

**DEVELOPMENT, ECONOMIC DEVELOPMENT AND SUSTAINABLE
DEVELOPMENT WITH SPECIAL REFERENCE TO AFRICA**

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ABSTRACT

This paper analyses the thread that runs through from development through economic development to sustainable development. The concept of development is discussed to put the discussion of economic development and sustainable development on firm base. It identifies how economists select their area of analysis from the many and various scholars of development studies from social sciences. The paper argues that while opulence, which is the main focus of economic development is a good thing to achieve, it is not the ultimate aim of development. Sustainable development is the ultimate aim of development. In an effort for opulence there should be consideration for the capacity of the environment to sustain such economic efforts. These components of development are analysed mainly with reference to Africa although reference to other countries are made for comparative analysis. – JEL 01

1. INTRODUCTION

At the World Summit on Sustainable Development (WSSD) held in Durban, South Africa in 2002 the President of Zimbabwe said that he roars with the lions in his neighbourhood. Probably he meant to spite his enemies, notably, the Prime Minister of the United Kingdom (UK), Tony Blair if not the UK itself. But the fact that Zimbabwe is a signatory to the formation of the Limpopo Transfrontier Park may suggest that the President of Zimbabwe is committed to issues of sustainable development. This paper is an attempt to roar with the lions that constitute part of our biodiversity, that is, metaphorically looking at the analysis of sustainability of development as the ultimate focus of efforts at development.

This paper will first analyse the concept of development and proceed to analyse how economists analyse development from their own perspective. This constitutes the bulk of the analysis – for an economist this should be the case. This is followed by an effort to find the link between economic development and sustainable development.

2. DEVELOPMENT

Development is a process of moving from a position of lack of it, to the attainment of it. The process of developing is not always linear and there may be deviations, acceleration stagnation and lapses along the development path. Anand and Sen (2000) and Clark (2002) define human development as ‘the expansion of capabilities’. Development is studied by many disciplines such as Sociology and Anthropology. By its nature development can be studied from a myriad of perspectives. But what is the perspective held by economists?

3. ECONOMIC DEVELOPMENT

The main purpose of economic development is opulence or material wellbeing. The main focus of economic development is structural change and related socioeconomic phenomena. ‘An obvious reason for studying structural change is that it is at the center of modern economic growth. It is, therefore, an essential ingredient for describing the process and for the construction of any comprehensive theory of development. More important is the hypothesis that growth and structural change are strongly interrelated’ (Syrquin 1988: 208). It is as such the intention of this study to analyse how structural change can be managed to sustain growth and improve distribution because of the realisation that, for developing regions, growth may be necessary for income distribution.

There are those aspects of the transition which are common, universal or uniform to countries and regions which are regarded as developing. These are referred to in the literature as development phenomena or stylised facts. These are: sectoral shifts in factor

and product use, capital accumulation and socioeconomic processes such as urbanisation, the distribution of income and the demographic transition.

a. Accumulation

‘Accumulation refers to the use of resources to increase the productive capacity of an economy. Indicators of accumulation are rates of saving; investment in physical capital, in research and development, and in the development of human resources; and in investment in other public services which augment productivity’ (Syrquin 1988: 226). The share of saving and investment in gross domestic product (GDP) tends to increase phenomenally during the transition. Accumulation is a major feature of what is regarded as ‘developed’ countries and regions. It is the accumulation of mainly capital in its embracive form which forms the basis for development. Loayza, Schmidt-Hebbel and Serven (2000) in their study of saving from the 1970s that Africa’s rate of saving continues to be the lowest when compared with other regions. They report that ‘...on average East Asia more than 30 percent of gross national disposable income (GNDI), while Sub-Saharan Africa saves less than 15 percent’ Loayza and others 2000: 389). Developing regions are characterised by low capital-output and capital-labour ratios. Therefore capital deepening where there are abundant supplies of labour may enhance productivity and lead to higher per capita income. This is in essence the production function approach to development.

Investment in people, plant and equipment is characteristic of the accumulation process. The capital stock increases dramatically during the transition. As a result, both the capital labour and capital output ratios increase. The physical capital stock increases through net investment. ‘A necessary condition for exploiting the possibilities offered by technical progress is an increase offered by technical progress is an increase in the stock of machinery and equipment in which this technology is embodied, and the buildings and infrastructure in which they operate’ (Maddison 1991: 65).

Human capital formation is an indispensable part of capital formation. 'Expenditure on education, for instance, which may permanently enhance the earning capacity of individuals, as well as giving immediate satisfaction, must be regarded partly as investment expenditure (Thirlwall 1983: 119). Abramovitz (1991: 25) explains that: 'The level of education in a country, provided its content is modern, manifestly support the pace at which an economy can exploit the possibilities of technical advance. All forms of education count - scientific, technical, and other forms of professional training, as well as simple reading, writing and arithmetic'. Hence human capital formation is necessary to apply new advances in technology and knowledge and for legal, administrative and managerial skills. Human capital formation is approximated by making use of school enrolment. In Africa there is still a high incidence of illiteracy and those who are advantaged to get skills tend to migrate to the industrialised nations

b. Urbanisation and migration

Modern economic growth is also associated with urbanisation and urban organic growth. The urban nodes are the main focus of modern economic growth in terms of the attraction of large inflows of capital, labour and social overhead or infrastructure. Gunnar Myrdal's cumulative causation is often used to explain the divergence in growth between core (urban centres) and periphery or hinterland. As a result of cumulative causation the regions that gain initial advantages maintain their growth momentum at the expense of lagging regions. Agglomeration economies set in the favoured region and serve as a centripetal force for further growth. This process will continue until diseconomies scale, in the form mainly management problems, sets in. At point spontaneous decentralisation is likely to ensue. There is no consensus in the literature as to the optimal size of cities and as to the necessity or otherwise of government intervention.

Closely allied to Lewis's labour surplus model to the analysis of economic development is rural depopulation or rural-to-urban migration. 'Migration is the primary concept used to describe a change in the place of residence of an individual or group' (Mears 1997: 595). It is one of the stylised facts of economic development that as economies undergo

structural change, rural outmigration becomes a concomitant part of this process. Rural areas are drained of the young economically active part of the population. Explanations of this phenomenon in economics are based largely on Todaro's notion of the expected wage differential between the rural and urban centres. Thirlwall (1983: 107) explains that: 'The reason is that migration from the land is made to be a function not only of the actual urban-rural wage differential but also of the level of employment opportunity. More employment opportunities reduce unemployment immediately but encourage more migration.' As such it is often the case in developing economies that, whilst accumulation is phenomenal in the urban areas, employment opportunities are not sufficient for immigrants and residents. Therefore development policy may fail to reduce urban unemployment through high investments, which may call for policies which induce a reduction of outmigration from the rural hinterland such as rural development. Migration takes place within countries and between countries. International migration in Africa, in particular Sub-Saharan Africa has made certain net losers through emigration and others as hubs of immigration. In recent years many Zimbabweans have, legally and illegally migrated to South Africa following an economic meltdown in that country. Much of the migration in Africa is associated with political shocks such as civil wars and genocides. The Sudanese turmoil is a serious international problem which has displaced families and communities

c. Sectoral shifts

Sectoral shifts in terms of resource use and volume of production, are among the several stylised facts that are at the centre of the analysis of the transition. 'Major aspects of structural change include the shift away from agricultural to non-agricultural pursuits and, recently, away from industry to services; a change in the scale of productive units, and a related shift in personal enterprise to impersonal organization, with a corresponding change in the occupational status of labor' (Kuznets 1973: 248). As the structure of the economy changes the share of agriculture in income and employment declines. This is compensated by a rise in the manufacturing sector although the latter does not absorb labour to the same extent as is displaced by agriculture. The employment-creation

capacity of industry comes with a lag. Consequently less employment is generated in the urban-industrial sector than is expected. Hence open urban unemployment and the informal sector are often the result. Syrquin (1988: 241) suggests that ‘...the association of growth with a reallocation of economic activity away from agriculture is among the most robust of the stylized facts’.

Structural change also involves large changes in the structure of expenditure. The share of non-durable and semi-durable goods like food and clothing in consumption expenditure tends to decline whilst expenditure on luxuries and new products increase. Maddison (1991) explains that another feature of changes in structural expenditure is that the share of private consumption in gross domestic product (GDP) also tends to decline. ‘At low income levels, food consumption accounts for as much as 40 percent of GDP and total private consumption for about 75 percent. Over the whole transition both shares decline; food consumption by more 20 percent (of GDP) and total consumption by somewhat less. A rise in the shares of non-food consumption and investment implies a shift in demand away from agricultural goods and to industrial commodities ...’ (Syrquin 1988: 231). Both the low income elasticity and low price elasticity of food are attributable for this decline in the share of expenditure on this item. This is Engel’s law and appears to have universal applicability as a phenomenon of the transition. These changes in demand patterns affect output, which in turn has an effect on the structure of employment.

d. Institutional change

Structural change is also accompanied by institutional change. Secularisation is one of the main pillars of modern economic growth (Kuznets 1973). ‘Thanks to the Renaissance and the Enlightenment, Western science abandoned superstition, magic, subordination to religious authority, and circumscribed horizons’ (Maddison 1991: 55).) Attitudes towards accumulation and personal enrichment are influenced by the prevailing social institutions. ‘The same awareness, that behind the responsiveness of different societies to economic opportunity lie differences in motivation, institutions and forms of organisation

organisation has given rise to a large literature, some from the pens of economists, some from sociologists and anthropologists, that tries to deal with the deep-seated complexities of economic development below the level of growth accounting and its measurement of proximate sources' (Abromovitz 1995:21).

Institutional change is particularly relevant to issues of governance. Africa has a generally poor record of governance. Multilateral donor and funding agencies such as the World Bank demand good governance on the part of states that seek assistance. Kaufmann, Kraay and Mastruza (2004: 254) define governance as '...the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, the capacity of the government to formulate and implement sound policies, and the respect of citizens and the state for the institutions that govern economic and social interactions among them'. This informs the construction of governance indicators. Governance in Africa is generally poor. Corrupt, unaccountable, often undemocratic governments are generally the order of the day. Burger (2003) points out that the quality of governance impacts on economic growth.

e. Distribution

The relationship between income distribution and development is part of the research agenda of development economists (Adelman and Robinson 1989). It is a stylised fact of the transition emanating from studies by, amongst others, Kuznets, that income distribution worsens in the early stages of development with improvements ensuing as the process of development proceeds. This has given rise to the notion of a temporal U-shaped Kuznets curve of income distribution. Commentators argue that studies generally support the U-hypothesis. 'All these studies agree on one descriptive result: the initial phase of the development process, during which a mostly agrarian economy starts industrialization, is necessarily marked by substantial increases in the inequality of the distribution of income, with a sharply reduced share of income going to the poorest 20, 40, and 60 percent of the population. But there is controversy as to whether a decrease in inequality with development is inevitable (the U-hypothesis) or a matter of policy choice

(the J-hypothesis)' (Adelman and Robinson 1989: 958-9). The covariance between development and distribution is analysed to determine the degree of inequality

'There are several reasons for the earnings of middle-income and upper-income groups to rise more rapidly than of the poor in the early stages. Development involves a shift of population from the slow growing agricultural sector to the higher-income, more rapidly growing modern sector. In this process inequality is accentuated by more rapid population growth in the rural areas and ultimately reduced by rising wages produced by more rapid absorption of labor in the modern sector' (Chenery 1980: 13). McGrath and Whiteford (1994: 1) assert that South Africa is 'one of the most unequal societies in the world'. The South African literature, over and above the analysis of inequality of income shares of the total population, also decomposes the data into racial income shares to take account of the effect of policies of segregation which were pursued by the Nationalist government (McGrath and Whiteford 1994, Van der Berg 1989).

f. Poverty

Closely allied to the worsening distribution of income in the initial stage of development is, often, the existence of absolute poverty in such regions. Poverty is defined in terms of some arbitrarily determined objective. 'Attempts to define absolute poverty in terms of some objectively determinable minimum living level of consumption that is necessary for "continued survival" do not escape this problem, since the notion of continued survival is undefined' (Ahuwalia and Carter 1988: 458). Cheng and Ravallion (2004) using national household surveys estimate that the headcount indices at the 1993 purchasing parity show that poverty in the developing countries below the \$1 a day poverty line was reduced by about a half for the period 1981-2001. However there are regional variations among developing countries. Their report show that the incidence of poverty in Sub-Saharan Africa doubled. 'By the \$1 a day measure the share of the world's poor living in Africa has risen from 11 percent in 1981 to 29 percent in 2001'. Hence the authors are pessimistic about the region's chances of meeting the Millennium Development Goal.

The problem with poverty is that it can result in a vicious circle of its own. This implies that those trapped in it may find it difficult to remove the web. Poverty affects the productivity of the labour force through the inability to afford nourishing food, health facilities and education. Thirlwall (1983: 35) explains that 'Low absolute levels of income can have serious consequences for the nutrition and health of individuals. Malnutrition is a major cause of infant mortality, the rates of which are more than twice as high in developing countries as in developed countries'. Deficiencies in, for example, calorie and protein lead to poor mental development. Research by Sahn and Stifel (2000), although it contains a small sample of eleven countries shows that poverty in Africa has been declining in the last decade largely as a result of a reduction in poverty in the rural areas.

The analysis of poverty is a corollary to the analysis of income distribution. The other corollary is the analysis of the demographic transition of a developing country because the three interact to a large extent. For example population control measures or the decline in fertility rates can help reduce pressure on resources and hence in the alleviation of poverty. 'The final dimension of the transition to be noted here is the demographic transition. On the grounds of universality and basic relations to other development processes, this dimension should be incorporated in any statement of the agenda for development theory and policy. The reduction in mortality and fertility rates is intimately connected to the increase in per capita income and other aspects of modernization'. Therefore demographic aspects like fertility and mortality rates, dependency ratios, population growth and life expectancy are of interest to the development economist.

g. Demographic structure

The demographic structure has implications for the supply of labour and the labour market as such. Those countries which have a larger population growth rate will experience relatively large supplies of labour; and these countries are mainly developing ones. Most developing countries are in the intermediate stage of the demographic cycle

and this stage experiences rapid population growth rate as a result of high fertility rates on the one hand and low infant mortalities on the other hand. This is because of the application of medicine to reduce mortality whilst little is done to reduce fertility rates. Such a demographic pattern, with a proportion of the population below the age of fifteen (15), has negative implications for the dependency ratio. However as Maddison (1991) points out that, in due course, changes in demographic structure may lead to an increase in the labour force faster than population growth. For example, longer life expectancy has an incremental effect on the labour force. In addition labour force participation by women also increases the supply of labour.

The issues raised above are the main subject of inquiry in development economics. There are other areas of analysis such as financing development which may be studied on their own although they are subsumed in one way or the other in the study of the stylised facts. Indeed the analysis of development issues is multidimensional and requires approaches which are at times eclectic, that is, approaches which are neither neoclassical nor Keynesian.

So the main purpose of economic development is to increase the level of output because of the realisation that distribution can increase with more income.

4, SUSTAINABLE DEVELOPMENT

While economic development is mainly important to the developing countries and their communities, sustainable development is relevant to both the developing and the developed. This is particularly so because externalities in production may not be confined to developing or developed countries that produce them. For example, destruction of the ozone layer and climate change affects the entire world but the main culprits may largely be the developed world because of its style of living, which results in the emission of noxious gases into the atmosphere. Climate change is a case in point. Sustainable development pertains to the man-environment system (Hattingh and Steyn 1985), that is, the ecosystem – a system in which man and the environment corporate or co-exist in a

symbiotic relationship. As Anand and Sen point out ‘...the integration of human progress and environmental conservation has emerged as one of the central challenges faced by the modern world’. Sustainable development has a bearing on intergenerational equity and justice for the coming generations. It calls for the present generation to bequeath a sufficient or even larger stock of capital resources for perpetual existence of humankind on earth. And to achieve this conservation of resources is warranted. Conservation does not call for abstinence in the use of resources as preservation suggests but it, quite to the contrary, suggests the judicious use of resources so as to ensure their future availability and usability. Conservation is particularly relevant to the use of non-renewable resources like fossil fuels. This is where the developed world is the main culprit largely because of its opulent lifestyle. The destruction of the ozone layer is associated with noxious emissions and the developed world produces a large quantity of these. Conservation is also important to the use of renewable resources like air and water. We pollute our air to our own peril. The same applies to water. This demonstrates the limitation of Pigovian taxes since they cannot fully cover the ‘universal’ costs of externalities that arise from production. This is largely because they are the prerogative of individual nations while negative externalities traverse boundaries. This raises the question of rights and entitlements. The world, not the United States or Zimbabwe, but the whole world is entitled to ‘cleaner air’, ‘cleaner water’ and as such a ‘cleaner’ environment for a healthier life and well being. This is a basic human right and we are all entitled to a healthy environment. ‘Ethical universalism is basically an elementary demand for impartiality – applied within generations and between them’ Anand and Sen (2000: 2030).

Developing countries are the main victim when it comes to environmental denudation and degradation of a different kind. Deforestation such as is the case in the equatorial regions (Wunder 2001), wrong farming methods which lead to the erosion of fertile soil and the use of fuelwood are among the things in which the developing countries are culprits. There is therefore need for effort at poverty alleviation since these are associated with poverty. Quoting from the World Bank, Anand and Sen (2000: 2038) argue that ‘...poverty alleviation has been suggested as an instrument to protect the environment’.

But Africa, which is mainly a developing continent is rich in biodiversity and has the promise of being a haven of scientific research in the future – in any way the first cradles of civilisation can be traced back to Africa. Most World Heritage sites are in Africa. The ‘Big Five’ animals are largely in Africa. This suggests an ability to develop and grow in a ‘cleaner’ and environment friendly way. Tourism.

5. CONCLUSION

Economic development or efforts at opulence is not an end in itself. It should serve a subservient role to the main end of sustainable development. Unsustainable development is to the detriment of the continued existence of humanity. It has been argued that Malthus’s doomsday never saw the day because technological improvements keep on expanding horizons for improvement – there are no limits to the world’s capacity to develop alternatives. There may be, but the extinction of species in the ecosystem should start to send some alarm bells. Climate change and other catastrophes such as tsunamis, earthquakes and volcanic activity may suggest need for introspection.

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