

Underdevelopment and Less Developed Countries

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David Duffy explores the important issue of underdevelopment, which affects half the world's population. The author discusses the causes of underdevelopment, the merits of the various measures of development and policy prescriptions for boosting growth. He concludes that while some progress has been made in fostering development, that it is only through allowing the developing world to have a voice that we can really tackle poverty.

Introduction

From Bob Geldof and Band Aid to Jubilee 2000 and Bono presenting a pair of shades to the Pope, it has certainly become sexy to care about underdevelopment. While the intervention of so many of the world's rich and famous to champion the cause is certainly to be welcomed, the reality facing almost 3 billion of the world's population is anything but sexy. Hunger, disease, poverty, and exclusion are the reality.

This essay proposes to provide a general overview of the issue of underdevelopment. Firstly, an attempt will be made at getting to the heart of what actually comprises development. The traditional development indicator, Gross National Product, will be assessed and compared to other more recent and innovative indicators. Some of the causes of underdevelopment in today's world will then be analysed, before providing some policy prescription, which may go some way to boosting development in the Third World.

Development Indicators and their Usefulness

What is development?

While we all have an intuitive understanding of the term development, it is somewhat harder to devise an all-encompassing definition of what exactly development means. Chambers provides the simplest definition of development as 'good change' (Thomas, 2000: 23). However, this is far from conclusive, as there are many subjective views on what exactly represents "good". The more traditional view of development is in the purely economic sense, which sees development as an increase in Gross National Product (GNP); in other words, development is synonymous with economic growth. Recently however, more humanist and inclusive definitions have been proposed which focus on improving people's lives

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and living standards. This would therefore include such issues as human rights, education, health, with the focus pertaining more to human welfare than human wealth. In this essay the term “development” will be along the lines of that provided by the United Nations Development Programme: ‘*Development is about expanding the choices people have to lead lives that they value*’ (UNDP, 2001: 9).

This obviously tends more to the more humanist and modern approach to development, but it is not mutually exclusive of the traditional approach to development.

Gross National Product

Gross National Product per capita is a measure of the average income per person in a country. While this obviously affects the living standards of the population, a number of shortcomings are associated with GNP as a development indicator.

GNP per capita is an average figure and therefore takes no account of the distribution of income. This is particularly relevant to LDCs, where often a small minority elite hold a disproportionate amount of the wealth.

Comparisons between countries’ GNP levels are based on the market valuations and currency exchange rates, and expressed in U.S. Dollars. However the real value of national income is distorted due to varied costs of living. Real purchasing power is generally higher in poor countries

Income is only a means of achieving a desirable living standard; the true indicator of a society’s welfare includes items such as health, education and human rights. These are largely intangible and therefore cannot be included in the index.

A perverse situation exists in which undesirable activities can increase GNP. For example, war leads to increases in production and thus growth, though the negative effects of war on development far outweigh any benefits. (McAleese, 2001)

Do more satisfactory indicators exist? The United Nations has developed a number of other composite indexes, which seek to put a more realistic figure on development (UNDP, 2001:14).

The Human Development Index

‘The Human Development Index (HDI), measures the overall achievements in a country in three basic dimensions of human development – longevity, knowledge and

decent standard of living' (UNDP, 2001:14).

Longevity is measured by average life expectancy, knowledge by average adult literacy and primary and secondary school enrolment, and GNP per capita, adjusted to Purchasing Power Parity dollars, gives an indication of material living standards. By its more inclusive nature, the HDI is obviously a more refined indicator of development than GNP per capita. The problem of using market valuations is corrected by adopting purchasing power parity, which accounts for the cost of living. Secondly, while being by no means fully comprehensive, the inclusion of other variables longevity and knowledge indicators give a better estimate of the intangible components of living standards. Another major benefit of the HDI is that it allows evaluation of the policies of countries in using their income. For example, Pakistan and Vietnam have similar GNP levels, but Vietnam achieved a HDI of just under 0.7 compared to just 0.5 in Pakistan. The HDI also proves that development can pre-exist economic prosperity as Costa Rica and Korea have similar HDI figures, though Costa Rica has only half the income level of Korea (UNDP, 2001:13). The HDI, however, does not eliminate the distributional problem and therefore any inferences from it continue to be less valid. Efforts have been made, such as the Gender-related Development Index (GDI), which adjusts the HDI downward for gender inequality.

The Human Poverty Index

'The Human Poverty Index (HPI), reflects the distribution of progress and measures the back-log of deprivation that still exists' (UNDP, 2001:14).

It attempts to isolate areas of poverty, whilst continuing to use the same parameters of the HDI. Longevity is measured by the probability at birth of not reaching 40 years of age; knowledge is measured by the adult literacy rate, while overall economic provision is accounted for by examining the percentage of children less than 5 years of age born underweight and also the percentage of people using improved water supplies. Therefore, the main innovation of the HPI is the complete absence of the national income figure as an indicator of development. Whether the alternative measures used are any more valid, however, is far from clear. The HPI has succeeded in isolating areas of extreme poverty. For example, Tanzania and Uganda are ranked 140th and 141st respectively in the HDI table, but Uganda exhibits a much higher poverty rate (UNDP, 2001: 15).

Do Indicators Really Matter?

Are these alternatives to GNP really beneficial to our understanding of economic development? I believe there is an over tendency to down play the role of GNP per capita. The relationship between economic growth and development, while imperfect, should not be muddled. In the words of the World Development Report '*with economic growth, income poverty falls; with economic contraction income poverty rises*' (World Bank, 2001: 35). All the empirical data supports this statement. To paraphrase the earlier definition of development, growth allows people to '*have greater choices to lead the lives that they value.*' Economic growth must be at the core of development, and then steps can be taken to ensure that best use is made of this growth.

Despite some exceptions, such as the Vietnam and Pakistan example, countries tend to find themselves in generally the same position regardless of the indicator that is used. Sub-Saharan African countries are always bottom of the pile, and western countries always lead the way. Therefore, if the goal of a development indicator is to tell us if a country is developed or underdeveloped then it hardly matters whether we use the crudest or the most inclusive indicator.

While there are undoubtedly common problems faced by all developing countries, as will be seen later, development indicators may generalise the situations across the Third World. For example, just because Venezuela and Brazil have similar HDI rankings does not imply that they have exactly the same problems that require exactly the same solutions. The rich collection of data assimilated by both the UNDP and World Bank isolate specific issues within specific countries. This is lost when the data is aggregated in a composite index. For example, the large number of AIDS related deaths in Botswana has made AIDS the primary focus of their development plan. Merely quoting a HDI or GNP figure for Botswana would do little to isolate the problem.

In conclusion, development indicators do serve a purpose. They can highlight policy deficiencies, identify areas of neglect and give nations some tangible indication of how far they have developed and how much further they need to go. However, they must be treated with caution and their findings scrutinised. The resources pumped into finding new and more inclusive development indicators could well be better spent on focusing on the needs of less developed countries and how to meet these needs.

Causes of Underdevelopment

The causes of under development are varied and widespread. The literature lists a plethora of them; poverty, over-population, geography and climate, poor education and healthcare, international policies, war, migration and inequality, which by no means exhausts the list. While some may be relatively more important in certain countries, the above tend to exist, at least to some degree, in all LDCs regardless of their circumstances or geographical location. It would be impossible to discuss all of the causes in detail in this essay. Instead four broad issues will be examined. A discussion of colonialism provides the historical backdrop to underdevelopment. The insufficient nature of international policies will be examined, and finally poor educational and health standards will be evaluated. It is important to stress the inter-linked and overlapping nature of these causes, which has implications for policy formulation.

Colonialism

Present day underdevelopment can be traced back through almost 500 years of European imperialism. Large expanses of land in the Americas, Africa and Asia were carved up and ruled by the wealthy nations of Western Europe. The net result is that former colonies, with the obvious exception of North America, now form the bulk of the world's underdeveloped nations. Bernstein (2000) examines some of the reasons why:

- Colonial Powers exploited the natural resources of their colonies, forming patterns of trade that richly benefited the European nations at the expense of the colonies themselves.
- The Colonies' population provided a cheap pool of workers for performing labour intensive tasks. Employment concentration in menial and unproductive sectors remains to this day.
- While some colonial projects sought justification on humanitarian grounds, they were more often hall marked by coercion and inhumane treatment.
- The 20th century saw the break up of many colonial empires and independence for many LDCs. However, independence has often been preceded by periods of volatility and civil war, as rival tribes and groupings sought to seize control of the infant states. Unfortunately many have continued and exacerbated in

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recent times. Allen (2000b: 164) states that in 1995 65 out of the 79 countries experiencing war or political violence were underdeveloped.

International Causes

Colonialism, in its most explicit form, may no longer be a feature of today's world, but actions on the part of the developing world continue to discriminate against and undermine development efforts in LDCs. Unfair trading practices and insufficient aid are both causes of underdevelopment.

The system of international trade developed under imperialism, whereby developing countries export cheap raw materials and import expensive finished products persists to this day. The obvious effect is net cash outflows towards the developed world, which reinforces inequality. There are other implications. Many LDCs have focused on cash crop production to boost exports, which has meant that local communities are in danger of hunger, and in extreme cases famine. Furthermore, the developed world has sought to maintain the status quo by placing trade barriers on imports from LDCs. The loss to developing countries from tariffs alone was approximately \$43 billion in 1995, without considering quotas, anti-dumping measures and protectionist product standards (Development Goals, 2002).

Another fault of the international community is the unacceptable level of aid provision. The United Nations target of 0.7% of GNP remains a pipe dream in most cases, with Organisation for Economic Co-operation and Development (OECD), members averaging 0.24% in 1999 (Development Goals, 2002). In practice this implies only 20 cents per day for each person in the developed world. Can aid make a difference? Yes, according to the World Bank, who estimate that the reallocation of existing aid flows to poor countries with sound management would lift 18 million more annually out of poverty (World Bank, 1998:16).

Education

Traditional theories of development may have overlooked education as a stimulus for development, but more recent thinking regards it as central. In fact, I would go so far as to say that lack of education has been the major cause of underdevelopment and education must be at the heart of any prescriptions for development. This stems from the fact that lack of education leads to other poor practices, such as unprotected sex or poor land cultivation.

Primary level education is most in need of reform in LDCs. A comprehensive primary sector is required before subsequent levels can also perform. Currently there

is an alarming 75% drop out rate from primary schools in many African countries (Drudy, 2002). Children in rural areas may have to travel great distances to attend school, while urban schools are often under-staffed and under-resourced. There is also an opportunity cost for families, in that children could be earning extra income for the family. Often this is a cost households cannot endure. Poor levels of primary school attendance lead to the problem of illiteracy. Todaro (2000:331) estimates that at least 30% of the population in LDCs is illiterate. This hinders effective communication of information. As with most issues there is also a high degree of inequality in education, with the poor and females faring badly.

Health

Poor health and healthcare is as much a cause of underdevelopment as underdevelopment is a cause of poor health. Lack of sanitation and clean water supply, poor education, inadequate nutrition, and insufficient income to buy even the most basic drugs mean that the risk of disease is greatly augmented.

High child mortality rates and low life expectancy highlight the scale of the problem. In Angola 292 children out of 1000 die, and those that survive can expect to live for just 47 years. Compare this to a child mortality rate of 7/1000 and life expectancy of 77 in the UK (Parker and Wilson, 2000: 77). Diseases such as diarrhoea, measles and malaria, all easily curable, are among the main killers. Special mention must also be made of the AIDS crisis, which is now reaching epidemic proportions. 28 million Africans are infected with the virus, of which 2.3 million per year will die

Curing sickness is not just an issue of compassion, poor health hinders development as the following points illustrate.

- Sickness reduces productivity and thus reduces national output.
- Families are often forced to sell their productive assets to fund the cost of medication.
- High child mortality rates cause parents to have more children, which adds an added cost burden to them.
- Disease scares off tourists and investors, valuable sources of income. (The Economist, Dec. 22, 2001: 10)

Policy Prescriptions

The problems of the developing world are vast and difficult, however, with the correct policy measures correctly formulated and implemented, it should be possible to at least make some inroads into underdevelopment. On a national basis, more funding must be pumped into education and health, sources of inequality and discrimination in society must be targeted, and sound and accountable institutions must exist to ensure proper implementation of all policies. In the previous section the interlinked nature of the causes of underdevelopment was stressed. For this reason, it is essential to adopt a more widespread framework for policies. Focusing on just one problem may have negative externalities in other areas, the focus on cash crops for export causing hunger being an obvious example. Therefore, the suggestions made in this section will not be specific to the causes of underdevelopment mentioned earlier. It remains essential to tackle problems head on, but in many cases these need to be tailored to meet the needs of individual countries. A more general policy framework will therefore be proposed in line with the most recent World Development Report (World Bank, 2001) which stresses the need for opportunity, empowerment and security.

Opportunity

'When poor people are allowed access to the institutions richer people enjoy, they can thrive and help themselves' (The Economist, September 15, 2001).

It may be clichéd to say that the best policies do not just help people, but also rather help people to help themselves, however few policies actually incorporate this. In this sense economic policies promoting economic growth are desirable. Focusing on growth alone is not enough; it must be *'rapid, sustainable and pro-poor growth'*.

Markets are the primary source of economic activity, but factor and product markets are virtually non-existent in many LDCs. They must also be regulated to ensure that it is not just the rich and powerful that benefit from economic activity. For example, fair wages and minimum price levels safeguard against exploitation. The inescapable phenomenon of globalisation, rather than being a tool of oppression against the Third World, offers opportunities for developing countries. By focusing on areas of comparative advantage, the countries along the Pacific Rim have embraced global activities and increased their prosperity as a result. The onus also lies on developed nations to ensure that LDCs are not discriminated against in the area of trade.

Access to assets, infrastructure and social goods such as education and health is also essential. In agriculture, land reform is required to defeat excessive landlord control, and tools, fertilisers and livestock should be made available to ensure reasonable income standards. Investment in infrastructure should initially be on a small-scale on local level such as the building of village wells. It is often not sufficient to merely pump funds into health and education. Specific areas of concern must be identified and targeted, such as primary education, or bottle-feeding of babies.

Empowerment

Effective policies rely on the institutions charged with their implementation.

'Empowerment means enhancing the capacity of poor people to influence the state institutions that affect their lives' (World Bank, 2001: 38).

Is it over optimistic to expect mostly illiterate people to care about their political voice, or furthermore expect them to provide valuable inputs into the discussion of development and means of achieving it? Not so, according to the World Development Report, which states that poor people sense keenly their lack of voice in the running of their affairs.

The institutions of the Third World perversely often militate against development. For example it takes 19 steps, 5 months and more than the average person's annual income to register a new business in Mozambique, in which case it is hardly surprising that little spirit of enterprise exists (The Economist, September 15, 2001). Simple, accessible and unthreatening institutions are the key. For example, small claims courts, banks offering small amounts of low interest credit, regional centres that provide information on issues ranging from healthcare, to agricultural practices to literacy training for older people. Moreover, government, at both a national and international level must be made more accountable. Corruption and cronyism benefit a minority at the expense of the needy. Many of the elections in Third World nations are overseen by international committees, these have in place to insure clarity and fairness. This should be extended to the functioning of government. Inequality must also be tackled. Discrimination on the grounds of gender, race, ethnic grouping or social standing must be made illegal and made punishable.

Security

'Enhancing security for poor people means reducing their vulnerability to such risks

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as ill health, economic shocks, and natural disasters and helping them cope with the adverse shocks when they do occur' (World Bank, 2001: 39)

Economic and natural disasters are for the most part outside our control. Poor people lose out most significantly as a result of these, so it is possible to enhance their protection. Instruments such as health insurance, pensions, unemployment benefit, social funds and savings schemes should be developed to give the poor something to fall back on. Information on what to do in times of disaster should also be made available.

Conclusion

Modern definitions of development tend to focus more on the humanistic element of development and underdevelopment. In line with this, GNP is often seen as a less valid indicator of development. The Human Development Index and Human Poverty Index seek to provide more refined estimates of development. However, too much faith can be placed in indicators and their results, and despite GNP falling out of favour it still has a role to play.

There are very many causes of underdevelopment. Four major ones were discussed. Colonisation of Africa, Americas and Asia gives a historical backdrop to the current problem of underdevelopment. The role of the international community in causing underdevelopment was then examined. Poor education and health care were analysed, not just as symptoms of underdevelopment, but rather causes that reinforce underdevelopment.

The policies suggested sought to be more holistic than merely focusing on specific problems. The need to promote opportunity, empowerment and security, as proposed by the World Bank (2001), was used as the framework for policy formulation.

Progress has been made in the developing world. For this Messieurs Bono and Geldof, as well as those who play less glamorous behind-the-scenes roles, can take a bow. However it will only be by giving the people of the developing world a voice, rather than relying on those in the developed world to speak for them, can they ever catch up in terms of development.

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