

Development, Sustainability & Culture

Lecture 1:

Development from historical, economic & institutional perspectives

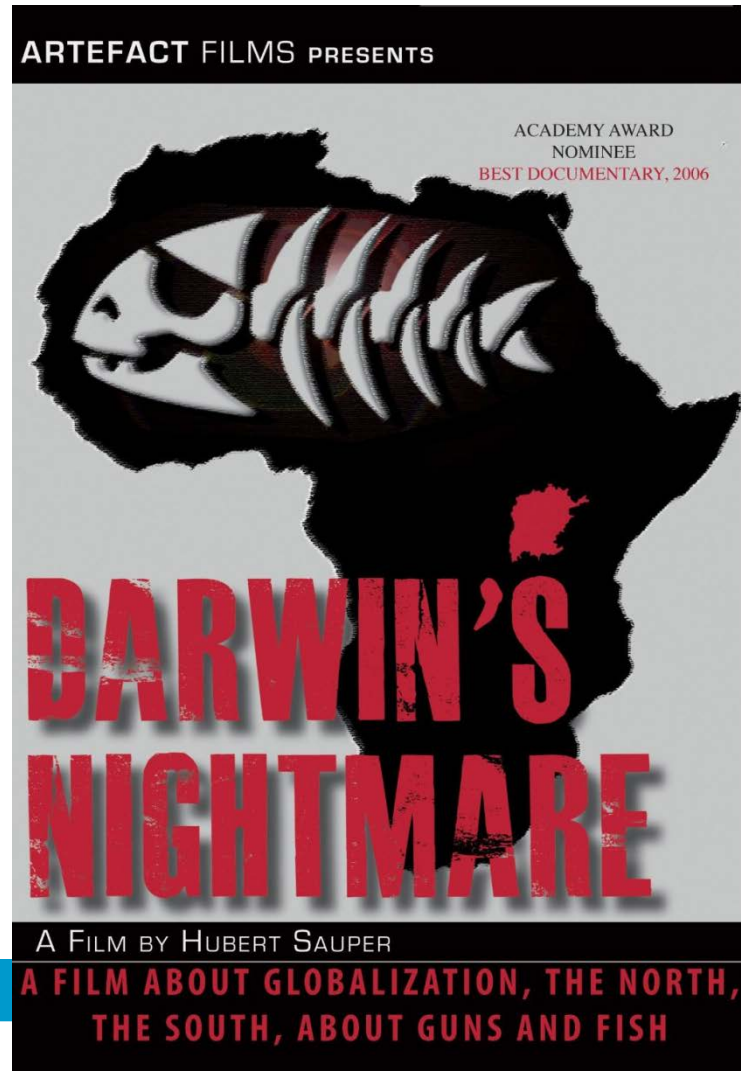
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1. The problem

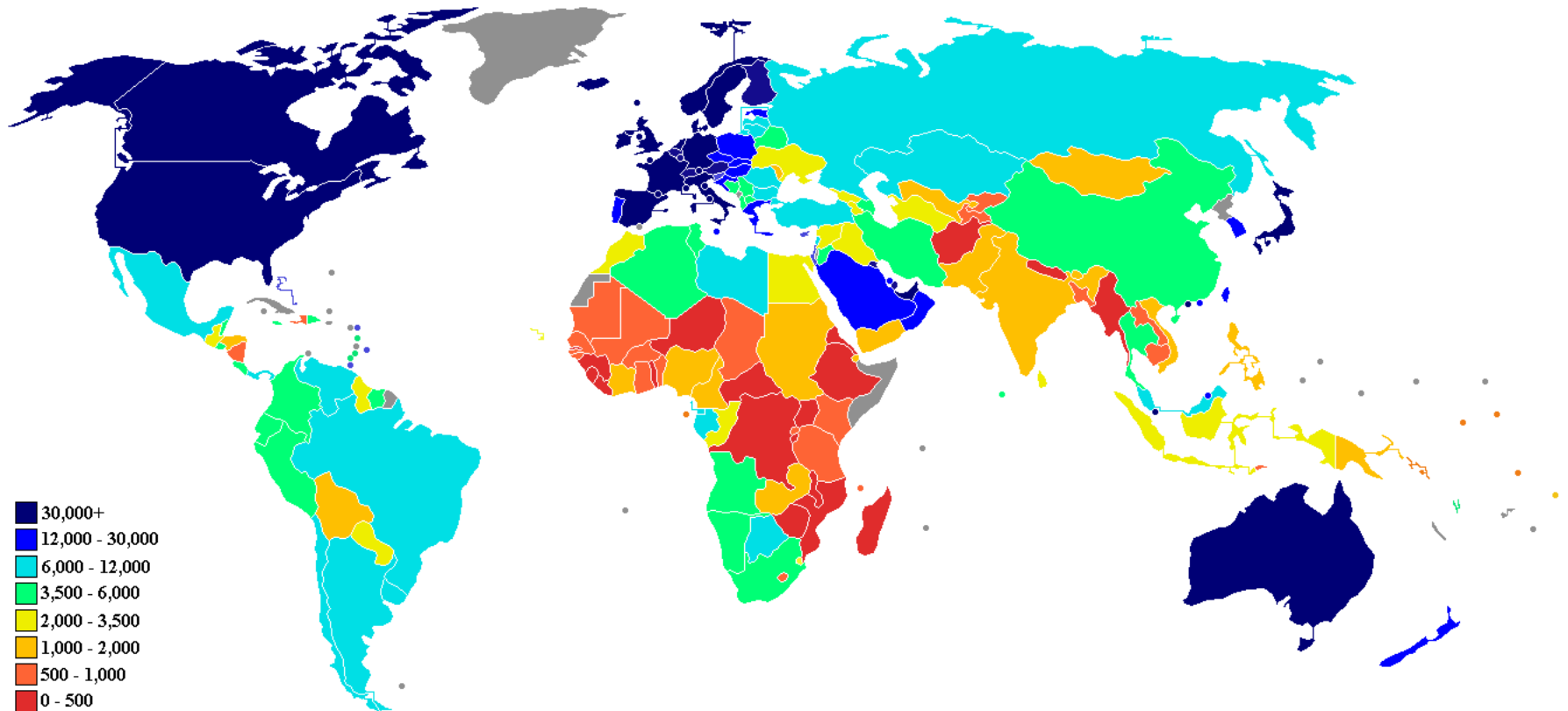


Lessons from Darwin's Nightmare

- Vicious circles, lock in situation → poverty trap
- World system in which the West (Europe) dominates
- Poverty, disease, ecological destruction
- Illegal arms trade, civil wars → bad institutions
- Enterprise / entrepreneurship remains "alien element"
- Low self esteem

- Etc.

Countries by GDP per capita



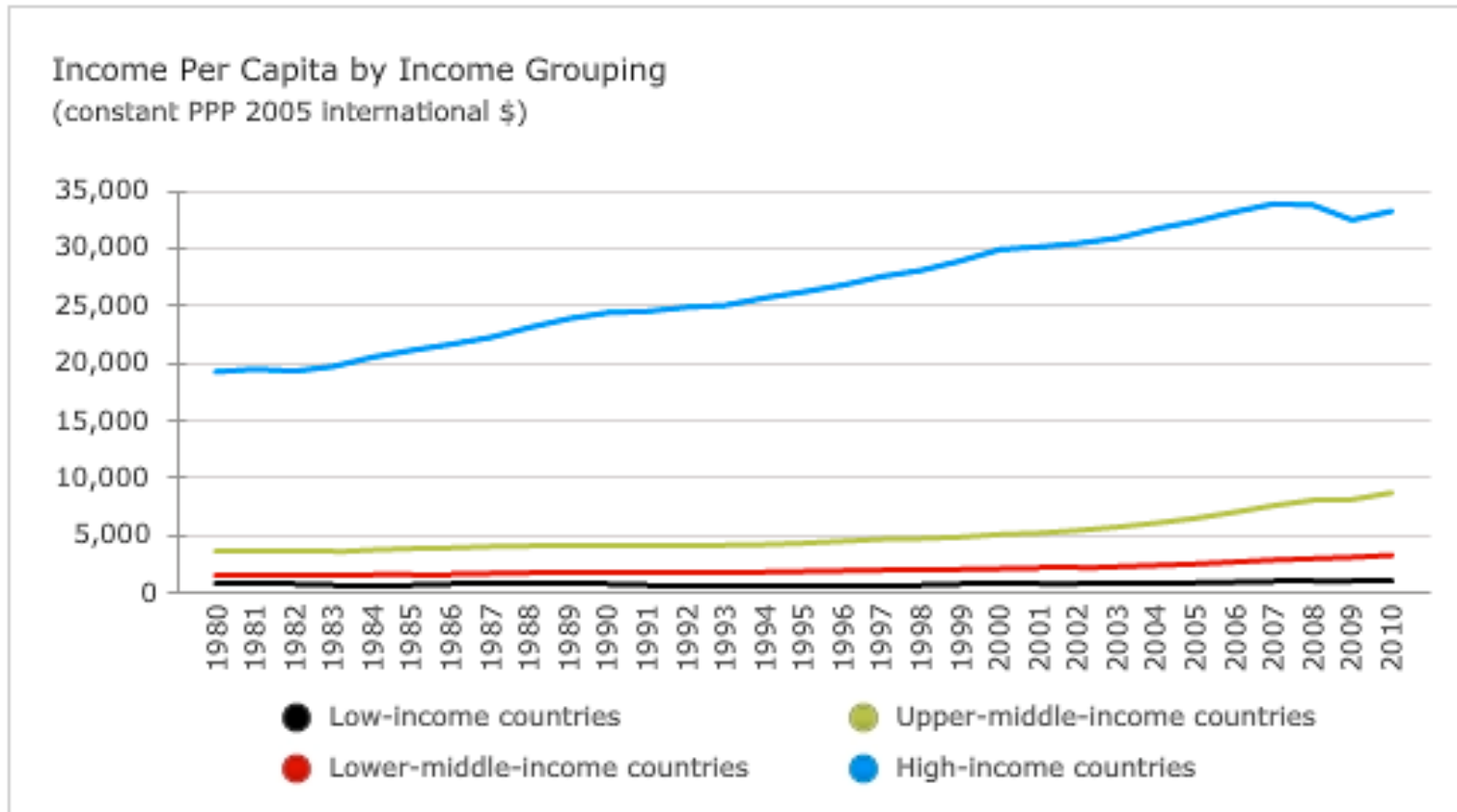
Source: IMF 2010

Inequality, inequity, injustice

- 20% of the world population receives 75% of the world income; 20% gets 2%
- 73% of the world population receives 28% of the world grain production
- 27% of the world population consumes food produced with 83% of the world quantity of artificial fertilizers
- 2/3 of the world population has no clean drinking water
- yearly some 16 million people die of hunger
- 7% of the world population has 1 or more cars
- 5% of the world population (USA) produces 23% of the world food

NB: 10% of the yearly beef protein consumption converted into soy beans protein could banish the hunger in the world

Growing gap between rich and poor



Questions

- When did world poverty become a problem? A “development problem”?
- Why should we, the rich, help the poor?

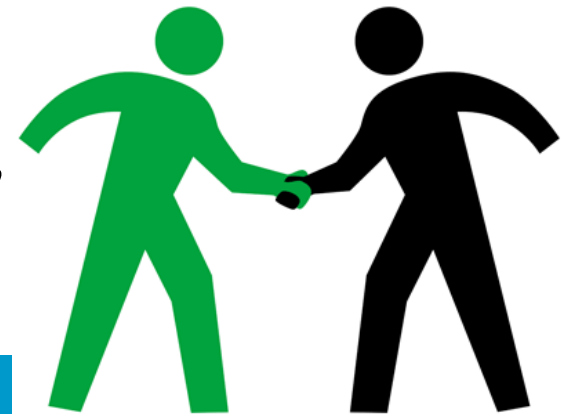
World poverty as a problem: the cynical answer



20 January, 1949: president Truman, in his Inaugural Address:

“We must embark on a program for making the benefits of science and industry available for the improvement of underdeveloped areas
No imperialism, exploitation for profit anymore, but a program of development based on democratic fair dealing”

Cold War: *Green Revolution* instead of *Red Revolution*





Moral history of world poverty (Sachs)



- Abolition **slavery**: England – Quakers, Wilberforce, 1833
- End of **colonialism**: 2 world wars, Mahatma Gandhi (non-violent action), 1947 India independent
- Anti-**racism** movements: for Civil Rights in the USA and against apartheid in South Africa: Martin Luther King (I have a dream, 1963), Nelson Mandela (1990)
- Fight against **world poverty**: UN Millennium meeting in September 2000, Kofi Anan (We the peoples), Millennium Declaration defining 8 development goals: income, hunger, disease control, education & environment of the poorest of the poor by 2015

Poverty & war cause extremism & migration

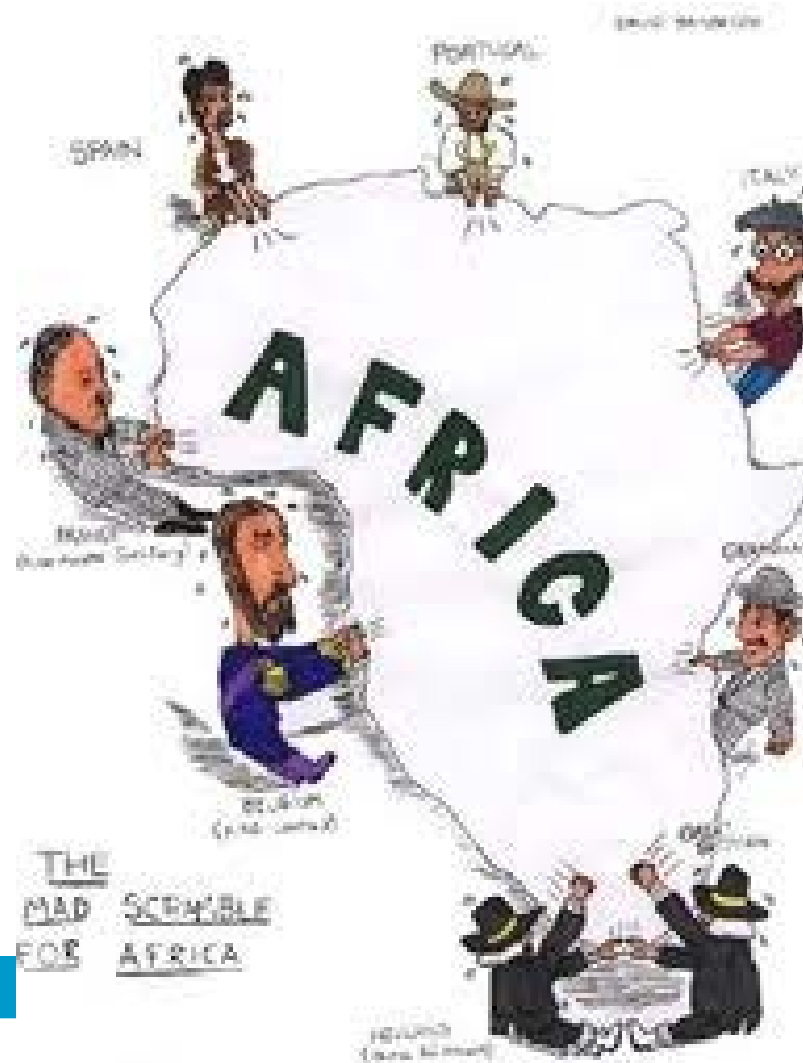


Paul Collier

We should fight poverty on the basis of a mixture of **compassion** and (enlightened) **self-interest**

Note: it is a **Western concern** !

2. The causes



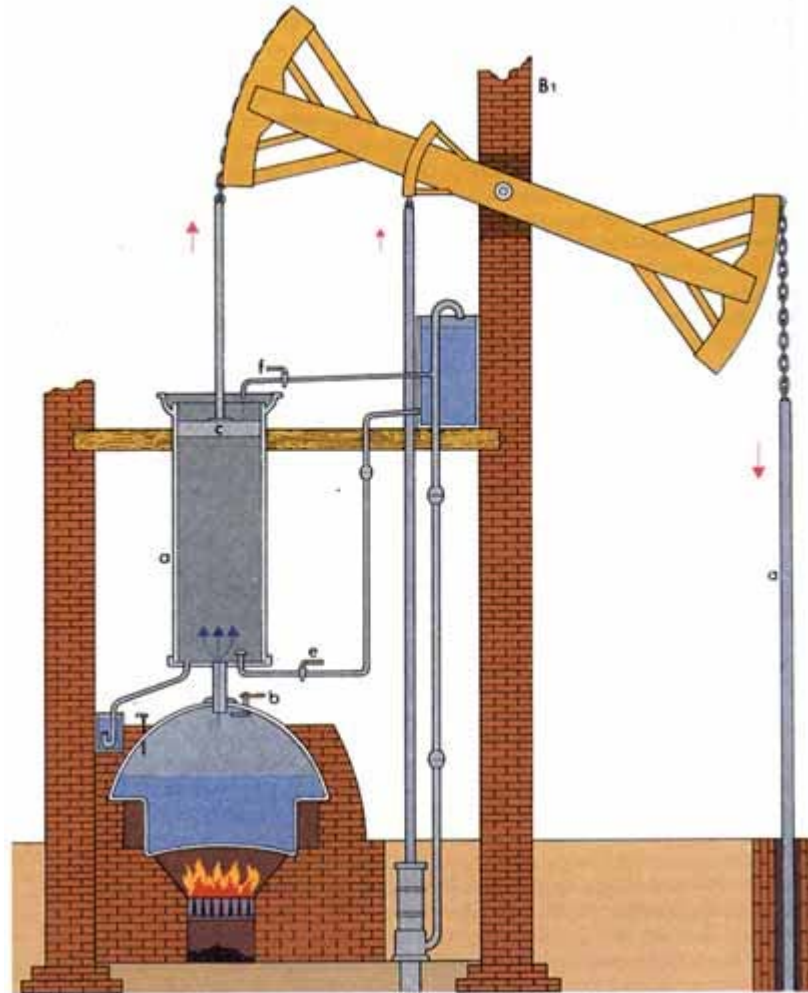
What are the causes of the income inequality in the world?

What are the causes of world poverty?

And of the prosperity in the world?

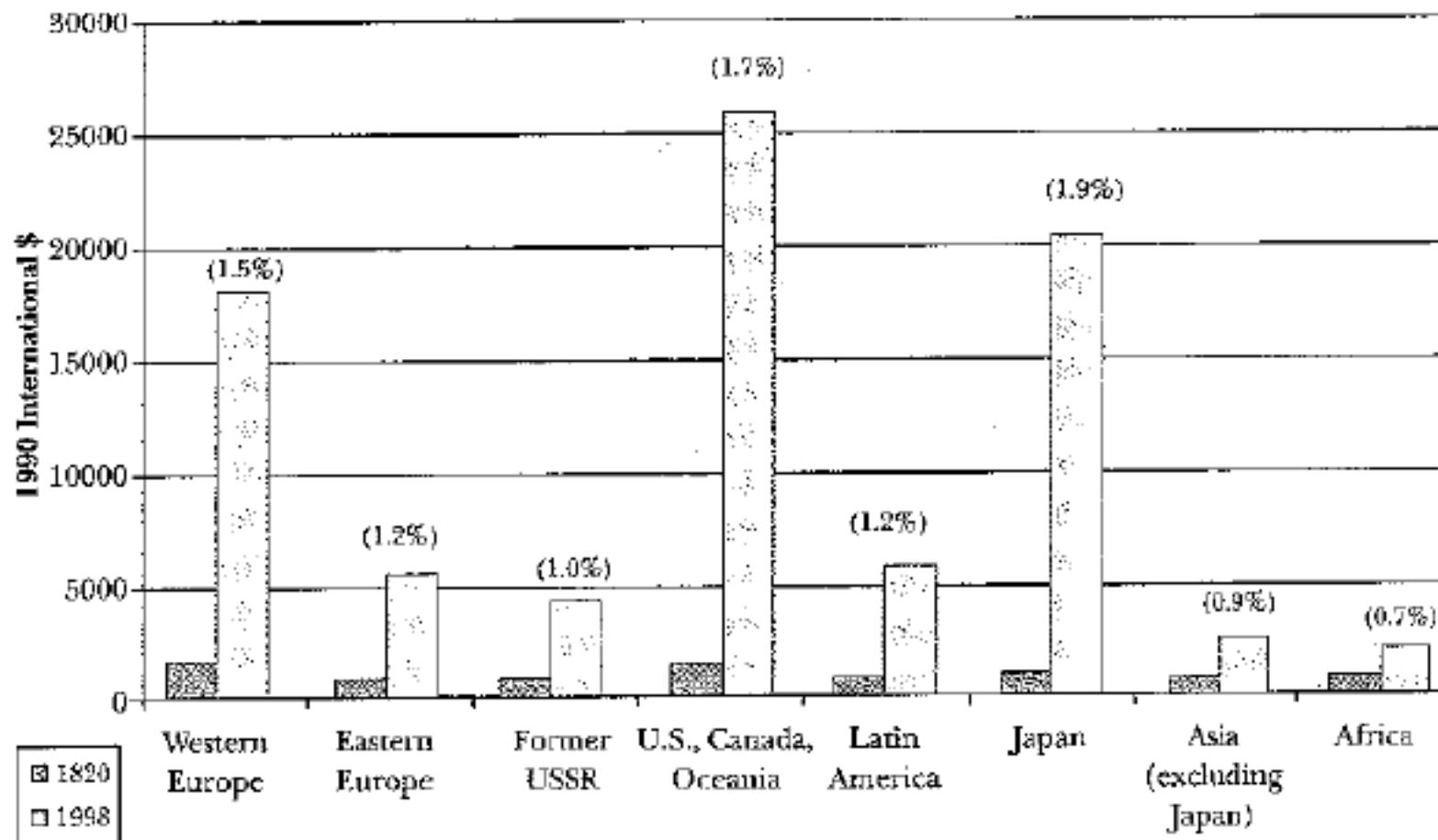
- Biology?
- Geography?
- Culture?
- ?

The answer of Jeffrey Sachs



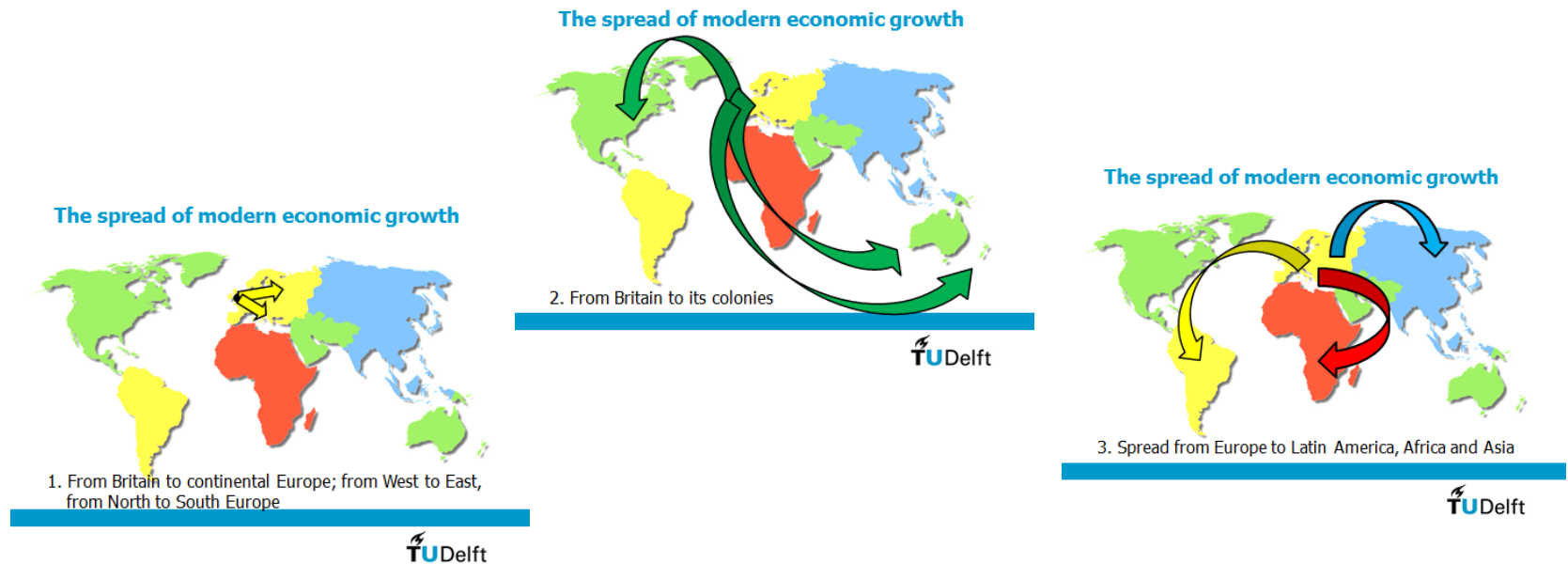
Steam engine of Newcomen 1712, Watt 1763-75

Figure 3: GDP per Capita by Region in 1820 and 1998



Source: Data from Maddison (2001); average annual growth rate in parentheses.

The spread of economic growth



- World inequalities results from the Industrial Revolution in Great Britain, from 1750
- Rich have become rich through autonomous development, the poor will follow

Synthesis Kenneth Pomeranz



- Internal cause: England had coal, could escape from population growth and deforestation everywhere
- External cause: colonies, esp. USA, for wood and cash crops like cotton and sugar (cultivated with slaves)

3. Development



What is development?

- **Industrialization** processes all over the world following the Industrial Revolution in 18th century England
- **Self-sustained** process of economic growth and social change, ultimately based on human rights and the possibilities of nature, organization and technology
- Sustainable in terms of **ecological** possibilities and social **equity** effects, beside **economic** opportunities
- **Transition** from a stagnating economy and society to a growing welfare state

Economic development: from stagnation to growth

- economic stagnation: zero (or little) income growth per capita; economic and population growth are more or less equal; analysed/described by the *classical economists*
- economic growth (the economy as we know it): income per capita clearly increases; economic growth exceeds population growth; described/analysed by the *mainstream economists*
- economic development (in narrow sense): structural process of social and economic change and transformation to another type of economy, from stagnation to growth; described/analysed by *development economists and innovation scientists*

Questions

- How to engineer a transition from stagnation to growth? How to stimulate development?
- Three answers
 - Economic & institutional-economic development: today
 - Institutional-cultural transition: 2nd lecture by Otto Kroesen
 - Institutional & technological innovation & reform: 3rd lecture

4. The development debate



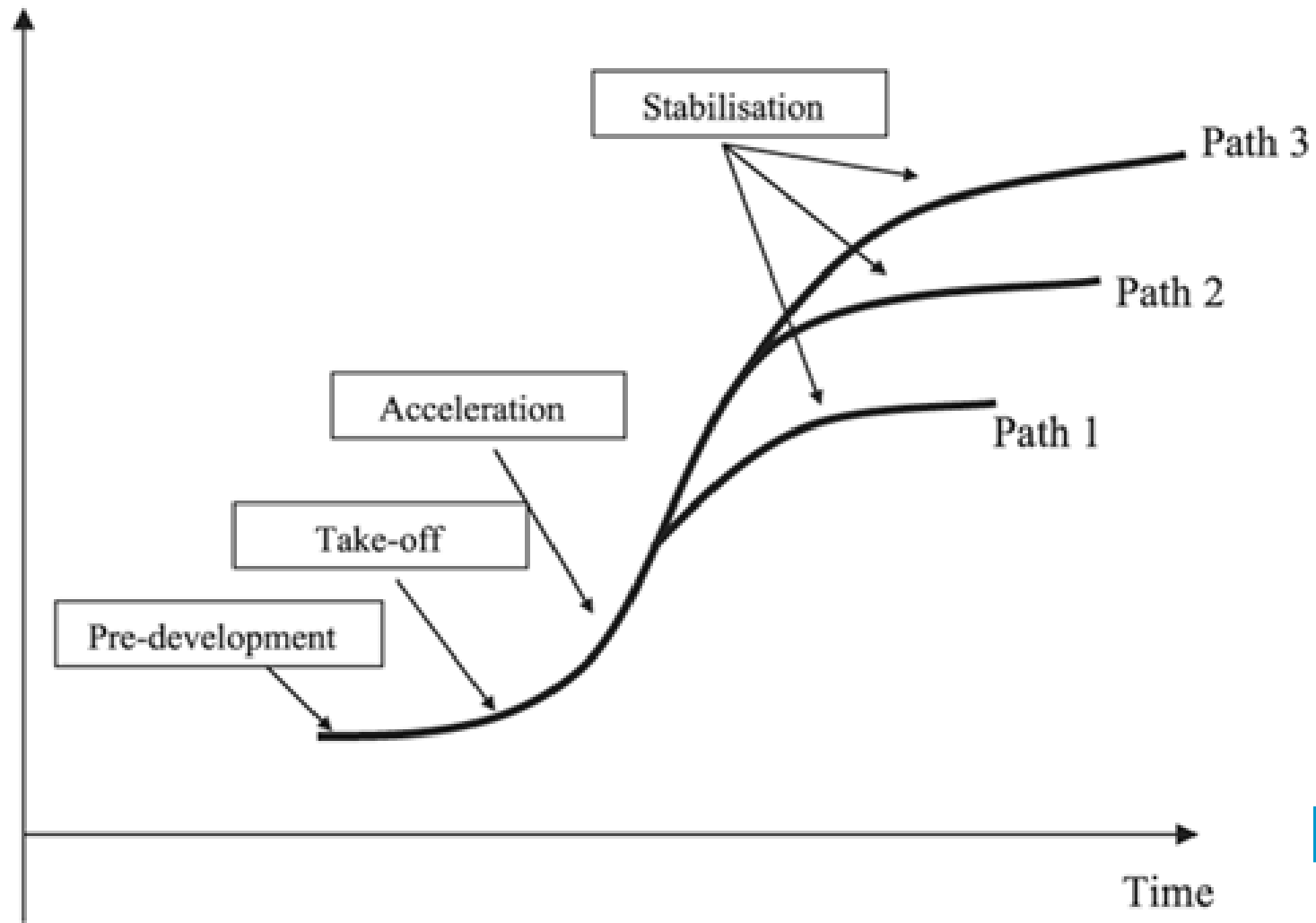
How to address the world poverty problem?

- Jeffrey Sachs, Earth Institute, University of Columbia, New York
- William Easterly, University of New York
- Paul Collier, University of Oxford
- Dambisa Moyo, “one of the 100 Most Influential People in the World”, Time Magazine 2009
- Amartya Sen, University of Harvard, 1998 Nobel Prize in Economics
- Coimbatore Krishnarao Prahalad, University of Michigan, “the world's most influential business thinker”, The Times 2009
- ...

N.B. All but Prahalad are economists. All but Sen & Prahalad have been affiliated to the World Bank.

Rostovian model of development

Transitions



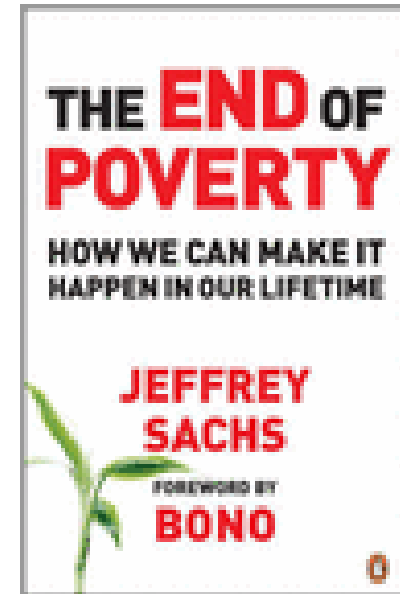
Walt Rostow

1. **Traditional society:** Limited technology, static society \leftrightarrow Classical economists
2. **Preconditions for take-off:** Commercial exploitation of agriculture and extractive industry
3. **Take-off:** Development of a manufacturing sector
4. **Drive to maturity:** Development of wider industrial and commercial base
5. **High mass consumption** \leftrightarrow Modern economists

Motor: capital investments

The stages of economic growth; a non-communist manifesto (1960)

Jeffrey Sachs



- *Economic Possibilities for Our Time*
- A professor of economics passionately argues in favour of drastically increasing the development aid budget.
- The rich countries should help the poor to enable them to help themselves, in the first place through providing **cheap money** for **good (national) plans and (local) initiatives**.

Live Aid

Bob Geldof 1985
Do they know it's Christmas?
Feed the World



Bono 2005
Make poverty history



“Glamour aid”



Top-down: Millennium goals, halving poverty, 2000-2015



Goal 1
Eradicate Extreme Hunger and Poverty



Goal 2
Achieve Universal Primary Education



Goal 3
Promote Gender Equality and Empower Women



Goal 4
Reduce Child Mortality



Goal 5
Improve Maternal Health



Goal 6
Combat HIV/AIDS, Malaria and other diseases

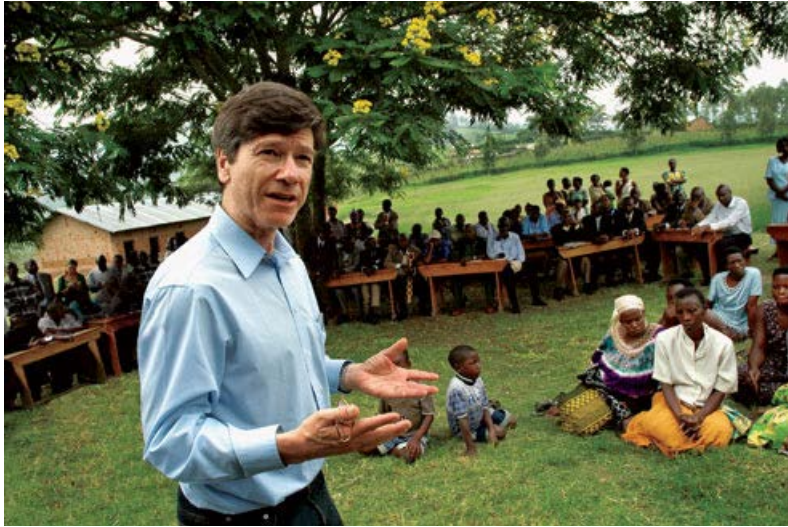


Goal 7
Ensure Environmental Sustainability



Goal 8
Develop a Global Partnership for Development

Bottom-up approach



- Experts and local population work together
- Problems are defined
- Local committees have to be formed to solve the problems and undertake “community development”, supported by donations
- Model villages in Africa
- Sauri, Kenya: 5000 people suffering from food shortages, aids and malaria, requiring investments in agriculture, health, drinking-water, education, transport and energy

Development failures

- William Easterly: \$ 2.3 trillion in foreign aid over the past 50 years, most to Africa; not much effect!
- Paul Collier: the billions of aid dollars have contributed to a more or less zero growth instead of yearly 1% shrinkage of the economy in Africa - over the past 30 years

Millennium goals 2015

Goals and Targets	Africa		Asia				Oceania	Latin America and the Caribbean	Caucasus and Central Asia
	Northern	Sub-Saharan	Eastern	South-Eastern	Southern	Western			

GOAL 1 | Eradicate extreme poverty and hunger

Reduce extreme poverty by half	low poverty	very high poverty	low poverty	moderate poverty	high poverty	low poverty	—	low poverty	low poverty
Productive and decent employment	large deficit	very large deficit	moderate deficit	large deficit	large deficit	large deficit	very large deficit	moderate deficit	small deficit
Reduce hunger by half	low hunger	high hunger	moderate hunger	moderate hunger	high hunger	moderate hunger	moderate hunger	moderate hunger	moderate hunger

GOAL 2 | Achieve universal primary education

Universal primary schooling	high enrolment	moderate enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment	high enrolment
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GOAL 3 | Promote gender equality and empower women

Equal girls' enrolment in primary school	close to parity	close to parity	parity	parity	parity	close to parity	close to parity	parity	parity
Women's share of paid employment	low share	medium share	high share	medium share	low share	low share	medium share	high share	high share
Women's equal representation in national parliaments	moderate representation	moderate representation	moderate representation	low representation	low representation	low representation	very low representation	moderate representation	low representation

GOAL 4 | Reduce child mortality

Reduce mortality of under-five-year-olds by two thirds	low mortality	high mortality	low mortality	low mortality	moderate mortality	low mortality	moderate mortality	low mortality	low mortality
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GOAL 5 | Improve maternal health

Reduce maternal mortality by three quarters	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	moderate mortality	low mortality	low mortality
Access to reproductive health	moderate access	low access	high access	moderate access	moderate access	moderate access	low access	high access	moderate access

GOAL 6 | Combat HIV/AIDS, malaria and other diseases

Halt and begin to reverse the spread of HIV/AIDS	low incidence	high incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence	low incidence
Halt and reverse the spread of tuberculosis	low mortality	high mortality	low mortality	moderate mortality	moderate mortality	low mortality	moderate mortality	low mortality	moderate mortality

GOAL 7 | Ensure environmental sustainability

Halve proportion of population without improved drinking water	high coverage	low coverage	high coverage	high coverage	high coverage	high coverage	low coverage	high coverage	moderate coverage
Halve proportion of population without sanitation	moderate coverage	very low coverage	moderate coverage	low coverage	very low coverage	high coverage	very low coverage	moderate coverage	high coverage
Improve the lives of slum-dwellers	low proportion of slum-dwellers	very high proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	moderate proportion of slum-dwellers	—

GOAL 8 | Develop a global partnership for development

Internet users	moderate usage	low usage	high usage	moderate usage	low usage	high usage	low usage	high usage	high usage
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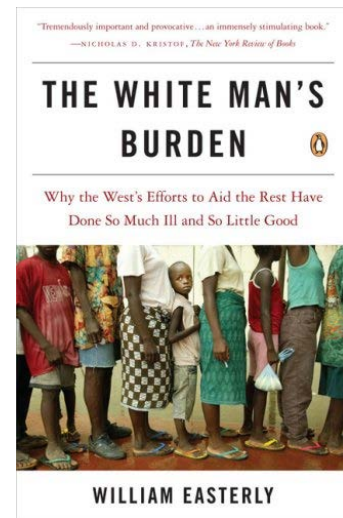
The progress chart operates on two levels. The text in each box indicates the present level of development. The colours show progress made towards the target according to the legend below:

Target met or excellent progress.	Poor progress or deterioration.
Good progress.	Missing or insufficient data.
Fair progress.	

Since 2016



William Easterly: The White Man's Burden



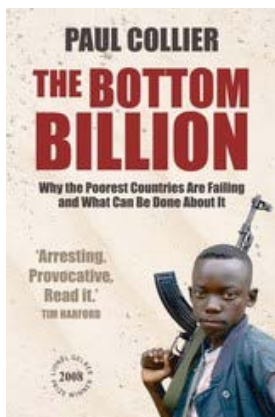
- *Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*
- A professor of economics pens an informed and excoriating attack on the **tragic waste, futility, and hubris** of the West's efforts to improve the lot of the so-called developing world, and provides constructive suggestions on how to move forward.
- The poor should help themselves through **entrepreneurship**.

Easterly

- **Planners**
- **Searchers**
- Practical solutions for specific problems, e.g. impregnated mosquito nets, battery load systems and roads



The others: institutions



- Paul Collier: Nature + technology + regulation = prosperity; regulation to prevent corruption and secure stability, peace & good governance
- Dambisa Moyo: through foreign aid, governments not accountable to the people
- Amartya Sen: freedoms or capabilities

5. Institutions



Institution

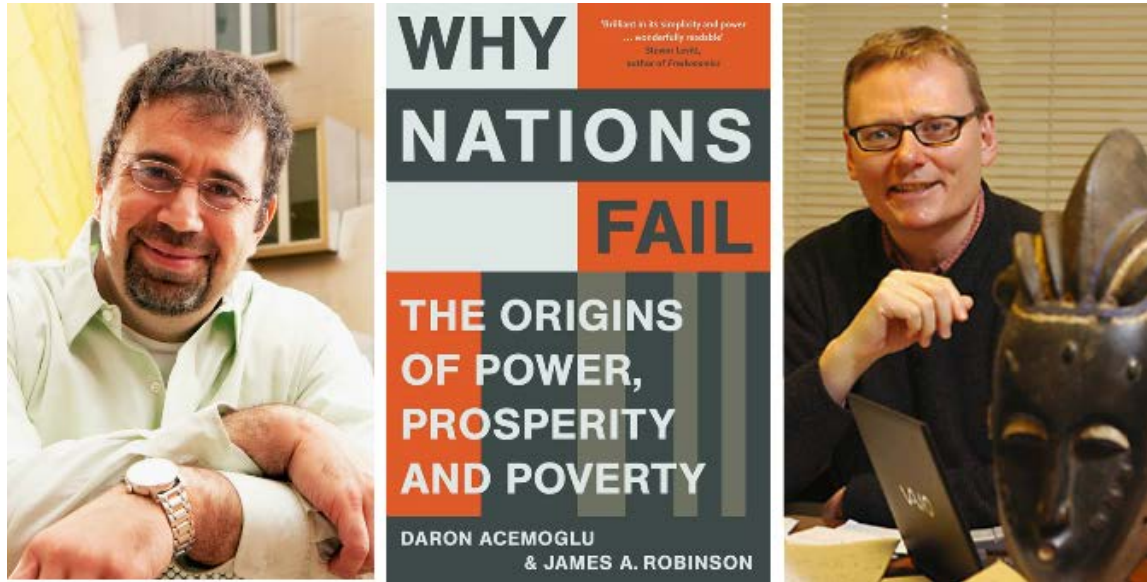
- Dictionary: Organisation or, better, established custom, habit, practice, routine.
- Sociology = arrangement, regulation, order
- Opposite of disorder, chaos, unregulated mess

Institutional reform



- “Institutional reform” is a hot issue in the West and everywhere, because of the financial crisis and development in general
- It is an important ingredient of development, e.g. in terms of a transition to “good governance”

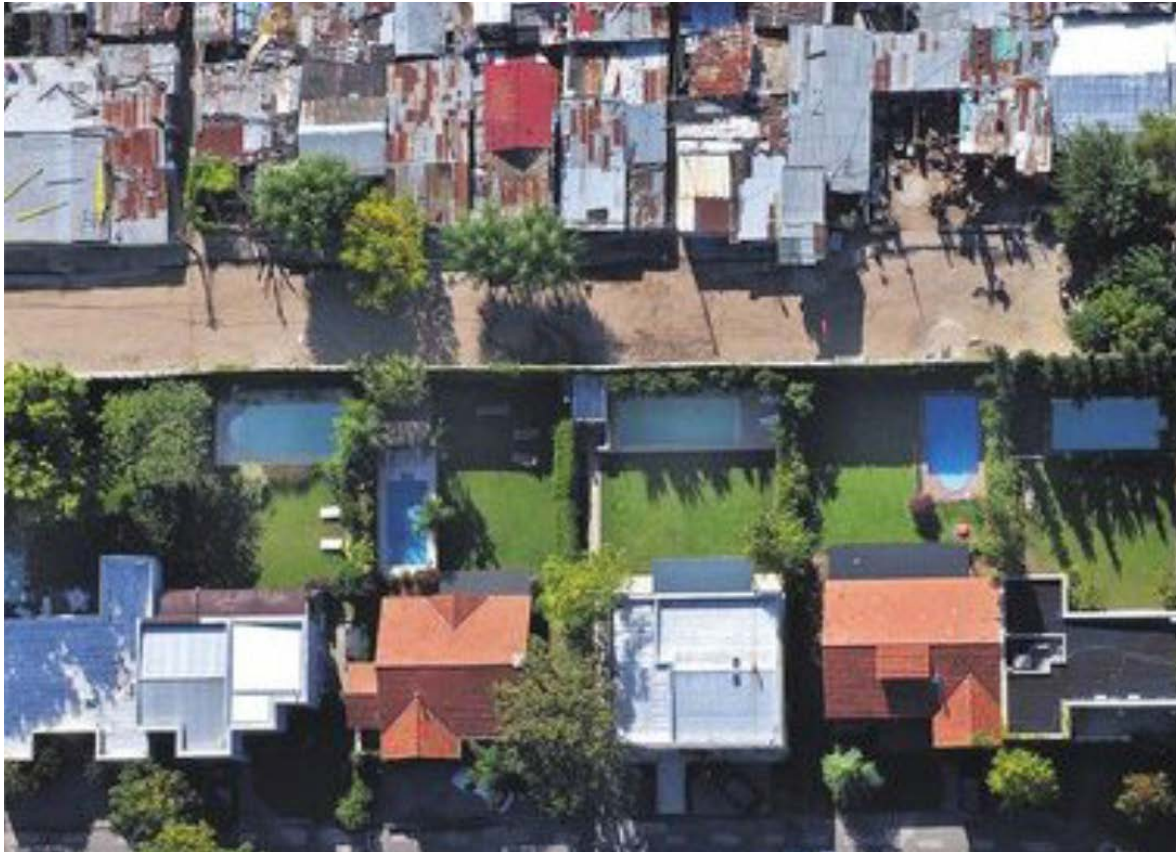
Theory of Acemoglu & Robinson



Answers questions like:

- How did the West develop?
- What are the causes and backgrounds of development problems?
- Why falling behind or underdevelop?

Examples: Nogales Arizona vs Sonora (1918)



Other examples

- Haiti (poor) vs Dominican Republic (better): results from French vs Spanish colonization!?
- East & West Germany: East Germany has become a “footnote” in German history
- Hongkong vs China: Development zones in China copy Hongkong; democracy in Hongkong hot issue
- North vs South Korea: split from 1945, one became rich, one remained poor



Key concepts (1)



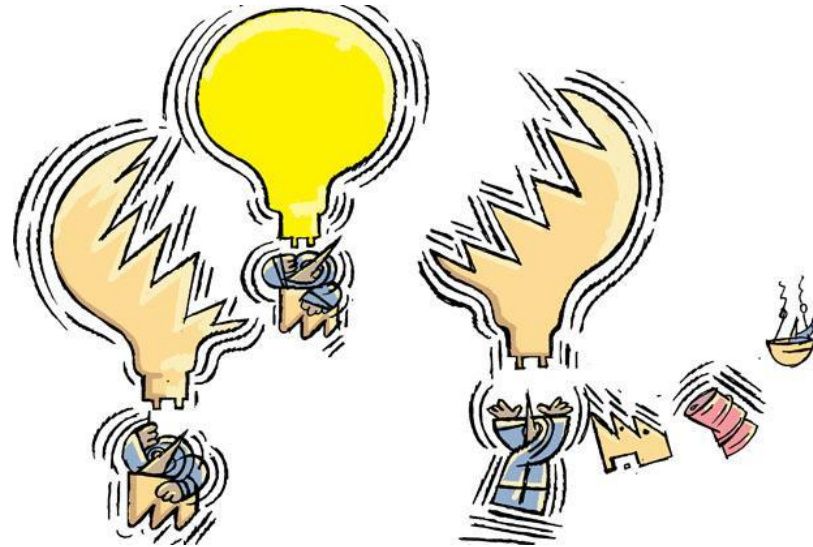
- Institutions: incentive structures like rules/regulations, laws, connected organizations
- Inclusive vs extractive: the people are included or excluded; the people or the state in control; people dominated, repressed and exploited or not by the elite
- “Inclusive development”: everybody takes part

Key concepts (2)

- Inclusive vs extractive political institutions:
 - democracy (one person one vote / equal rights) vs autocratic rule (favours & corruption)
 - pluralism vs control by elite
 - meritocracy vs heredity
 - private vs state property
- Inclusive vs extractive economic institutions: free market / level playing field vs monopolies / state-owned companies
- Centralization: formation of a strong state, able to enforce law and order (otherwise: “empty institutions”)



Mechanism: how does it work?



- Innovation requires creative destruction
- Inclusive institutions enable that, prevent the “happy few” from sticking to their positions of power and dominance
- Broad coalition is necessary for change
- Virtuous and vicious circles strengthen tendencies

5. In sum: what is required for development?



- **Money** (Sachs)
- **Entrepreneurship** (Easterly)
- **Inclusive institutions** (Acemoglu & Robinson)

- As well as:

- **Enabling culture**, including a work ethic of hard work for a wished better future (David Landes)