

# WHY GETTING THE ECONOMICS RIGHT IS NOT ENOUGH FOR DEVELOPMENT!\*

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## Abstract

The dominant Development Models used by Development Agencies have focused primarily on Development as an Economic Challenge. The three underlying premises were: 1. If the Economics was right then Development would occur; 2, Viewing countries as either **Independent** or **Dependent**. This is a false dichotomy in a Globalized world where all countries have **Interdependent** relations with others; and 3. The focus on quantitative vs qualitative measures of development.

Operationally the predominant approaches have been to “Do Development **TO, FOR, or WITH** Countries,” or more recently to Empower Countries **DO THEIR OWN** Development.

This Paper focuses on Different Development Models and introduces an Alternative Model which addresses the three premises above. The primary focus of Development as enshrined in the World Bank's Mission: to Fight Poverty with Passion & Professionalism for lasting results, this Alternative Model focuses on Poverty, on Wealth, and finally Equity as key to sustainable development.

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\*This Paper is written from the perspective of my own experience as a student and teacher for over 50 years and hence the use of the personal pronoun “I.”

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## INTRODUCTION

I have been working in the area of Development since the early 1970s when I first went to live in Sierra Leone, West Africa. I have also been employed by the International Monetary Fund, and the World Bank in Washington, and have been a consultant to the Bank for International Settlements in Basel, Switzerland. During this time I have learned a number of lessons that I would like to share here.

Let me first state clearly what I believe about the development models that prevail, even today in the literature. These are primarily economic models of development. The underlying assumption, but rarely stated explicitly, is that if we can get the economics right in a country, then everything else will follow. This is patently untrue and misleading, and there is no evidence to support it in any country of the world. There is more to say on this later. But first, let me share some lessons from my own career background.

Many of these lessons relate to my earlier training as a teacher and psychotherapist. As a teacher I was interested in educating - which, from its Latin root, "educare," means to draw out. Translating this idea into development terms suggests that we as development workers must help to "draw-out" the development from within the country or its people. This is not about imposing development or doing development to or for the country.

As a psychotherapist I learned that my clients always had the answers to their own problems, and my role was to assist them in accessing these answers from within. It would have been remiss of me to give them advice, or suggest an answer for them. My task was to create an environment of safety and security in which they could work on resolving their own problems. Through careful and active listening, mirroring back what I heard the client say, and encouraging them to search within, my clients invariably came up with their own answers to whatever problem or issue

they were addressing.

Over the years, I came to believe that clients begin to address a problem in their life only when they are ready. This is not to say that they think that they are ready or that they feel competent to tackle the problem. But! The fact that they seek help from a counselor like me, suggests that they are in fact ready, and they also have the answer to their own problem within. This belief was never proven incorrect in all the clients I dealt with. Furthermore, this insight applied to clients from many nationalities and cultural backgrounds, both male and female and of all ages.

One final insight from my background comes from my own heritage of being Irish. I have had the privilege of living through a significant development period in Irish history. From the poor marginalized country of my birth in the mid-forties, to the Celtic Tiger that welcomed the new millennium, I have witnessed many major changes in the economy and within all sectors. Throughout all of this period I have seen my fellow Irish men and women, emerge from a *dependent mentality* - a legacy of our colonial past, to being *independent* and proud to stand up and proclaim their Irishness. Shedding the yoke of an oppressive colonialism was imperative for our development. Our distrust of authority and experts was well founded. And, it was only when we as a nation stood proud and created our own development agenda, based on our own unique spiritual, socio cultural, socio political, and economic reality, did we succeed.

It is with these insights and background that I approach development.

### Development "to", "for", "with" or .....?

The first lesson I have learned about development, which in many ways is also the most important, is that the only effective and sustainable development approach is to help people to effectively control and carry out their own devel-

opment. For too long, development and those engaged in this work have patterned their efforts on a foundation of “knowing best what another needs.” This is not unlike the old colonial approach to conquered nations where the foreign power adopts a “know it all” approach to colonies. I would characterize this approach as a combination of superiority, arrogance, ignorance, and an unwillingness to listen and learn from others. The result is that the development organization or individual tries to “do development to” those they perceive as needing it.

### “Expert” Development Model

In the more modern Development Arena the first approach often adopted is one in which the development organization or individual tries to “do development for” those they perceive as needing it. This approach is often taken because of the belief that the client in need of development cannot “do” it as effectively for themselves as the so-called development specialist can. This in turn results in an invalidation of the client and the client’s abilities. Furthermore, it results in the development organization or individual missing out on the opportunity of helping the client to help themselves. This is an essential requirement for all development work.

### "Expert" Development Model

#### Box 1

Doing development “for” the country

- uses an “expert” modus operandi
- does things on behalf of the country
- pays some attention to what stakeholders think, but does not trust them to do things right
- knows best what is needed
- takes over development tasks — in the interest of effectiveness and efficiency
- does not build stakeholder capacity

### Partnership Development Model

A second approach, which is less often adopted, is one in which the development organization or individual tries to “do development with” those perceived as needing development. This approach is one of partnership, and leads to more effective and sustained results. Such an approach provides opportunities for developers to assist clients in building capacity to enable them to carry out their own development in the future.

### "Partnership" Development Model

#### Box 2

Doing development “with” the country

- uses a partnership approach
- works with stakeholders jointly assisting with development
- trusts stakeholders and values their ideas and thinking
- maintains dependency on the team for success
- achieves some capacity building

### Empowerment Development Model

Finally, the third and most effective sustainable model is for the development organization or individual to “assist the client to do their own development.” This approach and that of partnership have begun to become more popular in recent years. This is a result of the increased emphasis on participatory approaches to development, and a broadening of the consultative process to engage more stakeholders in development. The latter helps discussions welcoming their inputs.

*The international community needs to come to [Africa's] assistance ...not with pre-conceived formulas and attitudes of 'We know what is best,' But in a spirit of partnership dedicated to helping Africa to stand*

*on its own feet and contribute to the enrichment of human life and protection of the environment.*

Isaias Afwerki, President of Eritrea.

**“Empowerment” Development Model  
Box 3**

- Assisting the country to do its own development
- uses an empowerment approach
  - listens to, and validates stakeholder ideas
  - builds on these ideas, as appropriate, using a Socratic Method
  - works at a pace dictated by stakeholders
  - emphasizes capacity building at all times

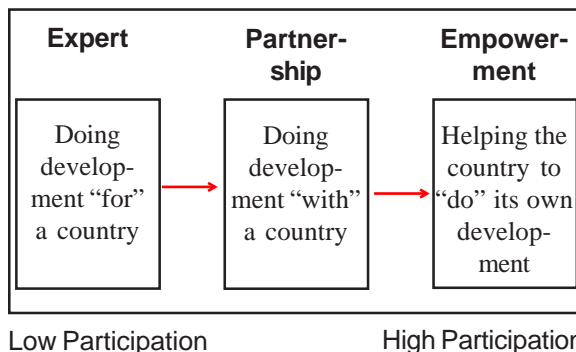
*“There is no 'right' way of doing development, but many different ways. In addressing the global poverty challenge, we must pay attention to the people whom poverty reduction is intended to benefit. Poor people are not liabilities, but assets. We have to invest in them, and empower them. Development must not be done to them, but by them.”*

Mr. James D. Wolfensohn, Former President, The World Bank.<sup>1</sup>

**Development Models - A Continuum**

When viewed as a continuum, these three Development Models appear as follows:

**Development Models - A Continuum**



**Figure 1**

**Three Important Premises**

Before embarking on my understanding of development and illustrating this with my New Development Paradigm, I must first address and explain three important premises that influence my thinking.

**Interdependency of Nations**

My first premise is that development experts tend to view the world as made up of two kinds of nations, independent or lenders on one side, and dependent or borrowers on the other. The development literature is awash with terms such as: developed countries, and developing countries; first world and third world; lenders and borrowers; North and South; Western and Non western; independent and dependent nations. All these terms and descriptions are based on a polarized version of the world. Yet! I believe this is a view of yesterday's nations. With globalization and the spread of information technology and glo-

<sup>1</sup> Quotation from Mr. Wolfensohn’s speech “A New Compact to Meet the Challenge of Global Poverty” presented at The Third United Nations Conference on the Least Developed Countries, Brussels, Belgium, May 14, 2001

bal markets, no nation can stand alone in the world today. All nations are interdependent, which best describes today's internationality.

***“In an interdependent world, we must recognize that fighting poverty is a challenge that affects us all. Never before has there been such broad consensus about what needs to be done to reduce poverty. We have the resources and we have the knowledge.”***<sup>2</sup>

Thus, as long as we see the world as made up of two kinds of nations, independent or lenders on one side, and dependent and borrowers on the other side, we are not viewing the world as it really is. However, there are good reasons for countries, international aid organizations and individuals to persist with this outdated view, for it gives them the false sense of security of feeling better off and dominant over others. But! Is this not another form of development colonialism? Perhaps it is from this perspective of nations that it is so difficult for development to thrive and achieve sustainability! Is this why it is so hard for development to ever hope to be done in partnership or through empowerment models, when these approaches so clearly contradict and challenge the very concept of superiority of the rich countries, international aid organizations and individual experts?

***“Now, we must show that we also have the commitment to make globalization work for all. It is time to forge a new compact between rich and poor countries, in which each does their part. It is time to recognize that we sink or swim together.”***

*Mr. James D. Wolfensohn, Former President, The World Bank.*<sup>3</sup>

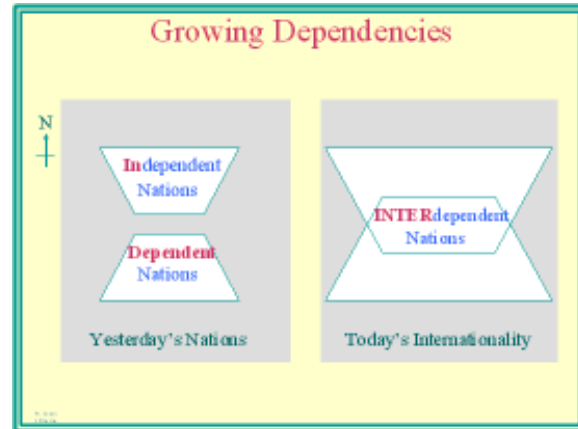


Figure 2

### Getting the Economics Right is not enough for Development

The second premise is based on the development models that prevail, even today in the literature. These are primarily economic models of development. The underlying assumption is, but rarely stated explicitly, that if we can get the economics right in a country, then everything else will follow. But! What country can we point to for such an example? If this premise were true, then the economically rich countries would have solved all their development problems. Have they? I think not, when I look at the rise in crime, the alienation of peoples and ethnic groups, the lack of spirituality, the moral decline, and the ethical abuses of those in power across all the rich nations of the world. This is not said to paint a picture of doom and gloom. Rather, it is to point

<sup>2</sup> Quotation from Mr. Wolfensohn's speech "A New Compact to Meet the Challenge of Global Poverty" presented at The Third United Nations Conference on the Least Developed Countries, Brussels, Belgium, May 14, 2001.

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out the fallacy of any singular model of development, such as the dominant economic one that prevails in the thinking of many development workers worldwide.

I believe that within the development community there is a growing recognition of the need to expand our thinking about development and add some other dimensions. Two in particular have been given new significance in recent years. The first is the importance of a political dimension. The growing importance of governance and anticorruption projects is testimony to this new awareness. The spread of democracy, in its many forms, is also perceived by many as critical to any sustainable development agenda. The second, is the importance given to participation, and in particular, community participation, in development projects. This is the result of a growing recognition that development cannot be imposed from outside or from a top-down approach, but must involve people and communities in their own development.

*“Development assistance is not a handout, but an investment in global peace and prosperity, health and security. It is time that rich countries recognized it as such; that recognition could turn the tide toward achieving the international development goals.”*

Mr. James D. Wolfensohn, Former President, The World Bank.<sup>4</sup>

### Quantitative and Qualitative Elements Needed

Finally, the third premise is that any effective and sustainable Development Model must include both quantitative and qualitative elements. These are illustrated in the following diagram. Quantitative elements include economics, politics, and social dimensions while qualitative elements include culture, morals, and spirituality.

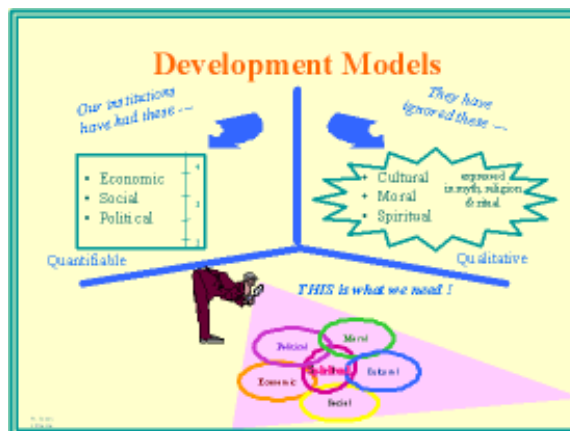


Figure 3

### A New Development Paradigm

Building on these developments and recognizing the need for a more inclusive and rich development model, I have come up with six key components that are essential to development. This is not to say that these six are comprehensive, rather it is to say that they are essential. Others may argue for including other components, and I may well agree. But! For the purpose of this Paper and in order to keep things relatively simple, I will settle for six components. These six components are:

- Economic**
- Political**
- Moral**
- Cultural**
- Social**
- Spiritual**

<sup>4</sup> Quotation from Mr. Wolfensohn’s speech “A New Compact to Meet the Challenge of Global Poverty” presented at The Third United Nations Conference on the Least Developed Countries, Brussels, Belgium, May 14, 2001.

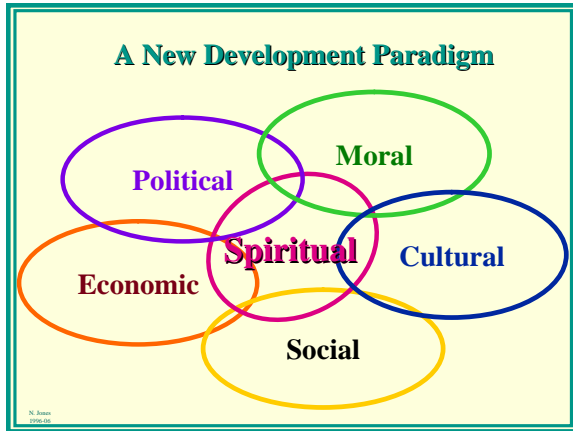


Figure 4

The challenge to the development community is to combine these quantitative and qualitative components in a single development model. I believe that for too long development has been the prerogative of the quantifiable sciences of economics and finance. Improved/enhanced Quality of life, an aspiration of all development workers, is also predicated on qualitative components.

### The Aim of Development

The dominant aim of development today seems to be the reduction or elimination of poverty in the world. This is expressed clearly in the Mission statement of the World Bank, the premier development institution in the world.

### What is the World Bank's Dream?

*Our dream is a world free of poverty*

### Our Mission

To fight poverty with passion and professionalism for lasting results. To help people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors. To be an excellent institution able to attract, excite, and nurture diverse and committed staff

with exceptional skills who know how to listen and learn.

### Our Principles

Client centered, working in partnership, accountable for quality results, dedicated to financial integrity and cost-effectiveness, inspired and innovative.

### Our Values

Personal honesty, integrity, commitment; working together in teams - with openness and trust; empowering others and respecting differences; encouraging risk-taking and responsibility; enjoying our work and our families.

In attempting to examine this notion of poverty, against the six components identified above, I define poverty as follows.

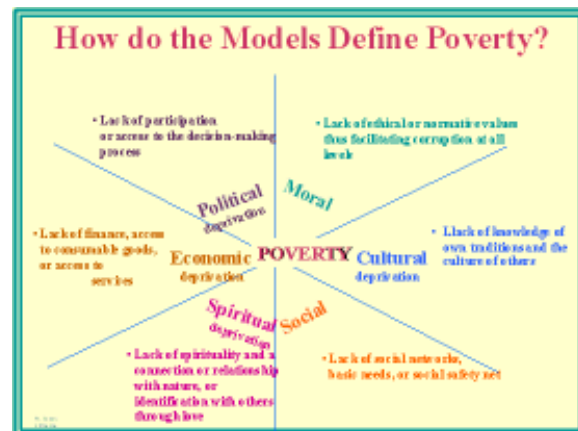


Figure 5

### Economic Poverty

Economic poverty can be described as a lack of finance, access to consumable goods, or access to services. The poor are often unable to avail of needed services for health, nutrition, education, security, or welfare due to lack of financial resources. They lack discretionary income and are thus forced to live in a subsistence environment.

### Cultural Poverty

Cultural poverty can be described as a lack of knowledge of one's own culture and traditions, and the culture of others. The poor are often marginalized and cut off from their own cultural heritage.

### Moral Poverty

Moral poverty can be described as a lack of ethical or normative values thus facilitating corruption at all levels. The poor live in an environment where there are different rules for the rich and the poor, thus creating further divisions and gaps between people.

### Social Poverty

Social poverty can be described as a lack of social networks, basic needs, or social safety nets. The poor are unable to access or avail of government subsidies, or assistance due to being socially disenfranchised.

### Political Poverty

Political poverty can be described as a lack of participation or access to the decision-making process. The poor often don't have access to or a right to vote, thus are unable to change the government structures impacting on their lives.

### Spiritual Poverty

Spirituality poverty can be described as a lack of spirituality and a connection or relationship with nature, or identification with others through love. The poor don't have access to any spiritual leaders or places of worship. They often fear reprisal for holding particular beliefs.

If one views *Poverty* through the lens/perspective of any one of these six variables, there is

a strong likelihood that the particular lens used will block the view from other perspectives. Thus, if one looks at poverty through an economic lens, one only sees the economic side of poverty and not all the other five perspectives.



Figure 6

Similar results come out with other lens, except when *Poverty* is viewed through the lens of Spirituality. It is only then that one can see the inter-connections between these six variables. Looking through any of the other lenses tends to block out the other variables. The reason why the **Spiritual** lens is so transparent and provides such a good perspective on the inter-relatedness of all six variables is that Spirituality is, by its definition, limitless and unbounded, both in quantitative and qualitative ways.



Figure 7



## Wealth Defined

In a similar manner, I attempt to define wealth along these same six variables.

### Economic Wealth

Economic wealth can be described as having sufficient finance, together with the consumption of goods and services. People have the ability to avail of needed services for health, nutrition, education, security, or welfare. They have discretionary income and are thus able to choose how to spend their money and live beyond the poverty line.

### Cultural Wealth

Cultural wealth can be described as the historical accumulation of experience based on tradition which is transmitted through generations and knowledge of others' cultures. People are thus connected to their own cultural heritage.

### Moral Wealth

Moral wealth can be described as society and community acceptance of ethical and social norms of behavior, and laws enacted to protect society and the individual. People thus live in an environment where there is equality for all peoples and equity in the eyes of the law.

### Social Wealth

Social wealth can be described as a connection to work and social networks, kinship, family, and community. People are thus able to access and avail of government subsidies, or assistance as needed.

### Political Wealth

Political wealth can be described as having access to, and awareness of the country's decision-making process. People have access to or a right to vote, thus being able to change the government structures impacting on their lives.

### Spiritual Wealth

Spiritual wealth can be described as having a deep understanding of human life, the importance of relationships with others and connecting with nature and all that this entails. People have access to preferred spiritual leaders or places of worship. They don't fear reprisal for holding particular beliefs.

If one views *Wealth* through the lens/perspective of any one of these six variables, there is a strong likelihood that the particular lens used will block the view from other perspectives. Thus, if one looks at *Wealth* through an economic lens, one only sees the economic side of wealth and not all the other five perspectives.

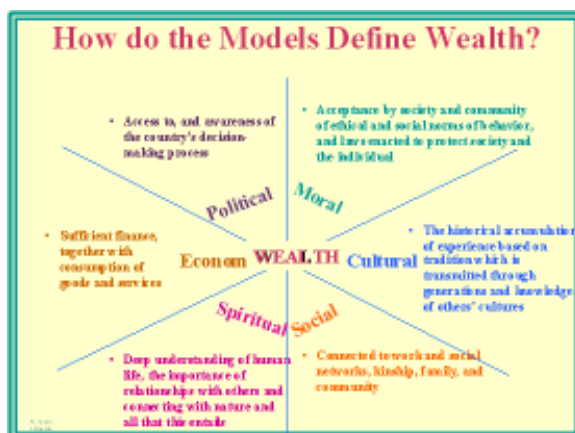


Figure 8

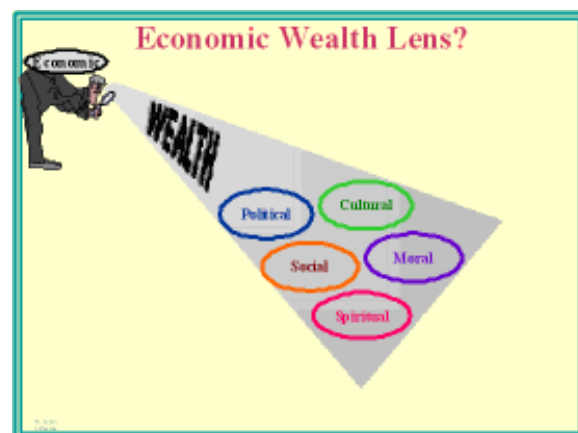


Figure 9

Similar results come out with other lens, except when **Wealth** is viewed through the lens of Spirituality. It is only then that one can see the inter-connections between these six variables. Looking through any of the other lenses tends to block out the other variables. Again, the reason why the **Spiritual** lens is so transparent and provides such a good perspective on the inter-relatedness of all six variables is that Spirituality is, by its definition, limitless and unbounded, both in quantitative and qualitative ways.



Figure 10

### Equity Defined

Finally, if we were to reduce or eliminate poverty and create wealth in the world, then what would equity look like? Here I attempt to define equity in terms of the same six variables.

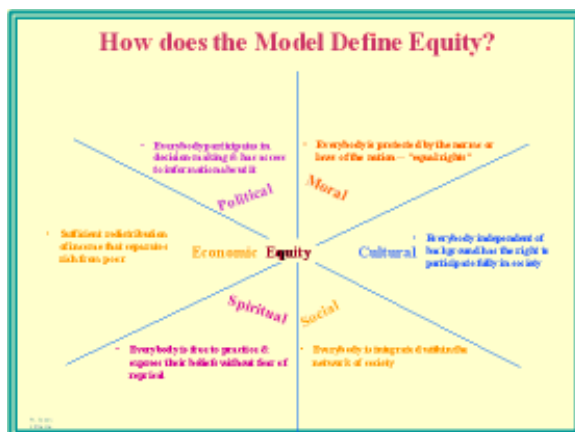


Figure 11

Economic equity can be described as the sufficient redistribution of income that separates rich from poor. People have the ability to avail of needed services for health, nutrition, education, security, or welfare. People have discretionary income available and are thus able to choose how to spend their money and live beyond poverty.

### Cultural Equity

Cultural equity can be described as everybody independent of background having the right to participate fully in society. People are connected to their own cultural heritage and free to engage in and manifest their culture equally with others.

### Moral Equity

Moral equity can be described as everybody being protected by the norms or laws of the nation, having "equal rights." People thus live in a society where everyone's rights are enshrined in the constitution and protected under the law.

### Social Equity

Social equity can be described as everybody being integrated within the network of society. People are thus able to access and avail of government support on an equal basis with others.

### Political Equity

Political equity can be described as everybody being able to participate in decision-making and has access to information about it. People have access to and a right to vote, on an equal footing with others in society.

### Spiritual Equity

Spiritual equity can be described as everybody being free to practice & express their beliefs without fear of reprisal. People live in a society that is tolerant of different belief systems.

If one views **Equity** through the lens/perspective of any one of these six variables, there is

a strong likelihood that the particular lens used will block the view from other perspectives. Thus, if one looks at *Equity* through an economic lens, one only sees the economic side of equity and not all the other five perspectives.

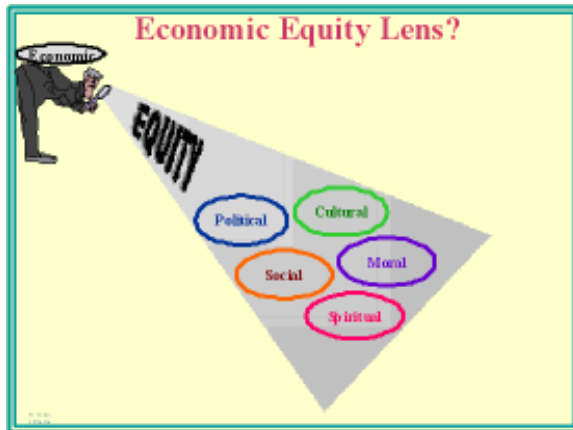


Figure 12

Similar results come out with other lens, except when *Equity* is viewed through the lens of Spirituality. It is only then that one can see the inter-connections between these six variables. Looking through any of the other lenses tends to block out the other variables. Again, the reason for this is as described before.

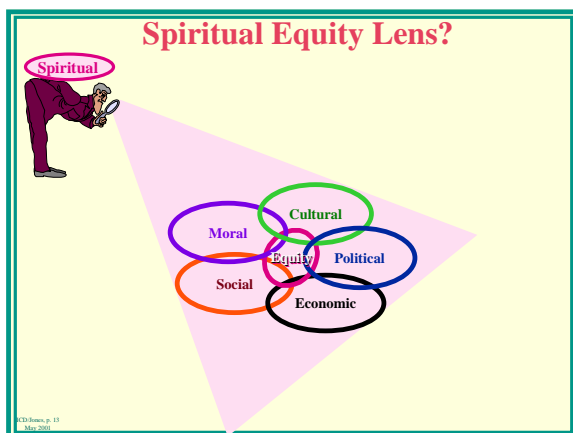


Figure 13

### In Summary

If one examines what Development would look like in terms of Equity or the *Sharing of Wealth*, on all six variables, one would see that the result can lead to: **Economic Sustainability, Political Participation, Social Integration, Cultural Creativity, Moral Protection, and Spiritual Experience Enhancement.** This type of Development can truly be seen as sustainable, and is what most countries are seeking in today's globalized world. This definition or description of development is made up of all six variables and is both quantitative and qualitative. It is also far more interesting and rewarding for countries and their peoples than the economic definitions that prevail today. The following diagram illustrates what this type of development would look like.



Figure 14

### Implications of this Alternative Development Model

The recent economic development crises, at the end of the last century, in many South East Asian countries, Russia, Mexico and Brazil, have again pointed to the fragility and inadequacy of current economic development models. Prior to entering the European Monetary Union (EMU) there were many economic debates throughout EU member countries as to its feasibility, and

whether they should become part of the EMU. In the end 12 of the 15 EU countries joined the EMU in January 2002 believing it would be in their long-term interests. Others, like the UK decided not to join, believing that its Sterling currency was strong, well established in world currency markets and did not wish to risk any potential erosion of their currency position. The debate about EMU membership continues today in such countries as the UK and Denmark, together with the 10 recent (May 1, 2004) EU Accession Countries.

Many countries in transition from former centralized economies to more market oriented economies, such as those of Eastern Europe, Russia, Former Soviet Republics, China, Cambodia, Laos and Mongolia, to name a few, are also faced with the choice of what Development Model to follow at this point in their history. Do they follow the US Capitalist and Free Market Model, the Western European Social Welfare

Model, or should they try to capitalize on their own strengths and history and opt for a more holistic Development Model as proposed here?

There is a growing need for African and Latin American countries who have recently embraced democracy, to choose which Development Model that best suits their unique circumstances.

The Alternative Development Model proposed above, permits countries to build on what they already have - and construct a development agenda that encompasses and benefits from their unique economic, political, cultural, moral, social and spiritual heritage. This development approach has the advantage of being both holistic, being unique to each individual country, and builds on what has brought the country to this stage of its history. It is thus more likely to be successful than importing or adapting a development Model from outside. There is no one development model that fits all countries.