Reserve Bank of India Occasional Papers
Vol. 25, No. 1, 2 and 3, Summer, Monsoon and Winter 2004

Key Issues in Development by Damien Kingsbury, Joe Remenyi, John Mckay and Janet Hunt; Palgrave Macmillan, New York 2004; pages 329, US $ 58.

The history of thinking and action on 'development' is, perhaps, the story of human civilization itself. However, the modern era of development thought and policy dates back to the end of the Second World War. In this era, the development paradigm has had its share of debate. The major questions, in any such debate, have been mostly as follows: What development is all about? How do we measure it? What is (or are) the approach (es) to development? What is the role of the State, the households, the corporate sector, the civil society and the international community? Who are supposed to be the 'beneficiaries'? Has the development model adopted been 'all-inclusive'? What have been the intended and the unintended impact of the development model on the environment, on international relations and on the standard of living of people? The book under review 'Key Issues in Development' is a latest addition to this debate. The book has 11 chapters, which dwell upon the various facets of development in the past six decades since the Second World War. The first two chapters and the fifth chapter trace the theory and practice of development since 1945, while the rest of the chapters deal with specific issues such as foreign aid, globalisataion, crises in Africa, Asia and Latin America, political development, poverty, community development, gender issues and the environment.

The end of the Second World War saw the emergence of many newly de-colonized 'nation states'. These nation states had some common characteristics in economic and social terms such as low national income and productivity, high incidence of poverty, agriculture domination, a rising population curve (on the second phase of demographic transition) and thereby low per capita income, higher inequities in income distribution both across regions and individuals, higher unemployment rate with lower participation rate of women in the job market, lower literacy levels and technical capability and lower longevity (an indicator of poor health conditions).

Given the above circumstances and the political exigencies of the times, the governments of these nations embarked on the path to development, which was mainly identified with economic or 'material' development and measured in terms of economic growth (a simple measure of increase in gross or average income). It was widely believed by the policy makers that the government would be a better allocator of resources than the market in order to enhance the aggregate demand in the economy (the Keynesian approach to development).

In this backdrop, the mix of policies adopted by these governments in the 1950s and 1960s was more or less identical such as: Almost every government prepared a 'national development plan', which documented the development outcomes (Chapter 2). Investments were considered the key to growth as predicated by the Harrod-Domar growth model. These nations embarked on the path to industrialisation (a term accepted as synonymous with 'modernisation') as the engine for economic growth. Increasing the production of goods which were not locally available and so far being imported was the order of the day ('import substitution'). The governments took on the responsibility of investments in physical and economic infrastructure as well as in industries. In this process, the role of private sector was reduced and the existing firms 'nationalised'. The resources for the government's investment in industries and infrastructure were to be obtained through enhancing domestic savings. For this, they set about establishing and/or strengthening the financial system (the institutional framework and the organisations) to garner domestic savings. However, on account of the low income and savings, and less monetised economy, the governments faced a resource crunch, which led them to depend on foreign aid from the developed nations as the second option. On the trade front, they resorted to high tariff and non-tariff barriers to protect the nascent industry.

The 1970s witnessed a growing recognition by the academicians and the policy makers that the 'trickle down' approach to development did not give significant results in terms of poverty reduction as well as social development. This led to many developing nations adopting strategies to attack poverty directly through 'development programmes' and 'minimum needs' or 'basic needs' programmes. Alternative indicators of development were devised by economists and policy makers, which attempted to measure the improvements in social indicators, such as the literacy levels and longevity. One such measure was the Physical Quality of Life Index (PQLI) developed in 1970. Along the same lines, the 1990s saw the emergence of the Human Development Index (HDI) devised by the United Nations Development Programme (UNDP).

In the 1980s and the 1990s, many developing nations embarked on the path of economic reforms with the objective of enhancing efficiency in the economy. Some of the major measures adopted on the economic front to this end are: reducing the role of the government in economic activities through disinvestment, creating an environment favourable for the private sector to operate, reducing the protection accorded to industry, opening up the economy to freer trade through converting existing quotas to tariffs, reducing the tariff levels and domestic support. To move towards an international trade order under the World Trade Organisation (WTO), capital controls have been increasingly de-regulated.

These moves have seen economic growth of many of these developing countries shifting to higher trajectories. However, the persisting inequities in income and social development indicators across the developing nations have been a cause for concern. As a result, there has been a renewed effort from the global community in setting out the 'Millennium Development Goals' to be achieved by 2015.

The book traces these major developments during the last six decades. The book argues that the development plans of the 1950, were built on 'false' assumptions and 'poor' quality data. Apart from this, the other underlying assumptions were: one, that the growth in income would trickle down across regions as well as individuals; two, that income inequalities would increase initially but decline thereafter (Kuznet's Inverted-U hypothesis); and finally, that there is a unique path to development as codified by the Rostow's stages of growth (Chapter 2). Furthermore, the implicit assumption was that the government must act as the important catalyst for change and the 'key controller and coordinator of the development programme'. The book also argues that the purpose of aid by the donor countries was not just humanitarian but also to enhance their economic and political interest (Chapter 3).

Despite the moves towards economic development, there have been economic crises across Africa, Latin America and recently in East Asia. Chapter 6 discusses the major theories on the causes of these economic crises. On the one end of the spectrum, is the argument (the Washington Consensus) that says that the crises are due to purely internal weaknesses of policy, *viz.,* failure to implement the 'optimal' mix of measures that include trade and financial liberalisation, privatisation of government owned assets, tight monetary and fiscal settings, and the general strengthening of market-based systems throughout the economy. On the other end of the spectrum are the theories that argue that external factors are just as important, such as the structure of the international financial system, the activities of hedge funds and other new financial instruments, the policies of the international agencies such as the IMF, the policies of the stronger Western countries, and the activities of the multinational corporations. The author argues that 'there is no consensus on the causes of economic crises…(but, such crises) allow us to see much more clearly the structure of the international system and assist in identifying some of its weaknesses'.

The book would be useful for students and researchers of development economics as well as policy makers to have a comprehensive view of the arguments and counter-arguments over the development debate. Its large bibliography is a treasure house for researchers. Introduction by Damien Kingsbury beautifully summarises the gist of the book. However, there are some repetitions and typos across chapters, which could have been avoided.

The major takeaway from the book is its stress on the search for alternative development models. The argument of the authors is that development is a process and not merely an outcome; they support the view that development is a 'multi-dimensional' concept extending beyond economic parameters into social, political, cultural and technological arena. The authors favour the need to assess the cost of economic growth, mainly in terms of the deterioration in environment and the over-exploitation of non-renewable resources. In short, the development process needs to be sustainable, people-centered, pro-poor, community based and gender sensitive. Going by this framework, India has a long way to go in the development arena and to attain the Millennium Development Goals. The international community needs to strive harder to reach a stage where development would be seen as 'freedom'.

N. Arun Vishnu Kumar*

* Shri N. Arun Vishnu Kumar is a Research Officer in the Department of Economic Analysis and Policy, Reserve Bank of India.