

Summer 2009

Response to Kanbur - 2

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Recommended Citation

Damon, Amy (2009) "Response to Kanbur - 2," *Macalester International*: Vol. 24, Article 10.
Available at: <http://digitalcommons.macalester.edu/macintl/vol24/iss1/10>

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Response

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Economic development theory and practice have been both highly contentious and vigorously debated over the past several decades. The debate ignites passion from civil society, academics, development professionals, communities in the Global South, and owners of global capital, all of whom, at times, disagree as to how to reduce global poverty, decrease inequality, and promote the equitable distribution of resources. For many years, development professionals have been looking for a “magic bullet” to achieve poverty reduction. Some serious candidates include international trade, foreign aid, and economic growth, or a combination of the three. However, after more than a half a century of effort, almost half the world still lives on less than \$2.50 per day, and stark inequality and poverty persist.

Professor Ravi Kanbur elegantly maps the evolution of development debates from the Second World War to the present, highlighting the formulation and discourse of economic development by multilateral development banks, policymaking elites, and those whom Kanbur refers to as “Ministry of Finance types.” In Section II, Kanbur takes up the origin and evolution of the meanings of the term “Washington Consensus.” He suggests that the original formulation of the Washington Consensus, as defined by John Williamson, was broader than its current meaning, initially including a reallocation of resources away from non-merit subsidies and toward pro-poor services like health care, education, and infrastructure. He recognizes, however, that the term Washington Consensus became shorthand for a set of neo-liberal economic policies adopted in the 1980s and 1990s, which became a focal point for those strongly critical of the development establishment. Those critics are characterized by Kanbur as “leftist,” “statist,” or others opposed to neo-liberal development policies. The author correctly asserts that the Washington Consensus became more about the outcomes of its policies, rather than the content of the original document. He suggests that people on both sides of the Washington Consensus debate became polarized and less nuanced because of the vigor of the development debate.

In Section III, Kanbur provides a brief history of development over the past sixty years, situating economic policies on a neo-liberal versus non-neo-liberal continuum. He suggests that the policy focus shifted

during this time period from a statist approach, which co-existed with the inception of the World Bank, to an approach focused on economic growth and globalization. Kanbur posits that the reason for this shift came in the 1960s and 1970s, when people observed that economic growth, along with improved equity in East Asia, had a significant impact on poverty. Observing this experience, the development profession began to refocus on the importance of growth and trade liberalization. This set the stage for the 1980s, when the debt crisis experienced by many countries encouraged a focus on export-led development and trade liberalization to generate foreign exchange. During that era and continuing today, many view economic growth via trade liberalization as the most effective means to reduce poverty. Kanbur describes the tide of policymaking during the 1980s and 1990s moving toward those who believed in the Washington Consensus. However, he notes that the challenges brought about by this consensus appeared quickly. He explores five examples of these challenges, citing the East Asia financial crisis of 1997; the disastrous experience of most transition countries in Eastern Europe; countries in Africa and Latin America that followed the prescribed development path yet failed to see the results; the rapid growth of India and China, which did not follow this prescription; and the rise in inequality within rapidly growing countries. He argues that examples such as these have led to a rethinking of economic development discourse, possibly leading to the emergence of a new consensus.

Kanbur argues that through an accumulation of facts “on the ground” and increasingly vocal criticism from opposition groups in civil society, the perspective from inside elite development policy circles began to shift away from the staunch defense of capital-account and trade liberalization to an increasing focus on the impact of growth, distribution, and direct interventions to mitigate the worst outcomes of poverty and rising inequality. This new perspective is reflected in the wide adoption of development programs such as conditional cash transfer programs and the Millennium Development Goals, and also by the Growth Commission report, which Kanbur claims back down from the certainties of the virtues of trade and export-driven development toward a more distribution-focused agenda. Some have suggested that this shift away from trade and growth toward a broad set of policy goals has led to a “Washington Confusion.”

Kanbur suggests in his concluding comments that the transformation of the Washington Consensus to the Washington Confusion may be exactly the transformation we need for a more open dialogue about development options in general. I could not agree more. In this section, I will build on Kanbur's idea that the Washington Confusion presents opportunities for improved development practices. Before an exploration of the Washington Confusion, the formation of a development *problematique* warrants discussion. In order for development to be conceptualized, a necessary dichotomy must be defined between the developers and those that need to be developed. In the case of the post-World War II paradigm, the process of development necessitated a categorization of countries into "developed" and "developing," which closely mirrored patterns of colonization. A critic of development, Latouche states:

The newly independent states were caught in insoluble contradictions. They could neither disregard development nor carry it out. They could, consequently, neither refuse to provide nor succeed in providing all that is necessary to modernization: education, medicine, justice, administration, technology... . Though theoretically reproducible development is not universalizable. First for ecological reasons: the limits of the planet would make the generalization of the American way of life disastrous and impossible.¹

Yet another development critic further defines the development dichotomy:

Development discourse wishes to present itself as a detached center of rationality and intelligence. The relationships between West and non-West will be constructed in these terms. The West possesses the expertise, technology and management skills that the non-West is lacking. This is what has caused the problems of the non-West.²

The construction of a classification that places nations into the developing or developed country category is useful in the process of development, primarily through example. In a developed country, we see an example of an end goal: what should be. Further, the narrative of development suggests that the gap between developed and devel-

opening countries can be bridged through a development “process” that moves a country along a development trajectory.

Throughout the historical perspective of economic development provided by Kanbur there is an underlying assumption of the existence of a development trajectory. The idea of a development trajectory, or a development path, is appealing because it implies that there is a formula for economic development, and—if it is applied appropriately—a country, community, or household will move down a path toward the defined end goal, be it better education, economic growth, reduced poverty, etc. The statist, in the post-Second World War development era, believed that this development trajectory could be achieved by heavy government intervention through price supports and subsidies. The Washington Consensus believed that this trajectory could be achieved through trade and capital account liberalization, reduction of state market intervention, and globalization. Still further, I would argue that while the current focus on redistribution, poverty reduction, and growth may be a closer compromise between statist and neo-liberals, it still subscribes to a development trajectory.

This critique of a development trajectory model by no means intends to reject the virtuous end goals of development. Surely we cannot ignore the masses of hungry people, poorly distributed resources, and lack of access to health care, sanitation, and other services. Debraj Ray takes a more moderate approach in defining development by suggesting:

No one in their right mind would ever suggest that economic development be identified, in a definitional sense, with the level of growth of per capita income. It is perhaps universally accepted that development is not just about income, although income has a great deal to do with it. This means, in particular, that development is also the removal of poverty and undernutrition: it is an increase in life expectancy; it is access to sanitation, clean drinking water, and health services; it is the reduction of infant mortality; it is increased access to knowledge and schooling, and literacy in particular.³

The transition from the Washington Consensus to the Washington Confusion provides, if not a means to deconstruct a development path, then an opening to question its uniform application across cultural, political, and ecological contexts. In addition, the Washington Confusion represents a weakness in the ideological fortress represented in the Washington Consensus. It provides an opportunity for diverse per-

spectives to be included in the future development projects born out of the new politics of the Washington development machine. The next section explores the process and potential impact of the democratization process.

Both statist and neo-liberals subscribe to some notion of a development path leading to a certain set of development goals. Kanbur does not divulge his own thoughts about the end goals of development. It seems that capital accumulation and the globalization of this accumulated capital in order to achieve an end goal of Western-defined living standards is an inherent feature of the development discourse presented throughout his essay. Yet the current Washington Confusion leaves the door open to debate questions such as: What are development policy objectives and who should identify them? How does the debate around development activities address or even define these aims? Unfortunately, the Washington Confusion only represents increasing heterogeneity on the process of development itself.

To effectively implement a truly heterogeneous and disaggregated development approach, the end goals of development should reflect this same heterogeneity. They should be defined by the “objects” of development themselves: the states, communities, and households that suffer from unacceptably low living standards. It is only with the redefinition of development goals, which reflect the diversity of the “underdeveloped” communities, that we can achieve a stable heterogeneous development system.

How can a development discourse evolve to include these voices and legitimize the articulated needs of this constituency? In other words, how do we democratize development such that the discourse is debated outside the political spectrum of both the “Left” and “Right”? Genuine progressive development reform will come through the generation of a mechanism that provides an aggregate picture of the collective wants and needs of diverse global communities.

In Kanbur’s historical review of the shifting development discourse, little is discussed about the underlying power dynamics that create ownership within the system. The development industry described by Kanbur firmly leaves control of the development paradigm in the hands of development professionals in multilateral banks, “Ministry of Finance types,” and other development elites, who respond slowly

to failed policies and external criticism. The evolution of development discourse took years to shift and only responded because of the willing acceptance of development elites. Given this slow, almost bureaucratic response, we are left with the collective challenge of creating a system that can be continually updated to reflect a broad set of opinions and that can effectively respond to the needs of a constantly shifting and extremely diverse constituency.

It is such an old argument that it almost sounds cliché: Give communities a voice in decision making about their own development through “participatory development.” The implementation of this concept has been spotty, at times paternalistic, and generally not very effective. The institutional development structures in place are too entrenched in a power structure that replicates historical ones, and perpetuates supply side development interventions. The industry creates goals and programs to meet these goals, presents these programs and goals to communities and states, and then asks for them to be partners in these goals.

I would argue that we need a different set of goals. Development agencies should institute a set of goals for their own internal transformation that fundamentally devolves decision-making power to the people they are trying to assist. This devolution would help to transform the development process into a truly demand-driven industry. In doing so, developing states would then be able to communicate their preferences and unique development goals, and work with funding agencies to meet them.

Development agencies should organize around the question of how, ultimately, do we democratize development? They should examine the communication structures that allow communities to decide on development projects and ultimately have veto power. For example, we could invest in new technologies that allow better information and more inclusion in the development process, from the individual to the development agency. To illustrate, let’s say a community identifies a problem involving water sanitation. The community decides that it needs funding for a new sanitation system, including a well and a sewer system. The community or state takes bids from different development agencies and then decides which is best equipped to handle such a project. Community members could receive current information about the bidding process and even vote, using cell phone technology, on different projects.

Kanbur describes the emergence of a new consensus, which has responded to the criticisms of the Washington Consensus and the evidence of its failures. The newly emerging consensus, as Kanbur indicates, is reflected in the Growth Commission report. It acknowledges the inability to design development policies that work across country contexts. It also maintains that distributional concerns are central, and that improved education, health, and the environment should be integral to any development policy. However, even with a shift in development rhetoric, current international development programs continue to replicate historical power relationships, uniformity in development policy and program implementation, and the notion that there is a prescribed set of steps that will achieve the elusive quest for development. This section critically examines Millennium Development Goals, the Millennium Challenge Account, to see if these “new” programs represent a new generation of development projects or more of the same old business.

In September 2000, the United Nations hosted the largest gathering of heads of state. They unanimously adopted a set of goals in line with the new consensus on development. Goals were set in eight areas to reduce poverty, child mortality, and disease; increase levels of education, gender equality, maternal health, and environmental stewardship; and improve global partnerships. By all accounts these goals exhibit a reoriented perspective toward generally accepted measures of improved livelihoods. The architects of the Millennium Development Goals (MDGs) apparently did not learn from the failure of the one-size-fits-all policies of the 1980s and set targets that can in no way be universally achieved. Additionally, some countries are striving to accomplish these goals without addressing the fundamental structural conditions that underpin many of the problems. In essence, the MDGs have become a new rallying cry for increased foreign aid and a new push for economic growth.

This model is problematic for several reasons. First, although the structural mechanisms that create conditions of poverty and inequality are still in place, the goals are to be met through a massive uptick in foreign aid, greater trade access, and debt reduction. Regrettably, none of these mechanisms, meant to facilitate achievement of the MDGs,

addresses underlying institutional and structural problems, which are highly heterogeneous across countries. It has been suggested that \$50 billion more a year in aid will achieve the MDGs.⁴ However, the focus on aid misses the point.

The critique presented in this essay questions the method of setting universal development goals across the board for all countries, regardless of context. Under the new development consensus, recognizing the importance of more “human development” goals still misses the point. The MDGs set most countries on a path to failure. These goals universally call for halving poverty across the board, but the multiplicity of reasons why poverty exists goes unaddressed. The goals fail to acknowledge the agency of individuals, communities, and states in their own process of development, but rather present an arbitrary set of goals that everyone ought to achieve. Furthermore, these goals are difficult to contest. Who, after all, would argue against improved maternal health care or better education? But again, this is not the point. The question is why have individual countries not set their own goals according to their own preferences? In addition, if foreign aid is needed to run such programs, why not set up funds to support self-determined development efforts?

In an effort to target foreign aid toward the achievement of the MDGs, the United States has set up the Millennium Challenge Account, administered by the Millennium Challenge Corporation (MCC). This new development agency will attempt to direct United States’ development assistance to countries that achieve a set of performance indicators. These indicators include features of governance, such as political rights, civil liberties, and government effectiveness; human development measures, such as health and education expenditures, immunization rates, etc.; and facets of economic freedom, such as regulatory quality, land rights and access, fiscal policy, and inflation policy.

The achievement of certain standards within these criteria allows a country to be eligible for MCC assistance. MCC takes the process of external goals one step further by making aid to achieve the MDGs contingent upon the achievement of yet another set of goals. This process is a stark example of how the implementation of the so-called new consensus is more business as usual. The functioning of the MCC does nothing to devolve power or agency to the objects of develop-

ment themselves. Instead, it adds another layer of power held by, in this case, the United States, by allowing it to determine who gets the money and for what reasons.

This response comments on Professor Kanbur's essay describing the development debate over the past half century and builds on several concluding points by the author. Specifically, the response further elaborates upon Kanbur's optimism about the evolution of the Washington Consensus to the Washington Confusion. It explores the importance of democratizing development and discusses the problems inherent in universal development goals. The Millennium Development Goals and the Millennium Challenge Account are used as examples of the perpetuation of the development paradigm under the new Washington Confusion.

I conclude that more innovative thinking is needed to develop a set of mechanisms that truly devolves the power structure of the development process to its constituents. We need creative ideas to address not just the enormous problems that currently exist, but to improve the *process* by which these problems are addressed.

Notes

1. Serge Latouche, "To be finished, once and for all, with development," *Le Monde Diplomatique* (May 2001).
2. Timothy Mitchell, "The Object of Development: America's Egypt," in *The Power of Development*, edited by Jonathan Crush (London: Routledge, 1995).
3. Depraj Ray, *Development Economics* (Princeton, N.J.: Princeton University Press, 1998).
4. Michael Clemens and Todd Moss, "Ghost of 0.7%: Origins and Relevance of the International Aid Target," *Working Papers* 68, Center for Global Development (2005).