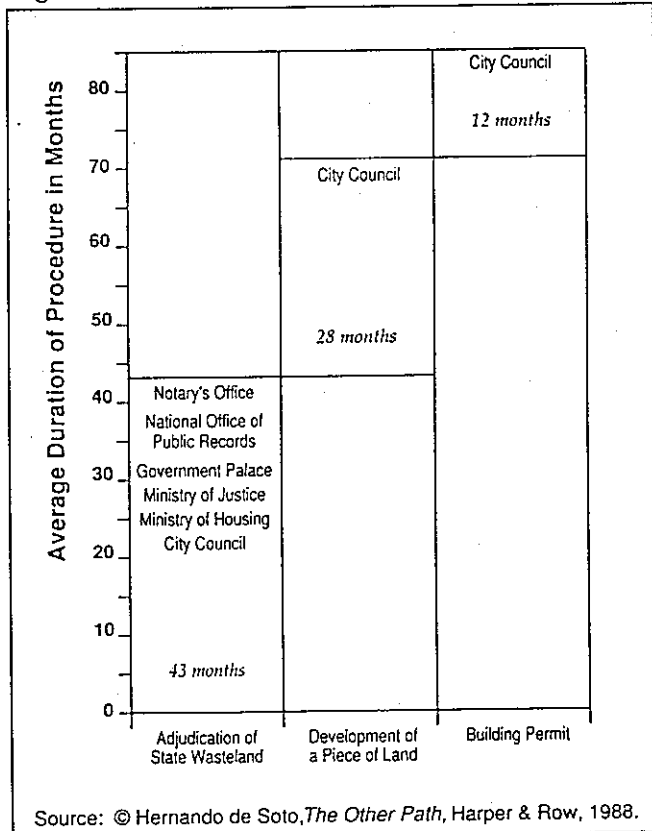


Figure 9: Procedures for Access to Formal Housing



differences between Asia, Africa, and Latin America are significant. In the latter two regions greater disparities exist in the distribution of wealth than exist in the Asian countries, where Japan has the most equitable distribution record of all. Inequalities, on the other hand, are most marked in Brazil (Figure 8).

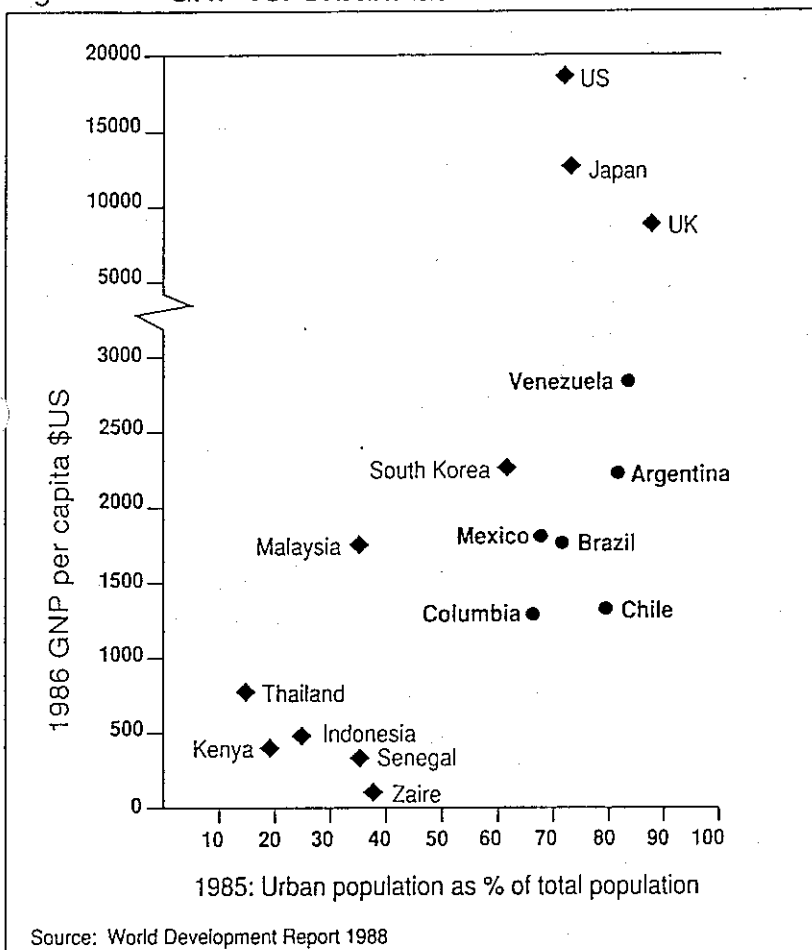
This gap in income is also a reflection of a second gap, the one between the formal and informal economies, as described in Hernando de Soto's book, *The Other Path* (GBN Bookclub selection, April 1989). That the gap between these two economies exists is widely accepted. More importantly, as de Soto points out, the cost of the informal economy is very high. Much of this cost results from the fact that the informal economy has been marginalized by bureaucratic rules and regulations which have served not to direct, but to stultify economic development in the entrepreneurial and self-help sector of society. This not only slows down the

development of the economy as a whole, but cripples individual efforts to improve living standards and economic well-being (Figure 9).

One of the driving forces in the creation of the urban informal economy has been the neglect of the rural sector in many parts of the world, particularly in Africa and Latin America. As various policies have been implemented (the tax on all exports in Latin America, and the price stabilization boards in West Africa), they have served to tax the rural sector and transfer resources to the urban sector. Furthermore, as a rule, most social services in health and education are weaker in the countryside than they are in the cities. As a result, people who might have continued to live on farms have shifted to urban areas in search of a better life. This shift has been particularly noticeable in, again, Latin America (Figure 11), and has exacerbated the gap between urban and rural society.

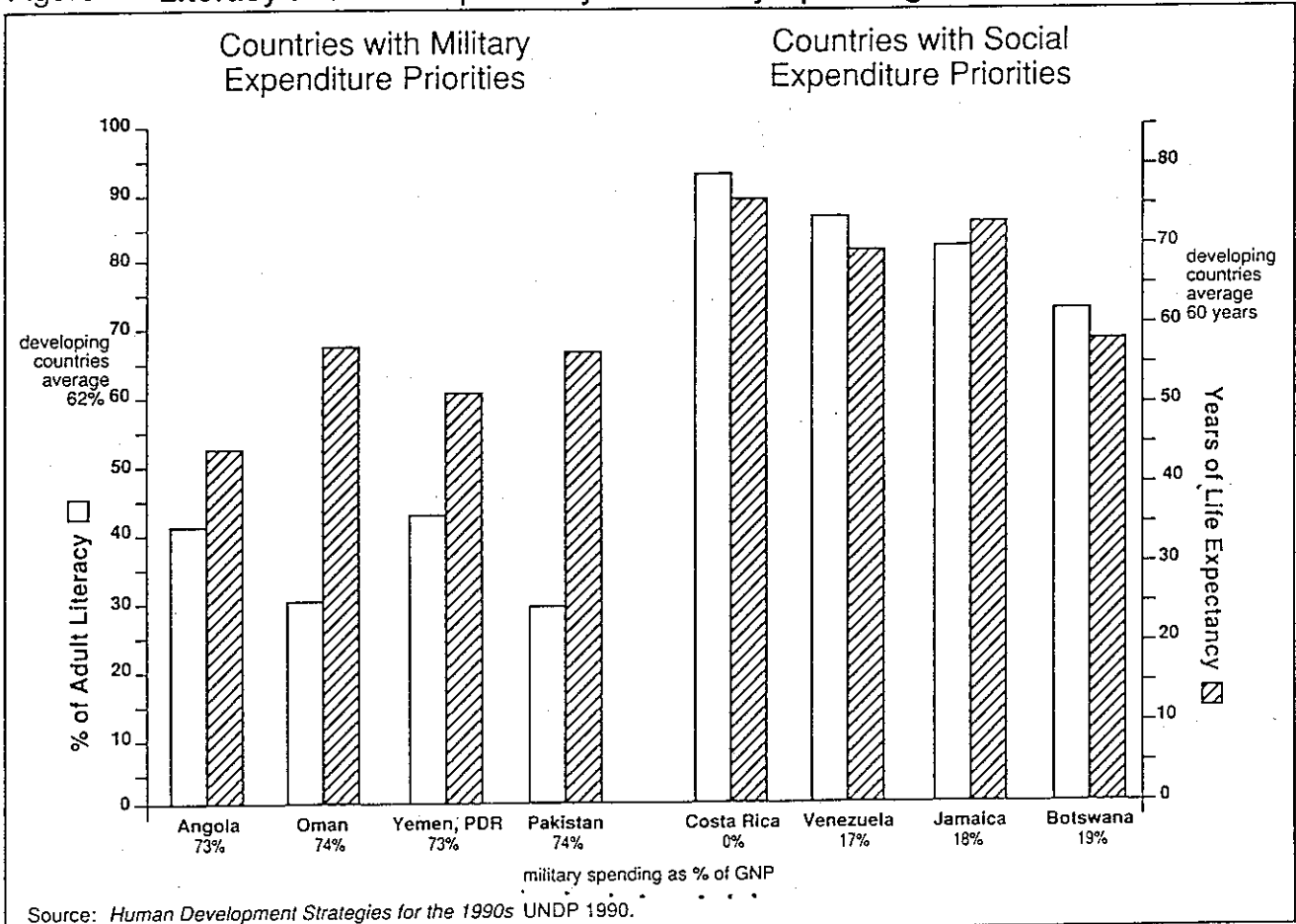
The cost of the informal economy cripples individual efforts to improve living standards and economic well-being.

Figure 10: GNP vs. Urbanization: 1985-1986



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Figure 11: Literacy and Life Expectancy vs. Military Spending



The fact that rural areas are frequently deprived of funds is in part a reflection of a fourth gap: that between spending on the military and spending on social services. The military has tended to increase its own funds whenever they have taken power; civilian governments have often felt obliged to buy off the military in order to forestall a coup. The defense industry itself has grown during the Cold War and inevitably has sought to develop new clients for the goods it has produced. Regardless of the motivation, the overall effect is apparent. In countries with the highest ^{level} percentage of military spending as a ^{perc} ~~perc~~ GNP, the adult literacy rate and life expectancy were considerably less than countries with the lowest percentage of military spending (Figure 11). Also, advances in literacy were generally greater between 1960 and 1970, than they were between 1970 and 1980, when defense expenditures were a much higher percentage of GNP than they were in 1960.

To these, another important gap can be added: that between the rulers and the ruled. As we have seen, the populations of developing countries are now

healthier, better educated and more mobile than ever before. They are not necessarily very sophisticated populations, but they are seeking new ways to manage their own affairs and influence the decisions of the state. Thus, as people try to overcome the effects of the other gaps in their society, the alienation of the rulers from the ruled becomes the most important one of all. Hence we see increasing calls for democracy, the force of People Power in the Philippines, and the many initiatives of the informal sector everywhere.

International Environmental Protection

In addition to the pressures of demographic change and of the important disparities between rich and poor, urban and rural, rulers and ruled, there has been a growing awareness of the link between development and the natural environment, driven largely by the environmental movements in Europe and the United States. This has in part developed because of the Cold War bias that defined development issues and environmental issues as 'left-wing' concerns of little interest to the broader range of society. In effect, this one constituency (the left-wing in Europe and international liberals in the United States) looked at both problems and made links between them based on their own experience. Arguments such as *Small Is Beautiful*, by Schumacher and the drive to invent appropriate technology for developing countries (e.g., solar water pumps) came out of this congruence, as have groups such as *Survival International*, which has taken up the cause of primitive peoples who would be destroyed by modernization and development. Such organizations reflect the belief that the way in which the environment is managed in developing countries is crucial to the environmental health of the whole world.

However, this awareness has not penetrated many administrations in the developing countries themselves. This suggests an interesting possibility: that an alliance could develop between environmentalists in the developed world and the disenfranchised of the developing world. It is an alliance which further illustrates the great complexity and interdependence of the world, and some of the new problems of governance which are likely to arise. One of the first examples of the potential of this alliance appeared as the international reaction to the murder of Chico Mendes, a Brazilian activist who had been fighting for the ecological development of the rain forest.

Eastern Europe and China

Finally, there is the pressure coming from the example of Eastern Europe and China. Because the Communist State was one of the great models for developing countries, the problems faced by many in the developing world resemble those being tackled by the reforming Communist states. China was

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the first example of a Communist nation to undertake reform of its economic policies. In 1989 Eastern Europe exploded with reform and reorganization. As a result, people in developing countries are keenly interested in the direction of affairs there. In the first place, the collapse of the Communist regimes has been an important image and inspiration, showing people standing up to the follies of their own leadership. But this same collapse has left an intellectual vacuum; the Communist ideal—an important framework for thinking about social change in the developing countries—can no longer be used. The vacuum increases pressure for the emergence of new organizational principles to direct how countries grow.

These then are four of the pressures building up in developing countries: 1) the pressure of population size and age structure, 2) the pressure of social disparities between have and have-nots, 3) international environmental pressure, and finally 4) the example of reforms in Communist countries, together with the intellectual vacuum they have ironically created. These pressures, together with a sense that the good intentions of the development decades have gone wrong, are now leading to a number of new models of how development should henceforth proceed.

New Models, New Prescriptions: Unfinished Revolutions

All the achievements and shortcomings of development so far, together with the resulting build-up of pressure in society, have resulted in new models of development. These could be as revolutionary in their own right as anything which has come before—albeit from a more pragmatic base. This pragmatism is what is most remarkable and encouraging about the 'development debate' these days. Much thinking has been liberated from the constraints of rigid theory and ideology. The stifling intellectual purity of the import substitution and Communist models has been replaced by practical ideas rather than grand solutions and universal models. The new development theories blend economic and social development with a new awareness of the environment in differing degrees.

Human Development

This new freedom of thought has allowed for a renewed emphasis on the importance of human development, as represented by the UNDP's recent launch of a new annual publication titled *Human Development Report*. This publication measures development not in economic terms, but in terms of well-being as defined by a "Human Development Index" based on life expect-

tancy, literacy and the purchasing power needed to buy commodities to satisfy basic needs.

In designing this index, the authors have also stepped beyond purely economic prescriptions to establish goals which are not of immediate economic benefit. They have noted, for example that "fairly respectable levels of human development are possible even at fairly modest levels of income," citing the example of Sri Lanka which has a life expectancy of 71 years and a literacy rate of 87%, but a per capita income of only \$400. "What matters," say the authors, "is how economic growth is managed and distributed for the benefit of the people." This idea is taken even further by the UNDP report to argue that "social subsidies are absolutely necessary for poorer income groups." To achieve this, the authors note that there is considerable room for reallocating expenditures in existing budgets, if governments choose to redirect their priorities. The report also calls for a restructuring of international technical assistance and greater emphasis on a "participatory approach" to human development. It concludes that "sustainable development strategies should meet the needs of the present generation without compromising the ability of future generations to meet their needs," (an idea first presented in the Brundtland Commission Report). It is tempting to conclude that the *Human Development Report* is the next blueprint for development, comparable to Raul Prebisch's book—which was also published by the United Nations.

Outward Orientations

It is not, however, the only blueprint available. *World Development Report 1987*, published by the World Bank, made a strong case for the participation of developing countries in the international trading system. They compared the economic performance of outwardly-oriented economies with that of inwardly-oriented economies and showed that the externally directed countries experienced higher growth. This conclusion really completes the critique of the import substitution and Communist self-sufficiency models—a conclusion Deng Xiaoping had already accepted with his opening of China to the outside world. This evidence has also substantially contributed to the thinking behind the IMF structural adjustment programs and to the economic reforms introduced in countries like Chile over the past ten years.

"Flying Geese" and the Developmental State

The success of the outwardly-oriented economies is based in part on the record of the Asian NICs (Newly Industrialized Countries) which used foreign trade to enlarge their own markets. The various attributes of the developmental state and their links to the more advanced economies of Japan

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and the United States led to their success. It is these links which have led to the image of "flying geese", where a more advanced economy leads with high technologies, while shifting lower technologies to neighboring countries at a lower stage of development. This is the relationship that has existed between Japan and South Korea, between Hong Kong and Guangdong Province in China, and between the United States and Mexico.

But the trailing 'geese' could not succeed without at least some of the characteristics of the developmental state: 1) stable rule by a political/bureaucratic elite, 2) public and private sector cooperation under planning guidance, 3) heavy and continuing investment in education for all, and 4) government use of economic intervention based on the price mechanism. More specific features relating to financial structures, labor relations, the autonomy of the bureaucracy, and the role of industrial conglomerates have also played a part in the success of this model.

Sustainable Development

The last model is the one which is least understood in its practical detail: sustainable development. The phrase was first used in the Brundtland Commission Report of 1987 and has, as seen above, been picked up by the United Nations. The object is to meet the needs of the present without compromising the ability of future generations to meet their own needs. This requires that each generation passes on to the next a stock of assets, including environmental assets—the environmental infrastructure needed for water, air, food, energy, and material resources. Although the notion seems simple, the application of this strategy requires fundamental changes in the way people and countries behave.

Requisite Attributes for Successful Development

What can we learn from the past about which countries will be the success stories of tomorrow? What conditions will pave the way for the NICs of the 1990s? If we define success to mean self-sustaining economic development, what conditions have led to successful development? The history of development provides us with clues about four important contexts of successful development. From the perspective of 1990, we can see that it depends not just on choosing the right strategy, but on implementing the best strategy within the optimum domestic, regional, and international context.

Strategy

The historical record seems to prove that the inward-looking, self-sufficiency

strategies of the past decades have failed. Dependency theory, so empowering in its political dimensions, brought economic stagnation to much of the Third World. The most successful developing nations have adopted an outward-looking strategy in which infant industries have been protected, developed, and then subjected to global competitive pressure.

Crucial to the successful adoption of this strategy has been the creation of an economic bureaucracy to direct, but not manage, the course of economic development—to point out and coordinate the response to economic opportunities. Economic bureaucratization, however, must be matched by a corresponding political debureaucratization to prevent politicians from meddling in the day-to-day running of the economy. A crisis of stable and consistent leadership in much of Africa and Latin America has meant that bureaucracies have been more concerned with short-term political patronage than with long-term economic development. In Eastern Europe, the “Christmas revolutions” highlighted the paralysis of over-extended bureaucracies in responding to fast-changing developments.

Another aspect of successful development strategy has been a focus on human as well as strictly economic development. Education and social services have been vital in creating the healthy, literate, adaptable workforce necessary for sustained economic growth. Successful development strategies focused on rural as well as urban sectors and managed to head off a debilitating drain on social services caused by an influx of workers to the cities, and a subsequent drop in agricultural output.

Social services, however, cost money. An outward-looking strategy will not work if the country is merely looking outward for arms. Development will succeed best in those countries where resources are not drained away by extravagant military spending. During the petrodollar-development of the 1970s, many developing countries took advantage of easy loans. Some, like Korea, used the loans to finance successful programs of “indebted industrialization;” some, like Peru, used the money to buy fighter-bombers, and suffered severe economic and social consequences.

Compounding these problems, developing countries have often sought development at the expense of their ecological base. But this base is essential both as an economic resource and as a social good for future generations. Population control and infrastructural improvements are elements of this strategy as well as the development of industries that do not destroy the inherent strengths of the country.

The “Christmas revolutions” highlighted the paralysis of bureaucracies in responding to fast-changing developments.

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Development must take place where all have a stake in the health of the system.

Another obstacle to the success of any development strategy is the division between the formal and informal economies. This gap must be closed in order to encourage the entrepreneurial sector of society. Failing to do so will prevent the developmental state from coordinating and directing the developing economy and cost the government control over internal revenue, creating a vicious downward spiral of declining social services, declining economic growth and declining revenues. To close the gap, countries need to confront the problems of over-bureaucratization, the urban/rural split, and unequal income distribution.

Another means of closing this gap and of promoting self-help throughout the developing world is by encouraging labor-intensive industries. The current high-tech manufacturing image of the Asian NICs hides the fact that these countries originally focused on labor-intensive non-durable goods as a means of creating a mass market upon which later development could be based. While this is not a sure-fire prescription for all of the developing world, it would go a long way towards channeling the unemployed, who now make up the majority of the informal economy, into the process of development.

The Domestic Environment

The right strategy is useless unless implemented within a favorable domestic environment. While domestic conditions within a group as diverse as the developing countries cannot all fit into one mold, certain recurring conditions have proven vital in supporting successful development in several countries.

Those developing countries which have accepted the need for a balanced social structure and equitable income distribution have been more successful in economic development than those where noticeable rich/poor gaps have been blindly tolerated. Development by itself does not create a fair system. But for development to be stable and sustained it must take place in an environment where its benefits can be more equally distributed—where all have a stake in the health of the system. For this to happen, stable and open political and economic structures are needed. One of the lessons of the 1970s and 1980s has been that closed political systems have not only been more unstable than open systems, but have also proved less successful at delivering the goods and services which populations are demanding as expectations rise in an increasingly smaller world. The examples of Eastern Europe and China, among others, have linked economic choice more explicitly to political choice.

Societies divided along tribal or sectarian lines have proven much less successful at creating and maintaining open and fair political and economic

systems than their more homogeneous counterparts. This has much to do with the fact that in many parts of the developing world the state is a relatively new creation and thus much less able to compete with other demands on individual and group loyalties. While this may change as the state becomes more rooted as a focus of loyalty, it remains a problem that such societies will face political and economic instability as various groups struggle for control of the state and its benefits.

The Regional Environment

Unfortunately for developing countries, their success depends not just on what strategy they choose, or their indigenous social conditions and structures, but also on a number of regional and international factors which can inhibit or promote the prospects for growth.

In development, as in the history of nations, geography plays a vital role: a state's geographic location helps to define the issues—and the hierarchy of issues—on the state agenda. A landlocked state will worry about access to trade routes. A state surrounded by hostile neighbors will be concerned about military security.

In a developing world which is turning increasingly to outward-looking growth strategies, cooperation and trust between nations will be necessary. Developing this cooperation in economic affairs cannot be first on the issue agenda, however, if security concerns are predominant in the minds of policy-makers. If security is defined as the most pressing issue, economic and social development will suffer.

States with secure borders, friendly relations, and access to trade routes will have an advantage in integrating themselves into the world economy over those trapped in unsettled regions, racked by tribal, ethnic, sectarian and/or interstate conflict. The "flying geese" phenomenon cannot take place unless states have close relations and have achieved a certain degree of economic sophistication. A stable, hospitable regional environment is crucial for this type of economic growth.

The International Environment

Outward-looking strategies cannot work unless there is something "outward" to look to. If the international economic and political environment is closed by suspicion, recrimination, and protectionism, outward-looking strategies will fail. An open, stable trading environment is vital to the success of these strategies.

Human resources are much more reliable indicators of successful economic development than natural resources.

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The world will have to avoid two dangers: a major economic downturn and/or a revival of global military tensions.

For an open, stable trading environment to exist, however, the world will have to avoid two dangers: a major economic downturn and/or a revival of global military tensions. The former would ignite protectionist sentiment in the OECD, closing markets and reducing foreign aid flows; the latter would revive the situation of the previous decades in which a substantial percentage of foreign aid was of the military variety. Renewed military tension would undermine the ties of economic interdependence upon which growth can be based.

The degree to which the state of the global economic environment facilitates or impedes financial and trading transactions will have a significant impact on the success of developing country policies. For capital to be distributed, an open and stable trading environment must be matched by stable financial structures. Without sound financial structures to collect and distribute capital in a fair and efficient manner, global economic integration and development will suffer.

The Future

The NICs of the 1990s will need more than just the right strategy. They will need to rely on a variety of conditions to contribute to their success. If world economic growth slows, if developing-country populations become violent, if income gaps widen—if any of a host of conditions go awry—development will be hindered. This does not mean that successful development requires a never-never-land set of optimum conditions; it does mean that a significant breakdown in any one of the four contexts will present a major, and possibly insurmountable obstacle to growth.

It would be misguided to lump all the developing nations into one analytical group. By looking at the different contexts of successful development we can isolate and identify the particular obstacles to growth in individual countries. The problems become more manageable; the situation, more hopeful.

During the 1990s, successful development may be achievable in many developing countries. The Kenyan demand for democracy is an extremely interesting development. It shows the potential for confronting existing rulers, not by an alternative elite—such as the army—but by ordinary people, intellectuals and those who support their demands. This could presage a change in the way African politics has been conducted so far, as does the increasing political maturity of South Africa. It will be much more difficult to justify restraints in criticizing one's own leaders once South Africa is no longer the bogeyman.

There are also a number of countries which seem to have begun to achieve a political system in which the state reigns, but an elite and relatively independent economic bureaucracy is able to function. Chile appears to have headed in this direction during the Pinochet regime. Whether these conditions will continue to exist remains to be seen. Indonesia also seems to be establishing considerable political stability which has a good chance of surviving after Suharto leaves. Furthermore, Indonesia has begun several significant moves to redefine the relationship between the private sector and the state.

The "flying geese" strategy seems to be working in Southeast Asia, i.e., Malaysia, Thailand and possibly the Philippines (which could function along the lines of Italy, with predictably unstable politics but regular economic growth). A similar formation may be developing in Africa, where an unsanctioned South Africa could be the economy that is the lead goose. It is already considerably stronger than its neighbors economically and if the political situation changes, a more rational set of economic relationships might develop in that part of the world.

With over 2 billion people, India and China are both countries with considerable potential. In China, much of that potential may have been understated in order for China to continue receiving aid as a developing country.

Conclusion

Whether one considers Africa, Southeast Asia, India, China, the Middle East or Latin America, it is now clear that the circumstances of each country are as likely to determine development policy as are any great theories of dependency or the Communist state. In recent years, these vast organizing ideas have been replaced by an openness to new thinking and to the benefits of international trade and exchange. This pragmatism, and the scepticism that created it, are among the most powerful influences today. Many nations can now build on the achievements of the last 30-40 years, particularly in health and education, by using a full palette of approaches to adapt to new circumstances with flexibility and imagination.

However, development is by its very nature an unsettling process. It both requires and generates a state of flux and uncertainty. It redefines personal and national ambitions for wealth, opportunity and well-being. It is a process that stretches individuals and societies, forcing them to accept conditions and terms that in many cases had never before been known. Moreover, this domestic uncertainty is exacerbated by the very troubled international climate of the early 1990s, when both trade wars and military confrontations threaten

An unsanctioned South Africa could be the economy that leads the others.

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the world's ability to maintain a stable and open climate in which growth and new ideas can flourish. This uncertainty could defeat the hard-won pragmatism of recent years as leaders and peoples grasp at any simplifying dogma which could make the times easier to bear.

Taken altogether, the achievements of the last 40 years are stunning and have created protean possibilities for both great growth and great rebellions. As nations pick and choose from all the ideas and technologies of the present, anything is possible, and the many unfinished revolutions of the developing countries could be the most important ones of our times. The project now is to integrate development, succeeding with the cooperation and support of the community of states in a mutually sustaining global system.

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THE DEEPER NEWS

Exploring Future Business Environments



Unfinished Revolutions:

The Fate of Developing Nations at the turn of the Century

by Barbara J. Heinzen

Introduction

IN THIS ISSUE:

As we look over the horizon of a world radically transformed by revolution in Eastern Europe and the invasion of Kuwait by Saddam Hussein, we tend to overlook the dynamic economic potential of the Asian countries, the social foment in the nations of Africa, and the misled potential of Latin America. In her article, "Unfinished Revolutions: The Fate of Developing Nations at the turn of the Century," Barbara Heinzen tells us to brace ourselves, because the events of 1989 and 1990 could be a glimpse of rapid and revolutionary change to come. Although many of the nations we refer to as the Third World have been quiet in the past few years, they too are searching for a place in the New Order and they may not be so easy to ignore in the future. In fact their social and economic development is an important piece of the Global puzzle.

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ABOUT THE AUTHOR:

This edition of THE DEEPER NEWS is derived from studies by Barbara Heinzen on development. She began her research during her stay at Shell. In July and August of 1990 she joined the GBN staff as a visiting "fellow" in Emeryville. Barbara wishes to acknowledge the assistance of Stephen Cass in the writing of the article and Karen Greenwood for her work on the graphs.

Barbara is a freelance analyst and a Research Associate at the School of Oriental and African Studies in London. Her interest in the development process dates back to 1975 when she left New York to travel alone through Spain and West Africa to "see what I could see." That experience led to a year's work in Africa with the United States Agency for International Development. When that job ended in considerable disillusionment with aid work, Barbara decided to look at the record of a multinational company in agricultural development. The subsequent case study of the United Fruit Company in Cameroon earned her a PhD at the School of Oriental and African Studies in London and eventually led to work at Royal/Dutch Shell. In the past five years, she has written a series of reports on the long term future of China, Japan, Latin America and Europe for member companies of Royal/Dutch Shell. She is currently working on a book about how both advanced and developing countries grow.