

TD 638: Development Perspectives

Topic D:

# Development and Other Key Concepts

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## Some Key Development-related Concepts

# Understanding Development: Different Basic Explanations

- Dictionary meaning: '**development**' as 'gradual unfolding; fuller working out; growth; evolution. . . ; well-grown state, stage of advancement;
- **Development** = Changes in **physical** and **human conditions** (e.g. building roads and improving education provisions, etc.)
- **Development** as **fundamental** or **structural** change (*a process*):
  - For example: increase in income, removal of slavery or untouchability
- **Development** as an **intervention** or **action** aimed at improvement,
  - regardless of whether betterment is in fact actually achieved. For example: building a road
- **Development** as improvement, with good as the **outcome**. For example: reduction in malnutrition of tribal children
- **Development** as a **platform** for **improvement**, **encompassing changes**
  - that will facilitate **development** in **future**. For example: Setting up IITs, which will train engineers.

# Development = Economic Growth

**Economic Growth** = Growth of the **economy** (of a **country**) over a **prolonged period** of time.

= Growth in the **value** of **production** of **goods** and **services** produced in a **national economy**.

Measured as Increase in **GDP** = Increase in **Gross Domestic Product**

= Increase in **Total value of goods and services produced by a national economy**.

**GDP per Capita** =  $\text{GDP} / [\text{Total Population of Country}]$

= Indicator (or Comparator) of development (= production capacity) in a country

Growth in **GDP** is caused by **increases** in **production** in agriculture, industries, natural resource extraction, of other sectors.

Difference between **High GDP** and **High Growth Rate** (Rich countries often have lower but stable growth rates)

**Limitation** = GDP per Capita is **average**; Every citizen does not have income equal to **GDP/ Capita**

# Distribution of Income = Income Inequality . . . 1

**Limitation** = GDP per Capita is **average**; Every citizen does not have income equal to GDP/ Capita

**Distribution of Income = Income Inequality** = How GDP is **distributed** among the **citizens of country**.

= How many poor people there are in a given country and how poor are they?

= Who are benefitting from economic growth (and by how much) and who are not (and by how much) ?

- Societies in **developing countries** tend to be **much more unequal** than societies in **developed countries**

**Simple measure for Income inequality** = Comparison of the income earned by **different strata** of **population**

- Divide population into five or ten equally populous strata, known respectively as “quintiles” or “deciles,”
- Compare the average incomes of these different strata with each other.
- **Standard comparison**: Between the earnings of the wealthiest 20 % (9<sup>th</sup> & 10<sup>th</sup> decile or 5<sup>th</sup> quintile)
  - and the poorest 40 % (1<sup>st</sup> to 4<sup>th</sup> deciles or first two quintiles).

# Distribution of Income = Income Inequality . . . 2

- **Income inequality** makes the task of raising people out of poverty even more difficult
- This led to the focus of development efforts on “**growth with equity**” and “**targeted social spending**”,  
= *Combining goal of GDP **growth** with the goal of **distributing the benefits** of that growth **among poor**.*

**Growth remains important** because it “grows the (total) pie,” but it is **not enough in itself**.

Countries that grow faster do not always reduce income inequality **automatically** (Brazil, India)

Some countries with low growth rates and low GDP/Capita

may *succeed in reducing **income inequality*** (Cuba and Kerala)

**High GDP growth** is not strictly necessary (and not sufficient) for **poverty reduction**, although it may make it easier.

Poorest and those who are least likely to benefit from the “**trickle down**” of growth

are usually those who belong to disadvantaged ethnic, linguistic, and cultural groups (issue of intersectionality).

# Distribution of Income = Income Inequality . . . 3

## Some Implications of Income Inequality

- **Income Inequality** *undermines* the opportunities for material advancement of the poor,
- **Income Inequality** also has broader cultural effects on the rich turning them into less sensitive to inequality
- Being beneficiaries of inequality, rich turn more resistant to changes required for development of country
- **Income Inequality** also *undermines* the broad and diffused social trust in a society and social capital
- **Social capital** = extent to which individuals are *willing to cooperate* in the *pursuit of* shared goals
  - Essential to the *development of* a civic and democratic culture.

# Distribution of Income = Income Inequality . . . 4

- **Income Inequality** is a common feature of most developing countries: *Reasons:*
  1. **Impact** of colonial rule or neo-colonialism
    - May have **forged** or **consolidated unequal social relations** based on slavery, feudalism, landownership patterns developed during colonialism/ due to neo-colonialism, which continue to influence present
  2. Use of inappropriate capital-intensive technology [a characteristics of late industrialization]
    - Led to reduction in the employment potential of GDP (economic) growth
  3. **Inadequate** or **non-existent** social safety nets and regressive taxation systems
    - which **prevent** the redistribution of national income toward the poor and middle classes,
- Although **income inequality** makes **development** more difficult, it is not impossible to overcome.
  - Through expansion of targeted poverty reduction and broad-based social programs



# Poverty

**Poverty** [difficult to define] = Extremely low levels of *income*.

**Absolute Poverty** = below the minimum *level of income required for physical survival*.

= Defined in 2015 by the World Bank as US\$ 1.90 per day per person measured in 2011 dollars at international *purchasing power parity* (i.e., adjusted for the buying power of a US dollar in the local market).

**Moderate Poverty** = a level at which *basic human needs* are *barely met*

- but *survival* is not actually threatened. [Current Measure = Income of US\$3.20 per day]
- World Bank reported that 736 million people were below the absolute poverty line in 2015
  - approximately 10% of world's population, but much less than 1.85 billion people (36%) in 1990

# Multi-dimensional Poverty

**Relative Poverty** = a kind of poverty that **does not threaten daily survival** [Defined in the context of **USA**]

but in which an individual may **not** have the income **necessary to fully participate** in his or her society

- So, **Poverty** is **not only low income levels**; it also **has social, political, psychological, and moral elements**.
  - It **exists in** **developing** as well as **developed** countries.

## Multi-Dimensional Poverty

- **Poverty** is **not just about income levels**; it also has **social, political, psychological, and moral elements**,
  - which are **intricately linked with** income levels (e.g., social or gender discrimination in jobs or service provision)
- Hence, alleviating poverty or doing development is **much more complicated**
  - **than** simply spurring economic growth or even **reducing income poverty**.
- Thus, **Poverty** and **development** are **multi-dimensional**

# Modernity/ Modernization . . . 1

- **Modernity** [Broadest Sense] = condition of being modern, new, or up-to-date.
- **Assumption** = There were (and even are) societies having **pre-industrial economies** (based on artisanal production), pre-modern (religion-dominated) or **traditional cultures** everywhere;
  - *every society* should **progress into modernity** (which is by definition a higher/ better stage)
  - by **coming out** of this **pre-modern** stage
- **Modernity** [Specific Use] particular forms of economy and society that were historically adopted by the Modern-Western Europe (as against the social and economic structures in **traditional, pre-industrial** societies elsewhere)
- **Modernity** [Economic Terms] = encompasses industrialization, urbanization, and the increased use of technology within all sectors of the economy (as against traditional subsistence-based pre-industrial economies).
- **Modernity** [Knowledge Terms] = Rational, secular, and scientific approaches to understanding the world and progress.
  - This was **contrasted with** understandings rooted in religious/ spiritual/ mystic/other-wordly explanations and understanding accepted in traditional, pre-modern societies

# Modernity/ Modernization . . . 2

- **Modernity** [Socio-Cultural Terms] Values and institutions *adopted by* Modern-Western Europe *based on* modern scientific temperament.

**Indicators** of **Modernization** = Transformations:

- (i) In **Technology**: Traditional **to** Modern-Western,
- (ii) In **Economies**: Pre-Industrial **to** Industrialized,
- (iii) In **Belief Systems, Education**: Spiritual/ Religious **to** Rational, Secular
- (iv) In **Cultural Norms**: Traditional **to** Modern-Western,
- (v) In **Social Systems**: Joint Family, Kinship, Caste based **to** Nuclear Family and Urban Cosmopolitan,
- (vi) In **Political System**: Monarchy, Fiefdoms **to** Liberal Democracy with Universal Suffrage

# Modernity/ Modernization . . . 3

- **Diffusion of modernity** in traditional societies will automatically bring in **Development** and **Progress**.
- Hence, **modernity** is *equal to* **Development** and **Progress**

## Main Critique of Idea of Modernity

- **Singular understanding** of **Modernity** (= economic/ social forms in **Modern-Western Europe** after 18<sup>th</sup> century) is problematic
- Implicit **denigration** (insult) of economies and societies in other parts of the world
  - by calling them as pre-industrial and pre-modern is also **problematic**
- Pursuit of **modernity** caused decline of 'traditional' institutions and cultures, environment, quality of life in other parts of world.
- **Dynamic Nature of Modernity**: Due to social, economic, political and cultural changes,
  - what is 'modern' **should change** temporally and spatially.
    - What is 'modern' in one place may be 'old-fashioned' elsewhere.

# Actors in Development

<i>Actor</i>	<i>Activities</i>	<i>Actor</i>	<i>Activities</i>
Individual	Depending on income, class, gender, ethnicity, age and other social variables can have a great deal of choice and influence, or be left with very little <u>agency</u>	Non-Governmental Organizations (NGOs)	Organizations which are neither run by the state nor are they profit-making companies; can help local communities set up projects to provide services, create income-generating opportunities, or improve social relations; can be very small-scale organizations, or very large global organizations such as Oxfam or Médecins Sans Frontières
Household	Group of people who live together and share expenses; not always members of the same family; can operate as a unit to ensure that all household members have their <u>basic needs met</u>	Private companies	Representatives of the market; can be very small businesses or global corporations
Community	Group of people with shared interests in some senses; usually based on shared residential location, e.g. a village or urban district, but can also refer to a community based on shared social identity	Multilateral organizations	Can set global agenda for economic policies; promote global peace; important sources of aid and technical assistance. Examples: International Monetary Fund, United Nations, World Bank
Government	Operates at a range of <u>scales</u> from local and municipal government to national government; important in setting economic framework; can be interventionist, or can play a regulatory role in development		

## Labeling of Countries

# Labeling of Countries . . . 1

**Third World** : Suggested by French Demographer Sauvy in 1952

Rooted in concept of “**Third Estate**” = Bottom Layer of Social Pyramid in the pre-revolutionary France.

“**Third Estate**” = **Excluded** from the First two Estates or Top Layers of Clergy and Nobility.

Comprised heterogenous mix of social groups (from slaves to merchants)

Similarly, **Third World** a heterogenous mix of countries, following different developmental paths but are not in:

- **First World** (American Block or NATO countries: USA and western European countries) AND
- **Second World** (Soviet-Block comprising USSR and East European Countries)

**Third World**: No objective criteria to define, but seen as pejorative, hierarchical

and hence demeaning and patronizing term that has connotation of ‘poor, under-developed countries’



# Labeling of Countries . . . 2

## **Developing Countries** or **Developed World** or **Developing Economies**

- Less **pejorative** and apparently **neutral** term, some found it “**optimistic**”
- Seen as **improvement** over **old term under-developed** regions or areas (not countries which did not count)
- But when used in conjunction with the related term of **Developed** Countries/ World,
  - the **hierarchical order** becomes apparent

## **Newly Industrializing Countries (NICs)**

In 1970s, some countries from “developing world” saw **economic transformation**

These included: Hong Kong, South Korea, Singapore, Taiwan

## Labeling of Countries 3: Brandt Line Global North and Global South



# Labeling of Countries . . . 4

## Emerging Markets

- After 1990s, Title given by the global capitalist enterprises
- indicating **readiness** of these countries to *join* the **global markets**
  - due to their **acceptance** of economic reforms
- Reflecting **approval** of global **capitalist** enterprise and
- Reflecting **optimism** for **futures** of these countries,
  - absent in terms such as **Third World** or **under-developed**

# Labeling of Countries . . . 5

## Two-Thirds World or Majority World

These are the **alternative terms** coined

In **response** to pejorative, hierarchical, **demeaning** terms like “**Third World**” **Under-developed regions**”

## The South or the Global South (Related Term: **the Global North**)

- **Less pejorative** as they indicate the **geographic location** (Southern Hemisphere) of (most) these countries
- Could also be seen as countries as **worthy of receiving or not giving international aid**
- **Exceptions:** Australia, New Zealand, Singapore and some counties in Northern Hemisphere receiving aid
- These terms allow derivative terms like: “**North in the South**” and “**South in the North**”

# Labeling of Countries . . . 6

## Fourth World

1. One connotation suggested by Canadian Aboriginal leader George Manuel (1970s)
  - Areas of **internal colonization** by **European settlers** (Canada, USA, Australia, New Zealand)
  - Referring to **aboriginal populations** in these areas and
  - Emphasizing **dispossession** of their **lands** and **natural resources**
  - And **abrogation** of their **political economic, social, and cultural rights**
2. Another recent usage: referring to the **poorest of poor** countries or “**failed states**”
  - which are suffering **acute poverty** and **deprivation** due to armed conflicts
  - Such as Somalia, Afghanistan, Libya, Sudan

# Labeling of Countries . . . 7

## World Bank (Economic) Categorization of Countries (Economies)

- Classification into Four Groups: **Economic** Classification based on Gross National Income (Atlas Method) **Per Capita**
- The threshold (boundaries) of the four groups are revised every year in July.
- Threshold Values for the last two years

	Low Income	Lower-middle Income	Upper-middle Income	High Income
July 1, 2024 – for FY25 (new)	$\leq 1,145$	1,146 - 4,515	4,516 - 14,005	$> 14,005$
July 1, 2023 – for FY24 (previous)	$\leq 1,135$	1,136 - 4,465	4,466 - 13,845	$> 13,845$

Source: [World Bank Group](#) • Figures in United States Dollar (US\$)



- India's GNI per capita in 2023 was US \$ 2450 per capita

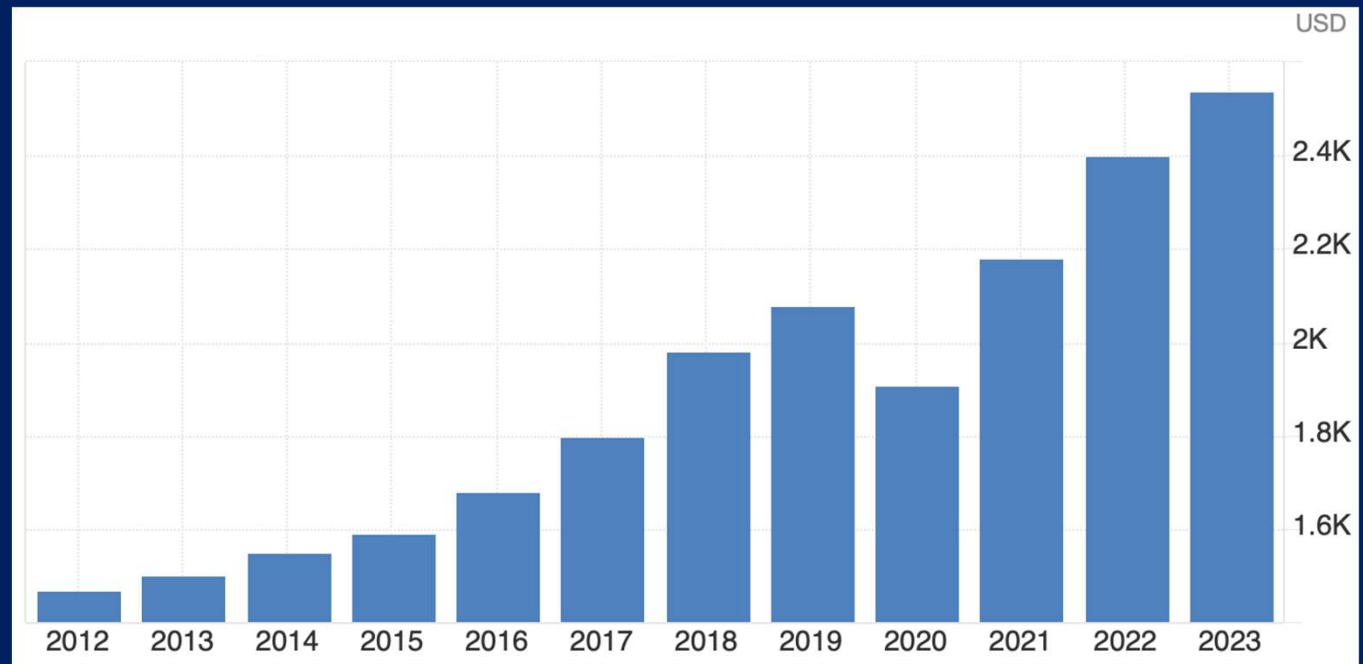
# Labeling of Countries . . . 8

## World Bank (Economic) Categorization of Countries (Economies)

Check this link, you can get GNI per capita for all countries every year since 1987

<https://tradingeconomics.com/india/gni-per-capita-atlas-method-us-dollar-wb-data.html>

India's GNI per Capita since 2012



# Labeling of Countries . . . 8: World Bank GNI/Capita Categories





# Population and Development

# High and Low Death Rate and Population Growth

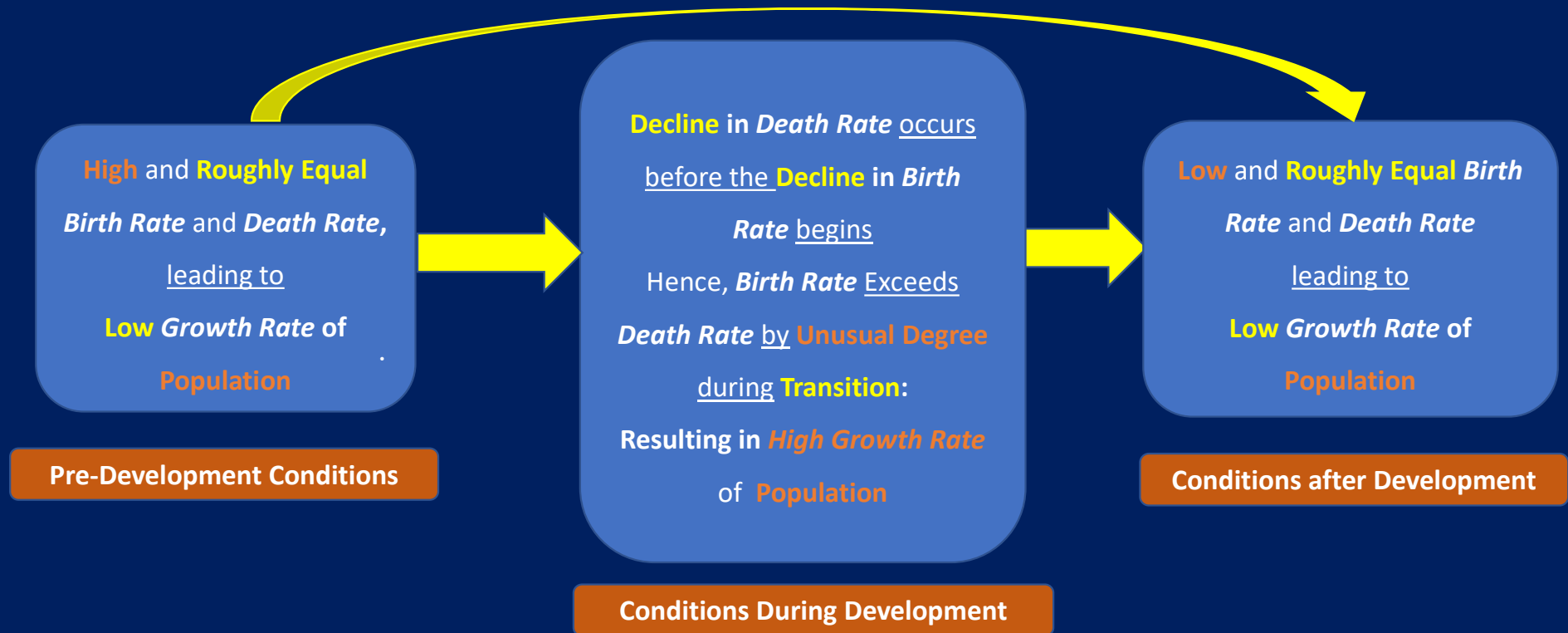
- **Death Rates** largely *depend on* physical factors like low food availability due to draughts or floods, Natural calamities, low nutrition levels, diseases.
- **Death Rates** can be reduced by
  - improvements in sanitation improve public health,
  - the spread of vaccines modern medicines to reduce deaths due to diseases,
  - the use of insecticides to protect crops and use of chemical fertilizers to increase agricultural productivity;
  - all these improve general living standards.
- **High Death Rates** *reduce* Population. **Low Death Rate** Increases Population

# High and Low Birth Rate and Population Growth

- **Birth-rates** governed by **social factors** such as education, empowerment of women, economic security.
- Parents **derive** considerable **economic benefits** from **having many children**
  - e.g., provision of direct family labour, insurance against risk, and support in old age.
- However, the **economic costs** incurred in bearing and rearing children get neglected.
- The **physical and psychological costs** suffered by women in childbearing and child-rearing
  - remain neglected due to **patriarchal traditions**.
- However, **education**, particularly of **women** **lead to a** **reduction** in **Fertility Rates** because of factors like
  - late marriages, greater uptake of contraception, and consequently lower fertility rate (and child mortality)
- **High Birth Rates** increases **Population**. **Low Birth Rate** decreases **Population**
  -

# Population and Development: Demographic Transition . .1

- **Population Growth** and **Development** are seen by many as **interdependent** phenomena.
- One **theory** about their interrelationship is called **Demographic Transition**.



# Population and Development: Demographic Transition . .2

## In **Developed (Rich) Countries:**

- **Death rates declined gradually** because all the factors leading to this decline were largely **endogenous** to those countries (= evolved internally and also gradually)
- **Birth rates** also declined gradually.
- As a result, **population growth rates** were **fairly modest** (mostly  $\leq 1.5\%$ ).

## In **Developing (Poor) Countries:**

**Death rates declined rapidly** because of fast introduction of modern science & technological **measures** to **reduce deaths**

**Birth-rates** however **declined gradually** for long periods.

As a result, **population growth rates remained fairly high** for a long time,

**resulting in very high population numbers** that remained stable for long period.

# Development Consequences of Large & Expanding Populations

- Some believed: Large and Rapidly Expanding populations have net **positive** effect on **economic growth**
  - Some Developing Countries **managed to maintain** high rate of **economic growth**
    - despite high population growth rate,
    - especially those who managed to reduce their birth rates faster than others (East-Asian) .
- Most believed: Large and Rapidly Expanding populations **affected** economic growth **adversely**,
  - leaving many countries in the **poverty trap** for long time.
- Mainly because: Large and Rapidly Expanding populations **pose** serious challenges for the provision of basic services and facilities – like education, employment, healthcare, housing and fresh water.
- **Environmental Impact**: Large and Rapidly Expanding populations **require** large pool of natural resources,
  - and hence **cause** irreparable damage to **environment**

Thank You