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Article — Digitized Version

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Intereconomics

Suggested Citation: Hauser, Jürg (1974) : The background of the development crisis, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 09, Iss. 9, pp. 273-276,
<https://doi.org/10.1007/BF02929212>

This Version is available at:

<https://hdl.handle.net/10419/139073>

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are involved which depend on foreign markets with doubtful prospects for the disposal of their products and fail to fulfil original hopes for the creation of a large number of new jobs. As the relationship between the public and private sectors of the economy is often misunderstood, the development aid may be altogether in jeopardy because lack of security will shake foreign confidence and deter investors.

This brings us to the *sources of error*, but we do not want to gloss over the fact that we have had no more than a glimpse of the causes of failure of development aid. These sources are, as has been stressed, to be found on both sides but mainly in the human sphere. Mistakes in the granting and acceptance of aid can be due to differences of political and economic thinking. They can be the consequence of imperfect programmes which do not suit the conditions in the developing

country or lack balance and in particular of inadequate, wrongly structured or badly supervised financial arrangements. Although the governments of the developing countries may object to supervision of the use to which capital aid is applied, it is again and again found indispensable in the interest of *both sides*. Distrust is not a suitable basis for fruitful development aid.

Exaggerated Self-esteem among Responsible Leaders

Wrong training systems are another source of error. Broadly speaking, there are too many university graduates and too few well-trained specialists. This also applies to agriculture and the crafts connected with it. In many places the distributive system is inadequate; the importance of the local market is not appreciated. The same is true of the utilisation of domestic raw material sources and the mobilisation of indigenous financial resources. Tax systems require re-examination in the interests of social justice. Aid

must be supported by a wide-ranging inventory of *all* the essential economic facts in the developing country and its economic and development policies. This however is often not undertaken. It requires a suitable statistical apparatus, and in many countries this is also lacking. Mistakes about development opportunities can occur only too easily if one has to rely on estimates.

There is no need to stress how much depends on the co-operation of competent government quarters and their compliance with reasonable suggestions by the aid donor. Here however exist particular sources of error due in the final analysis to an exaggerated view of their own abilities and an urge for prestige on the part of men in responsible positions who are often without the necessary specialised qualifications. There are good grounds for anxiety about the future of development aid. The stand of the developing countries at the UN Conference on Raw Materials and Development has made it more acute.

² Cf., i.a., the remarks of the author in "Planungen in Entwicklungsländern" (Planning in developing countries), Berlin 1965, p. 220 ff.

The Background of the Development Crisis

by Dr Jürg A. Hauser, Zürich *

The background of the current development crisis is extremely complicated, involved and variegated but can on analysis be divided into two large, partly overlapping and in particular interacting causal complexes. One concerns the way in which the great social-technical changes which have brought power, independence from nature and an unprecedented material prosperity to the region of

our "western" civilisation were introduced into the "non-western" areas of civilisation. The other complex stems from the false concept underlying most of the development aid given until now, a concept which actually aggravated the adverse initial position created by the course of historic events. As a consequence we are now faced

with what today are commonly called the "cultural, socio-political and socio-economic problems of the Third World".

Consequences of the European Influence

The era during which the western civilisation came face to face with non-western civilisations can be roughly divided into three periods, a period of

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admiration, a period of domination, and a period of aid. The first phase during which amazement, awe and *admiration* were characteristic of the relationship with foreign civilisations soon gave way to the much longer lasting period of *domination*. Its features were the gradual, forcible integration of the other civilisations into the dynamised, growth-orientated economic system of the West, "colonialist" commerce, exploitation, oppression and unbalanced development, especially of the infrastructure. It was in this period that most of the non-western civilisations became acquainted with all the social-technical blessings of our civilisation — from fire-arms to modern medicine.

By the second world war however, if not earlier, it was clear that the European countries had squandered their title to political leadership. In order to maintain their own position they even had to call for what proved decisive support by the countries which they had kept in a state of colonial dependence. The vast colonial empires began slowly to disintegrate. The fruits of the Wilsonian peace ideology as well as the fundamentally anticolonial attitude of the USA and USSR strengthened the national element; the idea of independence gained ground, the "states' explosion" got under way, and there began a race for the favours of the poor countries. Progress, developing countries, technological transfer and development aid became familiar terms. There were signs of a commencing period of *aid*, a period with new means though its aims hardly differed from the old ideas and were still — consciously or unconsciously — directed at consolidating if not actually extending the domination of the northern centre of economic power over the marginal regions in the South.

Today it seems, especially in view of the growing general scarcity of resources, and in conjunction with the utter dependence of our economic system on imports of certain raw materials and the slowly spreading "OPEC syndrome", that a new phase is about to open. History alone can answer the question whether this new period will lead to mutual appreciation and perhaps even to a genuine partnership, or else to strong cartelisation by the rich against the poor part of the world with all the harsh, inhuman consequences which this would involve.

Europe's "Success"

The secret of the western success, the key to prosperity, material wealth and so far uncontested domination of the world stage, is the fact that the important, decisive and revolutionary social-technical changes (which in the following will be referred to as revolutions) in the West were the outcome of an endogenous development and, moreover, occurred in the most propitious sequence¹.

But when the same revolutionary changes were later transferred from the region of the western civilisation to the part of the world which is today described as the Third World (where it was consequently an exogenous element), they reached it — and this is the crucial point — in the worst possible, least favourable sequence.

There are various reasons why the non-western civilisations failed to offer successful resistance to the invasion of western ideas, forces and powers. The following five seem to me to be most important:

☐ The domination of the seas by the area of western civilisation which has continued without interruption since about 1500 A.D.

☐ The incontrovertible destruction of the non-European universal empires by western forces.

☐ The penetration or replacement, to varying degrees, of the native ruling political circles (with certain exceptions) by European powers.

☐ The slow disintegration of these states, powers and civilisations also as economically organised entities which, as time went on, made it more and more difficult for them to satisfy the vital needs of their populations.

☐ The tragic identity crises of most extra-European civilisations as a consequence of five centuries of continuous European expansion.

The "Revolutions" of the Western Civilisation

The "revolutionary process" and its progression in the area of the western civilisation are a matter of common knowledge. It began with the commercial revolution in the 12th century. There followed the transition to the revolution in the techniques of war in the 15th century, prominent features of which were the use of fire-arms and navigation (domination) on the oceans. The subsequent agricultural revolution (around 1700) achieved an increase in production and productivity through use of fertilisers which provided the food, labour and capital basis for the imminent industrial revolution (from about 1786). The medical revolution (which dates from the introduction of small-pox vaccination in 1796) lowered the mortality rates, slowly at first, but soon more rapidly, with the result of a revolution in population growth.

¹ For reasons of space the following, greatly generalised remarks are confined to an exposition of certain relations (and their repercussions) between the western and non-western civilisations. They thus do not deal with their causes and background. Although actuated by the example of Asia, they apply in principle also to Africa and Latin America.

The population explosion caused no chaos because thanks to the agricultural revolution there was enough food to sustain the larger population and thanks to industrialisation there was enough work and the wide open spaces of North America, Australia and the colonies were there to absorb a potential population surplus. The expectation of life increased steadily thanks to constant medical advances and the improvement in private and public hygiene.

The combined action of all these factors in turn provided labour, capital and materials and thereby made phenomenal advances possible in the sphere of transport and communications. The construction of railways and telegraph lines around the middle of the 19th century signalled the beginning of a revolution in transport and communications. And all these factors, the immense production capacities, the sum total of methodology, knowledge, understanding and ability, were available when the 20th century opened and resulted in a high degree of material well-being in the western society from which, in spite of inequalities of distribution, most sections of the population profited. As a consequence of these developments in their entirety the birth-rate began slowly to decline, thus conforming to the new (mortality) conditions.

Social-technical "Revolutions" in the Third World

Events in the so-called Third World followed an entirely different course. The first contact between the western and non-western civilisations had involved the use of arms — fire-arms. Without entering into a discussion of the instability of the various non-western systems at the time it may be said that the Europeans in each case introduced

at short intervals first the revolution in the techniques of war (in favour of the ruling upper circles which of course still remained inferior by far to the Europeans), next the commercial revolution, and later the revolution of transport and communications.

In each case the upper circles holding sway in the non-western civilisations (and/or the European merchants) contrived to subject the half-starved rural population to ever growing exploitation. Bad as matters stood when the European weaponry, trading companies and transport and communications had been introduced, the situation grew considerably worse towards the end of the 19th and especially in the beginning of the 20th century.

European medicine succeeded in lowering mortality rates also in these countries drastically, but it was neither desired nor even possible to lower the birth-rate as well. The result of this medical revolution was not slow in showing itself: it was a rapid increase in population which translated itself into a "population explosion" of unimagined proportions. Not so long ago the industrial revolution also began to spread into the Third World, following the latest western patterns. Predominantly capital-intensive, labour-saving production methods are being introduced here and there by western businessmen or by members of the rich upper sections of society:

☐ *Capital-intensive methods* in countries where capital is in short supply and has for the most part to be raised with foreign help (on interest);

☐ *Labour-saving methods* in countries whose only source of wealth is often the large number of workless people;

☐ *Industrial production* in countries which because of the pov-

erty of their inhabitants lack sufficient purchasing power and markets for their products where, moreover, 60–80 p.c. of the population are working the land by the most primitive methods (mostly for their own subsistence) and are poverty-stricken, uneducated and hence incapable of taking part in modern industrial production;

☐ *Production of industrial goods* in countries which cannot feed their growing population without further effort and still show the various symptoms of malnutrition in everyday life.

It is *tragic* that the population explosion took place before an agricultural revolution could provide the necessary food and capital (or income) basis, before an industrial revolution of the early-European, labour-intensive model had created job opportunities for the many millions of human beings. The population growth is continuing in spite of this; for in these traditionalist societies there has as yet been no such decline in the birth-rate as occurred in the area of western civilisation as an endogenous reaction to the trend of development.

Most recently, in the second half of the sixties, signs of a possible "agricultural revolution" have been discernible in a few countries of the Third World: the green revolution has attracted attention but its contribution to an improvement of the quality of the life of the millions is of course very dubious indeed.

The Wrong Development Aid Concept

This unfortunate situation has been sustained, accentuated and compounded over the last two or three decades. This happened not only because the tremendous increase in communications networks has carried the amenities of the western standard of living into the far-

these corners of the world (demonstration effect) and the large industrialised nations for political and economic reasons have begun to "care" for every developing country, but often because an entirely wrong development aid concept prevailed in the new aid period, a concept which furnishes sorry proof of the neglect of the multitude of interlocking factors which was often matched by complete ignorance about them. This wrong development aid concept rested in the main on three essentially inseparable elements:

☐ In the first place, we (in the "western" civilisation) have for a long enough time identified economic growth with economic development and this in turn with general development.

☐ Secondly, it was not (or not sufficiently) appreciated that the "development of the Third World" must not be regarded as a unilateral process but requires changes in social and economic structures on both sides and processes of adjustment to new, constantly changing conditions.

☐ Thirdly, we have failed to heed the fact that development aid in any form is primarily an encounter of civilisations. There was culpable neglect of the principle of the relativity of the concepts.

In other words, we have concentrated on (maximum) growth of the national economies in conformity with the western pattern and formalised this task by attempting to reach an annual growth of GNP by 5 p.c. without allowing for any major structural changes.

Problematic Growth Objectives

Economic growth — measured in terms of the increase in GNP during a certain period — signifies that there has been an increase in the production of goods and/or services. It does

not however give us any indication (let alone guarantee, perhaps by an "automatic" process) of a change in the composition of production, in the functional distribution of the means of production and/or personal incomes. Moreover, in promoting economic growth the emphasis was laid mainly on the transfer of western modes of action and thought. It was hardly ever asked what would be the social benefit.

The concentration on maximum rates of GNP growth was bound to result in a concentration of development efforts on the modern industrial sector. The most pressing problems of the Third World however, the problems of hunger, unemployment and underemployment, the blatantly unjust distribution of incomes, possessions and opportunities and the problem of the extremely rapid population growth, were neglected.

Economic growth is indeed a prerequisite for countries with a low level of production and a low standard of living but it is never an adequate motive for economic development. Provided the aim is really to develop the Third World on a basis of solidarity and partnership, it is also obvious that a *reorganisation of the relations* is most urgently needed, in particular in regard to the international division of labour and world trade.

Perhaps the least obvious cause of the crisis is the incompatibility of western value categories and ideologies with those of non-western civilisations and the consequent, hitherto inadequate understanding of western science for these civilisations. If the problems posed by the identity crisis of the developing countries are to disappear, if an "inward looking strategy" is to form a significant constituent part of an all-embracing development, our anthropocentrism (i.e.: our western view of the

relationship between man and nature which puts man entirely at the centre of our conception of the world) as well as our ethnocentrism (which views the white man as the standard of all things) must cease to dominate the scene. There are no *ratio universalis*, no universal *homo oeconomicus*. These are merely fictions born of fallacious generalisation.

A New Development Aid Strategy

This development strategy has so far prevented in most instances that the most important prerequisite of a development appropriate to a specific civilisation and adapted to the special conditions pertaining in each particular case was created. For it kept the bulk of the population from taking the cardinal step — the step from misery to human dignity even though this human dignity may to our minds still imply poverty.

This step would have at least the following three intrinsic and closely interrelated objectives:

☐ Easing of the absolute poverty to enable everyone to lead a life of mental and physical health. This demands primarily adequate food and housing and also an extension of the health services and improvement of public and private hygiene.

☐ Elimination or (to be more realistic) a reduction of unemployment and underemployment, and

☐ Mitigation of the excessive inequalities in incomes, possessions and opportunities.

These three elements must be supreme objectives of our development aid, of our relations with the Third World, if distrust is to disappear on both sides of the fence and the development crisis is to give way to positive development.