Economic Growth and Development: Is High GDP Enough?

https://www.e-ir.info/2008/02/23/economic-growth-and-development-is-high-gdp-enough/

KATARZYNA KARPOWICZ, FEB 23 2008

In the very first sentence of the book entitled Whose Development? An Ethnography of Aid, Emma Crewe and Elizabeth Harrison pose the following question: "Is development a failure?" (1998: 1). It might seem rhetorical at first, but by no means is it so. Many writers argue that, after six decades of the so called development project aimed at raising the Third World out of poverty and improving the well-being of its citizens, one can speak of anything but true transformation. To put it crudely, thousands of children still die of malnutrition-related diseases every day, and millions of people still do not have access to clean water. Inequalities between countries and within countries themselves persist.

Development has long been a catch-all phrase and it now seems that everybody, from politicians to pop singers, has something to say on the subject. Surprisingly enough, however, many of them, when talking about it, often turn out to have different things in mind. And it is, indeed, crucial to know what one is talking about, if only to allow for the differentiation of development from economic growth with which it is equated all too often. In point of fact, it is believed that the apparent failure of the development project (a fact hardly disputed now, as it seems – see e.g. Nabudere 1997: 2003) can be attributed to precisely this misunderstanding surrounding the notion of development itself. In the words of Seabrook (1993: 7): "All over the world, more and more people are being disadvantaged by a version of development which, even if it creates wealth, leaves them with a sense of loss and impoverishment". Thus, based largely on the comparison of two indicators used by major international bodies dealing with development – Gross National Product and Human Development Index, it is argued that growth and development are, actually, two different phenomena. In fact, economic growth is but a step in the direction towards development – one of major significance, indeed a precondition to it, but by no means can it be conceptualised as development itself. For a country to be generally recognised as a developed one, it also needs to be able to provide its citizens with as fair as it is possible a distribution of basic resources and services, such as healthcare and schooling.

The problem with seeing development purely in terms of a country's economic performance is clearly visible if one considers the once exclusive method used for measuring it. For a long time, the indicator used for measuring development was Gross National Product (GNP) (later exchanged for GDP – Gross Domestic Product), expressed in per capita terms. The fact that, still not that long ago, the World Bank's annual World Development Report would compare countries' well-being largely based on that particular indicator only shows that the development-equals-growth thinking has been deeply ingrained in the minds of people who deal with development on a professional basis. Those who support that vision of development would have it that unless a rise in GNP per capita takes place, no development whatsoever is bound to happen (Storey 2003: 29). What follows is that the increase in GNP per capita is a sine qua non of development. True as it may be, the fact that GNP is a purely economic indicator and, as such, does not allow for a change in social, cultural or political conditions, has been often blamed for its falling short of providing a true image of the country's development, or the lack of it. Another major problem with GNP, and thus with the perception of economic growth as equal to development, is that it gives no indication of how fairly resources are distributed in the country. Thus, although soon after the Second World War reasons for optimism in terms of countries' economic growth were seen virtually all over the developing world (with relatively high rates of growth in a number of them), this optimism was soon faced with poor performance of many states of the region (especially in Sub-Saharan Africa, Latin America and Middle East) in terms of fulfilling their citizens' most basic needs.

By and large, critics of the indicator, and, thus, of equating growth with development in general, would have it that this method is discriminatorily based on Western practice, whereby the increase in the economic growth of a country is usually reflected in a qualitative change. What this approach fails to take into account, they would claim, is that this is not always the case in the Third World (Weatherby et al. 2007: 55). Evidence shows, regrettably, that in many parts of the world development is not, in fact, an inevitable consequence of economic growth. On the contrary, very often it is only a limited number of people that benefit from economic growth, while the majority of the population is left impoverished – an obvious step backwards into underdevelopment rather than one towards development. Instead of being earmarked for education and healthcare, in many countries an increase in budgetary revenue has all too often been spent on arms or simply has been plundered by state rulers or warlords. Some of the oft-quoted examples of such "growth without development" are the Middle-Eastern oil-exporting states, where "elites contest control of natural resources, an enclave economy develops with relatively few links to other sectors of the economy, and social spending is crowded out by national defence expenditure" (Todaro and Smith 2006: 86). That there is a correlation between oil-production and significant disparities between economic development and human welfare (largest such disparities to be found in oil-producing regions of Africa and in the Middle East) have also been demonstrated in the study conducted by Halloway and Pandit (1992). All in all, despite the infinite complexity of what we refer to as the Third World, the pattern has been sadly similar: economic development improves the situation of those who have been relatively well-off anyway, while it does not help, if not adversely affects, the poorest and the most vulnerable, especially women and children. Thus, major problems preventing economic growth from providing reliable indication of development is the all too often uneven distribution of benefits of such growth among the country's citizens.

Thus, a question needs to be asked: if development cannot by recognised solely based on economic growth, to be reflected in the increase in GNP or GDP, then what else does it encompass? Having stated that economic growth is but one of many elements the notion of development comprises, one may try to look at some of the other factors that some definitions of development would include. In doing so, they may want to consider the UN's Human Development Index as their starting point. It has been designed to remedy the shortcomings of GNP as a measurement of the progress achieved by developing countries. Contrary to the development as economic growth vision, it not only allows for the growth in income per capita, but comprises also two other elements crucial to human well-being: life expectancy and educational attainment (for details, see Storey 2003: 32). Thus, development is seen as a "process of enlarging people's choices" in order for the people to "lead long and healthy lives, to be knowledgeable and to have a decent standard of living" (Human Development Reports. Glossary of Terms).

The inclusion of life expectancy and educational attainment rates in HDI undeniably allows higher level of actual reflection of how fruit of growth are distributed within a country, and to what extent its citizens do actually benefit from progress. In general, HDI still comes closest to faithfully rendering the condition of respective countries in terms of their holistic development. Despite that, however, most recently HDI came under increasing challenge. Most significantly, one might argue that the development picture is incomplete without considering such factors as environmental sustainability of the country and its democratic attainments, including the lack of authoritarian rule and freedom of speech related issues. All in all, it seems that HDI is a step in the right direction, with its conceptualisation of development as something more than just the increase in the country's economic might, although, arguably, there are other factors crucial for human existence that this definition fails to include.

Even equipped with HDI only, however, one would be able to support the claim that growth does not equal development. Indeed, there are numerous examples of countries where economic growth has not been accompanied by improvements to their social structure, as well as several of those which have progressed in terms of their service and resource provision systems despite their relatively low increase in material wealth. In their analysis of the relation between development and growth, Todaro and Smith (2006: 84-89) quote the comparative example of Pakistan and Bangladesh. They argue that while those two once constituted one country, they have followed two different development paths, as a result of which Pakistan is viewed today as an example of "growth without development", and Bangladesh is cited as a ray of hope in terms of its developmental achievements. The fact is all the more consequential as Bangladesh's situation was much more difficult when it gained its independence of Pakistan in 1971. It seems that Bangladesh is one of the few countries that passed their "test for development", despite its still poor economic performance. Although it did not outperform Pakistan in any considerable way, and it is still overburdened with major problems in many fields, it has made relatively greater progress in terms of its social development. Although Bangladesh is still a country of lower income than Pakistan, it does have fewer people in poverty, the rate of literacy has been growing at a much faster pace (and with greater gender equity), and life expectancy is slightly higher (under-5 mortality has fallen dramatically and is now much lower than Pakistan's). In 2004, Bangladesh's HDI score was 0.509, Pakistan's – 0.497. Sri Lanka and, remarkably, India might be given as other examples of countries where development statistics have been surprisingly positive despite their relatively low average income.

The afore-given example points to one important aspect of development. Whereas there is an ongoing discussion whether it is the external or internal factors that have greater bearing for economic growth of Third World countries (with increasingly more writers arguing for the pre-eminence of the former – see e.g. Azam et al. 1999: 189), it is postulated that in the case of development, it is the domestic conditions that determine the country's holistic progress to a larger extent. While economic growth of virtually all countries is largely dependant on international economy, with all its structural variables, the way the benefits of such growth or, for that matter, the repercussions of the lack of it, are handled, is largely a matter of the country's internal structure. Hence, to put things crudely, the citizens of a country with good, stable governance system are more likely to enjoy fair distribution of resources and see sensible management of national revenue (also at a time of apparent economic stagnation) than those living in a state where one coup soon follows another and the authorities are inattentive to the problems and needs of the people. Robert Mugabe's Zimbabwe is but one notorious example of such internal mismanagement which has forced the country on a seemingly fast track to relative prosperity back to underdevelopment. Referring back to the case of Pakistan and Bangladesh, Todaro and Smith (2006: 84-89) argue that it is mainly such internal factors that are behind the difference in performance between these two countries, some of them including significant ethnic and language divisions in Pakistan (whereas 98% of the population in Bangladesh is of Bengali origin, speaking Bengali language), as well as Pakistan's military rule of General Pervez Musharraf since 1999. Greig et al. (2007: 135), on the other hand, quote a perhaps less obvious example of China, a country of unprecedented economic growth over the last two decades (spurred significantly by external conditions) and thus, with huge potential for holistic development, which, however, has significant problems with handling its massive internal equalities resulting from mismanagement (e.g. not enough money transferred from central government to local governments for provisions such as education and healthcare, or authorities' violations of land rights).

In discussions about growth and development, one may often hear that whereas growth is quantity, development is quality. Simplistic as this comparison is, it shows the inherent difference between the two phenomena. Indeed, the actual income of a country is of relatively lesser importance when compared to the way in which this relative wealth translates into the quality of services the state renders to its citizens. And it is precisely those services – education, healthcare, the provision of basic resources such as food or water – that define how developed a country really is. It is essential that policy-makers and all those preoccupied with development, professionally or otherwise, are fully aware of this seminal difference. Until such holistic definition of development is not only adopted on an international arena, but also truly applied in all actions related to the countries of the so called Third World, the gap between the rich and the poor will keep widening, and the answer to the question: "Is development a failure?", will always be positive.

Bibliography

Azam, Jean-Paul, Augustin Fosu, Njuguna S. Ndung'u (1999) "Explaining slow growth in Africa". African Development Review, Volume 14, Issue 2, http://www.blackwell-synergy.com/doi/pdf/10.1111/1467-8268.00051 (accessed 05.11.2007).

Crewe, Emma and Elisabeth Harrison (1998) Whose Development? An Ethnography of Aid. London, New York: Zed Books.

Greig, Alastair, David Hulme and Mark Turner (2007) Challenging Global Inequality. Development Theory and Practice in the 21st Century, Hampshire, New York: Palgrave Macmillan.

Holloway, Steven R. and Kavita Pandit (1992) 'The disparity between the level of economic development and human welfare', The Professional Geographer, Volume 44, Issue 1, http://www.blackwell-synergy.com/doi/pdf/10.1111/j.0033-0124.1992.00057.x (accessed 05.11.2007).

Human Development Report 2006. Beyond Scarcity: Power, Poverty and the Global Water Crisis (2006) http://hdr.undp.org/en/media/hdr06-complete.pdf (accessed 30.10.2007)

Human Development Reports. Glossary of Terms, http://hdr.undp.org/en/humandev/glossary/ (accessed 30.10.2007)

Isbister, John (2003) Promises Not Kept. Poverty and Betrayal of Third World Development. Bloomfield: Kumarian Press, Inc.

McCann, Gerard and Stephen McCloskey (eds.) (2003) From the Local to the Global. Key Issues in Development Studies. London, Starling: Pluto Press.

Nabudere, Dani W. (1997) 'Beyond modernization and development, or why the poor reject development', Geografiska Annaler, Series B: Human Geography, http://www.blackwell-synergy.com/doi/pdf/10.1111/j.0435-3684.1997.00019.x (accessed 10 November 2007).

Seabrook, Jeremy (1993) Victims of Development. Resistance and Alternatives. London, New York: Verso.

Storey, Andy (2003) "Measuring Development", in McCann, Gerard and Stephen McCloskey (eds.) (2003) From the Local to the Global. Key Issues in Development Studies. London, Starling: Pluto Press.

Todaro, Michael P., Stephen C. Smith (2006) Economic Development. Harlow: Pearson Education Limited.

Weatherby, Joseph N., Craig Arceneaux, Emit B. Evans Jr., Dianne Long, Ira Reed, Olga D. Novikova-Carter. The Other World. Issues and Politics of the Developing World. New York: Pearson Longman, 2007.

—

Written by: Katarzyna Karpowicz
Written at: Aberystwyth University
Written for: Rita Abrahamsen
Date written: 2007